

# Pinal County – Budget Considerations FY 2016 - 2017



P I N A L • C O U N T Y

*Wide open opportunity*

March 2, 2016

# Financial Health Ratios

- Governing Institute Financial Ratios
  - Indicators of financial position, financial structure and solvency
  - Benchmarking ratios across governments
  - Trending of Ratios over several years

# Financial Position

- Short-Run Financial Position
  - The greater the ratio, the greater ability to cover unexpected resource needs
- Liquidity
  - The greater the ratio, the greater ability to pay off General Fund short term obligations (1 year or less)

# Financial Position Ratios

		<b>Pinal County</b>					
		<b><i>FY 09/10</i></b>	<b><i>FY 10/11</i></b>	<b><i>FY 11/12</i></b>	<b><i>FY 12/13</i></b>	<b><i>FY 13/14</i></b>	<b><i>FY 14/15*</i></b>
<b><i>Short-run financial position</i></b>		0.27	0.25	0.26	0.30	0.23	0.14
	<b><i>Liquidity</i></b>	9.32	7.51	6.64	7.96	4.12	2.80

*\*FY 14/15 Unaudited Financial Information*

		<b>Comparison Counties</b>					
		<b><i>Coconino</i></b>	<b><i>Maricopa</i></b>	<b><i>Mohave</i></b>	<b><i>Pima</i></b>	<b><i>Yavapai</i></b>	<b><i>Yuma</i></b>
<b><i>Short-run financial position</i></b>		0.52	0.11	0.17	0.09	0.10	0.10
	<b><i>Liquidity</i></b>	4.70	1.61	4.23	2.01	1.97	3.71

*Financial Information from FY 13/14 CAFR*

# Financial Structure

- Activity Revenue
  - The larger the ratio, suggests that basic government services are more self sufficient through charges, fees and grants
- Own Source Revenues
  - The smaller the ratio, the less reliant government is on intergovernmental aid

# Financial Structure Ratios

		<b>Pinal County</b>					
		<b><i>FY 09/10</i></b>	<b><i>FY 10/11</i></b>	<b><i>FY 11/12</i></b>	<b><i>FY 12/13</i></b>	<b><i>FY 13/14</i></b>	<b><i>FY 14/15*</i></b>
<b><i>Activity Revenue</i></b>		0.39	0.36	0.36	0.37	0.33	N/A
<b><i>Own Source revenues</i></b>		0.33	0.32	0.38	0.38	0.38	0.41

*\*FY 14/15 Unaudited Financial Information*

		<b>Comparison Counties</b>					
		<b><i>Coconino</i></b>	<b><i>Maricopa</i></b>	<b><i>Mohave</i></b>	<b><i>Pima</i></b>	<b><i>Yavapai</i></b>	<b><i>Yuma</i></b>
<b><i>Activity Revenue</i></b>		0.40	0.31	0.33	0.30	0.32	0.31
<b><i>Own Source revenues</i></b>		0.50	0.50	0.45	0.38	0.41	0.41

*Financial Information from FY 13/14 CAFR*

# Solvency

- Near-Term Solvency
  - The smaller the ratio, suggests that outstanding obligations can be more easily met with annual revenues
- Debt Burden
  - The smaller the ratio, the less burden on the taxpayer and greater capacity for additional borrowing
- Coverage
  - The smaller the ratio, the easier the general governmental long-term debt can be paid when due

# Solvency Ratios

	<b>Pinal County</b>					
	<b><i>FY 09/10</i></b>	<b><i>FY 10/11</i></b>	<b><i>FY 11/12</i></b>	<b><i>FY 12/13</i></b>	<b><i>FY 13/14</i></b>	<b><i>FY 14/15*</i></b>
<b><i>Near-term solvency</i></b>	0.06	0.06	0.06	0.06	0.08	N/A
<b><i>Debt Burden</i></b>	466.20	441.29	411.25	378.52	350.38	419.06
<b><i>Coverage</i></b>	0.08	0.08	0.07	0.07	0.07	0.06

*\*FY 14/15 Unaudited Financial Information*

	<b>Comparision Counties</b>					
	<b><i>Coconino</i></b>	<b><i>Maricopa</i></b>	<b><i>Mohave</i></b>	<b><i>Pima</i></b>	<b><i>Yavapai</i></b>	<b><i>Yuma</i></b>
<b><i>Near-term solvency</i></b>	0.13	0.07	0.05	0.11	0.05	0.09
<b><i>Debt Burden</i></b>	3.23	34.28	129.98	1,394.06	110.85	294.61
<b><i>Coverage</i></b>	0.00	0.02	0.11	0.18	0.01	0.04

*Financial Information from FY 13/14 CAFR*

# Budget Timeline

- Forms & Worksheets to Departments - March 9<sup>th</sup>
- Forms & Worksheets Due to Budget Office - March 30<sup>th</sup>
- BOS Requests - Late April thru Early May
- Tentative Budget Adoption – May 18<sup>th</sup>
- Final Budget Adoption – June 15<sup>th</sup>

# General Fund Forecast

FY 2016-2018 General Fund Forecast						
	FY 12-13 Actual	FY 13-14 Actual	FY14-15 Actual (Unaudited)	FY 15-16 Projection	FY 16-17 Projection	FY 17-18 Projection
<b>BEGINNING FUND BALANCE</b>	\$43,730,294	\$48,044,732	\$36,505,766	\$20,249,543	\$21,681,442	\$19,538,829
<b>REVENUES</b>						
Property Taxes and Delinquent Tax Lien Sales	\$81,067,759	\$73,174,837	\$76,516,064	\$80,635,081	\$83,052,818	\$85,391,671
County Sales Tax	\$12,799,507	\$13,554,101	\$14,007,149	\$14,567,435	\$15,004,458	\$15,454,592
License & Permits	\$2,418,264	\$2,969,113	\$2,913,494	\$3,216,005	\$3,280,325	\$3,345,932
Intergovernmental	\$40,108,940	\$44,368,471	\$46,129,391	\$47,591,687	\$48,829,071	\$50,098,627
Charges for Services	\$19,440,241	\$18,795,692	\$7,336,135	\$11,883,000	\$6,510,660	\$6,640,873
Fines & Forfeits	\$1,839,517	\$764,504	\$805,158	\$864,935	\$890,883	\$917,610
Miscellaneous	\$1,300,144	\$1,732,010	\$1,132,073	\$5,445,262	\$1,908,003	\$716,853
Transfers In	\$3,388,438	\$3,199,011	\$3,469,841	\$5,880,751	\$4,880,751	\$4,880,751
<b>TOTAL REVENUE</b>	\$162,362,810	\$158,557,740	\$152,309,305	\$170,084,156	\$164,356,969	\$167,446,908
<b>EXPENDITURES</b>						
Personnel	\$104,260,129	\$103,573,164	\$100,581,171	\$100,780,989	\$100,500,989	\$101,930,989
Non-Personnel	\$49,360,309	\$52,345,495	\$52,492,187	\$51,070,418	\$50,570,418	\$50,070,418
Transfers Out	\$4,427,934	\$14,178,047	\$15,492,169	\$13,132,732	\$13,960,057	\$15,567,224
State Impact				\$3,668,118	\$3,668,118	\$3,668,118
Cut - Effect of 3% Budget Reduction					(\$2,200,000)	(\$2,200,000)
<b>TOTAL EXPENDITURES</b>	\$158,048,372	\$170,096,706	\$168,565,527	\$168,652,257	\$166,499,582	\$169,036,749
<b>REVENUE LESS EXPENDITURE</b>	<u>\$4,314,438</u>	<u>(\$11,538,966)</u>	<u>(\$16,256,222)</u>	<u>\$1,431,899</u>	<u>(\$2,142,613)</u>	<u>(\$1,589,841)</u>
<b>Surplus/(Deficit) as a % of Revenue</b>	<b>3%</b>	<b>-7%</b>	<b>-11%</b>	<b>1%</b>	<b>-1%</b>	<b>-1%</b>
<b>ENDING FUND BALANCE</b>	\$48,044,732	\$36,505,766	\$20,249,543	\$21,681,442	\$19,538,829	\$17,948,988
<b>Reserve as a % of outflows</b>	<b>30%</b>	<b>21%</b>	<b>12%</b>	<b>13%</b>	<b>12%</b>	<b>11%</b>
<b>15% of Projected Outflows</b>	\$23,707,256	\$25,514,506	\$25,284,829	\$25,297,839	\$24,974,937	\$25,355,512

# Economic Forecast

## 2016 : Annual Percentage Change

	Current \$ Personal Income	Retail Sales	Wage & Salary Employment	Population Growth	Single-Family Housing Permits
Arizona Department of Administration	4.1	6.6	2.4	1.8	5
Arizona Public Service	6	7.2	3.4	2.1	37.1
ASU - Economic Outlook Center	5.2	5.5	2.6	1.6	20
Davidson Fixed Income Management	6.5	6.1	2.9	1.3	30
ECON-LINC	5	5.3	2.4	1.5	10
EconLit LLC	5.5	5.4	2.8	1.7	30
Elliott D. Pollack & Co.	5.5	4.5	2.9	1.7	18
Joint Legislative Budget Committee	5	5	2.7	1.6	15
NAU - BBER	5.8	4.8	3	1.3	12
Neal Helm	6.5	6.1	2.8	1.3	12
Rounds Consulting Group	5	5	2.7	1.7	23
Southwest Growth Partners	5.7	5.8	2.2	1.5	28
Stellar Capital Management	5.7	6.2	3.1	1.6	18
The Maguire Company	5	5	3	1.6	20
UA - Eller College	4.5	9.9	2.2	1.3	32.1
Wells Fargo	4.6	6	2.5	1.5	17.6
<b>Consensus</b>	<b>5.4</b>	<b>5.9</b>	<b>2.7</b>	<b>1.6</b>	<b>20.5</b>

## 2017 : Annual Percentage Change

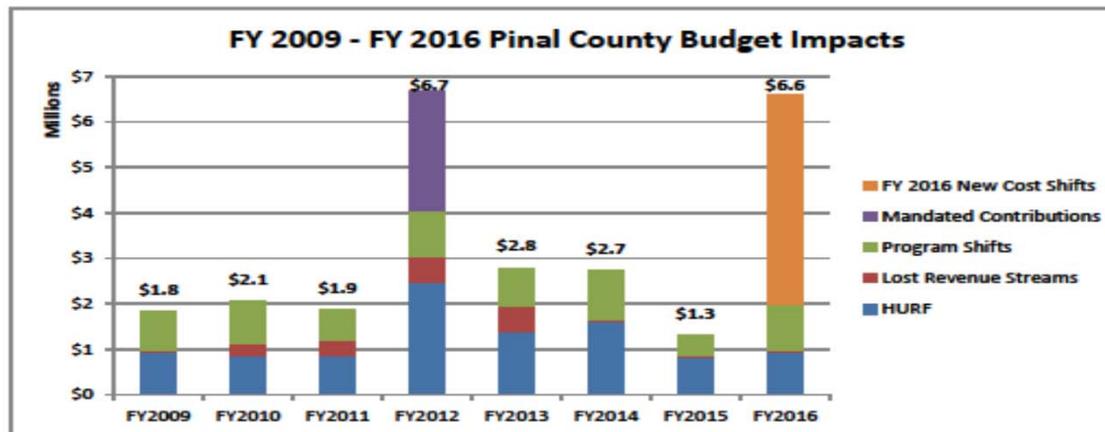
	Current \$ Personal Income	Retail Sales	Wage & Salary Employment	Population Growth	Single-Family Housing Permits
ASU - Economic Outlook Center	5.3	6	2.6	1.7	25
ECON-LINC	5.2	5.5	2.6	1.6	20
Joint Legislative Budget Committee	5.4	5.3	2.8	1.6	10
NAU - BBER	5.2	4.5	2.5	1.3	-10
Rounds Consulting Group	5.5	5.5	2.9	2	25
<b>Consensus</b>	<b>5.3</b>	<b>5.4</b>	<b>2.7</b>	<b>1.6</b>	<b>14</b>

**STATE BUDGET IMPACTS**

ENACTED FY 2016 BUDGET	STATEWIDE COUNTY IMPACT	PINAL COUNTY
HURF Shift to DPS	(\$12.2 million)	(\$948,390)
SVP Costs at ASH	(\$3.4 million)	(\$190,803)
100% of Rural RTC Costs*	(\$1.3 million)	(\$760,984)
Reduce State Share of JP Salaries	(\$1.1 million)	(\$138,167)
Maricopa Superior Court Judge Salaries	(\$9.0 million)	N/A
ACJC Grants to Indigent Defense	(\$700,300)	(\$29,269)
Elimination of the County Lottery Revenue	(\$2.1 million)	(\$550,000)
Elimination of Prop 204 Funding	(\$4.8 million)	N/A
1% Property Tax Cap Liability Shift	(\$9.1 million)	(\$2,815,942)
ADOR Appropriation Shift	(\$6.7 million)	(\$396,776)
25% Cost for Juveniles Housed at ADJC	(\$12.0 million)	(\$705,449)
<b>Enacted Fiscal Impact</b>	<b>(\$62.6 million)</b>	<b>(\$6,614,442)</b>

\*Only billings from ASH are included, actual impact includes cost to counties for outside providers.

ESTIMATED AGGREGATE IMPACTS FY 2008-FY 2016	STATEWIDE COUNTY IMPACT	PINAL COUNTY
HURF Shifts	(\$138.4 million)	(\$9,950,835)
Lost Revenue Streams	(\$81.5 million)	(\$1,838,836)
Program Shifts	(\$119.8 million)	(\$6,882,520)
Mandated Contributions	(\$130.2 million)	(\$2,597,400)
FY 2016 New Cost Shifts	(\$45.2 million)	(\$4,612,046)
<b>Estimated Fiscal Impact</b>	<b>(\$417.5 million)</b>	<b>(\$25,881,637)</b>



Prepared by the County Supervisors Association – December, 2015 - [www.countysupervisors.org](http://www.countysupervisors.org)

# FY 2016-17 Budget Development Policies to Consider

- Property Tax Rate to remain at \$3.9999
- General Fund Unrestricted Reserve to remain above 10% of estimated outflows
- Incorporate funds for Phase 1 of comp study (bring to minimum salaries) and half of Phase 2 (decompression of salaries due to wage freezes)
- Across the board 3% budget reduction with ability to budget vacancy savings as a tool to assist in meeting the target