

# REVENUE (All Funds)

## PURPOSE OF SECTION

To familiarize the users of this document with the variety of the County’s revenue sources. This section includes various trends and methods of assessing, levying, and collecting of these revenue sources.

## TOP TEN SOURCES

Ninety percent (90%) of the County’s revenue is comprised of ten (10) major sources listed below. These sources are the primary indicators of the County’s revenue outlook. The top ten revenue sources for fiscal year 2013/14 are as follows (in millions):

- #1 County property tax – 25.1% (\$36.3)
- #2 County transaction privilege (sales tax) – 18.6% (\$26.9)
- #3 State shared revenue (sales tax) – 13.0% (\$18.8)
- #4 Highway User Revenue Fund (HURF) – 6.0% (\$8.7)
- #5 Juvenile and Probation grants – 5.8% (\$8.4)
- #6 Workforce investment act – 5.2% (\$7.5)
- #7 Health and housing grants – 5.0% (\$7.3)
- #8 Auto in lieu tax – 4.5% (\$6.5)
- #9 Service and Licenses – 3.5% (\$5.1)
- #10 One time improvement district grant – 1.7% (\$2.4)

A general explanation of all these major revenues and the details on how the County levies, assesses and collects them is in the following pages.

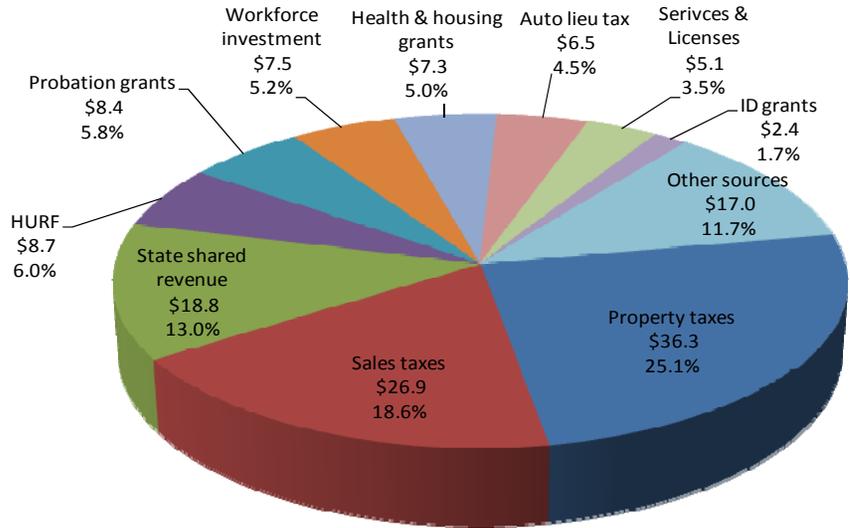
County property and sales taxes are the top two revenue sources. When combined they account for 43.6% (0.9% increase from last year’s budget) of the total sources. A flat actual 4.1% combined increase is budgeted attributable to a conservative but optimistic future economic forecast.

State shared revenue, HURF, and Auto in lieu taxes (vehicle license) account for a combined total of 23.4% of total revenue sources (0.5% increase from last year’s budget).

Workforce investment act, Probation, Health and Housing, and one time Improvement District grants revenues combined for a total of 17.7% of total revenue sources (0.3% increase from last year’s budget).

The remaining 15.3% of revenue sources is comprised of hundreds of other taxes, charges for services, fines and fees, investment income, grants and miscellaneous.

Budget year 2013/14 shows an increase in total sources of \$2.8 million or 2.0% as compared to last years’ adopted budget. The current budget was conservatively assembled considering the national and local economic trends.



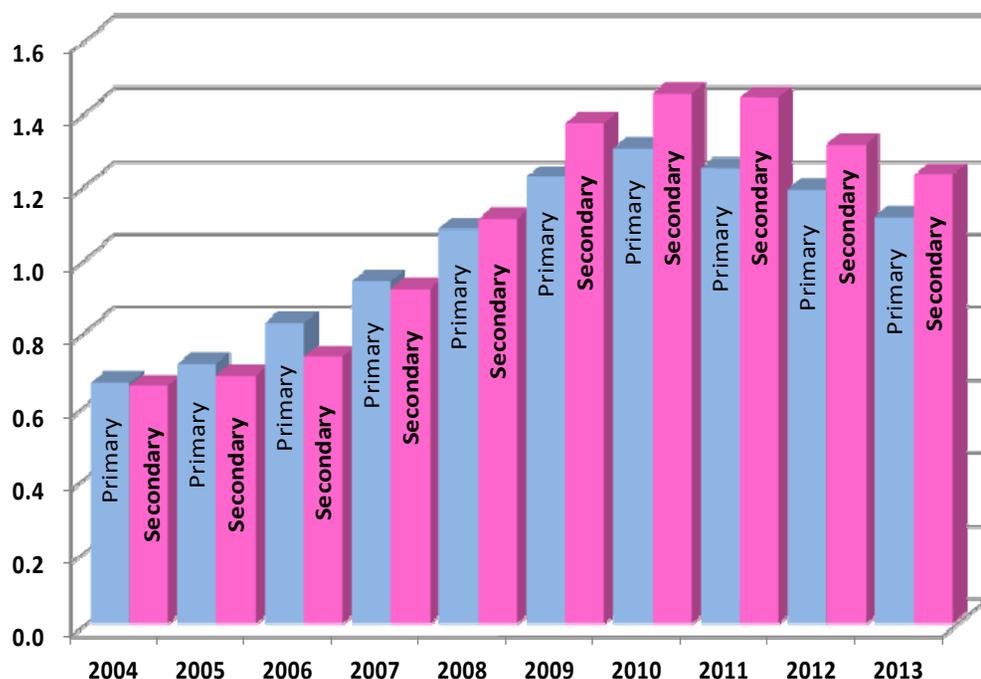


# REVENUE (All Funds)

## PROPERTY TAX

**Assessed Valuation:** In tax year 2013 (fiscal year 2013/14), the net primary assessed valuation decreased again by -6.3% to \$1.11 billion, new construction included; net secondary assessed valuation also decreased by -7.7% to \$1.13 billion new construction included as compared to tax year 2012.

The graph below shows a ten year history of the County's net primary and secondary assessed valuations (in billions). The graph clearly shows that current tax year values for primary and secondary are below as compared to 3 years ago by -17.01% and -26.72% respectively.



The primary assessed valuation is a legislated valuation, which is part of the formula when assessing taxes for general operations (general fund). The secondary assessed valuation is a better indicator of market conditions since it is not restricted by statute. The secondary assessed valuation is the basis for the County's debt service (if applicable), and the Library and Flood Control District levies.

Residential property taxes are calculated by applying the tax rate adopted by the County Board of Supervisors, based on annual levy requirements, per \$100 to the property's assessed valuation. If a property has a full cash value of \$100,000 the assessed valuation for residential property would be 10% or \$10,000 and since the tax rate is \$2.0606, then the current calculation for the County residential property tax would be:

$$(\$100,000 \times 10\%) / 100 \times \$2.0606 = \mathbf{\$206.06}$$

An increase or decrease in assessed valuation alone does not equate to higher or lower liabilities.

### Tax Rates

**General Fund:** The County levies property taxes for the general fund on primary assessments and the taxes are used for general governmental services. Rate history over the last seventeen (17) years has been as follows: from fiscal year 1997/98 through 2004/05 the County had a consistent tax rate of \$2.318 per \$100 assessed valuation. In fiscal year 2005/06 through 2010-11, the County has reduced the tax rate each year arriving to a \$1.7397 per \$100 assessed valuation. Fiscal Year 2011/12 marked the first year in more than fifteen (15) years the County has increased the tax rate to \$1.8798. Last fiscal year (2012/13), despite the increase in the cost of services, the Board of Supervisors opted to maintain same tax rate of 1.8798 per \$100 assessed valuation. However, this trend is not sustainable on an annual basis and for the current year the Board opted to increase the rate to 2.0606 per \$100 assessed valuation to maintain the fiscal year 2012/13 lev. exclusive of new construction.



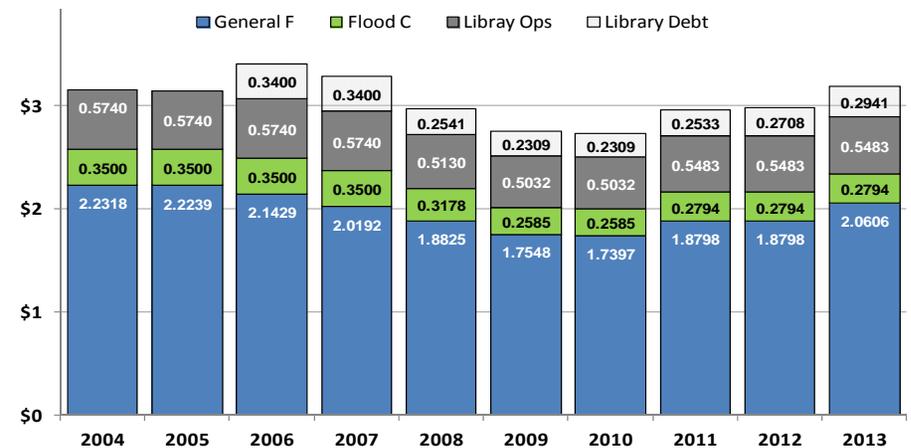
## PROPERTY TAX (CONTINUED)

**Library District:** The Library District levies property taxes for the operation and maintenance of the libraries and library systems. The District levies on the secondary assessments. Rate history over the last seventeen (17) years has been as follows: from fiscal years 1997/98 through 2003/04, the District had a consistent rate of \$0.5040 per \$100 assessed valuation. In fiscal year 2004/05, the District increased the rate to \$0.5740 to coincide with the Library's master plan. That rate stayed consistent until fiscal year 2008/09 when it was reduced to \$0.5130, the rate continued to be reduced until fiscal year 2009/10 to \$0.5032. Following the trend established by the General Fund due to the decrease in assessed valuation, the rate was increased to \$0.5483 for fiscal year 2011/12 through 2012/13 and the same rate was adopted for the current fiscal year 2013/14.

**Library Debt:** The Library District also levies property taxes for a voter approved initiative to acquire and construct new library facilities. The District levies on the secondary assessments. This levy is identical to the amount necessary for the annual repayment of two bond issuances beginning in 2005. The rate was originally required at \$0.3400 fiscal year 2006/07 and then gradually reduced to \$0.2309 through fiscal year 2010/11. Again mainly due to the decrease in property values and in order to meet the required payment the rate was increased to \$0.2526 in fiscal year 2011/12 and once more increased in fiscal year 2012/13 to \$0.2708 per \$100 of assessed value. In order to meet the yearly debt obligation the rate was once more increased to \$0.2941 per \$100 of assessed valuation for current fiscal year 2013/14.

**Flood Control District:** The Flood Control District levies property taxes for the acquisition, construction, operations and maintenance of Flood Control systems, this rate is currently set at \$0.2794 per \$100 assessed value. Like the other tax levies, this is a product of the reduction in assessed valuations and new construction.

The graph below shows the County's ten (10) year history of primary and secondary property tax rates.



### Levies

**Primary property tax levy limit:** There is a strict limitation on how much a County can levy as a primary property tax. ARS 42-17051 states this levy shall be limited to an increase of 2% over the prior year's maximum allowable primary levy, plus increases due to a net gain in property not taxed the previous year (new construction).

# REVENUE (All Funds)



## PROPERTY TAX (CONTINUED)

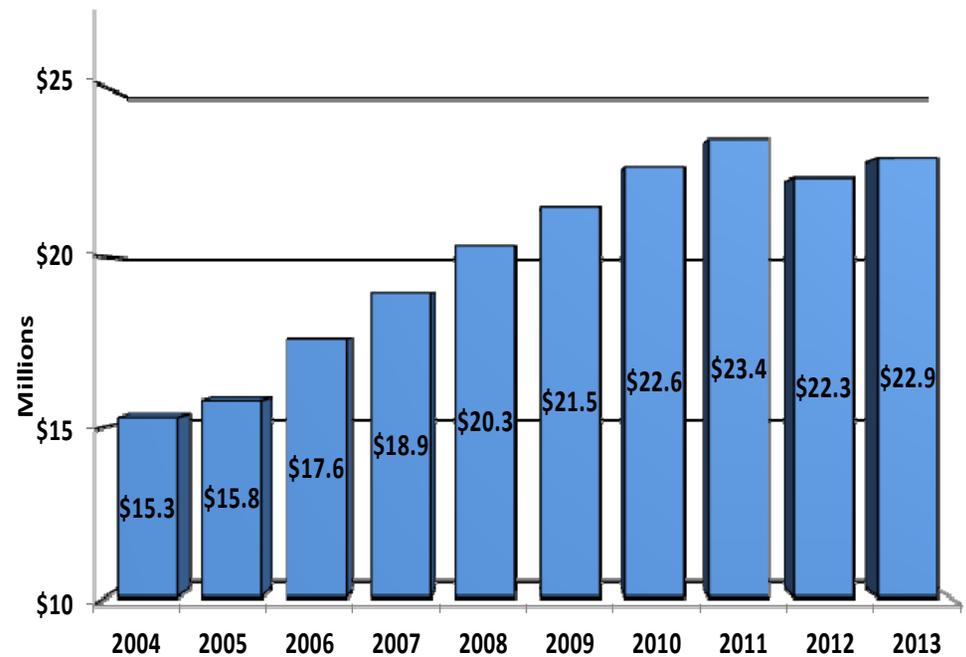
**Primary property tax levy limit (concluded):** Even if the County does not adopt the maximum allowable primary levy from year to year, the 2% allowable increase will be based on the prior year's maximum allowable primary levy. The net gain in property factor is included in the calculation to take into account all new construction and any additional property added within the County.

This levy limitation was reset by the State's legislative budget session in fiscal year 2006/07. A bill was passed that reset the base year used for the limitation calculation to tax year 2005 (fiscal year 2005/06). The maximum levy changed to equal the County's prior year actual levy, plus 2%, plus new construction. If a community was at the maximum, there is no impact. This only impacted those communities that were not already at the maximum. Yuma County had historically preserved its levy capacity through sound financial planning.

**Levy – Primary property:** While ARS 42-17051 gives the County the authority to increase the primary property tax levy by a maximum of 2% over the prior year's maximum allowable primary levy, the adopted primary property tax levy was maintained at the same level as in fiscal year 2012/13, excluding amounts attributable to new construction.

This levy is 2.7% higher than last fiscal year (2012/13), which continues to be lower than the five year average increase of 5.0%.

The graph below shows the County's primary property levies for the past ten (10) years.



**Secondary property tax levy limit:** There is no statutory limitation on how much a County can levy as a secondary property tax. However, the County Board of Supervisor's has recognized how maintaining a set rate can dramatically increase individual's property taxes in times of assessed value appreciation. To better monitor this and maintain customer (the public) confidence the Board has directed the County Administrator and both the Library and Flood Control Districts to bring a self-monitoring policy for County Board adoption to put local limitations on these taxes, similar to those of the primary property tax levy limitations.

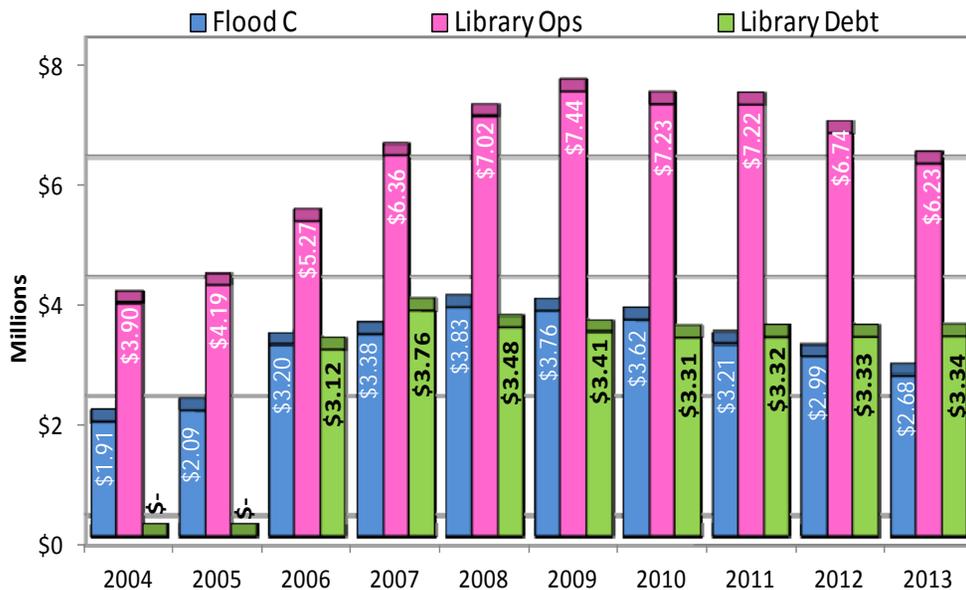


# REVENUE (All Funds)

## PROPERTY TAX (CONCLUDED)

**Levy – Secondary property:** With the property tax rate for secondary property tax being the same; the Library District levy had a net decrease of (\$503,909) dollars (Library debt service included); and the Flood Control District decreased by -10.4% or (\$312,092) dollars.

The graph below shows the secondary property tax levies for the last ten (10) fiscal years (in millions):



**Property tax revenue:** The Treasurer's office is responsible for collecting and distributing property taxes for the county, cities and towns, community college, school and special districts with in the County.

Property tax collections are estimated to remain above the seven year historical average of 97.5%. The anticipated property tax revenue is derived from the following formula:

$$\text{Tax levy} \times 97.5\% \text{ collection rate} + \text{prior year collections}$$

Total property tax revenues of \$36.3 million account for 25.1% of total revenues. It is estimated to decrease by -6.43% or \$2,493,426 compared to last fiscal year 2012/13 projections.

The General fund property tax revenue collections are estimated to increase by 1.5% or \$377,388 compared to last fiscal year 2012/13 projections; first increase in the last three fiscal years. This increase is primarily due to new construction.

The Flood Control District property tax revenue is estimated to decrease by -13.3% or (\$403,368) compared to last fiscal year 2012/13. This reduction is mainly attributed the reduction in assessed valuations as previously reported.

The Library District property tax revenue for operations is decreasing -3.7% or (\$231,339) and the debt service payment is estimated to decrease by -5.1% or (\$179,387) due to a lower principal debt payment requirement as compared to the 2012/13 fiscal year.

County property tax - in Millions (Assessed Allowable)					
	2009/10	2010/11	2011/12	2012/13	2013/14
General fund – primary	\$ 21.5	\$ 22.1	\$ 22.9	\$ 22.3	\$ 22.9
Change from prior year	5.6%	5.5%	3.5%	-8.8%	2.7%
Flood –secondary	3.8	3.6	3.1	3.0	2.7
Change from prior year	-1.7%	-3.8%	-11.2%	-6.7%	-10.4%
Lib operation –secondary	7.4	6.5	6.9	6.7	6.3
Change from prior year	5.9%	-2.8%	0.0%	-6.6%	-7.6%
Lib debt –secondary	3.4	3.8	3.3	3.4	3.3
Change from prior year	-1.95	-2.9%	0.0%	-0.1%	-0.3%
<b>Total property tax</b>	<b>\$ 36.1</b>	<b>\$ 36.0</b>	<b>\$ 36.2</b>	<b>\$ 35.4</b>	<b>\$ 35.2</b>



# REVENUE (All Funds)

## COUNTY TPT (SALES TAX)

The County has a 0.50% general transaction privilege (sales) tax for general uses, 0.50% for the Jail District and an increased 0.112% for the Health District. The general sales tax is general fund revenue and supports the County's general operations.

On May 15, 1995, voters approved a 0.50% transaction privilege (sales) tax to be used to acquire, construct, operate, maintain and finance county jails and jail systems. The authorization was good for 20 years to expire in 2015; however, in May 2011, Yuma County voters were asked and approved the extension of the tax and district for another 20 year term to the year 2035.

In 2006, the Board of Supervisors authorized a 0.10% transaction privilege (sales) tax for use for the operations and maintenance of the County's Health District. Due to the increasing needs for new revenues to continue providing the Health services required; the Board of Supervisors adopted the permanent implementation of the full capacity tax as permitted by Statute. The increase adopted during the current fiscal year was a nominal 0.012%.

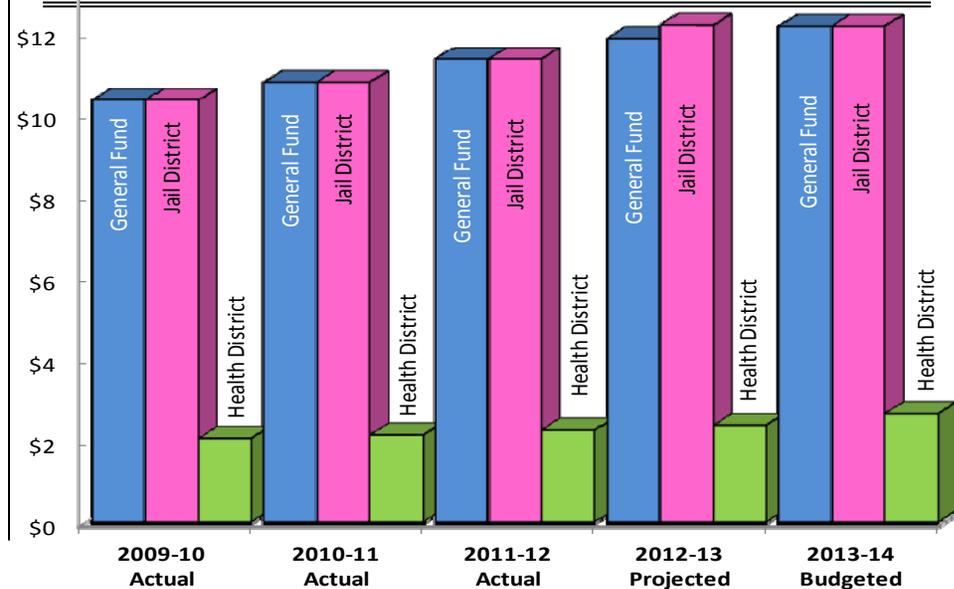
There are various transaction categories where a local transaction privilege (sales) tax is applied: mining, communications and utilities, transportation and warehousing, retail, rental and leasing, restaurant and bar, hotels, services, arts and entertainment, and construction.

The chart and graph to the right illustrates a five (5) year history of the County's sales tax (in millions).

The County transaction privilege (sales) tax revenues of \$26.9 million accounts for approximately 18.6% of total revenues. Total County transaction privilege (sales) taxes collections have increased an average of 4.3% over the last three years.

Total County transaction privilege (sales) taxes, net of Capital Projects tax, have increased at an average of 1.4%, in the last five (5) years due to the current economic situation. It is estimated to increase for the current budget year by 2.1% based on local economic indicators.

County transaction privilege (sales) tax by major category - in Millions					
	2009/10	2010/11	2011/12	2012/13	2013/14
General fund	\$ 10.4	\$ 10.7	\$ 11.3	\$ 11.9	\$ 12.2
Change from prior year	-12.5%	4.2%	5.2%	4.5%	2.5%
Jail district	10.4	10.8	11.3	12.2	12.2
Change from prior year	-12.5%	4.2%	5.2%	7.3%	-0.2%
Health district	2.1	2.1	2.3	2.4	2.6
Change from prior year	-12.4%	4.0%	5.4%	5.0%	11.7%
Capital projects	.0019	.0037	-	-	-
Change from prior year	-68.9%	-100%	-	-	-
<b>Total sales tax</b>	<b>\$ 22.9</b>	<b>\$ 23.7</b>	<b>\$ 24.9</b>	<b>\$ 26.5</b>	<b>\$ 27.0</b>





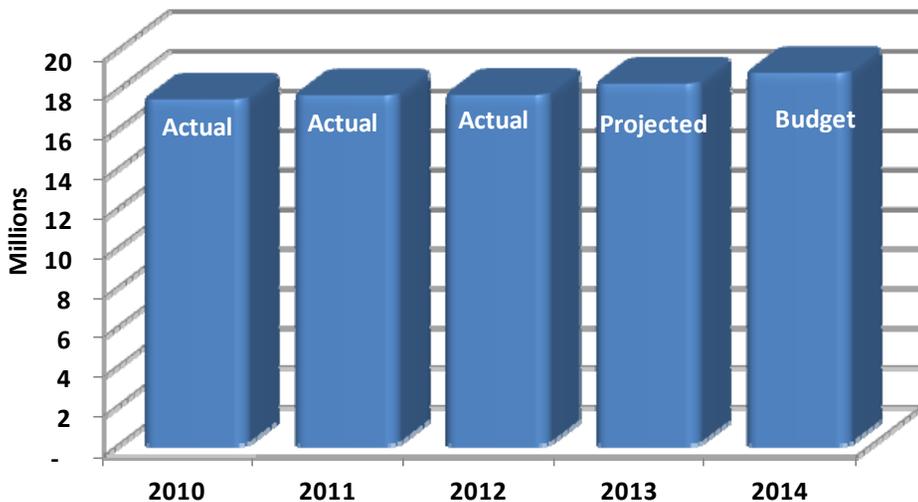
# REVENUE (All Funds)

## STATE SHARED TPT (SALES TAX)

The State's transaction privilege (sales) tax rate on most taxable activities is 5.6% with several minor categories having tax rates ranging from 2.5% to 5.5%. An appropriated portion of this revenue is *shared* among Arizona counties, cities and towns. The tax is collected by Arizona Department of Revenue which is then allocated and distributed to counties, cities and towns based on their population. The *non-shared* portion of the tax is collected and allocated solely to the state.

State shared sales tax revenues of \$18.8 million accounts for approximately 13.0% of total revenue sources. It is projected this revenue source will have an increase of 3% or 544,824 for FY 2013/14. Minimum increase is attributable to the national and statewide recession and an optimistic recovery start.

The chart below shows state shared transaction privilege (sales) tax revenues over the last five years (in millions).



## IMPROVEMENT DISTRICT GRANT

It is estimated that the County will be awarded \$1.1 million in federal grants to complete the construction of a wastewater collection system for the B&C Colonia improvement district. The United States Department of Agriculture, acting under the provisions of the Consolidated Farm and Rural Development Act, has awarded \$15.5 million in grants for the project. Also, the El Prado improvement district will be starting construction on a 1.2 mile sanitary sewer line and it is estimated that the County will be awarded \$1.3 million to assist with the project.

This one time revenue amounts to 1.7% of all revenues. Projects are expected to be completed in the current fiscal year.

## HIGHWAY USER REVENUE FUND

This source is also known as "HURF" or "the gas tax". HURF is collected and distributed by the State of Arizona Department of Revenue based on a population formula.

The County allocates its distribution to street and highway development and maintenance. The first \$6,415,966.49 is allocated 30% to development and 70% to maintenance; and 50% to both development and maintenance thereafter.

HURF revenue of \$8.7 million accounts for approximately 6.0% of total revenue sources. It has had an erratic trend over the last five years. This fiscal year it is anticipated to remain flat as projected for FY 2012/13.



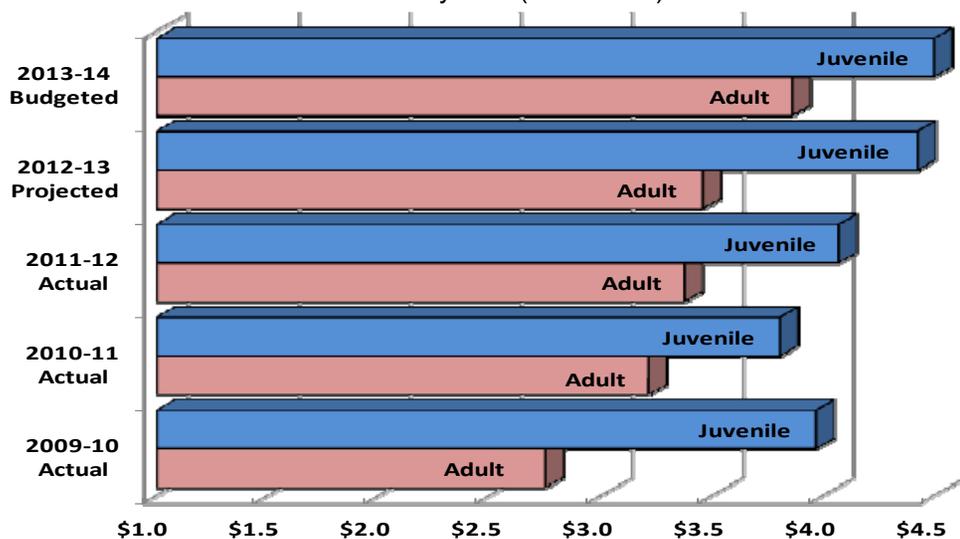
# REVENUE (All Funds)

## JUVENILE & ADULT PROBATION GRANT

Juvenile and Adult Probation Grants are revenues received, primarily from the State; to carry out specific State mandated services and programs under the umbrella of Superior court.

The total of these grants is approximately \$8.4 million and accounts for approximately 5.8% of total revenue sources. Grants have increased at an average increase of 2.6% (1.5% Juvenile and 4.3% Adult) over last five (5) fiscal years. This fiscal year 2013/14 anticipates another combined increase of 6.4% or \$504,563 compared to last year (\$101,755 Juvenile and \$402,808 Adult Prob)

This fiscal year estimates are based on the best information available from State appropriations at the time of adoption. Actual distributions of these grants are contingent upon state appropriations and available resources from the granting state agencies. The chart below shows juvenile and probation grant revenues over the last five years (in millions).

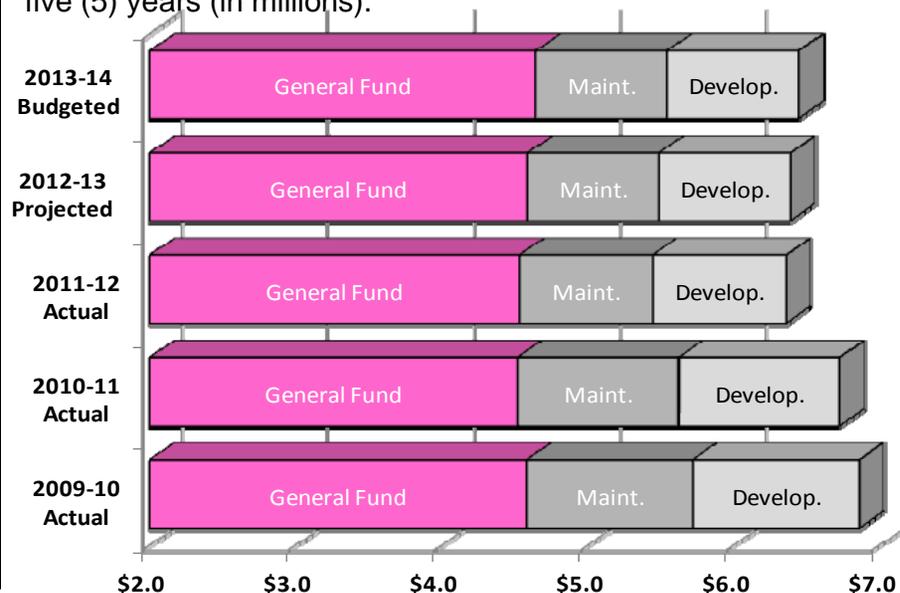


## AUTO IN LIEU TAX

This source is also referred to as the vehicle license tax. It is collected and distributed by the State to counties, cities and towns based on population. The majority of this tax is for general uses (general fund) and the other portion is restricted to transportation. The transportation portion is then allocated by the County; half for highway and street development and half for maintenance.

This revenue of \$6.5 million accounts for approximately 4.5% of total revenue. Consistent with the trend for all other State allocated revenues; this revenue is expected to have no movement or a minimum increase

The chart below shows auto in lieu tax revenues over the last five (5) years (in millions).





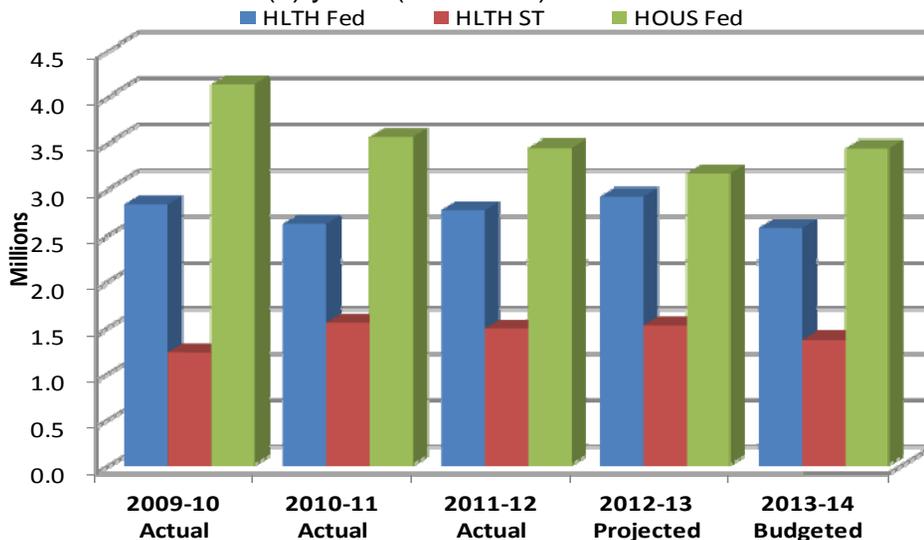
# REVENUE (All Funds)

## HEALTH AND HOUSING GRANT

Over half of the total funding for the health district comes from federal and state government grants (51%). All of the funding for the Housing department is from federal grants. These grants are received by the County to perform specific services to the public. The actual amount paid to the County for housing services each year is appropriated by the U.S. Congress and distributed by HUD.

The total of these grants is approximately \$7.3 million and accounts for approximately 5.0% of total county's revenue sources. It has increased a total average increase of 1.5% (3.7% Health and -0.3% decrease in Housing) over last five (5) fiscal years.

The chart below shows the Health and Housing grant revenue over the last five (5) years (in millions).

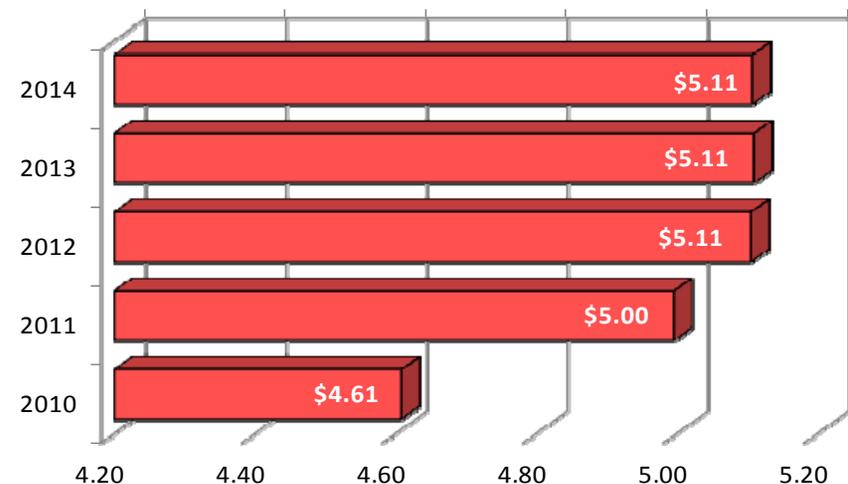


## COUNTY FUNDS GENERATING ACTIVITIES

This revenue category is composed from revenues derived from Rents, Charge for services, and Licensing and permits issued by the County. These funds generating activities provide a better picture in regards to the business handled by the County and as a reflection of the local economy.

The total of this revenue category amounts to \$5.1 million or 3.5% of total revenue sources. Fiscal year 2011/12 marked the first year these activities increased (2.2%); prior to this, activities were declining at an average rate of -2.8% since 2007. The increase is estimated to continue as the local economy continues to recover from the recession.

The chart below shows the money generating activities (Charges for services and Licenses and permits) over the last five years (5) (in millions).





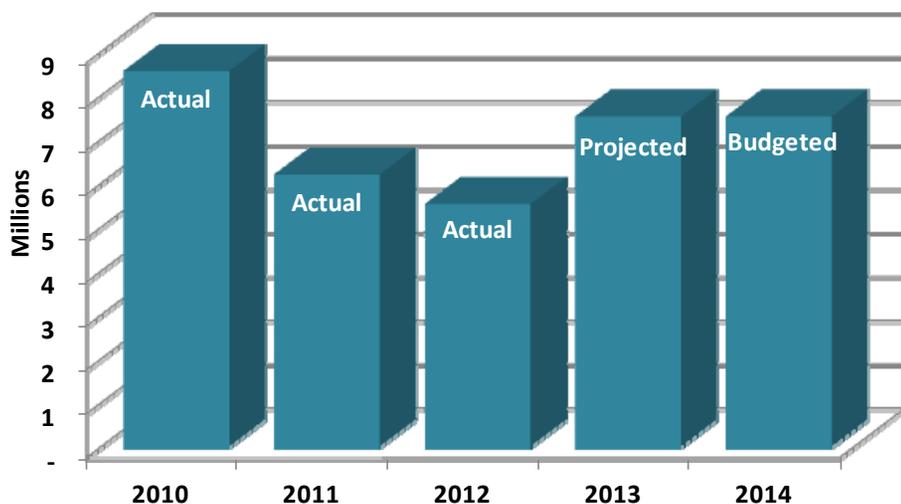
# REVENUE (All Funds)

## WORKFORCE INVESTMENT ACT

The Workforce Investment Act is federal funding and referred to as "WIA". This funding is restricted to be used for classroom and on-the-job training to eligible residents. This program is administered for the County by Yuma Private Industry Council (YPIC).

The total federal funding of \$7.5 million accounts for approximately 5.2% of total revenue sources. Although projections for current year are high, the revenue is expected to continue its moderate decline. This is reflective of the current funding assignments at the federal level. The actual amount paid to the County for this program is contingent upon appropriations by the Federal Government.

The chart below shows the Workforce Investment Act revenue over the last five (5) years (in millions).



## SUMMARY TABLE

The table below summarizes the County's revenue sources for the last five (5) years (in millions).

	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Projected	2013/14 Budget
Property taxes	\$ 36.5	\$ 37.0	\$ 38.8	\$ 35.8	\$ 33.6
County sales taxes	22.8	23.7	23.0	26.4	26.9
State shared sales taxes	17.4	17.6	17.7	18.2	18.8
One time Imp District Grant	0.6	9.0	7.6	1.7	2.4
Highway user revenue fund	9.7	9.6	10.1	8.7	8.7
Juvenile and probation grants	6.7	7.0	7.4	7.9	8.4
Auto lieu taxes	6.9	6.7	6.4	6.4	6.5
Health and housing grants	8.1	7.7	7.6	7.6	7.3
Fund generating activities	4.6	5.0	5.1	5.1	5.1
Workforce investment act	8.6	6.2	5.5	7.5	7.5
<b>Total major revenues</b>	<b>121.9</b>	<b>129.5</b>	<b>129.2</b>	<b>125.3</b>	<b>127.9</b>
<b>Total other revenues</b>	<b>22.8</b>	<b>21.7</b>	<b>20.2</b>	<b>20.4</b>	<b>17.0</b>
<b>Total current revenues</b>	<b>144.7</b>	<b>151.2</b>	<b>149.4</b>	<b>145.7</b>	<b>144.9</b>
<b>Prior year's fund balance</b>	<b>93.8</b>	<b>84.0</b>	<b>84.8</b>	<b>84.8</b>	<b>83.2</b>
<b>Total sources</b>	<b>\$ 238.5</b>	<b>235.2</b>	<b>234.2</b>	<b>\$ 230.5</b>	<b>\$ 228.1</b>