

# Maricopa County FY 2012 Adopted Budget

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# Changes from Tentative Budget

• General Fund Operating Changes	\$ 933,190
• General Fund Non Recurring Changes:	\$ 348,311
• Other Funds:	\$ 6,068,048
– <i>Debt Payoff</i>	\$1,688,937
– <i>New Revenue</i>	\$3,104,971
– <i>Non Recurring</i>	\$1,274,140
• Reduction to Contingencies	<u>(\$7,349,549)</u>
• <b>Net Change</b>	<b>\$ 0</b>



# Budget Calendar – Remaining Dates

August 15	Property Tax Levy Adoption
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# MCSO Misspending Corrective Action Options



# Issue Recap

- In FY 2010 it was discovered that MCSO was misusing restricted funds for payroll
- Auditor General finding: material weakness in internal control and an instance of noncompliance
- Auditor General recommendation: investigate and determine the financial impact and make appropriate corrections



# Misspending Recap

Detention Fund	\$84,748,933
Inmate Services Fund	<u>\$14,743,225</u>
TOTAL	\$99,492,158

*Note: Amounts are unaudited.*



# Part 1: Board Resolution

- Additional Audits
- Financial Oversight
- IT Oversight
- Operational Efficiency Reviews
- Other Operations Reviews
- Quarterly Reporting and Budget Oversight



# Additional Audits

- Initial Survey and Risk Assessment
- Expenditures
- Payroll
- IT Systems and Software Applications Controls
- Case Clearance, Handling and Management
- Evidence Room, Property Release and Purge, Vehicle Impound
- Weapons Inventory
- Seized Drugs – Disposal/Destruction
- Warehouse/Surplus Operations
- Training Compliance
- Patrol IGA Review



# Financial Oversight

- Continue Detailed Line Item Budget Monitoring of all MCSO funds in FY 2011-12, including P-card monitoring
- Continue Journal Voucher Review



# MCSO General Fund Actual Spending Vs. Board Appropriation

(in millions)

Fiscal Year	Budget	Reported Spending	Misreported Spending	Actual Total Spending	Under/ (Over) Budget
2004	\$43.02	\$42.62	\$2.88	\$45.50	(\$2.48)
2005	49.67	48.92	7.18	56.10	(6.43)
2006	61.07	59.40	13.44	72.84	(11.77)
2007	72.05	68.95	16.17	85.12	(13.07)
2008	71.65	69.54	18.32	87.86	(16.21)
2009	74.89	73.57	17.83	91.40	(16.51)
2010	62.41	61.55	19.05	80.60	(18.19)
				<b>Total:</b>	<b>(\$84.66)</b>

Notes: "Budget" reflects the annual revised General Fund budget approved by the Board of Supervisors.  
 "Reported Spending" reflects General Fund expenditures recorded in the County's general ledger system.  
 "Misreported Spending" represents the amount of Detention and Inmate Services spending on functions that should have been recorded to the General Fund.  
 "Actual Total Spending" represents the sum of "Reported Spending" and "Misreported Spending."



# MCSO Detention Fund Actual Spending Vs. Board Appropriation

(in millions)

Fiscal Year	Budget	Reported Spending	Misreported Spending	Actual Total Spending	Under/ (Over) Budget
2004	\$102.07	\$101.96	(\$2.88)	\$99.08	\$2.99
2005	127.36	125.05	(7.18)	117.87	9.49
2006	160.66	160.66	(13.44)	147.22	13.44
2007	175.06	172.08	(16.17)	155.91	19.15
2008	196.98	193.92	(18.32)	175.60	21.38
2009	185.87	185.20	(17.83)	167.37	18.50
2010	183.68	180.26	(19.05)	161.21	22.47
				<b>Total:</b>	<b>\$107.42</b>

Notes: "Budget" reflects the annual revised Detention Fund budget approved by the Board of Supervisors.  
 "Reported Spending" reflects Detention Fund expenditures recorded in the County's general ledger system.  
 "Misreported Spending" represents the amount of Detention and Inmate Services spending on functions that should have been recorded to the General Fund.  
 "Actual Total Spending" represents the sum of "Reported Spending" and "Misreported Spending."



# Information Technology Oversight

- Full Review of Existing IT Systems
- Oversight of Procurement of New Information Technology Systems
- Telecommunication Systems Review of existing and new technology



# Operational Efficiency Reviews

- Vehicle Utilization Review
- Extradition/Travel Policy and Procedure Updates
- Aviation Operations Review
- Efficiency and Best Practice Reviews in Conjunction with Staffing Studies
- Cash Handling
- Mandated Vs. Non-Mandated Service Analysis
- Deployment of Time Clocks, where applicable



# Other Operations Reviews

- Full Cost Recovery for All Services Rendered
- Implementation of Subsequent Remedial Measures
- Review of Volunteer Program Structures and Coverage/Liability Issues
- Full Strategic Business Plan Update and Metric Reporting
- Full Update of Reporting Structure and Staff Allocation, including Specialized Units



# Quarterly Reporting and Budget Oversight

- Staff will update the Board on a quarterly basis regarding the status of audits, reviews and oversight functions
- As operational savings are identified, budget will be adjusted recognize the savings





## Part 2: Partial Repayment and Fund Sweep

- Partially repay misspent funds from General Fund monies earmarked for State Payment
  - \$11,137,945 to Detention Fund
  - \$14,743,225 to Inmate Services Fund
- Sweep MCSO Balances to Pay State
  - Inmate Services Fund (\$21,000,000)
  - Jail Enhancement Fund (\$2,000,000)



# Remaining Balance After Sweeps

Misspending	\$ 84,748,933	\$ 14,743,225	\$ 99,492,158
General Fund Transfer in FY 12	(11,137,945)	(14,743,225)	(25,881,170)
<b>Balance to Reimburse</b>	<b>\$ 73,610,988</b>	<b>\$ -</b>	<b>\$ 73,610,988</b>





# Part 3: Options for the Remaining \$73,610,988

- 4 Options
  - 1) Apply Maintenance of Effort excess payments
  - 2) Increase Detention Capital Improvement Fund participation in Court Tower
  - 3) Service and capital reductions
  - 4) Tax levy increase/service reduction combination



# Option 1: Maintenance of Effort Excess Payment

Item	Amount
Apply the General Fund maintenance of efforts payments that exceeded the statutory minimum amounts	\$73,610,988

- The maintenance of effort provision in State law provides a *minimum* threshold, not a maximum (A.R.S. § 42-6109)
- Reasonable and consistent with the general principle of offset
- Outside counsel has confirmed the appropriateness
- Entire \$73 million could be covered with this approach

**RECOMMENDED**



# Maintenance of Effort Advice

- **Auditor General's Office:**

“Our Office concurs with the legal opinion the County has received regarding using the change in the GDP Price Deflator to calculate the required Maintenance of Effort to the Detention Operations Fund beginning in FY 2007.”





## Option 2: Maximize Court Tower Expenses Charged to Detention Fund

Item	Amount
Increase the amount of Detention monies used on Court Tower to free up General Fund resources that could be used to repay the misspending	\$73,610,988

- Entire \$73 million could be covered with this approach

**NOT PREFERRED**





# Option 3: Service and Capital Reduction Combination

Item	Amount
Reduction of Radio Project <i>(would no longer be fully funded)</i>	\$41,786,349
10% reduction to Sheriff General Fund operating budget*	\$7,445,202
5% reduction to other departments' General Fund operating budgets*	\$24,379,437

\* *Could include furloughs, inactivations of vacant positions, reduction of overtime and supplies*

**NOT RECOMMENDED**



# Option 4: Tax Levy Increase

Item	Amount
Increase to maximum levy	\$60,625,055
10% reduction to Sheriff General Fund operating budget*	\$7,445,202
1.14% reduction to other departments' General Fund operating budgets*	\$5,540,731

- Not possible to cover entire \$73 million with tax increase in one year

\* Could include furloughs, inactivations of vacant positions, reduction of overtime and supplies

**NOT RECOMMENDED**



# Add-On Options

- Withhold funding for MCSO capital/IT projects until first quarter report is complete and MCSO cooperation is documented
  - Sheriff Headquarters/911 Building
    - \$80.0 M, cannot be delayed
  - Sheriff Headquarters/911 Equipment
    - \$8.25 M, procurement must start immediately, but award of contract would not be until after 1<sup>st</sup> quarter
  - Sheriff Headquarters/IT Equipment
    - \$4.2 M, procurement must start immediately, but award of contract would not be until after 1<sup>st</sup> quarter



# Add-On Options (continued)

- Zone 2 Infrastructure
  - \$4.94 M, cannot be delayed
- Sheriff Crime Lab
  - \$4.6 M, should not be delayed, almost complete
- Radio System
  - \$131.4 M, procurement must start immediately, but award of contract would not be until after 1st quarter



# Add-On Options

- Reduce Sheriff's General Fund operating budget through tracking multi-year savings via a scorecard approach
  - 2.5%: \$1,861,301
  - 5.0%: \$3,722,601
  - 7.5%: \$5,583,902
  - 10.0%: \$7,445,202





# Cut MCSO Law Enforcement Budget

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- FY 2012 budget is \$74.5 million
- Not possible to cover entire \$73 million with operating budget cuts
- Any substantial cuts will negatively affect services: response times, investigations, etc.
- Some savings through efficiency studies (e.g., vehicle usage, staffing, etc.) may be realized but too early to know how much



# Additional Controls Recommended Resources

Department	Market Range Title	Quantity	Hourly	Personal		Total
			Rate	Services	Supplies	
OMB	Budget Analyst	1.00	30.89	84,851	3,000	87,851
OMB	Management Analyst	1.00	28.25	78,360	3,000	81,360
OMB	Special Projects Manager	1.00	35.26	95,595	3,000	98,595
Internal Audit	Internal Auditor	1.00	29.66	81,827	3,000	84,827
Internal Audit	Internal Auditor - Supervisor	1.00	34.78	94,415	3,000	97,415
Risk Management	Claims Compliance Coordinator	1.00	35.91	97,193	3,000	100,193
OET	IT Consultant	1.00	56.24	147,177	3,000	150,177
<b>Total Personnel:</b>						\$ 700,417
Internal Audit Consultants						\$ 200,000
<b>Total Operating:</b>						\$ 900,417
<b>Non-Recurring Expenses:</b>						
Other Consultants (strategic planning, staffing, etc.)						\$ 750,000
<b>Total Cost:</b>						<u><u>\$1,650,417</u></u>

*Note: Hourly rates reflect midpoint of ranges.*



# Recommendation

- Adopt Oversight Resolution
- Fund additional resources to implement Oversight Resolution
- Apply Maintenance of Effort credit to cover entire \$73 M



