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# ARIZONA TAX RESEARCH ASSOCIATION

## NEWSLETTER

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# COUNTY GENERAL FUND BUDGETS CLIMB 11.5%, TOPPING \$2 BILLION

County general fund budgets climbed \$100.3 million (5.3%), reaching over \$2 billion in FY 2006. However, the overall 5.3% increase in this year's budgets is understated due to the drop in Maricopa County's budget. The decrease in Maricopa was due to shifting the health care delivery system to the newly created Special Health Care District that was approved by voters under Prop 414. After controlling for the new district as well as other one-time expenditures in Maricopa's general fund budget, total county general fund budgets actually climbed \$208.1 million or 11.5%.

Navajo County adopted the largest percentage increase in their general fund budget at 19.2%, followed by Pinal County with an 18.5% increase, and Mohave County with an 18.2% increase.

Greenlee County outspends more on a per capita basis than all the other counties, at \$840, which is not a surprise since it has the lowest population. Pima County, which has the second largest population in the state next to Maricopa, is ranked 7<sup>th</sup>, spending \$451 per capita (see table on page 4).

The 10% growth in statewide primary net assessed values (see the September 2005 *ATRA Newsletter*) drove the additional \$66.3 million (9%) in primary property tax levies. Primary property taxes, which are levied for maintenance and operation purposes, totaled \$799 million in FY 2006.

County	FY 2005 General Fund	FY 2006 General Fund	Change	% Change
Apache	\$22,871,406	\$23,427,941	\$556,535	2.4%
Cochise	\$52,596,830	\$54,503,577	\$1,906,747	3.6%
Coconino	\$50,257,950	\$53,121,689	\$2,863,739	5.7%
Gila	\$31,995,496	\$33,893,058	\$1,897,562	5.9%
Graham	\$15,799,122	\$16,790,564	\$991,442	6.3%
Greenlee	\$6,588,557	\$7,017,869	\$429,312	6.5%
La Paz	\$11,361,821	\$12,045,895	\$684,074	6.0%
Maricopa	\$996,996,458	\$995,997,839	-\$998,619	-0.1%
Maricopa *	\$903,312,172	\$1,010,093,974	\$106,781,802	11.8%
Mohave	\$61,158,034	\$72,277,402	\$11,119,368	18.2%
Navajo	\$30,027,529	\$35,785,849	\$5,758,320	19.2%
Pima	\$385,102,629	\$419,847,076	\$34,744,447	9.0%
Pinal	\$92,853,684	\$110,000,000	\$17,146,316	18.5%
Santa Cruz	\$23,941,651	\$27,432,229	\$3,490,578	14.6%
Yavapai	\$72,769,689	\$85,755,864	\$12,986,175	17.8%
Yuma	\$56,098,964	\$62,834,347	\$6,735,383	12.0%
Total	\$1,910,419,820	\$2,010,731,199	\$100,311,379	5.3%
Controlled Total	\$1,816,735,534	\$2,024,827,334	\$208,091,800	11.5%

\*Controlling for the creation of the new Special Health Care District and one-time changes.

### ***Thirteen out of 15 counties increased property taxes over TNT levels in FY 2006***

All counties except for Yuma and La Paz increased primary property taxes in FY 2006, requiring the other 13 counties to hold Truth-in-taxation (TNT) hearings.

The TNT rate is the rate that counties can adopt if they choose not to increase property taxes. When a county adopts the TNT rate, the only growth in property tax levies is derived from adding new construction to the tax rolls. If a county plans to adopt a primary rate higher than the TNT rate, it is required to notify taxpayers of the increase by holding a TNT hearing. Only two counties, Apache and Navajo, increased their tax rates over the previous year.

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Every year, ATRA meets with county officials from the 15 different counties to discuss their budgets. The following summaries are a result of those budget meetings.

## Apache County

Apache County's general fund budget increased 2.4% to \$23.4 million in FY 2006. The county continues to carry a significant \$8.8 million in unreserved funds, representing nearly 38% of the county's total general fund budget. The county is planning to use the money for the first time this fiscal year for various capital projects throughout the county.

Apache is at its levy limit in FY 2006, with the total primary levy at \$1.4 million after a \$276,559 (24.5%) increase. Voters approved a 7-year extension to the county secondary override last May, and as a result, the Board adopted a rate of \$0.4189, which is expected to generate approximately \$1.3 million.

The county increased the library district rate 4.7 cents to 30 cents. The recent issuance of \$3.5 million in certificates of participation (COPs) is for the construction of a new library

in Round Valley. FY 2005 was the first year the county levied a rate under the flood control district, and that rate is increasing slightly from \$0.1015 to \$0.1043. Last fiscal year, the county issued a \$1 million 10-year bond to repair the River Reservoir Dam.

## Cochise County

Cochise County's general fund budget climbed \$1.9 million (3.6%) in FY 2006, to \$54.5 million. The county's unreserved fund balance is \$7.9 million, 15% of the total general fund budget. The county's primary levy increased \$1.6 million (8.8%) over last year, bringing the total primary levy to \$19.5 million.

The county awarded employees with a 2% cost of living adjustment (COLA) and a 3% merit and longevity increase in FY 2006. Sheriff's deputies received a \$500 one-time increase (average 2%), as well as step increases. The total cost of all employee pay raises to the general fund amounted to \$1.2 million. Last fiscal year, sheriff's deputies received an average raise of 12.8% to bring sheriff personnel up to market standards, which also marked the beginning

of step salary increases for sheriffs. The annualized cost amounted to approximately \$500,000.

## Coconino County

Coconino County's general fund budget is up \$2.9 million (5.7%) to \$53.1 million in FY 2006. The county began the fiscal year with a \$16.3 million fund balance, representing 31% of the county's total general fund. The county increased primary levies 7.6% over last year's adopted levy, bringing the total primary levy to just over \$6 million.

The county increased the flood control district rate over 12 cents this year to 20 cents, resulting in a levy increase of 246%, from \$404,743 to \$1.4 million.

Coconino has two special districts that are funded by a sales tax. The county jail district is supported by a 3/10-cent sales tax rate that is budgeted to generate \$6.4 million in FY 2006. According to county officials, the Board is planning to go back to voters in 2006 to request an increase in the jail district sales tax rate from the 3/10-cent rate to a 1/2-cent rate. The county also levies a 1/8-cent sales tax rate for the funding of parks and open space in the county, which is expected to produce \$2.4 million this fiscal year.

## Gila County

The Gila County general fund budget increased \$1.9 million (5.9%) in FY 2006, to a total of \$33.9 million. The beginning fund balance is \$1.3 million. Gila's adopted primary rate of \$4.4100 is nearly 12 cents above the TNT rate. The \$1 million in additional primary levies resulted in a total primary levy of \$17.1 million.

Gila awarded employees with a 5% COLA, a 2.5% step increase, and an average 17% market adjustment for law enforcement personnel, all at an annualized cost of \$270,000 to the general fund.

County	FY 2005 Primary Levy	FY 2006 Primary Levy	Change	% Change
Apache	\$1,130,619	\$1,407,178	\$276,559	24.5%
Cochise	\$17,949,241	\$19,525,252	\$1,576,011	8.8%
Coconino	\$5,580,580	\$6,006,746	\$426,166	7.6%
Gila	\$16,140,493	\$17,098,264	\$957,771	5.9%
Graham	\$1,825,819	\$1,909,149	\$83,330	4.6%
Greenlee	\$1,234,066	\$1,252,020	\$17,954	1.5%
La Paz	\$3,185,735	\$3,211,807	\$26,072	0.8%
Maricopa	\$339,882,099	\$371,224,118	\$31,342,019	9.2%
Mohave	\$21,908,603	\$24,002,974	\$2,094,371	9.6%
Navajo	\$4,071,264	\$4,334,090	\$262,826	6.5%
Pima	\$220,399,039	\$238,193,628	\$17,794,589	8.1%
Pinal	\$47,255,087	\$54,358,189	\$7,103,102	15.0%
Santa Cruz	\$8,299,918	\$8,743,144	\$443,226	5.3%
Yavapai	\$28,506,000	\$31,939,000	\$3,433,000	12.0%
Yuma	\$15,355,001	\$15,795,375	\$440,374	2.9%
<b>Total</b>	<b>\$732,723,564</b>	<b>\$799,000,934</b>	<b>\$66,277,370</b>	<b>9.0%</b>

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The county is joining several counties in its decision to ask voters for the ability to create a jail district. The county plans to levy a sales tax rather than a property tax to fund the district. In addition, the county is considering going to voters for general obligation bonds to build a new facility. The existing adult and juvenile jail facilities are 100% occupied according to county officials.

## Graham County

Graham County's FY 2006 general fund budget is \$16.8 million, a 6.3% increase over last year's general fund budget of \$15.8 million. The county's \$3.1 million unreserved fund balance is nearly 19% of the total general fund. The county increased its primary levy 4.6% to a total of \$1.9 million.

At the end of FY 2005, the county gave employees an additional paycheck, at a cost of \$285,000 to the general fund. In FY 2006, the county awarded employees with a 3% COLA at an annualized cost of \$155,000.

The county is currently in the planning stages of constructing a new jail but is initially considering an expansion to the existing jail, which has an average occupancy of approximately 80%.

## Greenlee County

Greenlee County's FY 2006 general fund budget is \$7 million, a 6.5% increase over last year. The county began the fiscal year with a \$750,000 fund balance.

Greenlee levies to their constitutional levy limit at approximately \$1.3 million. FY 2005 was the last year the county had the legal authority to levy a secondary rate for the voter-approved override, resulting in the overall county tax rate dropping from \$1.8312 to \$0.6556 in FY 2006.

The county has been spending up to the county's expenditure limit for the past few years. For that reason, the county asked voters for a \$1 million permanent increase in

County	FY 2005 Primary Rate	FY 2006 Primary Rate	TNT Rate	Over/(Under) TNT Rate	TNT Hearing
Apache	0.3818	0.4598	0.3765	0.0833	Yes
Cochise	2.9373	2.9373	2.8642	0.0731	Yes
Coconino	0.4753	0.4753	0.4578	0.0175	Yes
Gila	4.4100	4.4100	4.2906	0.1194	Yes
Graham	1.7912	1.7912	1.7836	0.0076	Yes
Greenlee	0.7707	0.6556	0.6427	0.0129	Yes
La Paz	2.2500	2.2500	2.2931	(0.0431)	No
Maricopa	1.2108	1.1971	1.1516	0.0455	Yes
Mohave	1.7500	1.7500	1.7014	0.0486	Yes
Navajo	0.6316	0.6337	0.6213	0.0124	Yes
Pima	4.0720	4.0720	3.9031	0.1689	Yes
Pinal	4.4532	4.4532	4.3777	0.0755	Yes
Santa Cruz	3.3487	3.3487	3.2883	0.0604	Yes
Yavapai	1.7008	1.7008	1.6014	0.0994	Yes
Yuma	2.3180	2.2239	2.3532	(0.1293)	No

the county expenditure limit, which was approved by voters in the November 2004 general election.

## La Paz County

The La Paz County general fund budget increased 6% to \$12 million. The beginning general fund balance of \$1.4 million reflects 11.2% of the total general fund. The total primary property tax levy is \$3.2 million in FY 2006. La Paz was one of two counties that were not required to hold a TNT hearing.

The county funds its jail district with a 1/2-cent sales tax, which is budgeted to generate \$1 million in FY 2006. The budget shows \$1.6 million in intergovernmental revenue from housing Federal and Coconino County inmates. Also included in the jail district budget is \$1.5 million for a possible expansion to the jail facilities.

FY 2006 (tax year 2005) is the last year the county can levy a 66-cent property tax rate for the countywide hospital district that was created in 2002 by approval of the voters.

The county provided employees with a 3% COLA at a cost of \$115,625 to the general fund. The county also gave a 5% mid-year COLA to all employee's last fiscal year.

## Maricopa County

Maricopa's general fund budget decreased \$998,619 to \$996 million in FY 2006. When adjusting for transfers in and out of the general fund to account for the creation of the new Special Health Care District (SHCD), including the Disproportionate share reimbursements and \$11.8 million subsidy to the health care delivery system last fiscal year, and other one-time changes, the general fund actually increased \$106.8 million or 11.8%.

In November 2003, voters approved Prop 414, which allowed the county to create a SHCD with the capacity to levy up to \$40 million in secondary property taxes. This allowed the county board of supervisors to shift the responsibility of the health care delivery system to the new board of directors, and ultimately, free up the general fund by shifting the expenditures to the newly formed special district. The SHCD Board adopted a property tax rate of \$0.1206 in FY 2006 that will generate the maximum allowable levy of \$40 million.

Maricopa is at their constitutional levy limit, and therefore, was required to drop the primary rate from \$1.2108 to \$1.1971. The

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total primary property tax levy is budgeted to generate \$371.2 million, which is \$31.3 million (9.2%) more than last year's levy. State shared sales taxes are expected to jump by a substantial \$32.4 million (8.6%) to \$407.3 million, and the vehicle license tax, which reflects an additional \$8.1 million (6.8%), is anticipated to top \$126.1 million.

In November 2002, voters approved a 20-year extension to the 2/10-cent jail excise tax. In FY 2006, the sales tax generated by the jail district is expected to reach \$121.6 million.

The temporary one-cent increase in the library district rate two years ago for capital projects now appears permanent. In FY 2006, the library district rate remains unchanged at \$0.0521. The total levy for the district is budgeted to generate \$17.3 million in FY 2006, \$1.6 million (10.4%) more than last year.

County employees were awarded with a 4.5% merit increase in FY 2006, at a cost of \$19.2 million to the general fund. The county also granted employees a mid-year 4% merit increase last fiscal year, at a cost of \$13.8 million.

## Mohave County

Mohave County's general fund budget climbed \$11.1 million (18.2%) to \$72.3 million in FY 2006. The county holds \$9.7 million in its general fund unreserved balance, approximately 13.4% of the total general fund. Primary property taxes increased \$2.1 million (9.6%) to \$24 million.

Mohave gave employees a 3% COLA, at a cost of \$800,000 to the general fund. They also set aside an additional \$1 million for a mid-year market adjustment that will be based on a study of the current employee pay and classification system. The anticipated effective date of the market adjustment is January 1, 2006.

Mohave added 38 new full time equivalents (FTE's) to the general fund. In addition, the general fund is absorbing \$900,000 in additional costs attributed to employee medical benefit coverage.

The county is looking into a needs assessment analysis for a new jail. The

existing adult facility holds 400 beds and the Sheriff is looking to expand the facility to hold a maximum of 1,000 beds.

The Mohave budget holds \$18 million in its capital contingency fund and is in the process of developing a 5-year plan. The county plans to spend \$6.6 million in capital projects this fiscal year.

Rank	County	General Fund Budgets Per Capita
1	Greenlee	\$840
2	Santa Cruz	\$653
3	Gila	\$627
4	La Paz	\$570
5	Pinal	\$504
6	Graham	\$466
7	Pima	\$451
8	Yavapai	\$436
9	Cochise	\$419
10	Coconino	\$410
11	Mohave	\$401
12	Yuma	\$346
13	Navajo	\$333
14	Apache	\$328
15	Maricopa	\$283

## Navajo County

Navajo County's general fund budget jumped \$5.8 million (19.2%), from \$30 million to \$35.8 million, representing the largest percentage increase of all the counties. The unreserved beginning general fund balance of \$7.6 million represents 21.3% of the total general fund. The county is currently at its constitutional levy limit, at \$4.3 million.

The county made the decision to increase the Public Health Services District (PHSD) rate over 12 cents, from \$0.0759 to \$0.1963. The increase in the tax rate will generate \$1.4 million in property tax revenues, \$875,356 (174%) more than last year. The county decided to increase the rate in order to pay for additional services out of the district, ranging from animal control services to public health nursing salaries.

The flood control district rate was increased nearly 10 cents, to the current level

of 30 cents in FY 2006. The increased rate will generate \$1.5 million in revenue, a significant increase of \$552,666 over last year. According to county officials, the rate increase was necessary to pay for repairs to the Winslow Dam.

## Pima County

The Pima County general fund budget received a significant boost of \$34.7 million (9%) to \$420 million in FY 2006. The county began the fiscal year with a \$19.8 million unreserved general fund balance. Primary property taxes in Pima rose \$17.8 million (8.1%) to \$238.2 million. In addition, Pima raised the countywide flood control district rate two cents to pay for the Mt. Lemon Redevelopment plan approved by the Board of Supervisors.

The county debt service rate dropped one-cent, down to \$0.7150, as a result of an excess carry forward balance in the debt service fund.

There has been an ongoing dispute between the City of Tucson and Pima County with regard to the countywide library operations. The county decided to relieve the city from any responsibility and has planned for a five-year transition. As a result, the library district rate increased 4.5 cents this year, up to \$0.2575. The library district levy increased \$3.6 million (30.5%), from \$11.9 million to \$15.6 million as a result. County officials warn that the rate is expected to double by the fifth year, without an agreement for tax relief at the city level to offset the increased rate.

## Pinal County

The \$17.1 million (18.5%) increase in Pinal County's general fund budget brings the total general fund up to \$110 million in FY 2006. Although not shown in the general fund budget, the county holds approximately \$16 million in the unreserved fund balance.

Pinal County continues to experience the highest percentage of new construction in the state, approximately 11% of the county's

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total net assessed value in FY 2006. The county's primary rate of \$4.4532 is the highest rate of all the counties, and as a result, primary property taxes increased \$7.1 million, or 15%, to \$54.4 million.

County employees were rewarded with a 2% COLA, at a cost of \$1.8 million to the general fund. The county also added 44 new FTE's to the general fund, with 16 dedicated to the Sheriff's department. The cost of the additional FTE's amounted to approximately \$2.8 million.

The county recently issued \$75 million in COPs to build new Adult and Juvenile Detention facilities as well as a new training facility, which is scheduled to open in the spring of 2006. Debt service payments and operating expenses are budgeted at \$15 million each and jail medical care costs increased nearly \$3.5 million.

## Santa Cruz

The FY 2006 general fund budget for Santa Cruz climbed \$3.5 million (14.6%), up to \$27.4 million. The county began the fiscal year with a \$7.4 million beginning fund balance, representing 27% of the total general fund. County primary property taxes increased 5.3% to \$8.7 million.

The 1.8% COLA given to employees cost the general fund \$80,000. In November 2005, the county plans to give employees up to a 2.5% COLA, at a cost of \$128,000 to the general fund.

The county is planning to go to voters this November to create a jail district, with the plan to levy a 1/2-cent sales tax. According to county officials, the existing jail holds 92 beds and is fully occupied. The county plans to build two new pods, which will hold 280 beds and also a new juvenile facility to hold a maximum of 30 beds. The county estimates the cost of the new adult and juvenile facilities to be between \$40 and \$50 million, which will be funded through the issuance of COPs.

The county was able to pay off their total debt service sooner than anticipated as a

result of an excess carryforward balance. County officials claim that the \$2.9 million remaining in the debt reserve account will either be used to fund the new administrative building or to pay off the remaining \$2 million in lease-purchase debt from the road fund, landfill, and flood control district.

The county also plans to expand the existing administration building next year and estimates the cost at approximately \$6 million, which will be funded with COPs as well.

## Yavapai County

Yavapai County raised the general fund budget \$13 million (17.8%) over last year, increasing the total general budget to \$85.8 million. The county began the fiscal year with an unreserved fund balance of \$8.8 million. Yavapai's primary property tax levy increased \$3.4 million (12%) to \$31.9 million in FY 2006.

Yavapai levies a 1/4-cent sales tax to fund its jail district, which is expected to generate \$7.6 million in FY 2006.

The county provided employees a 2.6% merit increase and a 4.2% range adjustment. The combined cost of both raises was \$1.7 million. Thirty FTE's were added to the general fund, the majority of which went into development services and the sheriff's department. The county absorbed the rising costs of healthcare for employees and dependents. The annual cost for individual employee health benefits increased from \$4,304 to \$4,640 and the total cost of dependent coverage to the county increased from \$1,336,785 to \$1,436,577. The county also incurred an additional \$30,000 in costs for medical services in the juvenile detention facility.

## Yuma County

The Yuma County general fund budget jumped \$6.7 million (12%) in FY 2006 to a total of \$62.8 million. The county began the fiscal year with a \$15 million general fund balance, which represents 24% of the total general fund.

County primary property taxes increased \$440,374 (2.9%) to \$15.8 million. The Board dropped the primary rate over 9 cents, from \$2.3180 to \$2.2239, and as a result, the county was not required to hold a TNT hearing. The decision to decrease the primary rate was directly related to the Board's unanimous vote to create a PHSD in April 2005. The PHSD is supported by a 0.1% sales tax, which became effective in September 2005. County officials anticipate district revenues to reach approximately \$2.3 million annually. In addition, the 1/2-cent sales tax levied for the county jail district is budgeted at \$11.8 million for FY 2006.

The county's entire employee compensation package resulted in a \$1.8 million cost to the general fund. Employees were rewarded with a 2.5% equity adjustment, 5% merit increase, a 3.5% range adjustment, 1.7% COLA for court employees, as well as a separate pay plan for Attorneys. The county also added 32 new FTE's to the general fund.

*Jennifer Schuldt*

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# HIGHEST COMBINED TAX RATES FOR 2005 BY COUNTY

COUNTY	TAX RATE	K-12 DISTRICT(S)/JOINT TECH DISTRICT/ CITY, TOWN OR FIRE DISTRICT (FD)	COUNTY AVG.	% OF COUNTY AVG.
Apache	9.6390	Sanders Unified/NATIVE (Joint TECH)/Puerco FD	7.47	129%
Cochise	19.2434	Bowie Unified/Cochise Tech/Bowie FD	12.40	155%
Coconino	14.1781	Ash Fork Unified/Kaibab Estates FD	8.76	162%
Gila	52.6734	Hayden-Winkelman Unified/CVIT (Joint Tech)/Hayden	12.93	407%
Graham	11.9468	Safford Unified/Gila Tech/Safford Rural FD	10.33	116%
Greenlee	10.6875	Clifton Unified/Clifton	4.93	217%
La Paz	16.6265	Wenden Elementary/Bicentennial Union/McMullen Vily FD	11.87	140%
Maricopa	17.8340	Isaac Elementary/Phoenix Union/Phoenix	10.98	162%
Mohave	17.4738	Colorado City Unified/Colorado City	9.94	176%
Navajo	12.4858	Kayenta Unified/NATIVE	9.15	136%
Pima	18.2112	Tucson Unified/Drexel Heights FD	15.52	117%
Pinal	21.1244	Mammoth-San Manuel Unifed/San Manuel FD	15.77	134%
Santa Cruz	15.5717	Santa Cruz Elementary/Nogales Suburban FD	12.86	121%
Yavapai	16.5317	Ash Fork Unified/Ash Fork FD	9.81	169%
Yuma	14.7627	Yuma Elementary/Yuma Union/Yuma	13.70	108%