

COCHISE COUNTY

FY26 Budget Work Session

- Expenditure Limit
- Expenses
- Revenues



Public Programs...Personal Service

Budget Work Session Timeline

- April-Early Budget Projections
- Through-April – Elected Official and Department Work Sessions
- Mid-May – Final Work Session before tentative budget adoption
 - Revenue projections and direction on funding requests
- June – Tentative Budget Adoption
- July – Final Budget Adoption
- August - Property Tax Rate Adoption



Expenditure Limit –\$83.9M

- In Arizona, the Aggregate Expenditure Limit (AEL), a constitutional amendment, restricts how much local revenue counties, cities, and towns can spend each fiscal year, limiting increases to adjustments for inflation and population growth.
- How is it calculated by the Economic Estimates Commission?
 - Population –increased estimate
 - Includes people crossing in and out of country through POE (ARS §41-563.05)
- Inflation
 - GDP Implicit Price Deflator – March 2025

Expenditure Limit – What qualifies?

- Think “local”
- If the revenue came from local taxes, the expenses count
- If the revenue came from federal or state grants, the expenses do not count



COCHISE COUNTY

Expenditure Limit – UP –\$83.9M

FY10-11 FY11-12 FY12-13 FY13-14 FY14-15 FY15-16 FY16-17 FY17-18 FY18-19 FY19-20 FY20-21 FY21-22 FY22-23 FY23-24 FY24-25 FY25-26

■ Expenditure Limit



Current Year Expenses - FY25

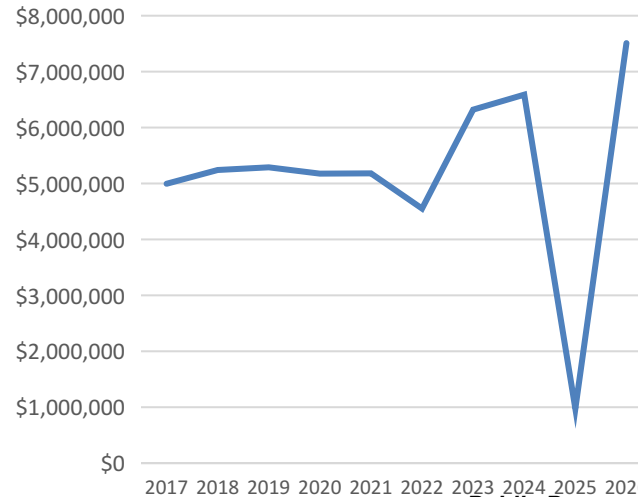
- Most Departments and Offices projected to be underbudget
- Elections- projected to be overbudget mainly due to Overtime costs

FY26 Expenses – Increases

- Employer Health Benefits Contribution – Pending Open Enrollment
- Funding Requests – if all approved 2.27M
- SEACOM- 135k (Early Projection)
- Mosquito Monitoring Contract (CCHSS) – 4.5k
- State Cost Shifts
 - ALTCS – 3.4M increase

Mandated healthcare payments for the state’s long term care system place significant pressure on county budgets and are extremely volatile. In less than a decade, contributions have grown by 50%

Cochise County ALTCS Contributions– FY17 to FY26



PSPRS – Unfunded Liability



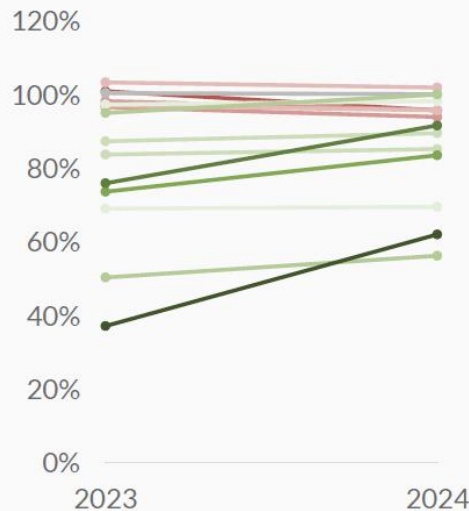
Valuation Results PSPRS Tiers 1 & 2

10/15 counties are at least 90% funded, 13/15 at least 80% funded. Counties with declines largely due to higher than assumed salaries, leading to higher liabilities.

Funded Status

County	2024	Change from '23
Apache	95.8%	-1.4%
Cochise	56.3%	5.9%
Coconino	100.2%	-0.3%
Gila	102.0%	-1.4%
Graham	100.1%	5.0%
Greenlee	94.0%	-2.7%
La Paz	62.1%	24.9%
Maricopa	91.7%	15.7%
Mohave	83.6%	9.9%
Navajo	98.3%	0.9%
Pima	85.3%	1.5%
Pinal	95.9%	-2.4%
Santa Cruz	89.6%	2.2%
Yavapai	69.6%	0.5%
Yuma	95.8%	-5.2%

Change in Funded Status



Unfunded Liability

County	2024	Change from '23
Apache	853,815	297,113
Cochise	29,397,623	(3,227,140)
Coconino	(130,522)	195,817
Gila	(502,057)	321,663
Graham	(14,426)	(569,873)
Greenlee	681,831	339,252
La Paz	8,471,879	(5,344,645)
Maricopa	64,537,847	(117,704,335)
Mohave	9,865,685	(5,652,855)
Navajo	401,052	(223,993)
Pima	75,918,318	(5,653,343)
Pinal	7,112,322	4,352,292
Santa Cruz	2,377,563	(480,636)
Yavapai	28,838,655	753,450
Yuma	2,479,867	2,996,597

Year reflects year actuarial valuation was conducted.

Sheriff Plans Only; Source: PSPRS provided actuarial data.



FY26 Personnel Expenses*

Cost of Living Adjustment

- General Fund COLA at 1%:
\$285K
- General Fund COLA at 2%:
\$570K

Market Compensation Plan

- Compensation in the General Fund, as a whole, is currently at approx. 97% of FY25's market figures.
- Adjusting for inflation, the General Fund may need:
 - 95% of market: \$183K
 - 96% of market: \$486K
 - 97% of market: \$788K

*Estimates of salary/wages expense only. County Market Compensation plan updates will be presented in Mid-May Work Session



FY26 State Budget Impact

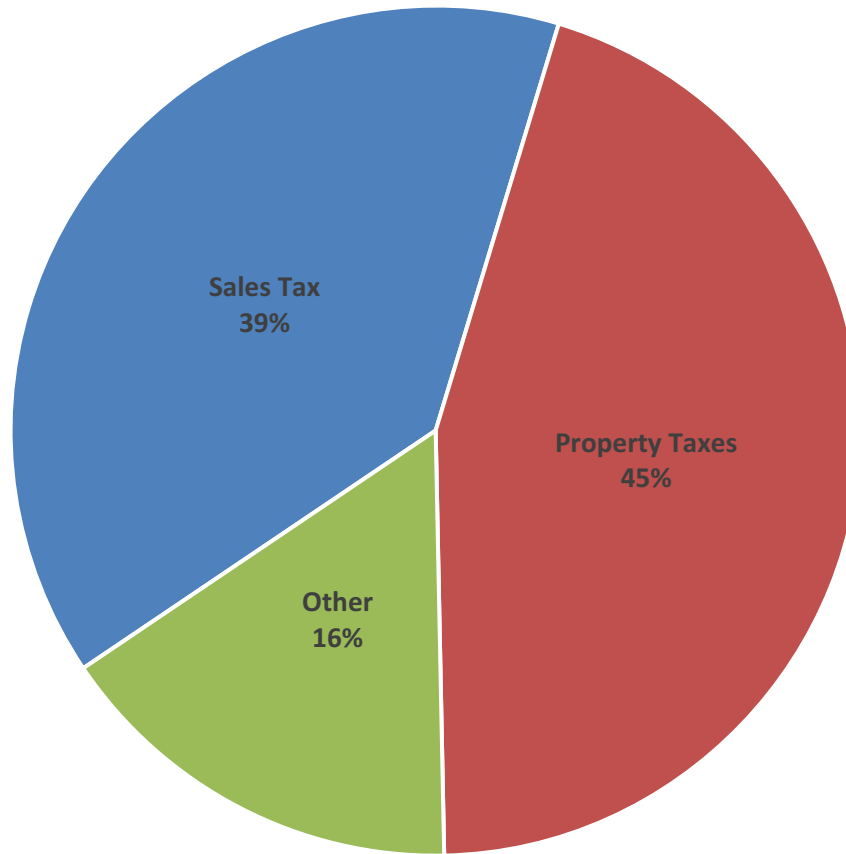
- \$935 Million FY 26 General Fund Balance for State
 - Excludes traditional “ongoing one-time” funding items for School Facilities repairs and State Employee Health Insurance Trust Fund
 - \$50 million ending balance buffer
 - Leaves approximately \$560 million after these adjustments
 - Up to \$125 million available for ongoing initiatives
- \$1.6 billion in state’s Rainy Day Fund

COCHISE COUNTY

General Fund – Budget Impact of Potential Dissolution of Jail District

- FY26 Jail District –
 - MOE Budget Calculation: \$6,731,584
 - Expenses above MOE Budget: \$ 1,422,107
- Full budget appropriation of \$8,153,691, if approved, would be moved back into the General Fund and affect the expenditures reported on the limitation report.
- This figure does not account for funding requests for FY26 – if all approved it would add \$291K.

General Fund Revenue Blend



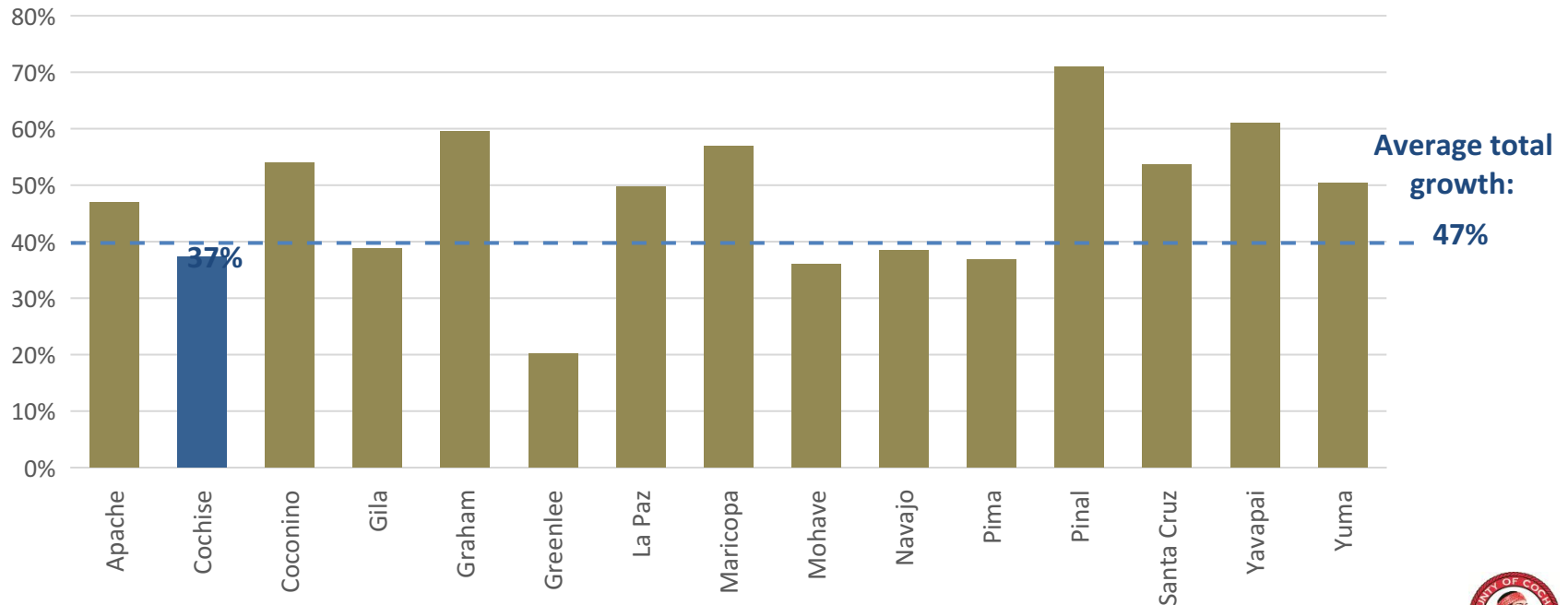
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CSA Statistics on Cochise County Revenue Growth

Strength of Revenue System

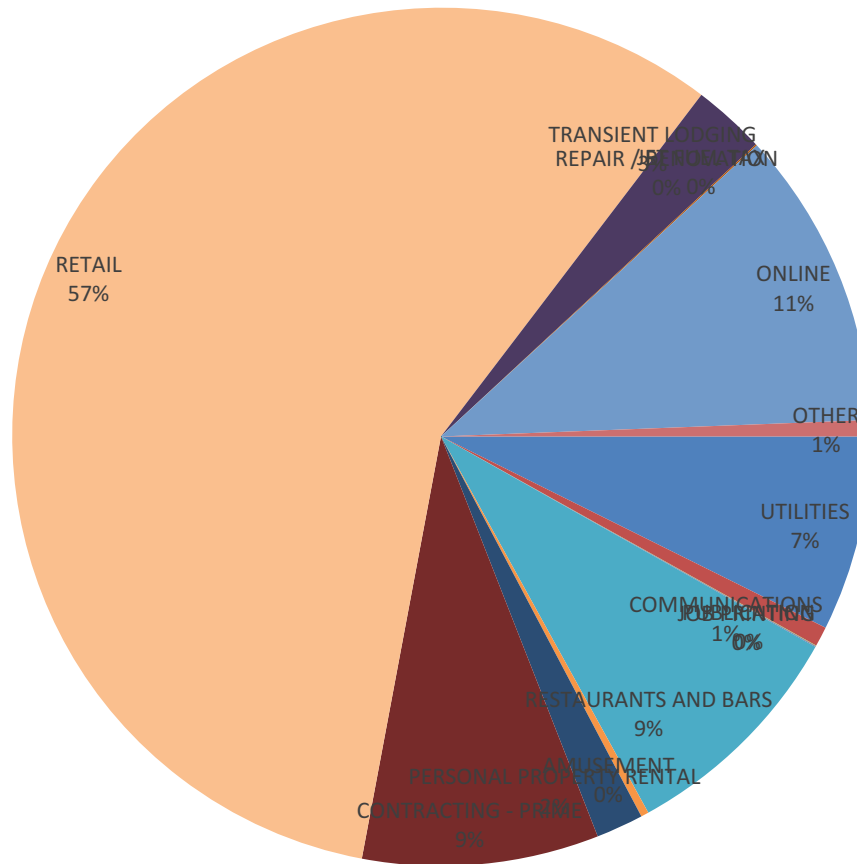
From FY2017 to FY 2024, Cochise's GF revenues have grown at a slower rate than average.

Total % Growth in GF Revenues FY17 to FY24

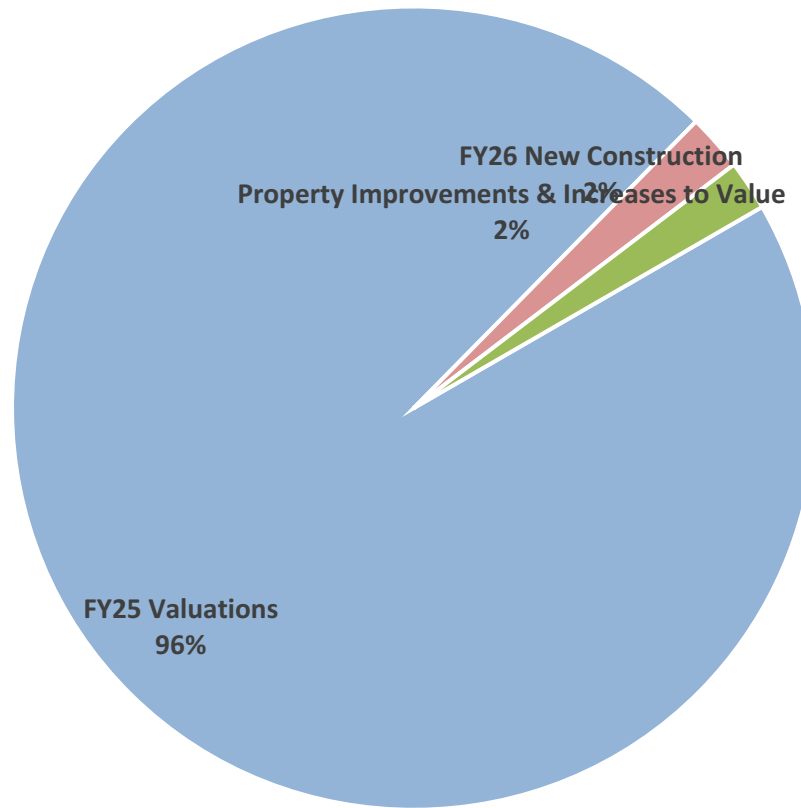


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County Sales Tax



FY26 Assessed Valuations – 1.16b



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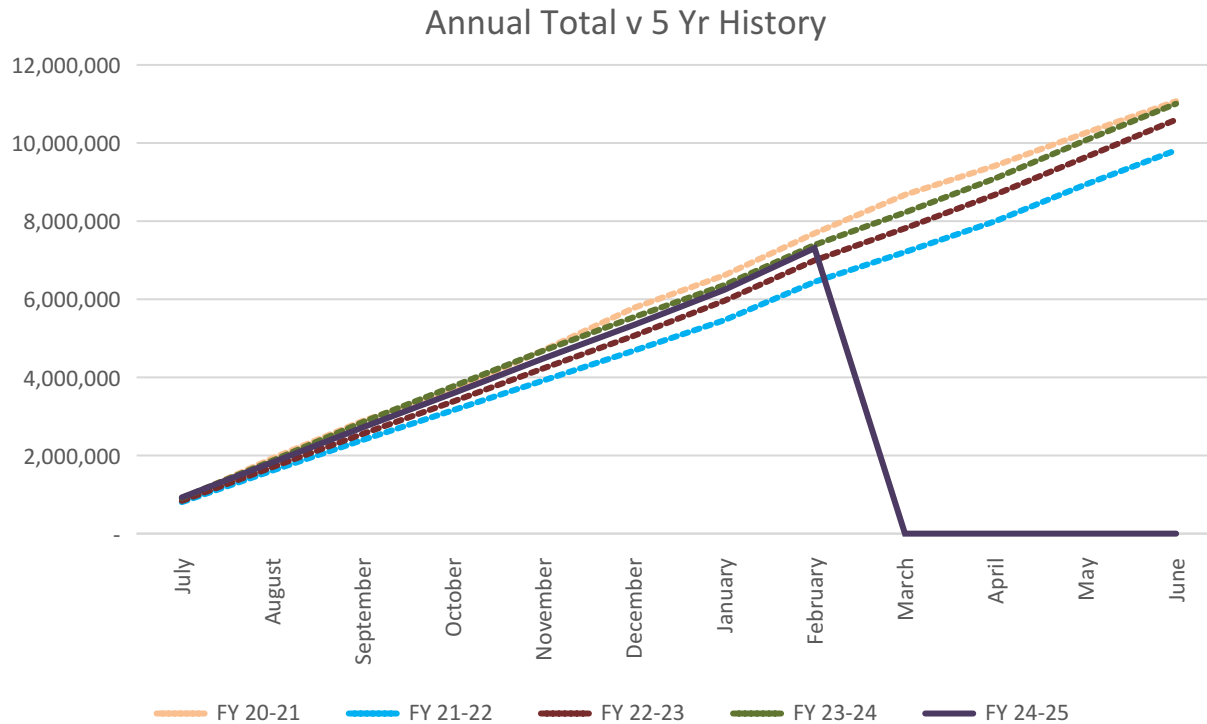
Tax Rate Change Implications

	Average Valuation Growth	Current Rate	Reduced Rate	
	104%	2.7282%	2.6747%	
	Valuation	Levy	Levy	Lost Revenue Potential
Year 0	1,163,982,703	31,755,776	31,133,045	622,731
Year 1	1,210,542,011	33,026,007	32,378,367	1,270,371
Year 2	1,258,963,692	34,347,047	33,673,502	1,943,916
Year 3	1,309,322,239	35,720,929	35,020,442	2,644,404
Year 4	1,361,695,129	37,149,767	36,421,260	3,372,911
Year 5	1,416,162,934	38,635,757	37,878,110	4,130,558



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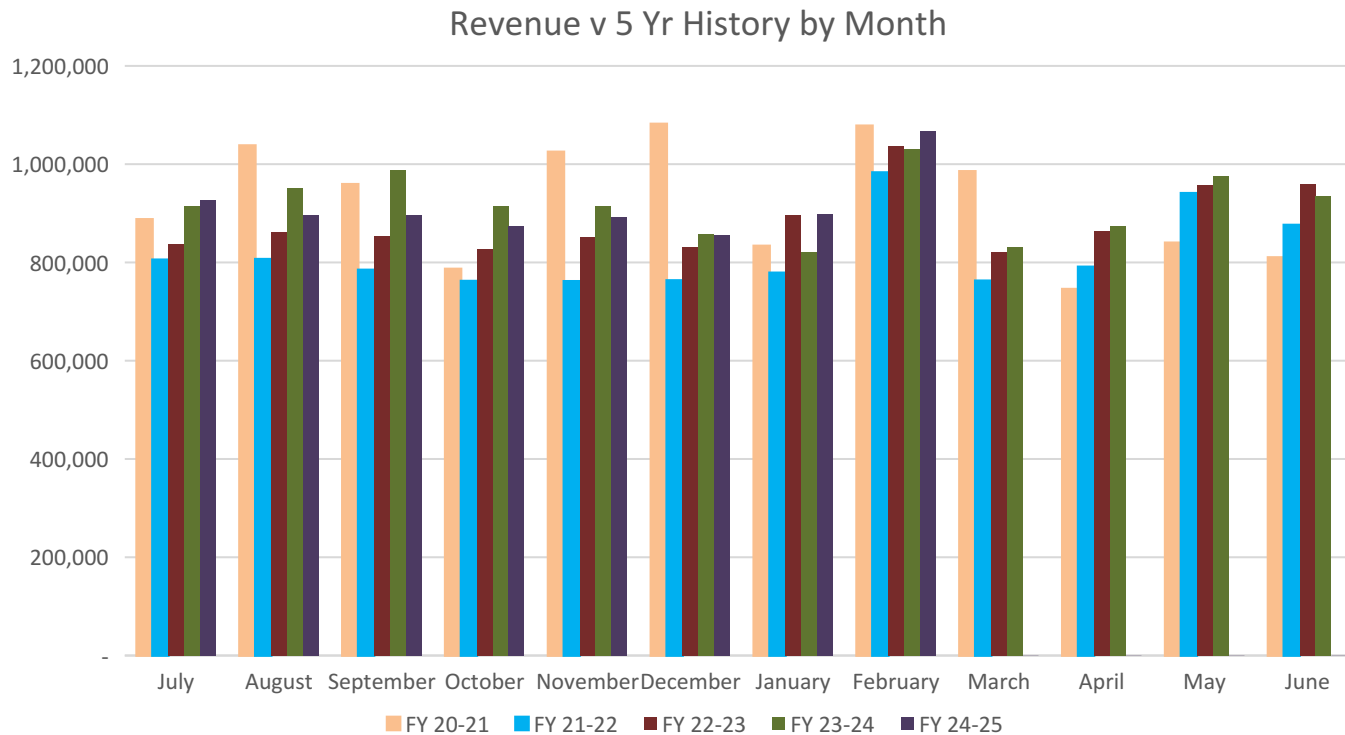
County Sales Tax FY25 YTD



EOY Projections	
= 5 yr avg total * YTD %	10,989,956
= Prorated by month	10,960,694
Budget	8,899,494
% of budget collected	82.1%

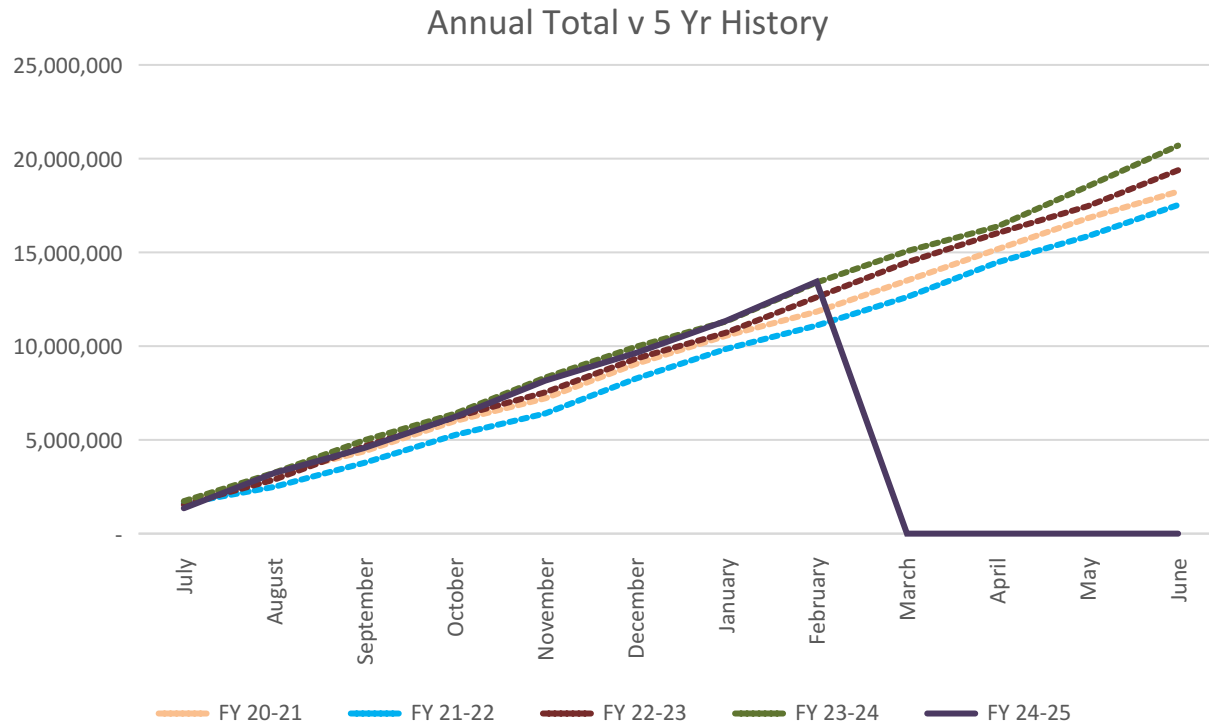


County Sales Tax FY25 YTD by Month



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State Shared Sales Tax FY25 YTD

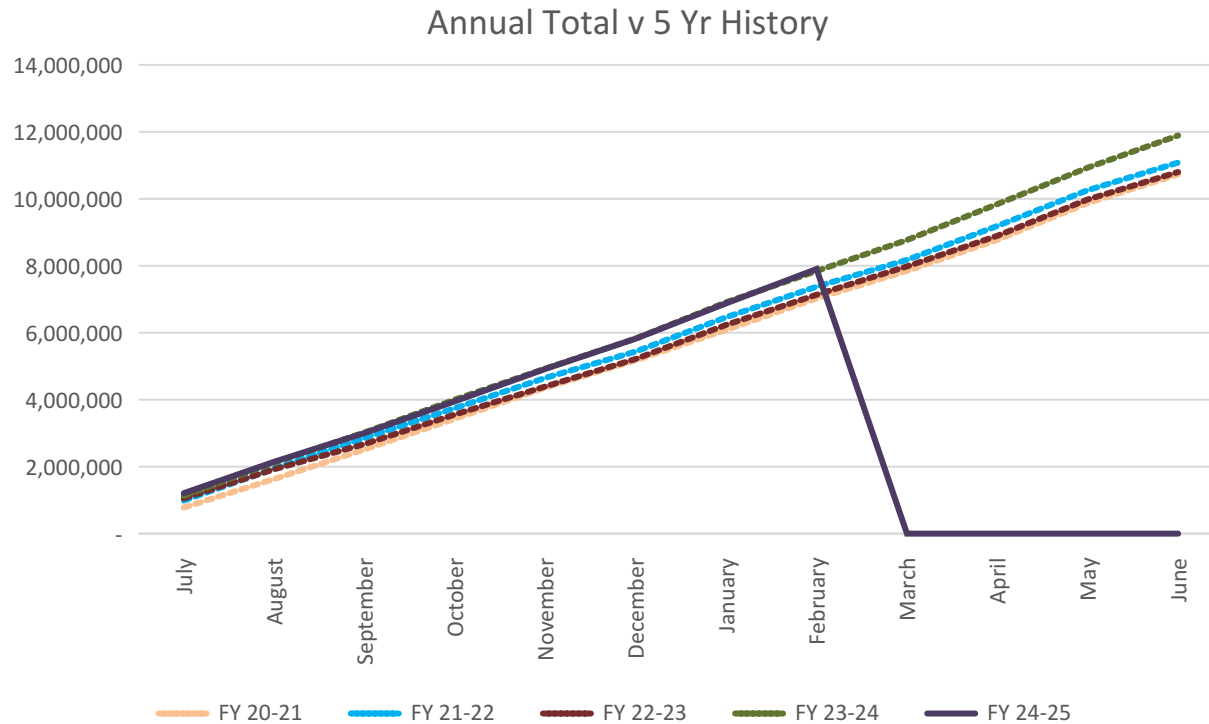


EOY Projections	
= 5 yr avg total * YTD %	20,299,886
= Prorated by month	20,155,619
Budget	16,000,000
% of budget collected	84.0%



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HURF FY25 YTD



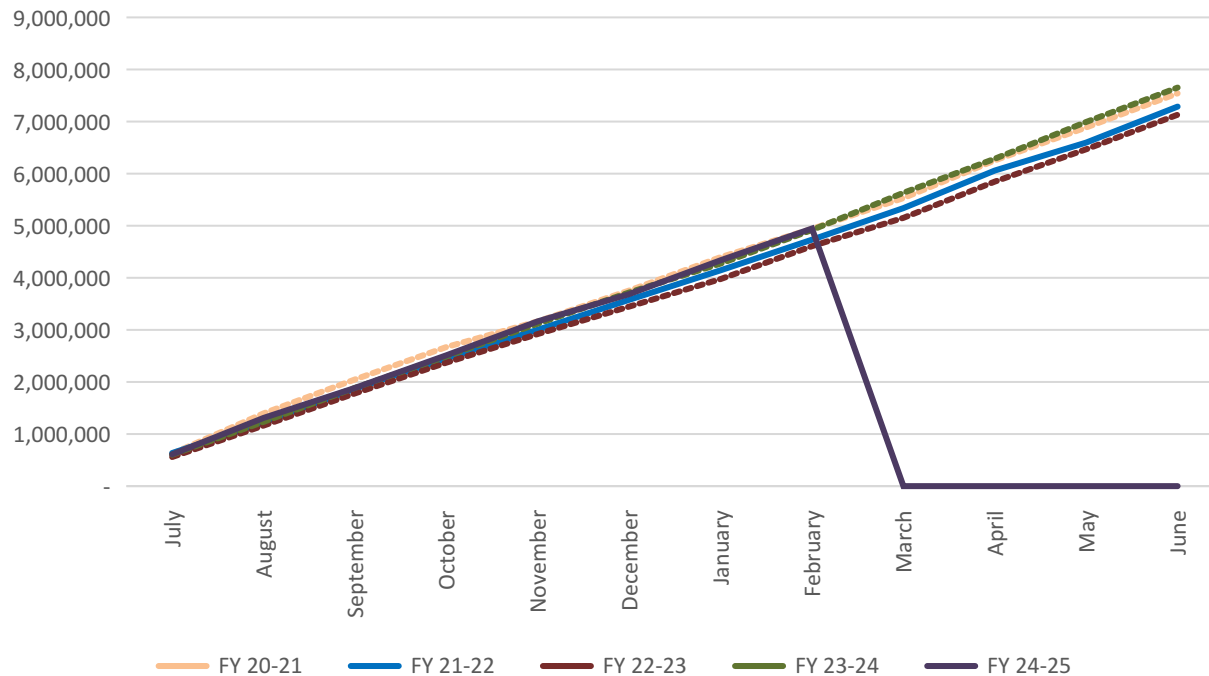
EOY Projections	
= 5 yr avg total * YTD %	11,867,387
= Prorated by month	11,853,644
Budget	11,487,032
% of budget collected	68.8%



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VLT FY25 YTD

Annual Total v 5 Yr History

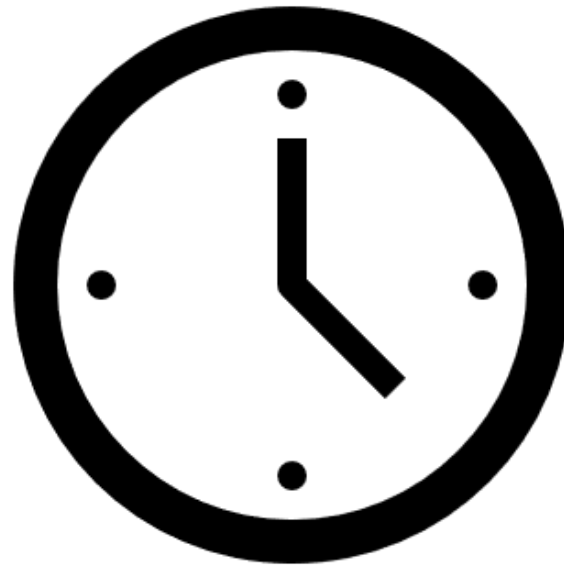


EOY Projections	
= 5 yr avg total * YTD %	7,607,379
= Prorated by month	7,418,784
Budget	7,646,121
% of budget collected	64.7%



Next Meeting

- April 14-17 – Elected Official Work Sessions



Questions?



Appendix 1 - What qualifies for expenditure limit

- What Counts?
 - General Fund employees
 - Retirement (ASRS, PSPRS)
 - Health Insurance
 - Fleet Expenses – gas, repair, new vehicles
 - Capital, building enhancement fund, small repairs
 - Travel, training
 - Computers, Software
- What Does Not Count?
 - Debt payments
 - (not PSPRS unfunded liability...)
 - Grants (federal or state)
 - WIC
 - Fill the Gap
 - HURF
 - Special Districts
 - ARPA, AZCARES