

MARICOPA COUNTY BOARD OF SUPERVISORS MINUTE BOOK

**INFORMAL SESSION
May 19, 2008**

The Board of Supervisors of Maricopa County, Phoenix, Arizona, convened in Informal Session at 10:00 a.m., May 19, 2008, in the Supervisors' Conference Room, 301 W. Jefferson, Phoenix, Arizona, with the following members present: Andrew Kunasek, Chairman, District 3; Max W. Wilson, Vice Chairman, District 4; Fulton Brock, District 1 (entered late); Don Stapley, District 2 and Mary Rose Wilcox, District 5. Also present: Fran McCarroll, Clerk of the Board; Liz Evans, Minutes Coordinator; David Smith, County Manager and Victoria Mangiapane, Deputy County Attorney. Votes of the Members will be recorded as follows: aye-nay-absent-abstain.

1. FY 2008-09 RECOMMENDED TENTATIVE BUDGET

Item: Presentation of the FY 2008-09 Maricopa County Recommended Tentative Budget. (C4908036800) (ADM1802)

David R. Smith, County Manager
Sandi Wilson, Deputy County Manager
Lee Ann Bohn, Deputy Budget Director
Christopher Bradley, Deputy Budget Director
Brian Hushek, Deputy Budget Director

David Smith introduced the FY 2008-09 budget by saying that it is the work product of thousands of hours of analysis. He said that this budget contains business changes to reduce costs as well as alternative revenue opportunities.

~ Supervisor Brock entered the meeting ~

Sandi Wilson reviewed the Mission Statement and Strategic Priorities established in by the Board in 2005. Ms. Wilson outlined the Budget Guidelines approved by the Board of Supervisors on December 3, 2007, as follows:

- Maintain structural balance
- All departments will prepare budget reductions of 5, 10 and 15 percent
- Allow up to 2.5 percent for pay for performance
- No request for additional funding will be accepted
- No new capital or expanded capital projects considered unless a funding source other than the General or Detention Fund is identified
- New information technology projects considered only if they have a return on investment of three years or less
- Self-imposed limit on secondary property tax

Ms. Wilson explained that the FY 2008-09 total Budget has a net variance of 0.4 percent over last year, with a variance in the General Fund of 0.5 percent under FY 2007-08. The variance is attributed to the new Criminal Court Tower and State Mandated Contributions, offset by \$115 million in cost reductions, including departmental cost cuts, lower contingencies, debt reduction and reallocation to other funds.

Ms. Wilson presented several bar charts and graphs depicting various aspects of Maricopa County's economy. She noted that foreclosure notices are up 322 percent this year over last year, and completed foreclosures are up 556 percent. Ms. Wilson said that Arizona has been characterized as having one of the most volatile economies in the country because it is largely based on growth. Despite issues with the housing market, Maricopa County is still the fastest growing county in the nation.

MARICOPA COUNTY BOARD OF SUPERVISORS MINUTE BOOK

**INFORMAL SESSION
May 19, 2008**

Ms. Wilson defined “structurally balanced budgeting” as when reoccurring revenues meet or exceed reoccurring expenditures. Some of the actions taken in FY 2007-08 to develop the budget were:

- Revenue budgets for State-shared Sales, Jail Excise and Vehicle License Taxes were prepared with little or no revenue growth
- Budget reductions in personnel budgets, court security, overtime, supplies, and services

By mid-year, after determining that revenues were dropping significantly, the following actions were taken:

- A reduction of all administrative budgets by 5 percent or approximately \$6 million
- A reduction of 64 full-time positions
- Hiring and capital expenditures were frozen
- Contingency funds were frozen
- A reduction of overtime, particularly in the Sheriff’s budget

Chris Bradley reviewed revenue trends with the Board. He said that property tax revenue growth has been the one bright spot this year. Although the primary property tax rate is well under the state average, there has been an overall increase in revenue, primarily due to new construction.

Mr. Bradley expressed concern about possible legislative changes that could negatively impact the County, such as shifting correctional responsibilities from the State to the County for inmates sentenced to less than a year in jail, at a cost of about \$60 million. Another concern is the possibility of State-mandated photo radar. While photo radar would generate revenue for the State, the proposal currently being considered could increase caseloads and incur costs in the Justice Courts without generating revenue.

Lee Ann Bohn outlined expenditure reductions. The total budget balancing strategies involved the following, in millions:

• Departmental Expenditure Reductions	\$ 42.5
• Contingency/Non-Dept. Reductions	56.0
• Reallocation to Other Funds (\$4.6 m)	0.0
• Short-term Use of Fund Balance	0.4
• Debt Reduction	<u>16.1</u>
	\$115.0

Ms. Bohn listed examples of some reductions. She said the County Attorney’s office has been utilizing staff rather than outside counsel, the Elections department will limit the number of sample ballots mailed out to one per household rather than one per registered voter, and Environmental Services is using vehicle-based pesticides rather than the more costly aerial spraying. Overall staffing levels have been reduced by three percent or the equivalent of 437.8 full-time positions.

Brian Hushek reviewed downsizing that has taken place in Planning and Development, attributed mainly to the slowdown in revenues from building permits and inspections. He outlined the goals of the “Green Government” plan, as well as the County’s Capital Improvement Philosophy, which is as follows:

**INFORMAL SESSION
May 19, 2008**

- Modified "pay as you go" policy, which began in FY 1999-00
- Use of cash or a combination of identified operational savings and lease reversions to pay the debt service
- County's 1986 General Obligation (GO) bond debt was paid off in 2004
- Due to the fiscal downturn and limited new cash, the county has cancelled, delayed or downsized projects in order to concentrate efforts on continuing the new Court Tower project

Ms. Wilson then reported on FY 2007-08 accomplishments and FY 2008-09 goals with regards to employee compensation. Some accomplishments were:

- 1,300 market ranges were reviewed
- Market increases were provided when turnover illustrated a need
- Implemented pay for performance
- Enhanced website
- Standardized placement in range procedures

The FY 2008-09 employee compensation goals include reviewing the Compensation Plan, documenting processes and procedures, as well as reviewing and updating half of the County's market ranges. However, no funding has been budgeted to update the market ranges for FY 2008-09, and pay-for-performance will be determined at a later date. Ms. Wilson said that voluntary employee turnover is down about four percent since 2006.

Supervisor Brock asked for clarification on a slide that compared Maricopa County's long-term debt per person to national benchmarks. Mr. Hushek explained that while the County does have some debt, it is extremely low when compared to other counties such as Clark in Nevada, Los Angeles, Santa Clara, Orange and San Diego counties in California, Salt Lake in Utah and Pima County, Arizona.

Supervisor Wilcox expressed concern over cuts to Human Services, especially in light of the current economic situation. She said that while she regrets that some capital improvement projects had to be canceled or delayed in order to fund the Court Tower, she believes that making the investment now will result in long-term savings.

Supervisor Wilson said that while he supports the concept of photo radar, he is concerned about the impact it could have on the Justice Court system. Ms. Wilson explained that the projected volume of cases could mean that the number of Justice Courts might have to be doubled, based on legislative mandates. Supervisor Wilson asked for updates on the state of the budget at least twice a year.

2. EXECUTIVE SESSION

Motion was made by Supervisor Wilcox, seconded by Supervisor Brock, and unanimously carried (5-0) 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. Liz Evans left the meeting and Shirley Million entered the room as Minutes Coordinator for the remainder of the day's meeting.

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

E-1. Norman Andrus Trust v. Registrar of Contracts and Maricopa County Planning and Development

Joy Rich, Assistant County Manager

MARICOPA COUNTY BOARD OF SUPERVISORS MINUTE BOOK

**INFORMAL SESSION
May 19, 2008**

Richard Garnett, Deputy County Attorney, **did not attend**
Jean Rice, Deputy County Attorney

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

- E-2. Claim of Maricopa County against Daniel D. Castillo, Jr.**
Bill Warren, Risk Management, Safety, **did not attend**
John Paulsen, Deputy County Attorney
Peter Crowley, Risk Manager

LEGAL ADVICE – A.R.S. §38-431.03(A)(3)

- E-3. Maricopa County Substance Abuse Policy**
Bill Warren, Safety Manager, Risk Management, **did not attend**
Brandon Newton, Deputy County Attorney
Peter Crowley, Risk Manager

LEGAL ADVICE; CONTRACTS SUBJECT TO NEGOTIATION – A.R.S. §38-431.03(A)(3) and (A)(4)

- E-4. Deferred Compensation Subcommittee Recommendation regarding Nationwide Retirement Solutions, Inc. Contract Negotiations**
Richard Vanderheiden, Committee Chairperson
Peter Crowley, Risk Manager
Shelby Scharbach, Deputy Finance Director
Marvin "Buckey" Swift, Outside Counsel
Gary Strickland, Deputy County Attorney
Chiefs of Staff Latto, Candland, Bloom, Isham

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

- E-5. Nauman Hobbs Notice of Claim**
Ken Stahl, Elections Department
Steve Montgomery, Treasurer's Office
Kevin Costello, Deputy County Attorney

LEGAL ADVICE; CONTRACTS SUBJECT TO NEGOTIATION – A.R.S. §38-431.03(A)(3) and (A)(4)

- E-6. Materials Management Warehouse Access Agreement**
Rita Neill, Environmental Programs Manager
Kevin Costello, Deputy County Attorney

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

- E-7. New Magma Irrigation District v. Maricopa County et al CV2007-051109**
Blair Bradshaw, Treasurer's Office
Kevin Costello, Deputy County Manager

**LEGAL ADVICE; PENDING OR CONTEMPLATED LITIGATION; SETTLEMENT DISCUSSIONS
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MARICOPA COUNTY BOARD OF SUPERVISORS MINUTE BOOK

**INFORMAL SESSION
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E-8. Arizona Department of Revenue v. Qwest Corp., TX2001-000662 (consolidated)

Hos Hoskins, County Treasurer, **did not attend**
Blair Bradshaw, Deputy Treasurer
Sandi Wilson, Deputy County Manager
Brian Hushek, Deputy Budget Director
Jean Rice, Deputy County Attorney
Kevin Costello, Deputy County Attorney
Domingos Santos, Jr., Deputy County Attorney
Shelby Scharbach, Deputy Finance Director

Chris Keller left the meeting because of a MCAO conflict of interest, and Dean Wolcott entered the meeting as Outside Counsel to the Board.

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

E-9. Legal Advice regarding technology issues and reorganization of ICJIS

David Smith, County Manager
Sandi Wilson, Deputy County Manager
Steve Wetzel, Director, Office of Enterprise Technology
Elizabeth Yaquinto, Director, Workforce Management and Development
Wade Swanson, Outside Counsel

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

E-10. Flach v. the Maricopa County Board of Supervisors; CV2006-052611, Counterclaim and Third Party Claim, in consolidated case CV2006-014285 (Hoskins v. Flach) (including related appeals); and Maricopa County v. Sandra E. Dowling and Dennis R. Dowling; CV2006-011451

Tom Irvine, Outside Counsel
Rebekah Francis, Outside Counsel
Sandi Wilson, Deputy County Manager
Shelby Scharbach, Deputy Finance Director
Brian Hushek, Deputy Budget Director
Lee Ann Bohn, Deputy Budget Director
Chiefs of Staff Latto, Bloom, Isham, Leija

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.

Andrew Kunasek, Chairman of the Board

ATTEST:

Fran McCarroll, Clerk of the Board