

The Board of Supervisors of Maricopa County Arizona convened in Informal Session at 10:00 a.m., December 17, 2007 in the Board of Supervisors' Conference Room, 301 W. Jefferson, Phoenix, Arizona, with the following members present: Fulton Brock, Chairman, District 1 (entered late); Andrew Kunasek, Vice Chairman, District 3; Max W. Wilson, District 4, and Mary Rose Wilcox, District 5. Absent: Don Stapley, District 2. Also present: Fran McCarrroll, Clerk of the Board; Liz Evans, Minutes Coordinator; David Smith, County Manager; Victoria Mangiapane, Deputy County Attorney. Votes of the Members will be recorded as follows: aye-nay-absent-abstain.

1. UPDATE ON CURRENT FISCAL STATUS

Item: Update the Board on the current fiscal status of Maricopa County. (C4908025800) (ADM1825)

Sandi Wilson, Deputy County Manager and OMB staff

Sandi Wilson informed the Board that most of her presentation would be focused on the State's current fiscal status. Ms. Wilson said the State's FY 2008 operating deficit is projected at \$970 million, with General Fund revenues already \$310 million behind forecast. The State's sales tax revenue growth projections are at three percent for FY 2008 and two percent for FY 2009, very similar to the County's forecast.

Ms. Wilson said the State has cited the housing market as the major cause of the revenue decline due to less access to credit and excess housing inventory. She said that national estimations cite a four to nine percent reduction in consumer spending for every one dollar reduction in house values. Ms. Wilson observed that the State's revenue forecasts had been grossly overestimated.

Ms. Wilson illustrated some positive aspects of the County's current fiscal situation. She emphasized that the job market is still growing and most of the excess housing inventory and depreciation is concentrated on the outskirts of the valley, with modest depreciation and level growth being seen in the core metro area. Ms. Wilson commented that the federal government is working on a mortgage relief plan that will probably not significantly impact our housing market, but will slow down depreciation and excess inventory.

Ms. Wilson then gave an overview of the County departments experiencing budget overruns and the efforts to align them. She said that OMB has been meeting with the Sheriff's office every two weeks, and their staff is confident that they will be able to make budget by year's end. Supervisor Wilcox asked about the status of Contract Counsel, the department with the largest overrun. LeeAnn Bohn, Deputy Budget Director, has been working with the department to come up with a solution. Ms. Bohn said that the bulk of those overruns are for class two through six felonies, felony DUI and capital cases. As a partial solution, the department is moving toward more staff attorneys. Ms. Wilson said that most of the other departments have very solvable problems and some of the overruns are due to timing issues.

Supervisor Kunasek asked for an update on the status of the court ruling regarding visitor's hours at the jails and Supervisor Wilcox concurred. Ms. Wilson said it was her understanding that the court has ordered the jails to expand the visiting hours but the ruling was being mediated. Supervisor Kunasek commented that he has concerns about the Court intervening in County operations. Supervisor Wilcox expressed concern that the County might be subject to fines if visiting hours are not expanded pending a settlement.

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2. POTENTIAL OPPORTUNITIES FOR COST SAVINGS FROM CONSOLIDATION OF INFORMATION TECHNOLOGY AND TELECOMMUNICATION FUNCTIONS

Item: Presentation of potential opportunities for cost savings, standards alignment and other benefits from consolidation of certain Information Technology and Telecommunication functions. This was one of the Budgeting for Results Budget Balancing Strategies approved by the Board of Supervisors on November 14, 2007. (C4108005600) (ADM2700)

Stephen L. Wetzel, Chief Information Officer

Sandi Wilson clarified that this was an informational presentation regarding IT consolidation efforts in both the public and private sectors, and that no action would be required on this item. Mr. Wetzel explained that IT consolidation brings together people, processes and technology within an organization to achieve:

- Improved operational efficiency
- Cost savings/cost avoidance
- Functional synergies
- Improved program delivery and citizen services

~ Supervisor Wilcox left the meeting ~

Mr. Wetzel reported that according to a 2005-2006 public/private sector survey by Gartner Research, 80 percent of the respondents have or are considering consolidation within two years while 79 percent of respondents report having a single IT organization overseeing servers and data centers.

~ Supervisor Wilcox returned to the meeting ~

Supervisor Wilson asked how and where the respondents were saving money. Mr. Wetzel explained that consolidation reduces the amount of staff and support needed, as well as costs for licensing, servers, storage and operational costs. Furthermore, Mr. Wetzel maintained that while some upfront, one-time costs are usually associated with consolidation, the costs avoided by consolidation can be significant. He said that research indicates that on average, today's servers use ten percent or less of their capacity. Consolidation makes sense as a means to utilize the untapped excess capacity of one server rather than using multiple servers in multiple locations.

Mr. Wetzel illustrated some highlights of IT consolidation efforts by Colgate-Palmolive, the State of California, the State of Michigan and Hewlett-Packard. He also shared the results of a Public Health IT consolidation within the County, as follows:

- Reduction of 25 servers down to 12
- Reduction of 2 data centers to 0 into the central, corporate enterprise data center
- Database backup and integrity issues were resolved
- \$334,000 in cost avoidance was realized

Mr. Wetzel maintained that Public Health was able to increase staff to meet service level demands while reducing costs without increasing the budget.

Supervisor Wilcox remarked that the implications of IT consolidation are exciting. She asked what departments were being considered for IT consolidation and whether any timelines had been developed.

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Mr. Wetzel responded that four consolidation initiatives were under review and quarterly updates to the Board have been planned.

Mr. Wetzel disclosed that a case study of Maricopa County administered in conjunction with Cisco indicated that the County could save anywhere from 15 to 27 percent in costs by consolidating IT functions. Supervisor Wilson contended that the difference between 15 and 27 percent was significant and asked why there was such a substantial range. Mr. Wetzel said that Cisco had difficulty ascertaining exactly what is being spent since not all IT related costs have been entered into a single object code that could be identified, tracked and monitored. It has been estimated that the County could save a minimum of \$65 million from the General Fund by IT consolidation, derived from a 2006 audit analysis of the general ledger accounting system.

Supervisor Kunasek asked if a report could be prepared that would break down, by dollar amounts, the IT expenditures for elected versus appointed departments. Mr. Wetzel said the information was not currently in that format but he would be able to provide that at a future meeting.

Mr. Wetzel reinforced that research has shown that a small, up-front investment is common, but there is a one to three year return on investment. He also disclosed that the Office of Enterprise Technology (OET) is in the process of upgrading and enhancing their data centers to bring them up to date, so many up-front costs are already being incurred by OET.

Mr. Wetzel summarized the County's current IT environment as follows:

- Highly decentralized governance model
- Overly complex operational environment with unnecessary duplication (e.g. servers and storage)
- Excessive costs due to lack of standardization and duplication of resources and services

Supervisor Kunasek asked whether the duplication is occurring County-wide or only within the Board's and each elected official's area of responsibility. Mr. Smith responded to the Chairman's question by saying that he could probably put the sense of duplication into perspective by reviewing County history with regards to IT.

~ Chairman Brock entered the meeting ~

Mr. Smith said that following the "mainframe" environment of the 1970's and 1980's, the County intentionally moved to a "distributed computing model" based on the limitations of the technology available at the time. This meant that it was necessary for departments to have their own servers, storage, support staff, etc. However, technology has become so sophisticated and powerful that decentralized IT does not make sense since multiple servers with unused, excess capacity translates into waste. Mr. Smith concluded that the difference with IT consolidation as opposed to the old mainframe environment is that technology now provides an opportunity to create a service bureau where people, software and hardware can combine to provide a high level of service in a cost-effective manner.

Mr. Wetzel related that the County Auditor's report noted that IT investment decisions are being made without centralized coordination by agencies, leading to difficulties with tracking and monitoring county-wide IT spending, aligning IT spending to the County's strategic priorities and adhering to a common policy framework. He said that the value of consolidation will be to lower the total cost of ownership by:

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- Standardizing assets and processes by establishing a unified set of systems, tools and processes across the enterprise
- Centrally locating resources and management by consolidating servers, applications, management systems and staff functions
- Reducing duplicate capabilities and support costs by eliminating unnecessary duplication in services, hardware, software, and staff functions

Mr. Wetzel then introduced Ray Appel, an executive with Hewlett-Packard (HP), who participated telephonically. Mr. Appel told the Board that HP is two years into a three year IT consolidation plan that spans 75 IT organizations and more than 85 data centers in 29 countries. He described HP's IT structure, the challenges they faced, and the initiatives underway to streamline and focus the organization. Mr. Appel advised the Board of some issues to consider when planning an IT consolidation.

Chairman Brock asked Mr. Wetzel to summarize the expected timeline and budget for a County IT consolidation. Mr. Wetzel explained that there is no specific plan in place at this time and that this was an informational presentation, not an action item. However, Mr. Wetzel said that he would begin working on a plan if directed to by the Board. Supervisor Brock asked how long it would take and how much it would cost to implement a plan. Mr. Wetzel replied that the question was difficult to answer, but it normally takes one to three years to realize a return on the investment.

Supervisor Wilson commented that if the County was going to spend three years to consolidate it should be done in phases. He proposed that priorities be identified and distributed to elected officials for their information and review. Supervisor Kunasek asked if a base system could be developed for the departments overseen by the Board that would allow departments controlled by other elected officials to eventually merge into without having to start over. Mr. Wetzel replied that it is possible as long as issues like scalability and modularity are factored into a long-term plan. Supervisor Kunasek remarked that he sees this as a benefit for taxpayers and the County as a whole, and he invited other elected officials to participate.

Chairman Brock then recognized the other elected officials present in the audience, County Treasurer Hos Hoskins and Superior Court Clerk Michael Jeanes. Supervisor Wilcox said that she would like to see a plan developed that includes both elected and non-elected departments. She suggested incorporating the plan into the budget and offering incentives to departments for early participation. Ms. Wilcox asked how long it would take to put a plan together. Mr. Wetzel said that a draft plan could probably be completed by the end of the first quarter of 2008. Both Supervisor Wilcox and Supervisor Wilson encouraged Mr. Wetzel to meet with other elected officials to gather input and to stress the importance of working together on this project.

3. REGIONAL SCHOOL DISTRICT #509 VOUCHERS/WARRANTS

The Board of Supervisors, pursuant to its authority granted in A.R.S. §15-1001, will consider for approval vouchers presented by the County School Superintendent of Maricopa County to draw warrants on the County Treasurer against Maricopa County Regional School District #509 School District funds for necessary expenses against the school district and obligations incurred for value received in services (except for payroll vouchers) as shown in the Vouchers. (ADM3814-003)

The Board of Supervisors may consider ratifying any Maricopa County Regional School District #509 vouchers and/or warrants (except for payroll vouchers) approved in accordance with the procedures of A.R.S. §15-321 since the last meeting of the Board of Supervisors. The Board of Supervisors may hear staff reports on the vouchers and warrants being considered. The Vouchers are on file in the Maricopa

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County's Clerk of the Board's office and are retained in accordance with ASLAPR approved retention schedule. (ADM3814-003)

Motion was made by Supervisor Wilcox, seconded by Supervisor Wilson, and unanimously carried (4-0-1) to consider the following item:

Approve voucher #7019 \$3,000.00

Staff did not update the Board of Supervisors on regional schools operations and finances. (ADM3814-005)

4. EXECUTIVE SESSION

Motion was made by Supervisor Wilson, seconded by Supervisor Kunasek, and unanimously carried (4-0-1) to recess and reconvene in Executive Session in the Tom Sullivan Conference Room to consider items listed on the Executive Agenda, pursuant to listed statutory authority, as follows.

LEGAL ADVICE; PENDING OR CONTEMPLATED LITIGATION – ARS §38-431.03(A)(3) and (A)(4)

E-1. Compromise Cases – Barbara Caldwell, Outside Counsel

Velasquez, Marilyn Hidalgo

LEGAL ADVICE; PENDING OR CONTEMPLATED LITIGATION; SETTLEMENT DISCUSSIONS CONDUCTED IN ORDER TO AVOID OR RESOLVE LITIGATION – ARS §38-431.03(A)(3) AND (A)(4)

E-2. 3737 Broadway Development Company, Warne West Investments, L.L.P. v. Maricopa County, TX 2005-050326

Keith Russell, County Assessor
Jean Rice, Deputy County Attorney – **did not attend**
Steven Palmer, Deputy County Attorney

LEGAL ADVICE; CONTRACTS SUBJECT TO NEGOTIATION; PURCHASE, SALE OR LEASE OF REAL PROPERTY – ARS §§38-431.03(A)(3), 38-431.03(A)(4) and 38-431.03(A)(7)

E-3. Potential Acquisition of Real Property

Tom Manos, Chief Financial Officer – **did not attend**
Dennis Lindsey, Real Estate Manager
Jean Rice, Deputy County Attorney – **did not attend**
Terry Eckhardt, Deputy County Attorney

LEGAL ADVICE; PENDING OR CONTEMPLATED LITIGATION; SETTLEMENT DISCUSSIONS CONDUCTED IN ORDER TO AVOID OR RESOLVE LITIGATION – ARS §38-431.03 and (A)(4)

E-4. Linda Evans, Personal Representative of the Estate of Brian Scott Crenshaw; Linda Evans and Kim Crenshaw, Plaintiffs v. Maricopa County, Joseph M. Arpaio, Maricopa County Sheriff, et al, Defendants

Peter Crowley, Risk Manager
Laurence Tinsley, Jr., Deputy County Attorney

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Bill Jones, Outside Counsel
John Masterson, Outside Counsel
Betty Adams, Correctional Health

LEGAL ADVICE – ARS §38-431.03(A)(3)

E-5. Employment Issues

Elizabeth Yaquinto, Director, Workforce Management and Development
Brandon Newton, Deputy County Attorney

MEETING ADJOURNED

At the conclusion of discussion on the above items and there being no further business to come before the Board, the meeting was adjourned.

Fulton Brock, Chairman of the Board

ATTEST:

Fran McCarroll, Clerk of the Board