

FY 2017 Budget Series Revenue Update & Fiscal Status

City Council Chambers
826 North Main Street
Cottonwood, AZ 86326

January 12, 2016



Topics of Discussion

-  Major Revenue Sources
-  Departmental Needs That Continue To Be Cut
-  Some Financial Concerns
-  Possible Options



Major Revenue Sources



Major Revenue Sources

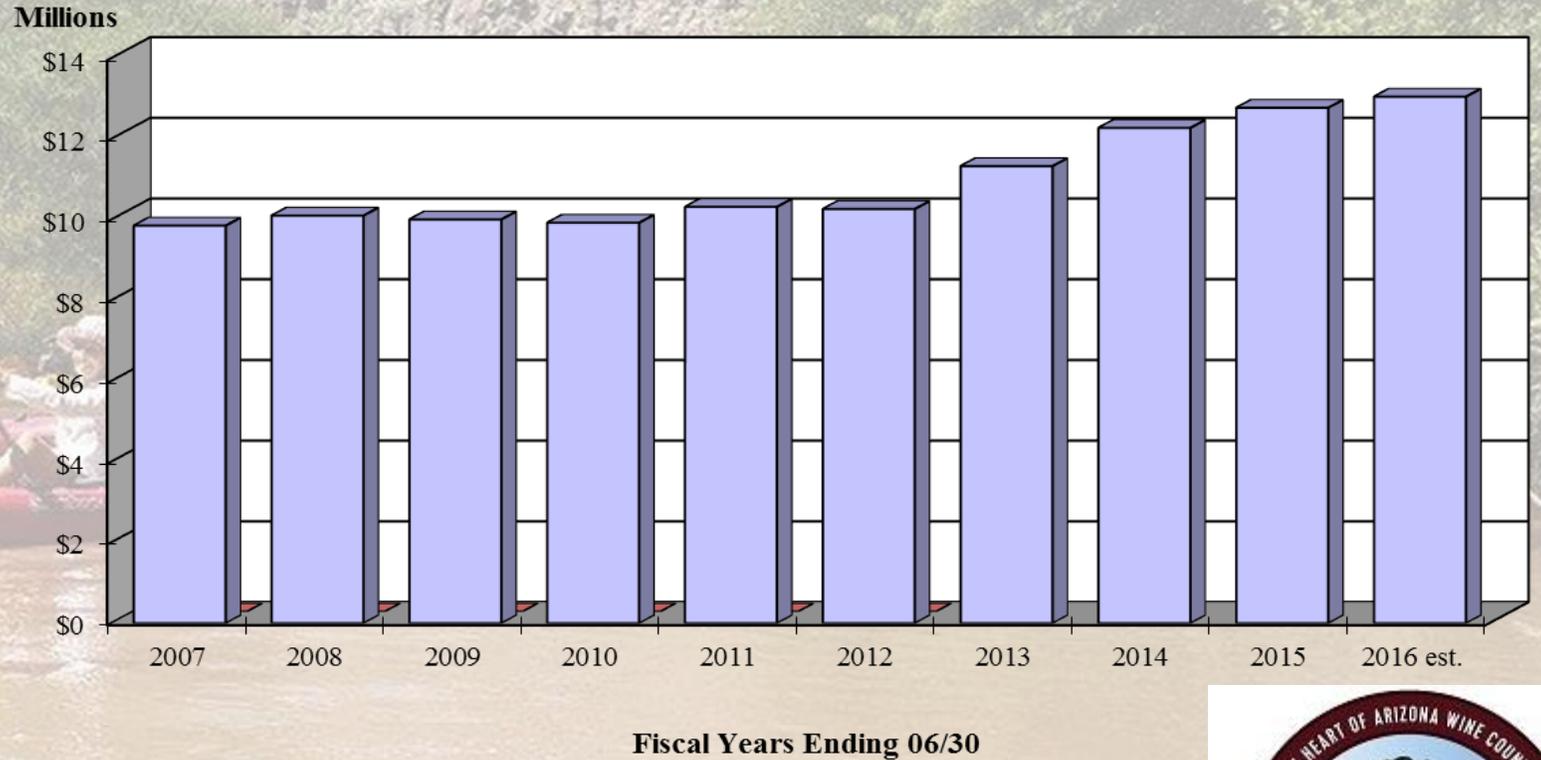
-  Local Transaction Privilege Tax
-  State Shared Income Tax
-  State Shared Transaction Privilege Tax
-  Vehicle License Tax
-  Investment Income
-  Fines & Forfeitures
-  Franchise Fees
-  Highway User Revenue Fund (HURF)/Transit



Local Transaction Privilege Tax

Fiscal Year Ending 06/30	Amount	% Inc. / (Dec.)
2007	9,853,864	0.56%
2008	10,102,433	2.52%
2009	10,007,515	-0.94%
2010	9,925,087	-0.82%
2011	10,319,948	3.98%
2012	10,265,356	-0.53%
2013	11,329,353	10.36%
2014	12,276,615	8.36%
2015	12,774,860	4.06%
2016 est.	13,050,320	2.16%

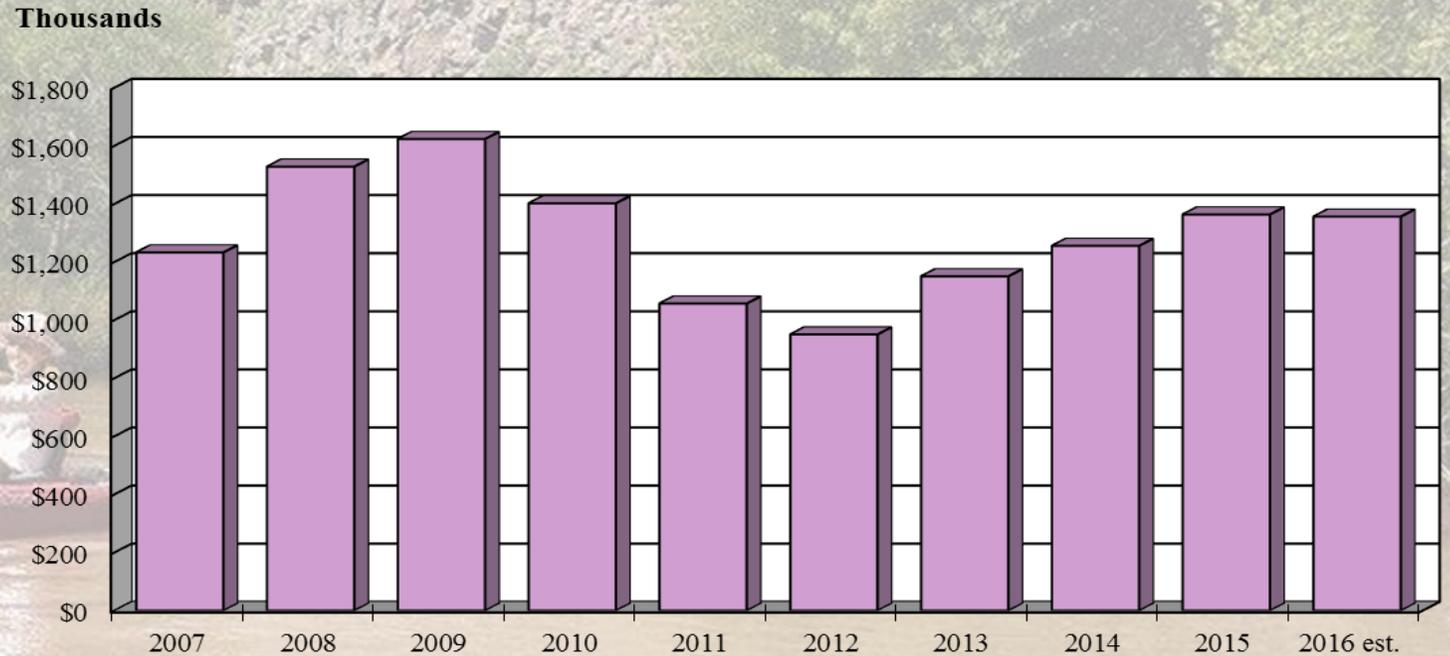
**City Sales Tax
10-Year Comparison**



State Shared Income Tax

Fiscal Year Ending 06/30	Amount	% Inc. / (Dec.)
2007	1,232,997	28.30%
2008	1,528,328	23.95%
2009	1,623,403	6.22%
2010	1,402,140	-13.63%
2011	1,057,034	-24.61%
2012	950,774	-10.05%
2013	1,150,696	21.03%
2014	1,255,627	9.12%
2015	1,363,698	8.61%
2016 est.	1,356,310	-0.54%

**State Shared Income Tax
10-Year Comparison**



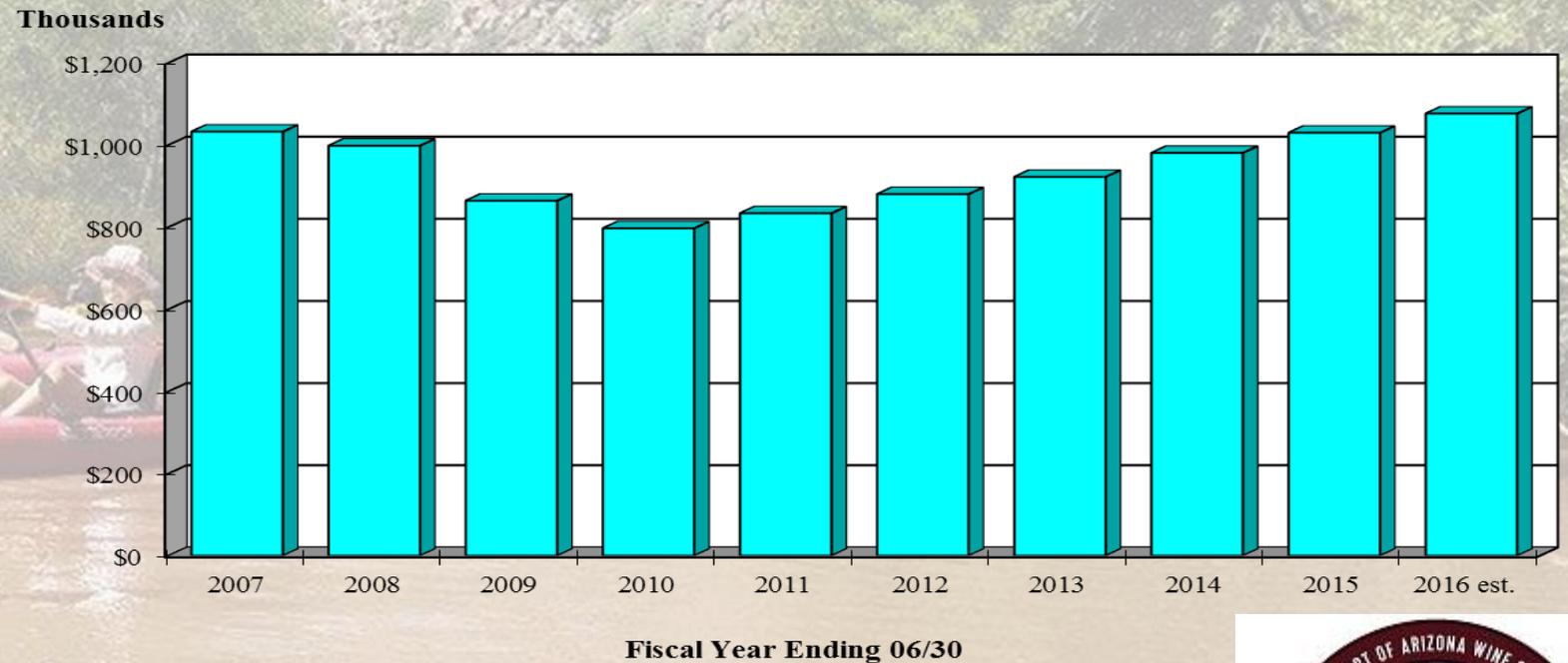
Fiscal Year Ending 06/30



State Shared Transaction Privilege Tax

Fiscal Year Ending 06/30	Amount	% Inc. / (Dec.)
2007	1,032,214	7.41%
2008	998,077	-3.31%
2009	864,056	-13.43%
2010	796,966	-7.76%
2011	833,600	4.60%
2012	880,250	5.60%
2013	922,061	4.75%
2014	980,537	6.34%
2015	1,029,494	4.99%
2016 est.	1,076,180	4.53%

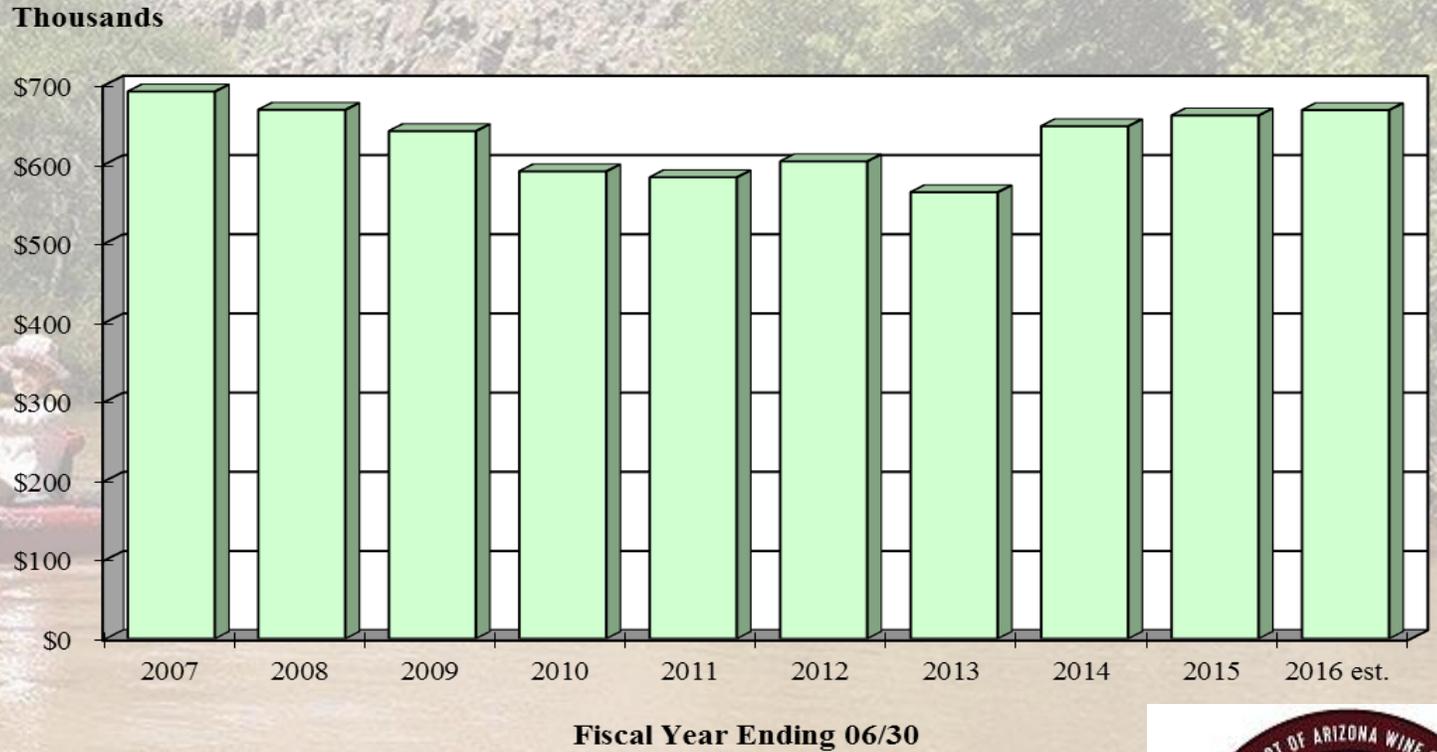
**State Shared Sales Tax
10-Year Comparison**



Vehicle License Tax

Fiscal Year Ending 06/30	Amount	% Inc. / (Dec.)
2007	690,992	-0.70%
2008	667,929	-3.34%
2009	640,992	-4.03%
2010	590,201	-7.92%
2011	582,707	-1.27%
2012	602,832	3.45%
2013	563,851	-6.47%
2014	647,250	14.79%
2015	660,786	2.09%
2016 est.	667,580	1.03%

**Motor Vehicle In-Lieu
10-Year Comparison**

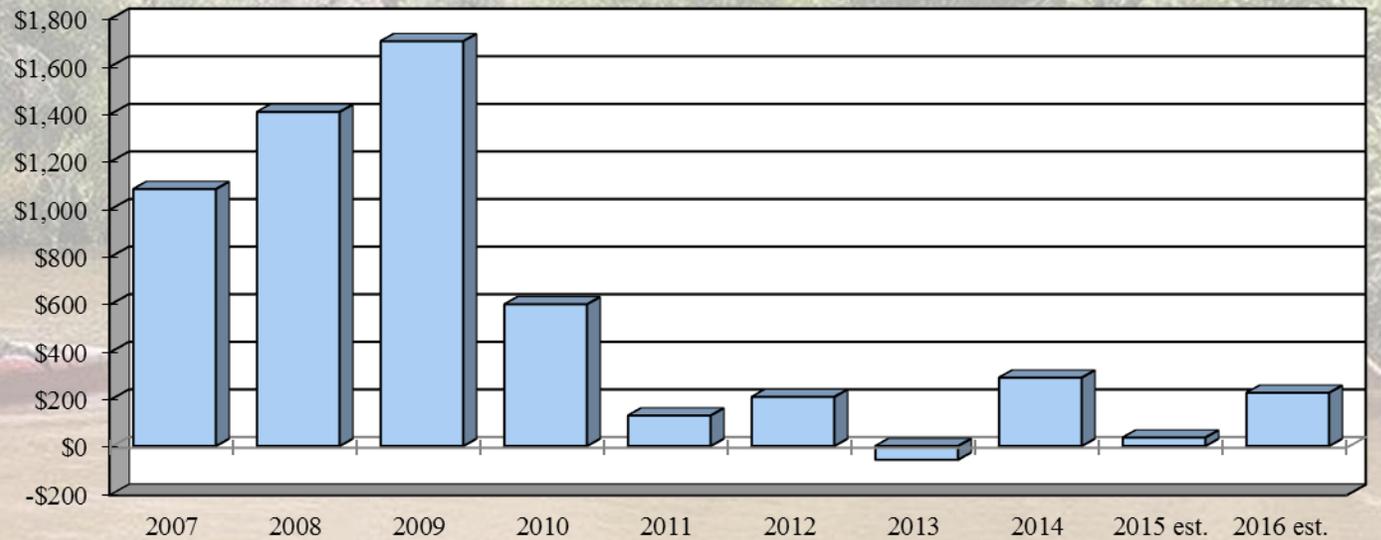


Investment Income

Fiscal Year	Amount	% Inc. / (Dec.)
Ending 06/30		
2007	1,028,744	43.99%
2008	1,341,445	30.40%
2009	1,201,877	-10.40%
2010	543,340	-54.79%
2011	142,386	-73.79%
2012	240,737	69.07%
2013	(71,463)	-129.69%
2014	212,572	-397.46%
2015 est.	146,102	-31.27%
2016 est.	223,485	52.97%

**Investments
10-Year Comparison**

Thousands



Fiscal Year Ending 06/30

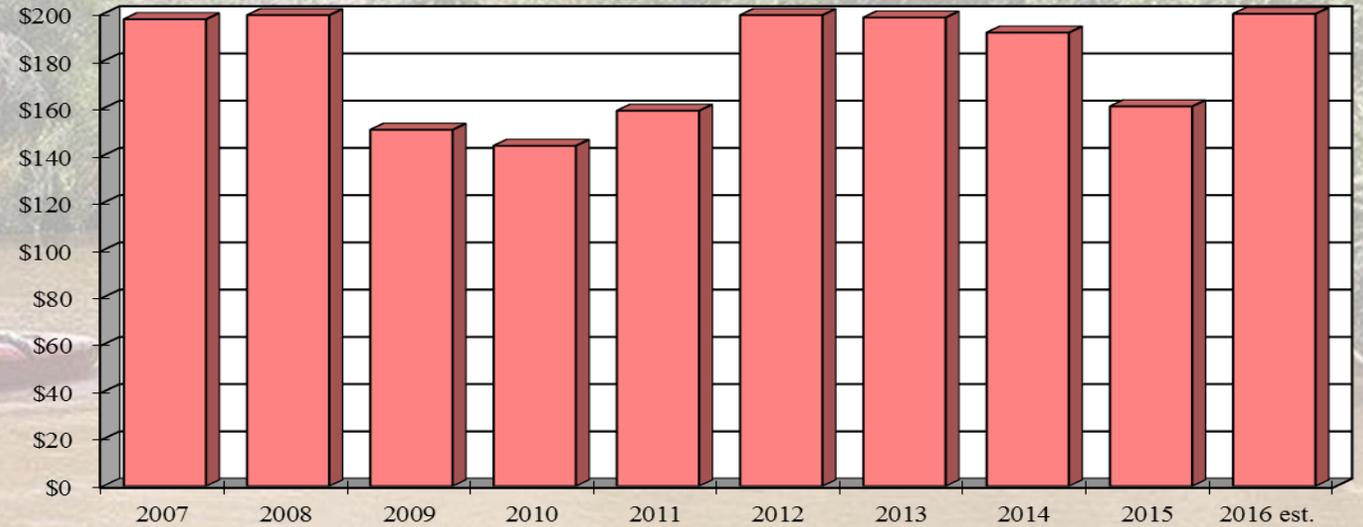


Fines & Forfeitures

Fiscal Year Ending 06/30	Amount	% Inc. / (Dec.)
2007	197,714	-8.68%
2008	199,435	0.87%
2009	150,913	-24.33%
2010	144,122	-4.50%
2011	158,977	10.31%
2012	199,445	25.46%
2013	198,445	-0.50%
2014	192,054	-3.22%
2015	160,813	-16.27%
2016 est.	200,000	24.37%

**Fines & Forfeitures
10-Year Comparison**

Thousands



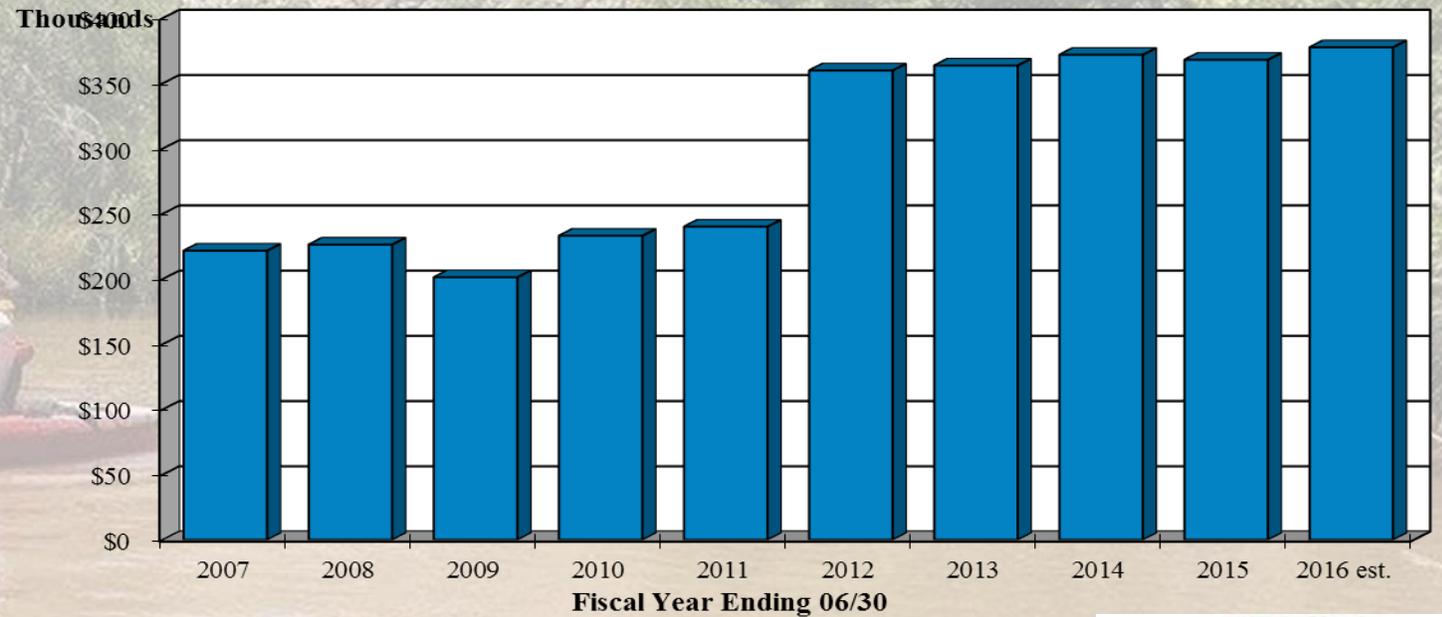
Fiscal Year Ending 06/30



Franchise Fees

Fiscal Year Ending 06/30	Amount	% Inc. / (Dec.)
2007	221,675	2.99%
2008	226,368	2.12%
2009	201,322	-11.06%
2010	233,129	15.80%
2011	240,140	3.01%
2012	359,872	49.86%
2013	363,653	1.05%
2014	371,886	2.26%
2015	368,062	-1.03%
2016 est.	377,620	2.60%

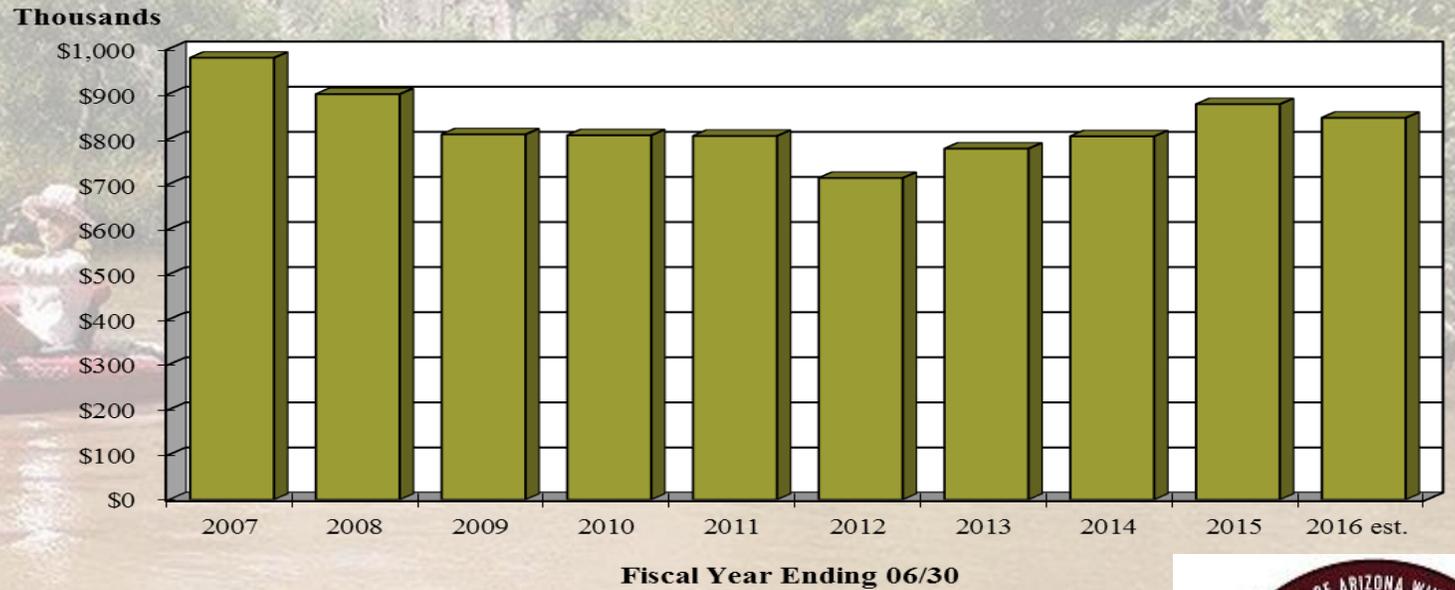
**Franchise Tax
10-Year Comparison**



Highway User Revenue Fund

Fiscal Year Ending 06/30	Amount	% Inc. / (Dec.)
2007	979,659	3.85%
2008	899,089	-8.22%
2009	809,827	-9.93%
2010	807,864	-0.24%
2011	806,386	-0.18%
2012	713,231	-11.55%
2013	778,265	9.12%
2014	805,540	3.50%
2015	876,817	8.85%
2016 est.	846,670	-3.44%

**Highway User Revenue Fund - HURF
10-Year Comparison**



Departmental Needs That Continue To Be Cut



Library Needs

-  The original interior has not been painted since 1994 and 2008 for the addition.
-  Manager's office needs to have a ceiling - private conversations cannot be held in this room
-  Roof water gutters need to be reconfigured or retro-fitted to stop leakage
-  Exterior wood needs painting & wood inside needs to be clear coated
-  Need two full time and two part time positions - increased programming and attendance for Youth and Adult Services
-  Plumbing issues in men and women's restrooms - seal issues have begun
-  Electrical issue on outside landscape lighting on 6th St.
-  Possible LED lighting outside of Youth Services area



Police Department Budget Cuts - FY 2016

- ❶ Did not approve a patrol officer
- ❷ Reduced SWAT funding by \$5,000
- ❸ Cut overtime by \$20,000
- ❹ Reduced travel & training budget by \$5,000
- ❺ Continued to decline hiring of 3rd Records Clerk
- ❻ Building interior needs painting
- ❼ Obtained a grant to replace body armor for SWAT due to budget cuts \$30,000



Police Department Vehicles

Financial Operations Guide



Marked Patrol Cars - These vehicles would be purchased new ~~or low mileage pre-owned, if available.~~ At 75,000 miles, these vehicles would be auctioned or integrated into Group Two, if possible.



Public Safety Administration Vehicles (Police & Fire) - These vehicles would be purchased new or low mileage pre-owned, if available. After 60,000 miles or five (5) years of service, these vehicles would be "rolled" into Group Two. These vehicles will remain or become "unmarked" when rolled into Group Two.



Animal Control Vehicles - These vehicles would be purchased new or low mileage pre-owned, if available.



At 60,000 miles or five (5) years of service, this vehicle would be "rolled" into Group Three. This vehicle would remain or become "unmarked" when rolled into Group Three.



5 patrol cars have 100,000+ miles



8 patrol cars have 75,000+ miles



1 detective vehicle has 110,000+ miles



Chief's vehicle has over 105,000+ miles



Both animal control vehicles have very high mileage



Fire Department Budget Cuts - FY 2015 to 2016

Line Item Description	FY 2015	FY 2016	Effects on operations
Protective Clothing	\$12,350	\$6,000	Purchase 3 less sets of turnouts interrupting our replacement program
Equipment Maintenance	\$13,000	\$10,000	Must postpone some scheduled annual equipment maintenance. Could impact our readiness.
Employee Physicals	\$11,000	\$4,000	Elimination of annual firefighter physicals Required by NFPA 1583.
Travel & Training	\$18,000	\$8,000	Elimination of numerous training programs could result in reduced efficiency and failure to meet all mandated Training requirements



Fire Department Budget Cuts - FY 2015 to 2016

Line Item Description	FY 2015	FY 2016	Effects on operations
Continuing Education	\$6,000	\$5,000	Needed an increase to help assist tuition for Firefighters attending Paramedic program but instead had to cut budget. Only able to pay for re-certs but we need new Paramedics due to vacancies from Paramedics leaving
Fire Prevention	\$6,500	\$5,000	Decrease funding for public fire education programs
Capital Outlay	\$285,000	\$8,500	Unable to replace obsolete and worn out equipment. Elimination of Capital improvement projects



Fire Department Needs for FY 2017

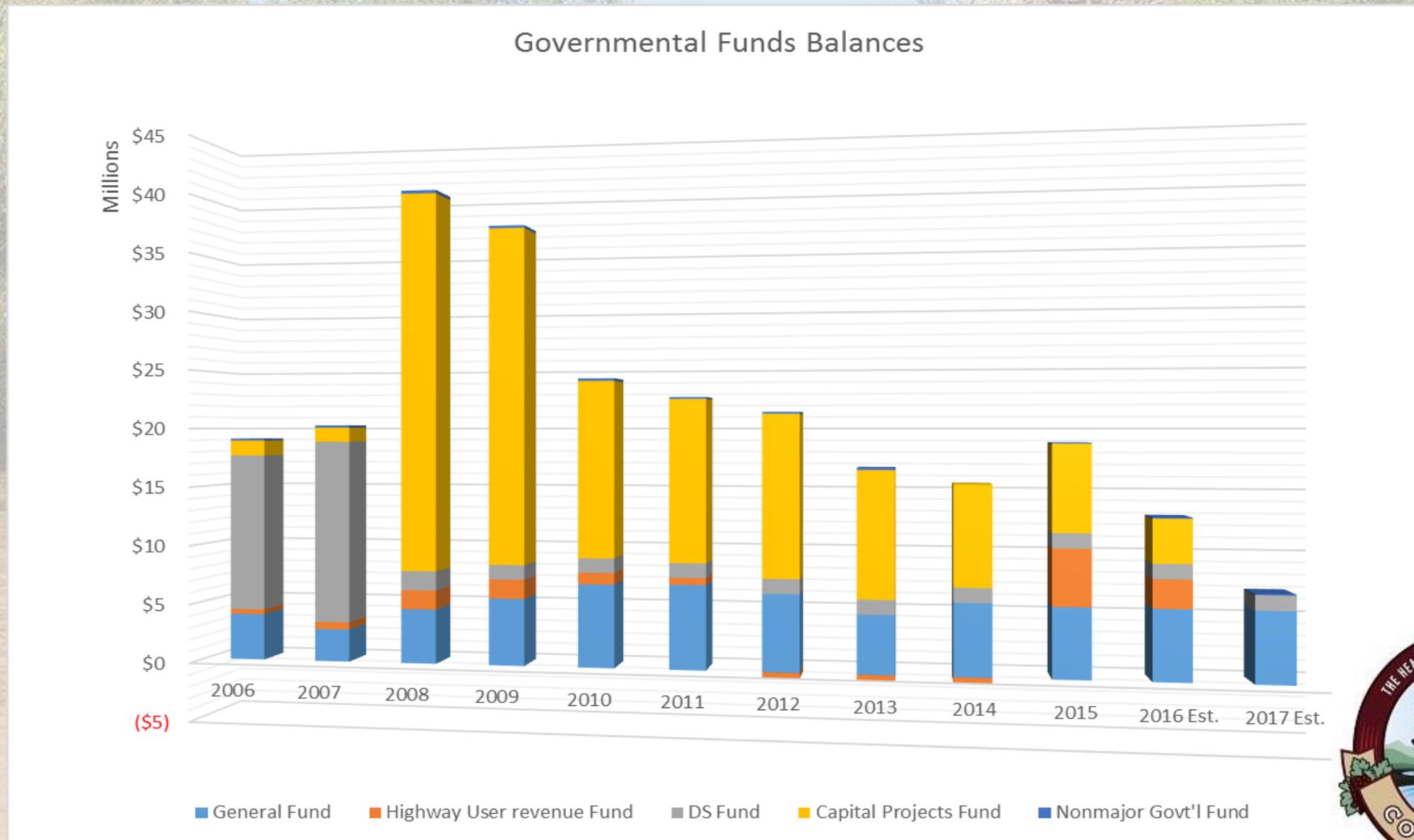
-  Restoration of Employee Physicals budget - Need to provide annual medical physicals for firefighting personnel to ensure their safety and well being.
-  Restoration of Protective clothing budget – Need to systematically replace damaged, aging and worn out turnouts, helmets and other protective clothing.
-  Restoration of Training budget – Need to provide personnel with necessary training to maintain efficiency and safety of personnel
-  Capital purchase of new fire engine – Need to replace 2007 American LaFrance pumper. Manufacturer is out of business and replacement parts are difficult or impossible to find. This apparatus has been seeing very increased maintenance/repair needs and costs and any major problems may result in a failure to obtain replacement parts necessary to remain operational.
-  Restoration of equipment capital - Need to maintain the fire and emergency equipment replacement capital improvement program that ensures that we have reliable operational equipment to provide fire and emergency services to our community



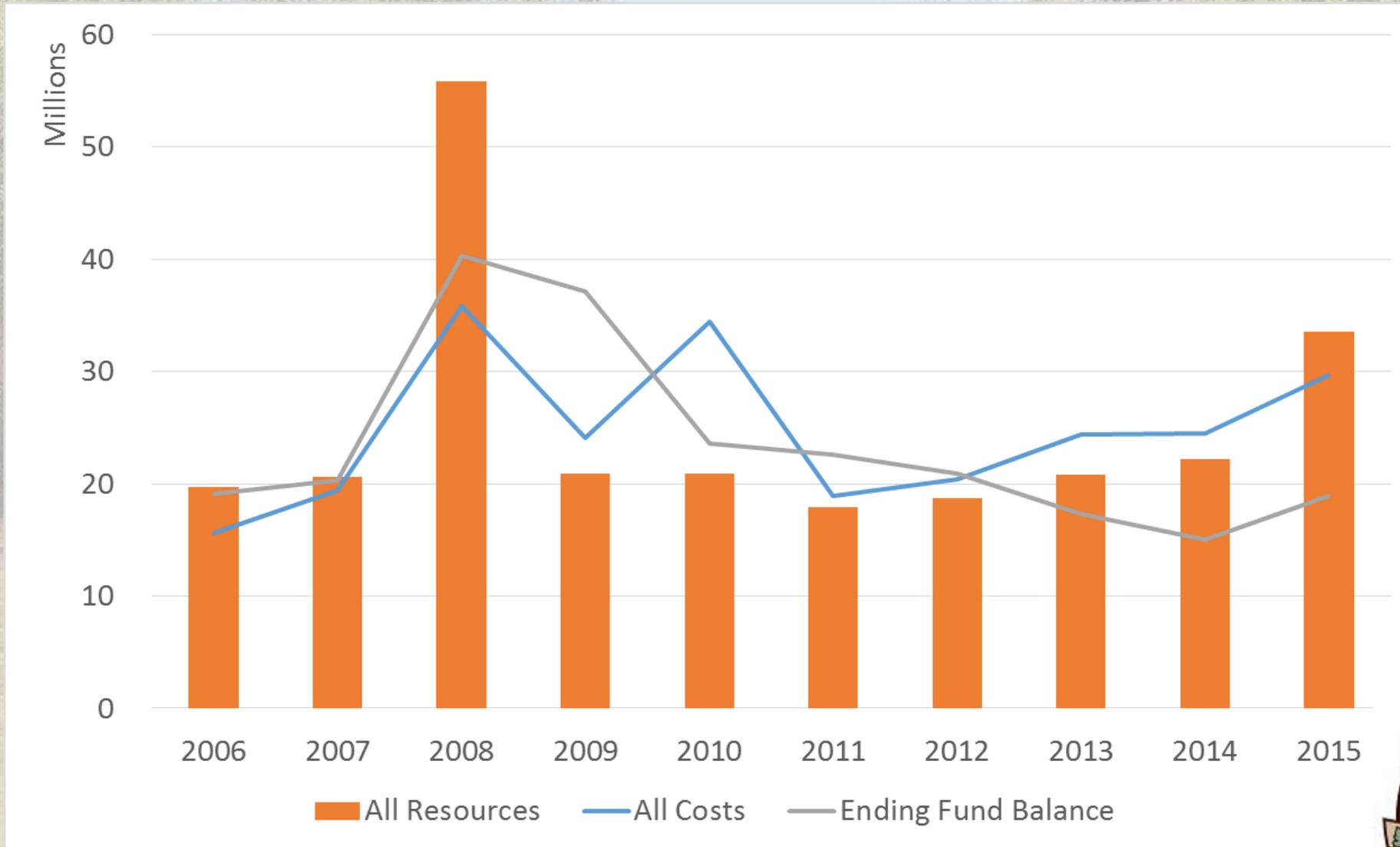
Some Financial Concerns



12 Year History and Outlook

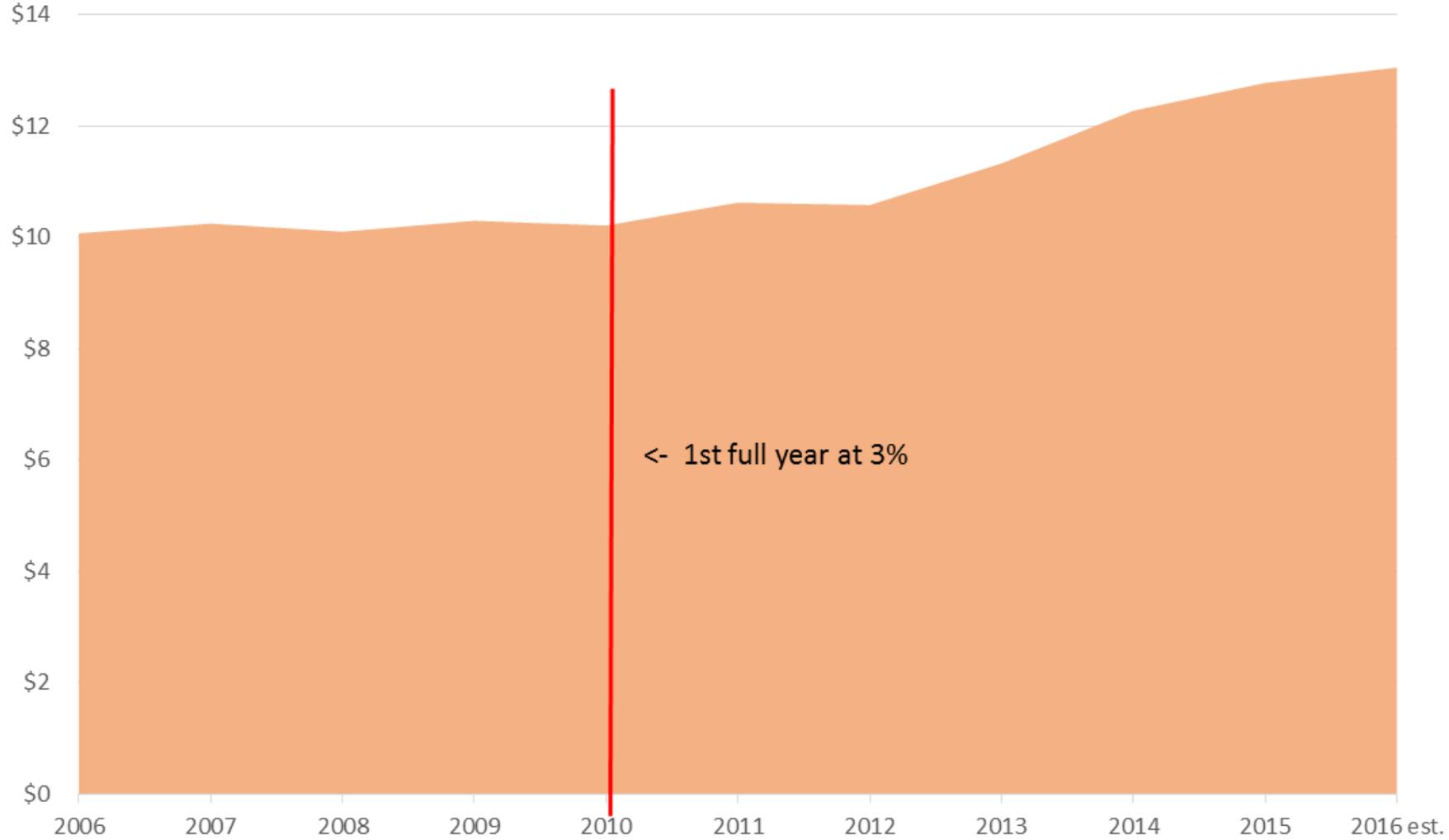


Resources, Costs & Fund Balances



Millions

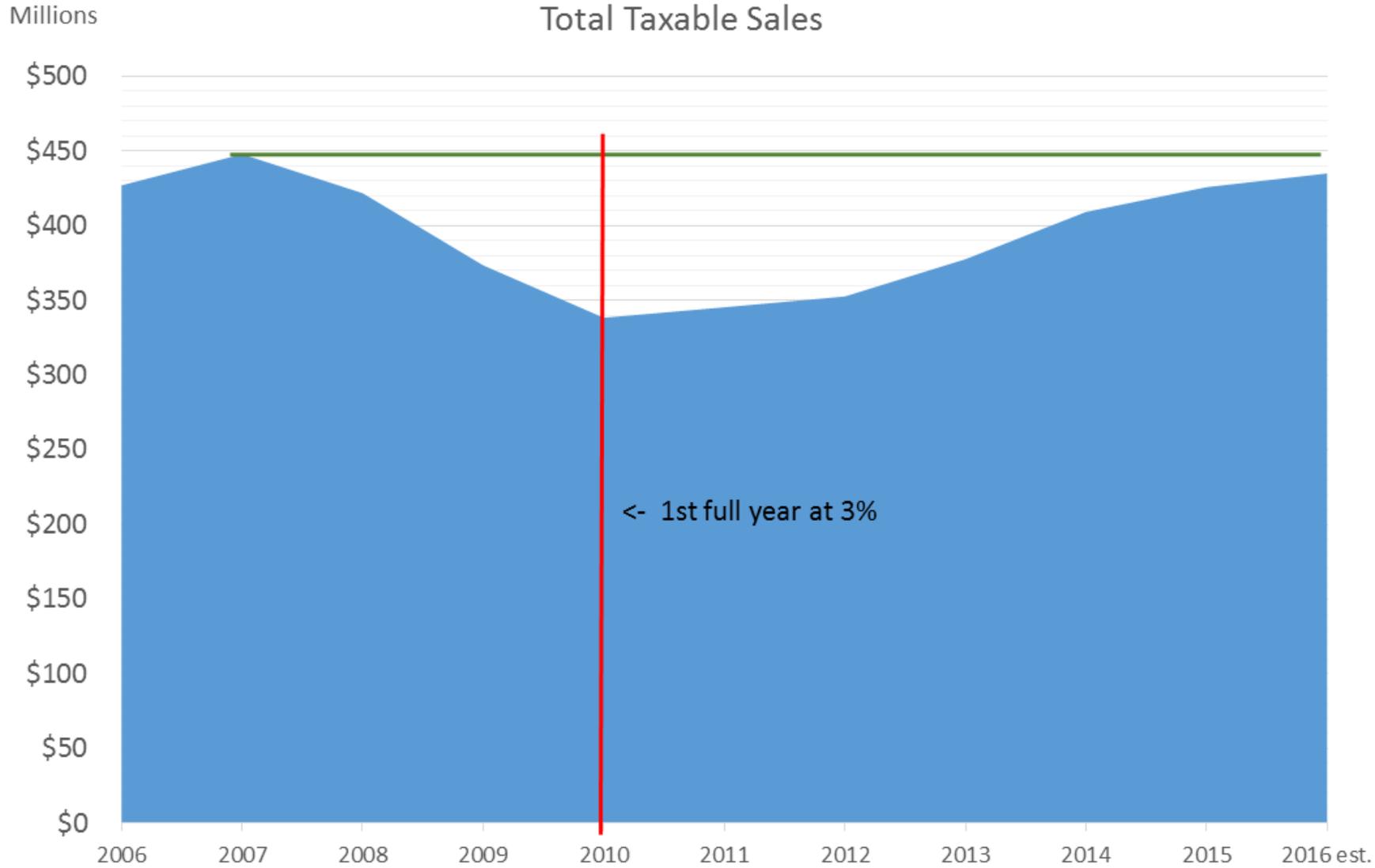
Sales Tax Collected



Fiscal Year	Sales Tax Collected	Increase / Decrease
2006	\$10,073,924	
2007	\$10,247,957	1.73%
2008	\$10,102,433	-1.42%
2009	\$10,298,594	1.94%
2010	\$10,212,304	-0.84%
2011	\$10,624,971	4.04%
2012	\$10,579,983	-0.42%
2013	\$11,329,353	7.08%
2014	\$12,276,616	8.36%
2015	\$12,774,860	4.06%
2016 est.	\$13,050,320	2.16%



Total Taxable Sales



Fiscal Year	Total Taxable Sales
2006	\$427,052,394
2007	\$447,902,863
2008	\$421,814,909
2009	\$373,520,909
2010	\$338,430,216
2011	\$345,453,043
2012	\$352,666,100
2013	\$377,645,100
2014	\$409,220,533
2015	\$425,828,667
2016 est.	\$435,010,667



Public Safety Personnel Retirement System - PSPRS

Current Payoff Options

- 👤 Pay DROP contributions though not required
- 👤 Use annual budget savings toward payoff
- 👤 Contribute vacant budgeted salaries
- 👤 Prepaid our budgeted contributions on July 1st
- 👤 Use undesignated reserves
- 👤 Issue debt for projects instead of cash
- 👤 Add a new budget line item to make additional payment against it
- 👤 Treat & manage as other debt

Total Liability

👤 Police Liability -	\$8,058,018
👤 Fire Liability -	<u>\$1,524,934</u>
👤 Total Liability –	<u>\$9,582,953</u>



Possible Options



Transaction Privilege Tax - TPT

 FY 2015 Taxable Sales - \$425,828,667

 FY 2015 Collections - \$12,774,860

 Current Total TPT % - 9.35%

 State – 5.60%

 County – 0.75%

 City – 3.00%

 1.00% increase = \$4,258,287 - 10.35%

 0.65% increase = \$2,767,886 - 10.00%

 0.50% increase = \$2,129,143 - 9.85%

 0.25% increase = \$1,064,572 - 9.60%

 Program Cities – 78

 14 Cities / Towns > 3.0%

 22 Cities / Towns = 3.0%

 42 Cities / Towns < 3.0%



Restaurant & Bar Tax

 FY 2015 Taxable Sales - \$35,559,767

 FY 2015 Collections - \$1,066,793

 Current Total TPT % - 9.35%

 State – 5.60%

 County – 0.75%

 City – 3.00%

 1.00% increase = \$355,598 - 10.35%

 0.65% increase = \$231,138 - 10.00%

 0.50% increase = \$177,799 - 9.85%

 0.25% increase = \$88,899 - 9.60%

 Program Cities – 78

 22 Cities / Towns > 3.0%

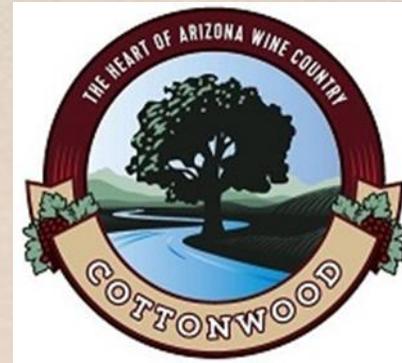
 21 Cities / Towns = 3.0%

 35 Cities / Towns < 3.0%



Property Tax

- 🗳️ Determine the amount of the levy (total \$\$ raised through tax)
- 🗳️ Schedule an election, possibly in August, 2016
- 🗳️ Council passes a resolution ordering the election
- 🗳️ Resolution must state that the election is to establish a primary property tax
- 🗳️ Publish in newspaper, post in each polling place
- 🗳️ Council meets after election to canvas and certify the vote
- 🗳️ If approved the levy will be no more than the approved amount the following year
- 🗳️ Notices to the Property Oversight Commission, DOR & County Assessor
- 🗳️ This would complete our three legged stool
 - 🗳️ Local Sales Tax
 - 🗳️ State Shared Revenues
 - 🗳️ Property Tax



Other Options

-  Plan Review Fees
-  Storm Water Fees for Storm Water Costs
-  Fees for developers to meet with staff
-  Airport landing or parking fee
-  Increase airport fuel prices
-  Trucking fee for operating on City Streets
-  Charges for repeated inspections for those who fail to correct violations
-  Instituting a Use Tax – estimated at \$141,000



Questions

