

## COUNTY FACILITIES – HOW DO WE PAY FOR THEM, Part 2

We have had several people visit with us about examples of privately built public facilities that do not take tax dollars, and asking why we aren't doing that in this instance.

We've also had folks point out that the County does not have to "stir up the voters" by going to them for their approval on issuing General Obligation Bonds (G.O. Bonds) or establishing a Jail District to build these facilities; that we could, instead, just use primary property taxes to do everything ... and why aren't we doing that?

Ok – let's look at both of these to start with, because there are slivers of information in these discussions that are germane.

As for the privately built public facilities, the examples being used are airports, water treatment plants, water systems, toll roads and so forth. The difference between these types of public facilities and our Criminal Justice Centers with courts and jails is that the airports, et al., have what is called a "dedicated revenue source" that is OTHER than taxes such as airport fees, water fees, sewage/sanitary fees, road tolls, and so on.

Again, in the case of our courts and jails (and in all cases like ours), our only reliable revenue source is taxes – in some combination of primary property tax, secondary property tax and/or sales tax. There are no fees or other funding to fall back on – period.

Actually, what the voter is being asked to do in November is establish a "dedicated revenue source" with property taxes (G.O. Bonds attached to a secondary property tax – more on this later) for the Court and Administration facilities, and another "dedicated revenue source" of a ½ cent sales tax for the Jail facilities.

As to the discussions about alternative financing, some of what we've been hearing is that if the County were to use some other financing alternative (the P3's, COP's, etc. that I talked about in my last article) then we wouldn't have to hold an election to get voter permission to issue bonds. (This is true.)

What you need to know is that ALL of these alternatives create debt – just like a bond. They will raise your taxes – just like a bond. However, these alternatives only require the discretion of the appropriate elected board to put them into motion (in this case, the Board of Supervisors).

Bonds, on the other hand, take a vote of the people.

Understanding all of this is what led the super majority of the Gila County Facilities Planning Citizens Advisory Committee to recommend going to the

people. In addition, because bonds are voter approved they are considered by the financial industry to be more secure and, therefore, their interest rates tend to be lower.

Now let's look at primary and secondary property taxes from another angle.

Primary property taxes are those taxes that counties, cities, towns and schools are allowed by State Constitution and law for general government operations. Within certain parameters, their rate and their use is at the discretion of the appropriate elected body.

Secondary property taxes, on the other hand, are those taxes that are voter approved for special taxing instances like school overrides and bonds, water improvement districts, fire districts, and county, city and town bonds. These taxes are dedicated to the purpose that the voters approve. In this case ...“Capital needs in the county relating to criminal justice, law enforcement operations and other services”.

In November, if the voters approve the issuance of G.O. Bonds in an amount not to exceed \$20 million for this purpose, then the bonds will be paid for over the next 30 years with a secondary property tax rate that will average 21 cents per year (\$21 on a \$100,000 house). (Property owners would actually pay a 23 cent rate the first year and an 18 cent rate the last year for an overall average rate of 21 cents.)

Finally, you have been hearing that this could be accomplished with “no net increase in property tax rate,” so let's visit about what that means. More correctly, you will experience “**no net tax rate increase over the 2006 tax year**” if you approve the bond issue in November. Why?

The primary property tax rate for Gila County in 2006 was \$4.35. Anticipating that the voters may want to pass the bond election, the Board of Supervisors was able to lower by 24 cents the primary property tax rate for 2007 to \$4.11. If the voters do decide to issue bonds and vote themselves a 21 cent average secondary property tax rate (again, 23 cents the first year and 18 cents the last year), then the two taxes combined for 2008 would be \$4.34 – or ***no net tax rate increase over the 2006 tax year***.

(As a side issue, if in November the voters do not approve a 21 cent average secondary property tax rate to pay off bonds, the Board of Supervisors can not go back and add the 24 cents to the primary rate – the most by law they could add in 2008 would be 9 cents.)

We'll turn our attention to the whole Jail District issue next week in FACILITIES, HOW DO WE PAY FOR THEM, Part 3. Until then, why don't you drop by our offices and take a closer look at the conceptual design?