

Maricopa County FY 2008-09 Recommended Tentative Budget

May 19, 2008

David Smith, County Manager

Sandi Wilson, Deputy County Manager

Chris Bradley, Deputy Budget Director

Brian Hushek, Deputy Budget Director

Lee Ann Bohn, Deputy Budget Director



Executive Summary



Mission Statement

The mission of Maricopa County is to provide regional leadership and fiscally responsible, necessary public services so that residents can enjoy living in a healthy and safe community.



Strategic Priorities

- Ensure safe communities and a streamlined, integrated justice system.
- Promote and protect the public health of the community.
- Provide regional leadership in critical public policy areas.
- Carefully plan and manage land use in Maricopa County to promote sustainable development and to preserve and strengthen our environment.



Strategic Priorities

- Continue to exercise sound financial management and build the County's fiscal strength while minimizing the property tax burden.
- Maintain a quality workforce and equip County employees with the tools, skills, workspace and resources they need to do their jobs safely and well.
- Continue to improve the County's public image by increasing citizen satisfaction with the quality and cost-effectiveness of services provided by the County.



Budget Guidelines

Approved by the Board of Supervisors on December 3, 2007

- Maintain Structural Balance
- All Departments will prepare budget reductions of 5/10/15%
- Allow up to 2.5% 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
- New information technology projects considered only if they have a return on investment of 3 years or less
- Self-imposed limit on secondary property tax

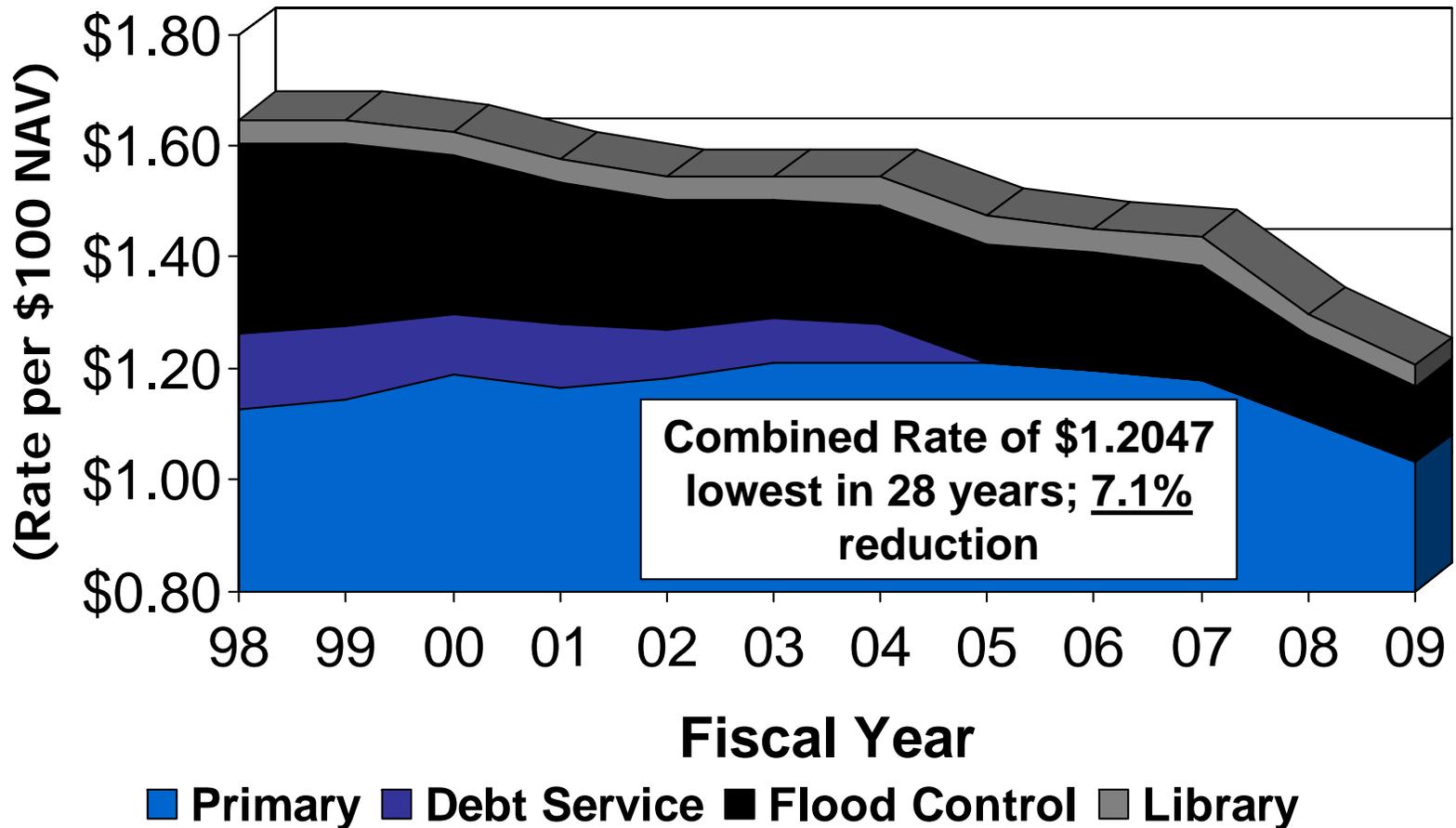


Property Tax Rates

	FY 2007-08 Adopted	FY 2008-09 Preliminary	Change
Primary	\$ 1.1046	\$ 1.0327	\$ (0.0719)
Flood Control District	0.1533	0.1367	(0.0166)
Library District	0.0391	0.0353	(0.0038)
Combined	\$ 1.2970	\$ 1.2047	\$ (0.0923)

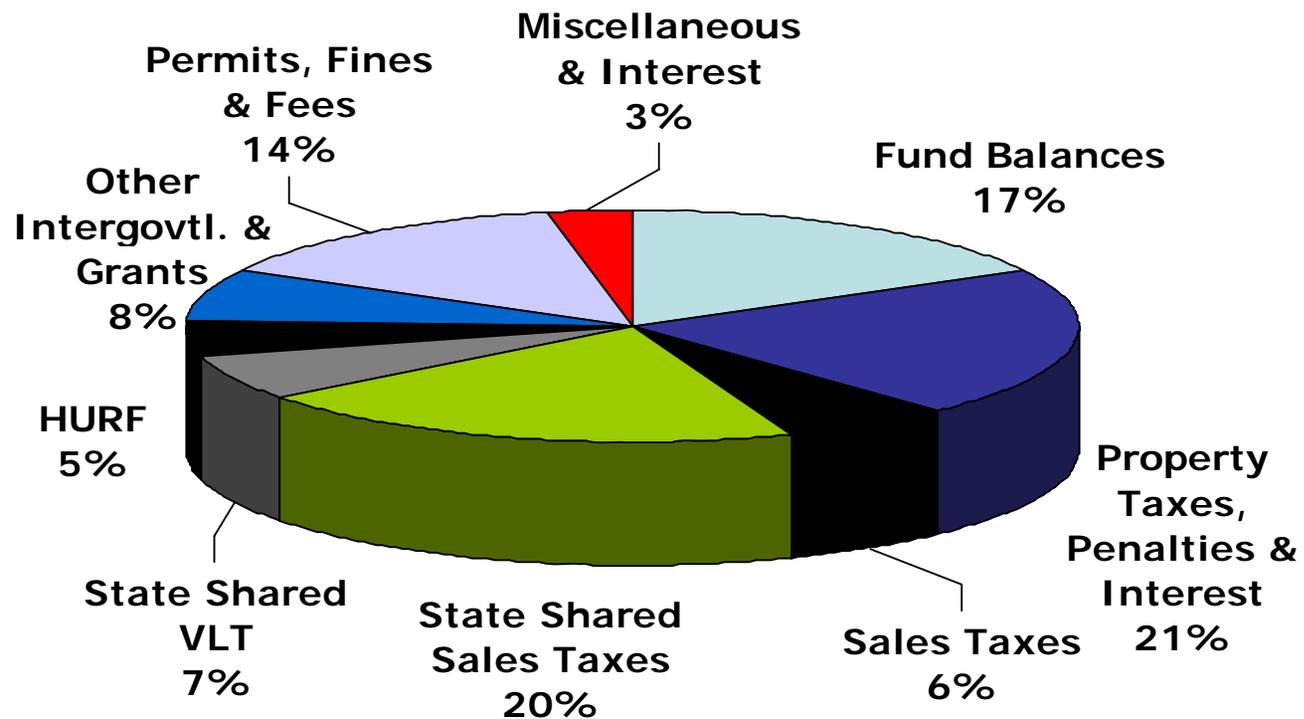


Property Tax Rate Trend

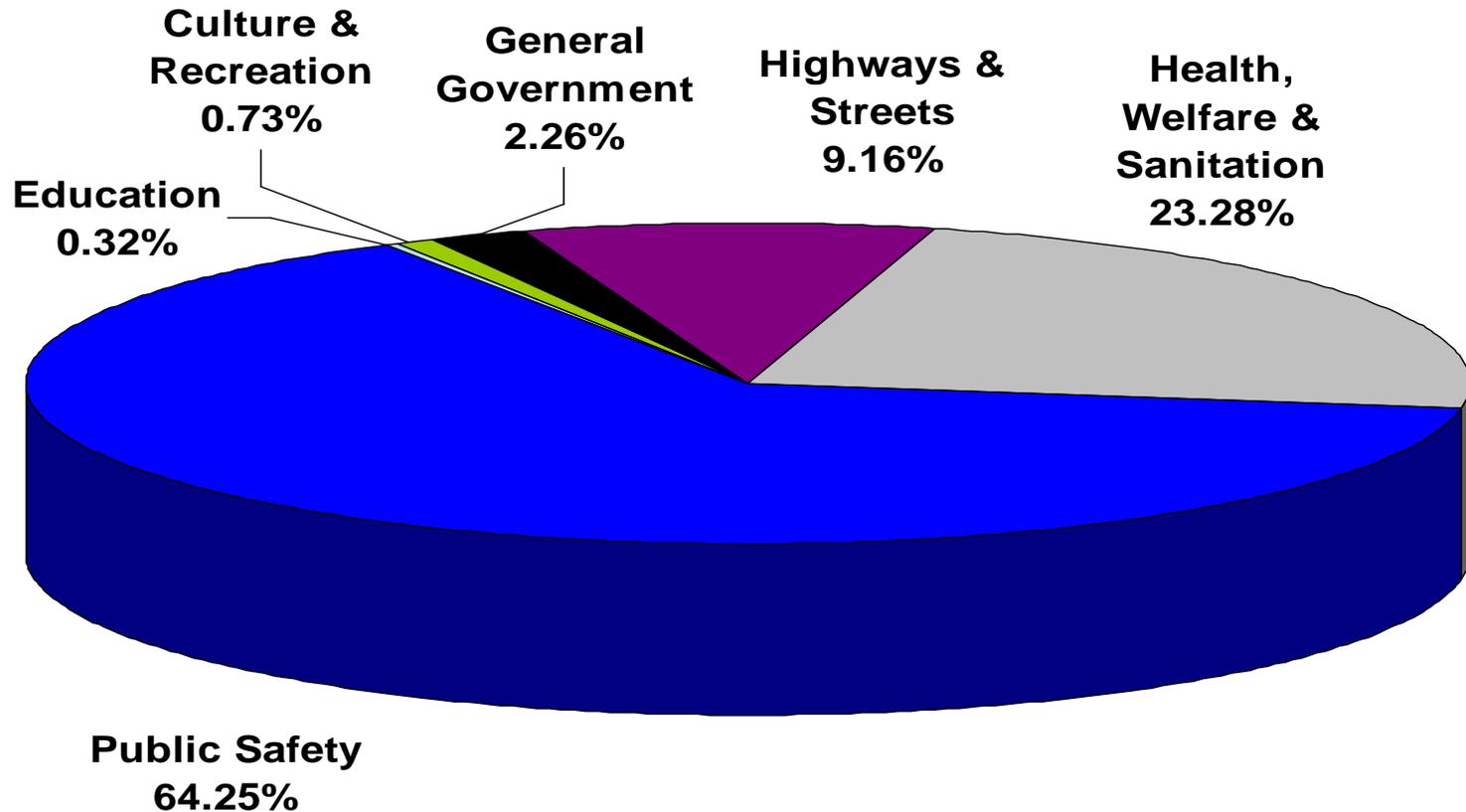


FY 2008-09 Tentative Budget

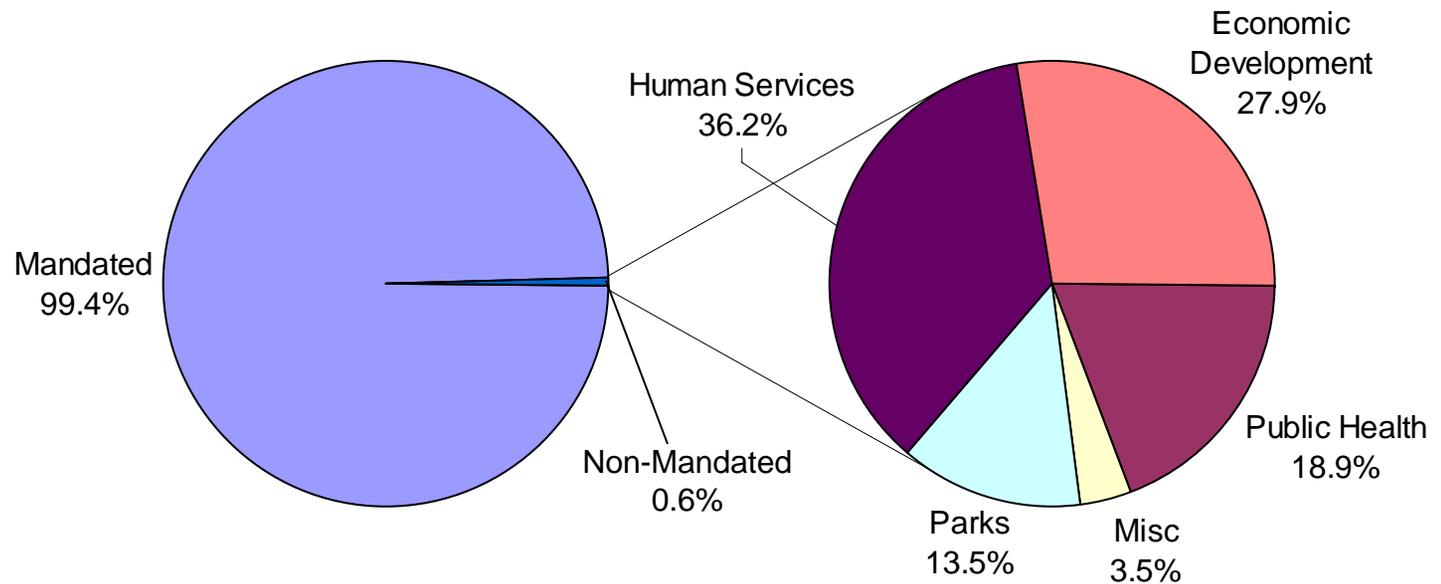
Sources of Funds \$2,258,887,593



FY 2008-09 Tentative Budget Uses of Funds \$2,258,887,593



General Fund Mandated vs. Non-Mandated Expenditures



2008-09 Net Variance over FY 2007-08 Adopted Budget

<u>Total Budget – All Funds:</u>	0.4%
<u>General Fund Operating Budget:</u>	-0.5%

Variance Due to:

New Criminal Court Tower, State Mandated Contributions, offset by \$115.0 million in cost reductions including: departmental cost cuts, lower contingencies, debt reduction & reallocation to other funds.



Economic Indicators



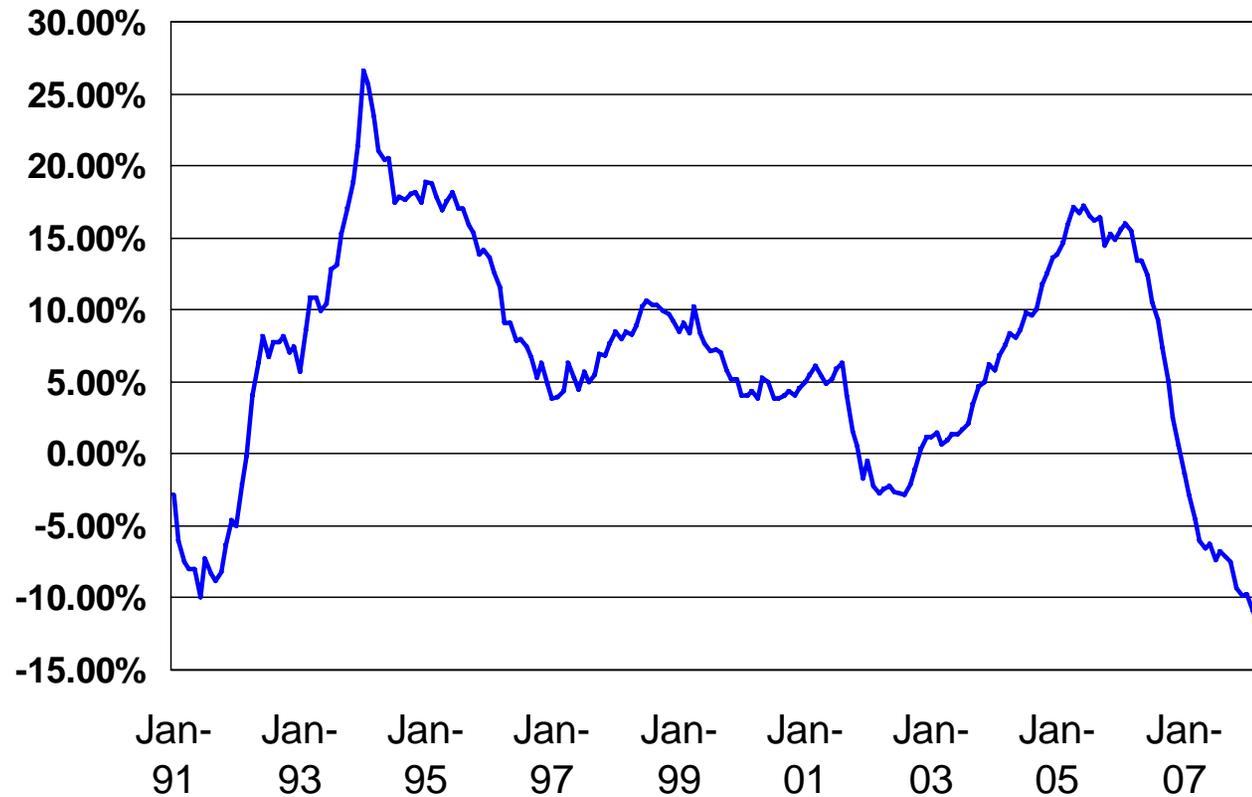
Economic & Demographic Trends

“The current contraction in the nation’s economy is likely to stretch past mid year and qualify as the 8th recession since 1960. . . The recession in Arizona should be mild with job losses totaling 1.3%. However, we expect that it will last longer than average, given the nature of this downturn and the length of time expected to get residential and nonresidential investment rolling again. We look for the bottom in the second quarter of (calendar year) 2009.”

University of Arizona, Eller College of Management,
Economic and Business Research Center



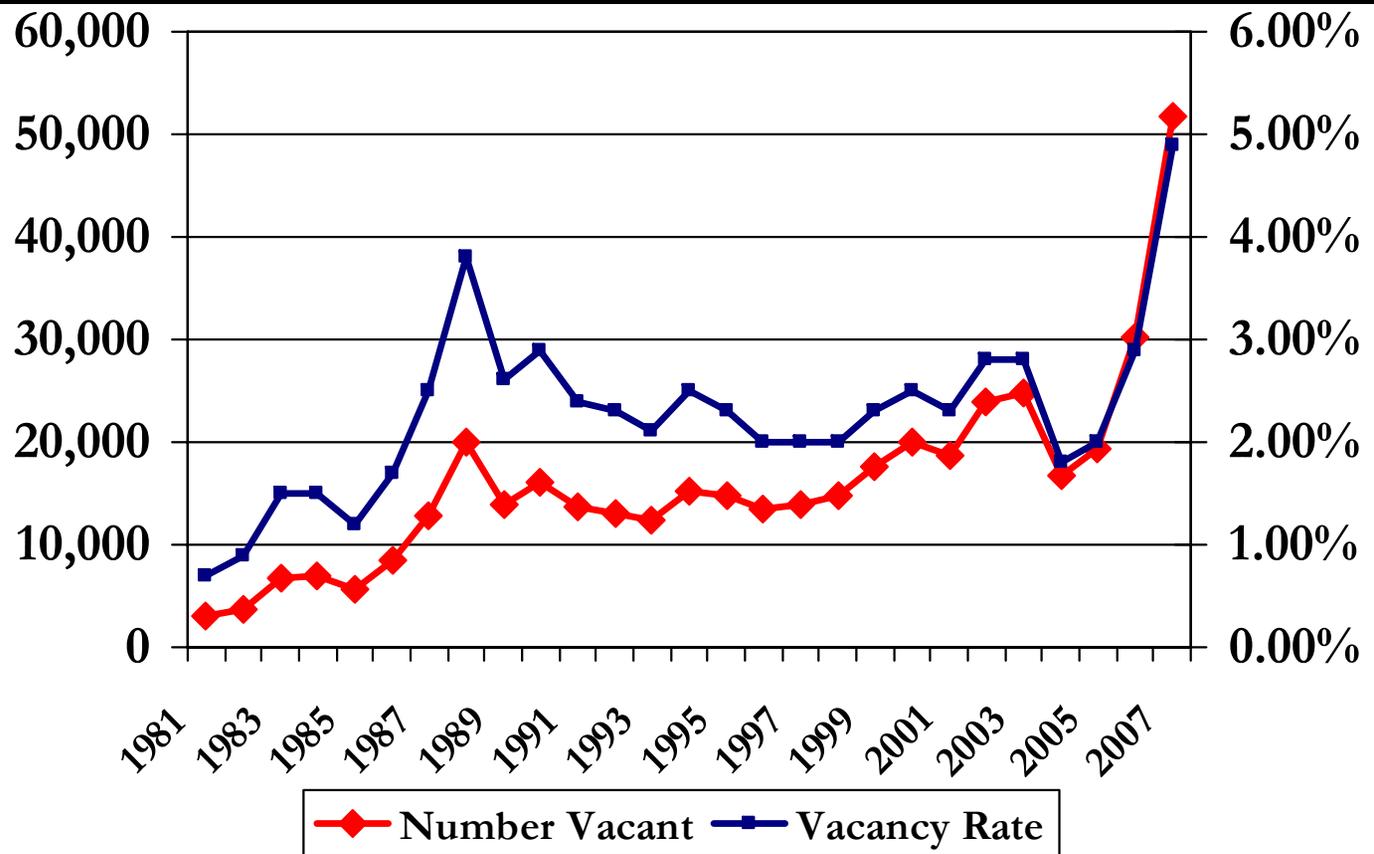
Greater Phoenix Construction Employment Change - 1991-2008



Source: Arizona Department of Commerce, Research Administration



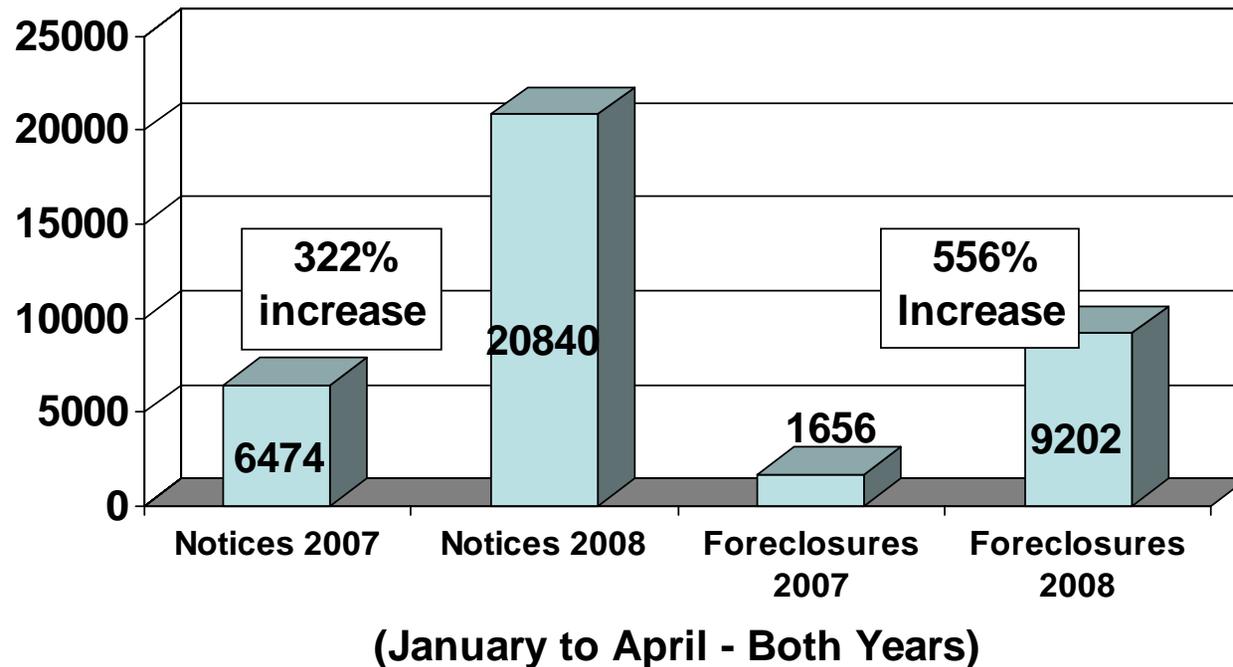
Housing Inventory - Single Family Residential



Source: Phoenix Metro Housing Study

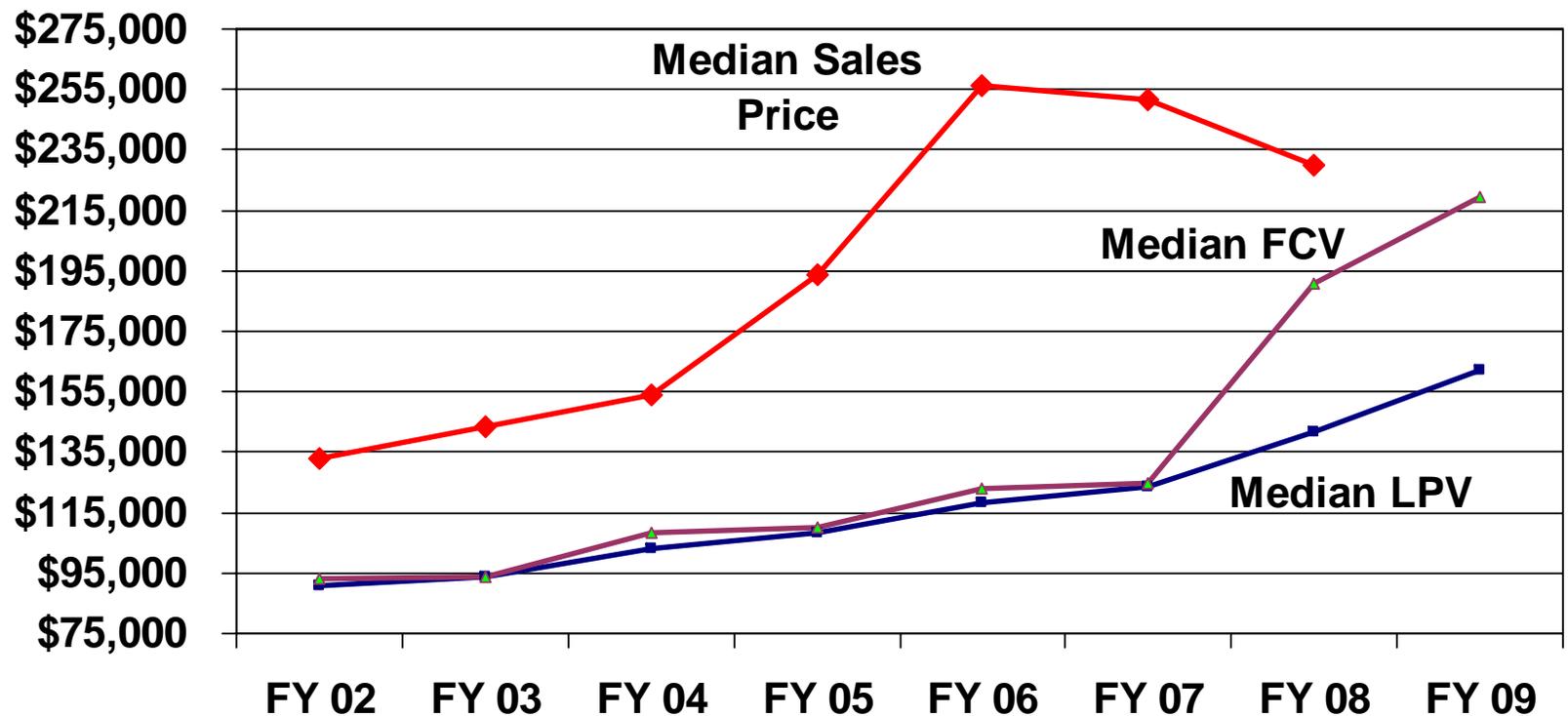


Foreclosure Notices and Completions - Phoenix Metro Area



*Data are for Jan-April for each year respectively,
Source: Arizona Republic Data Center, Information Market

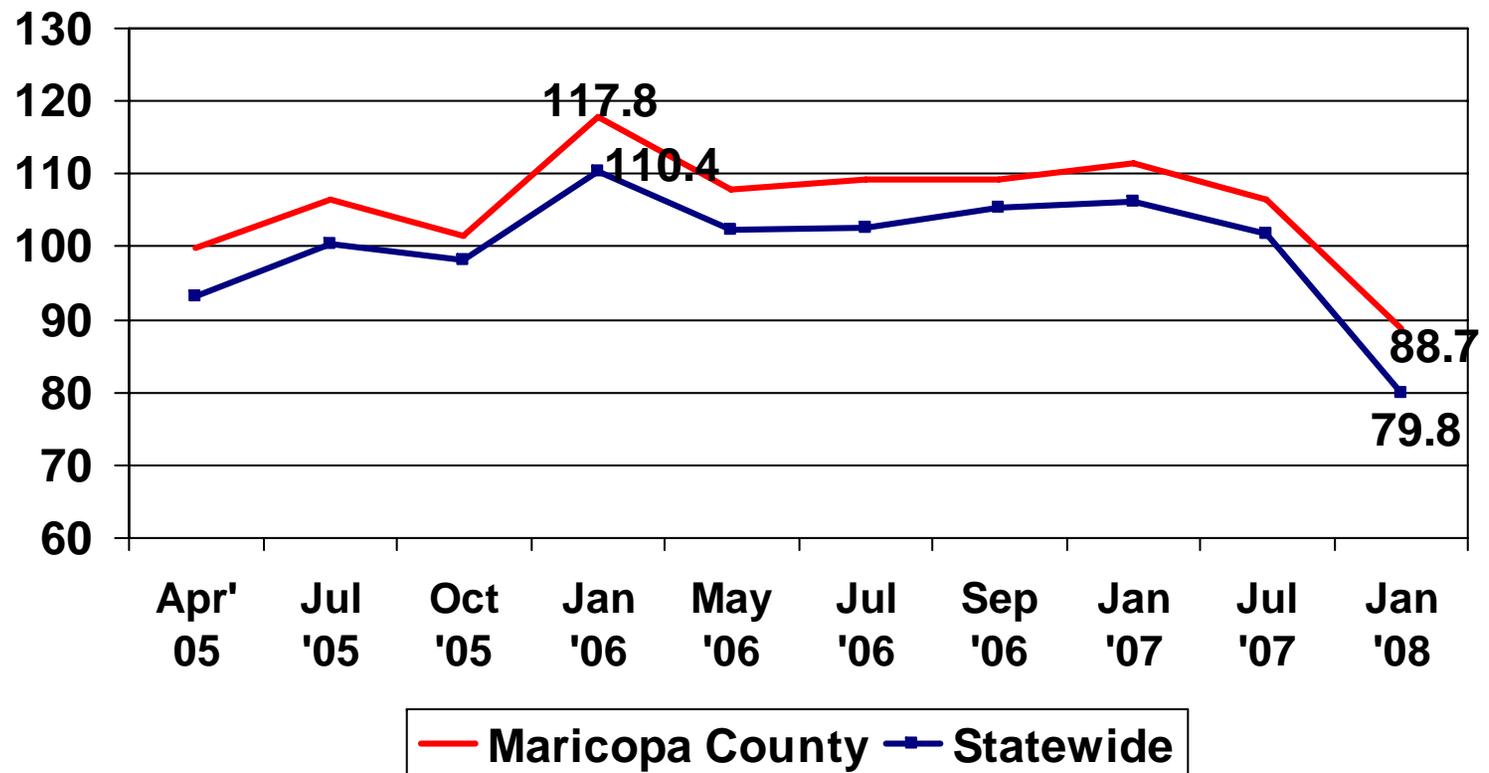
Median Residential Property Values



*FY 2008 Median Sales Price is YTD through available data (March)



Maricopa County & Statewide Consumer Confidence (1985 Base = 100)



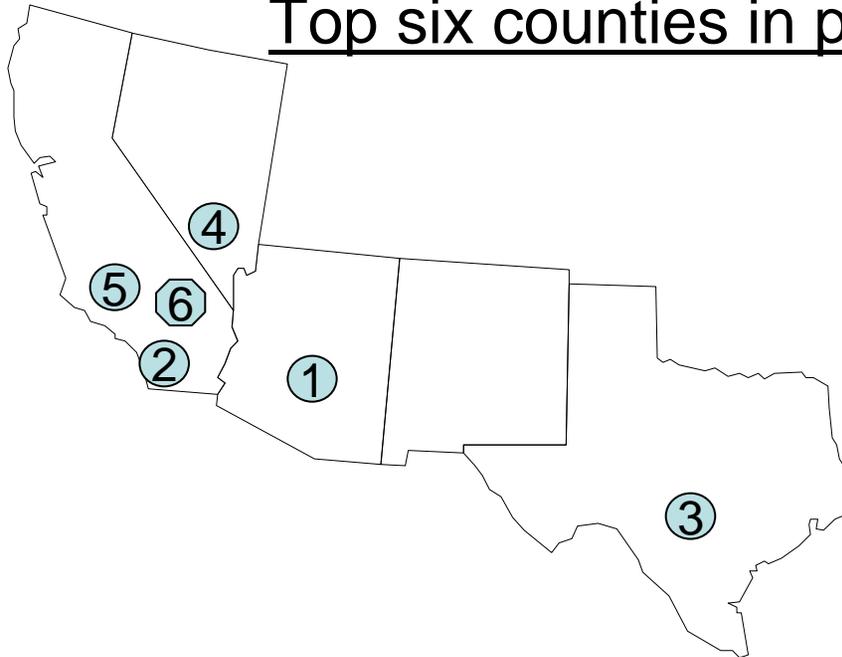
Source: Behavior Research Center, Inc., Rocky Mountain Poll (January 30, 2008)



Population Growth

Source: U.S. Census Bureau

Top six counties in population gains 2000 - 2007



1. **Maricopa** **797,367**
2. Riverside 547,781
3. Harris 545,202
4. Clark 460,966
5. Los Angeles 426,397
6. San Bernardino 310,193

Top 4 counties in total population (est. July 1, 2007)

1. Los Angeles	9,878,554	3. Harris	3,935,855
2. Cook County	5,285,107	4. Maricopa	3,880,181

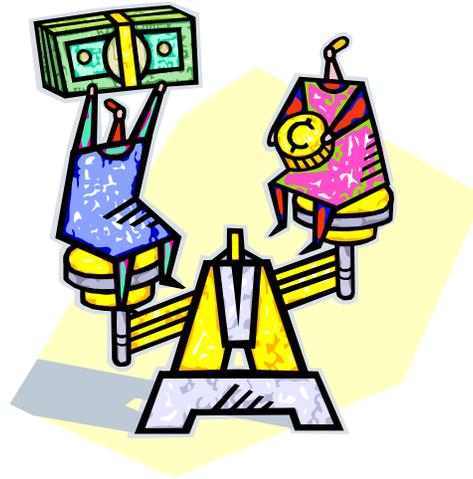


Structurally Balanced Budget



Structurally Balanced Budgeting

Definition: Reoccurring revenues meet or exceed reoccurring expenditures



FY 2006-07 Actions

- Lowered revenue projections and cut spending mid-year



FY 2007-08 Budget Development

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

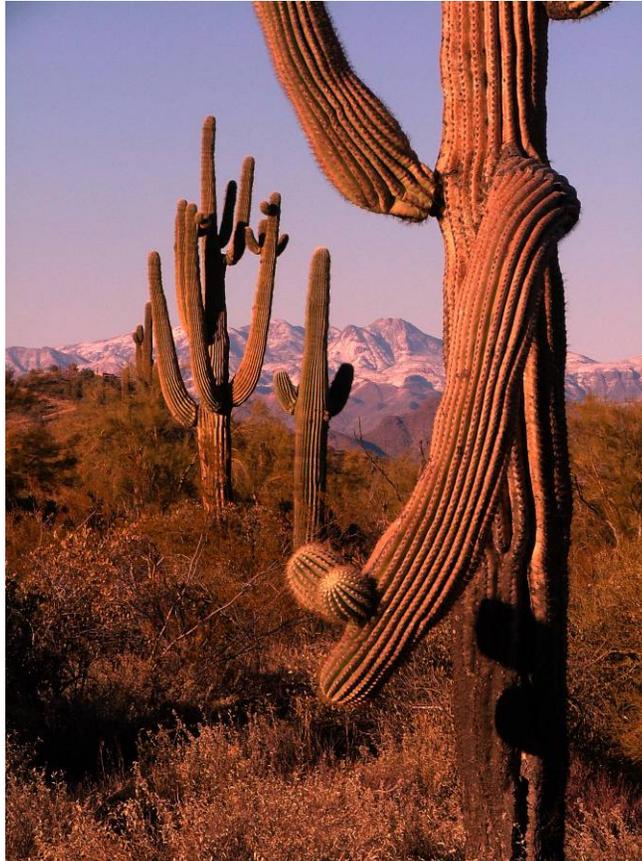


FY 2007-08 Mid-Year Actions

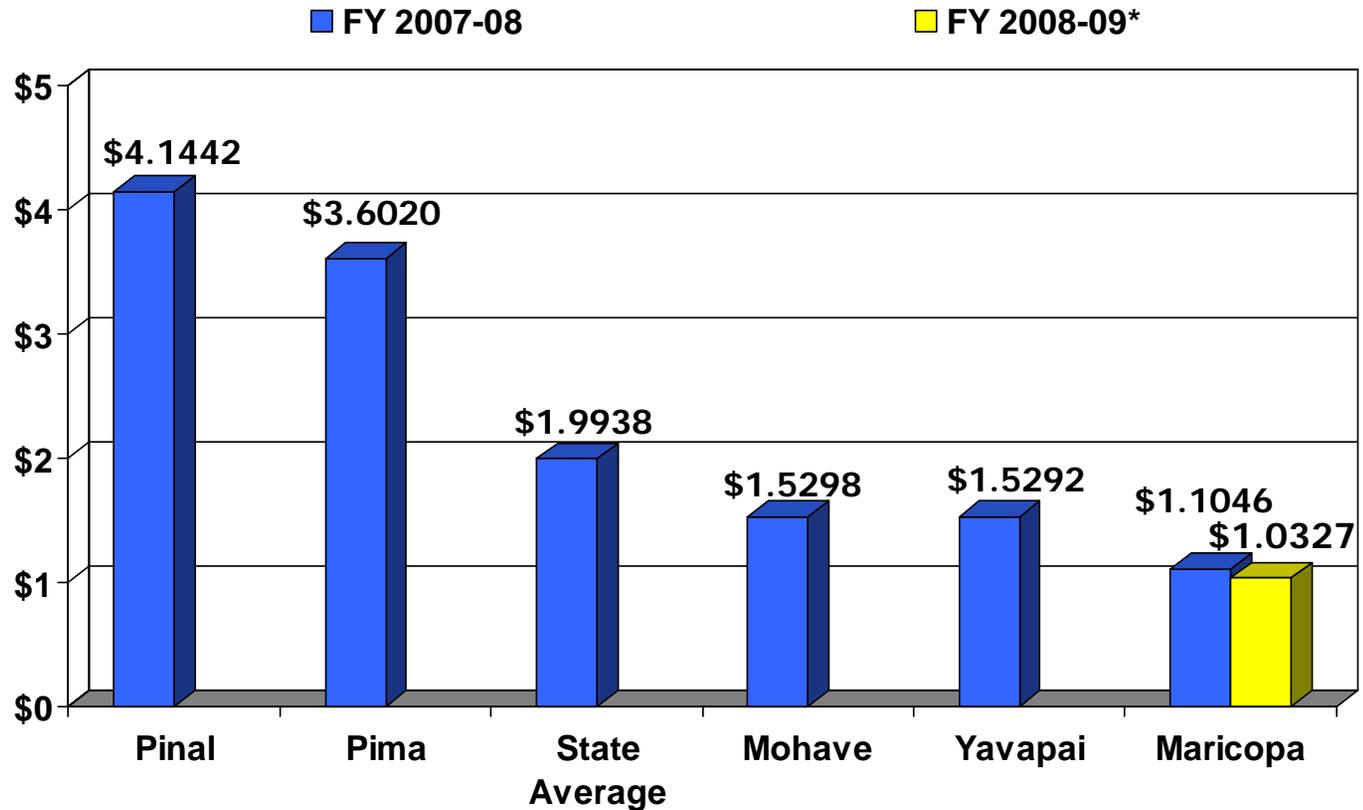
- Reduced all administrative budgets by 5%
- A reduction of 64 full-time positions
- Froze hiring and capital expenditures
- Froze contingency funds
- Reduced overtime, particularly in MCSO



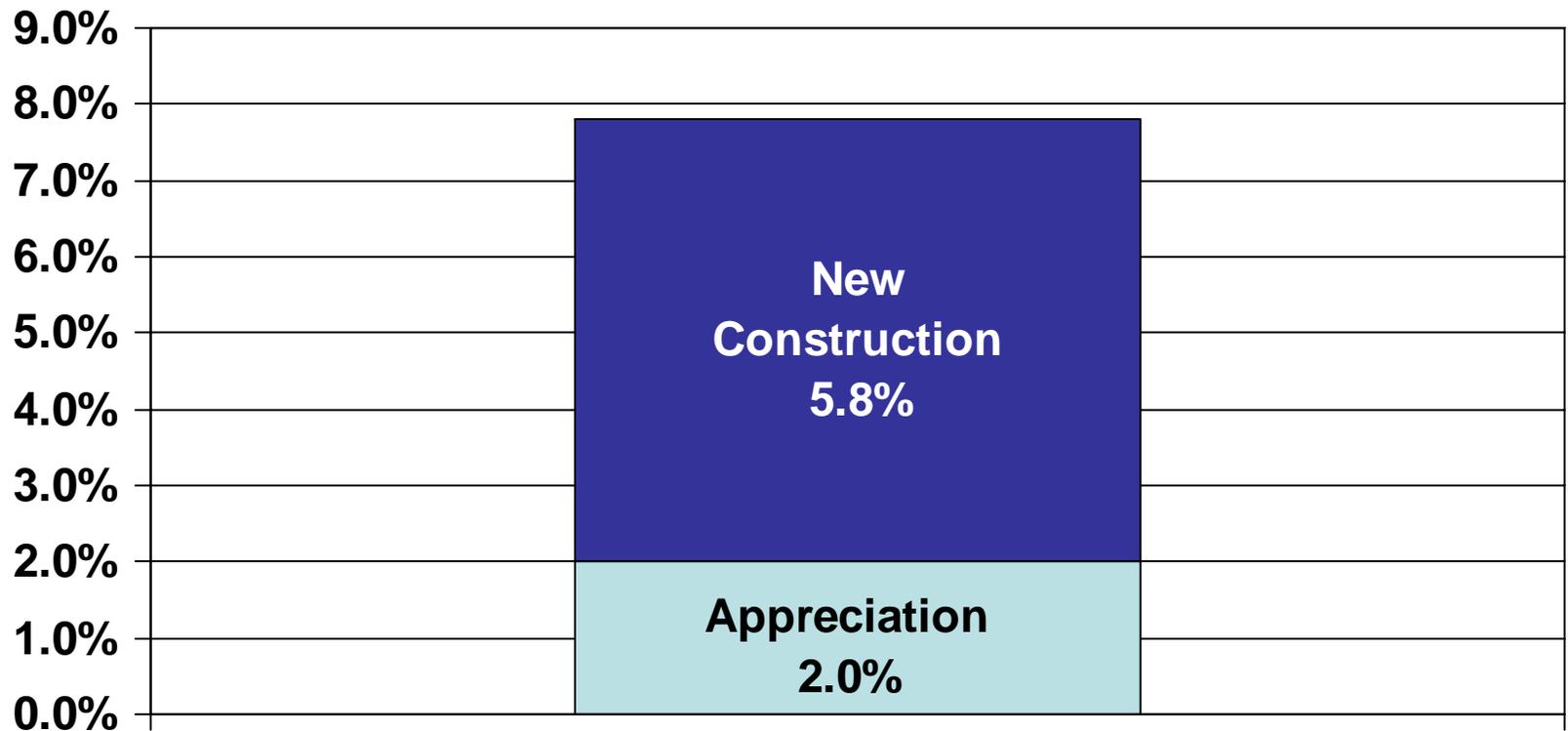
Revenue Trends



Primary Property Tax Rates



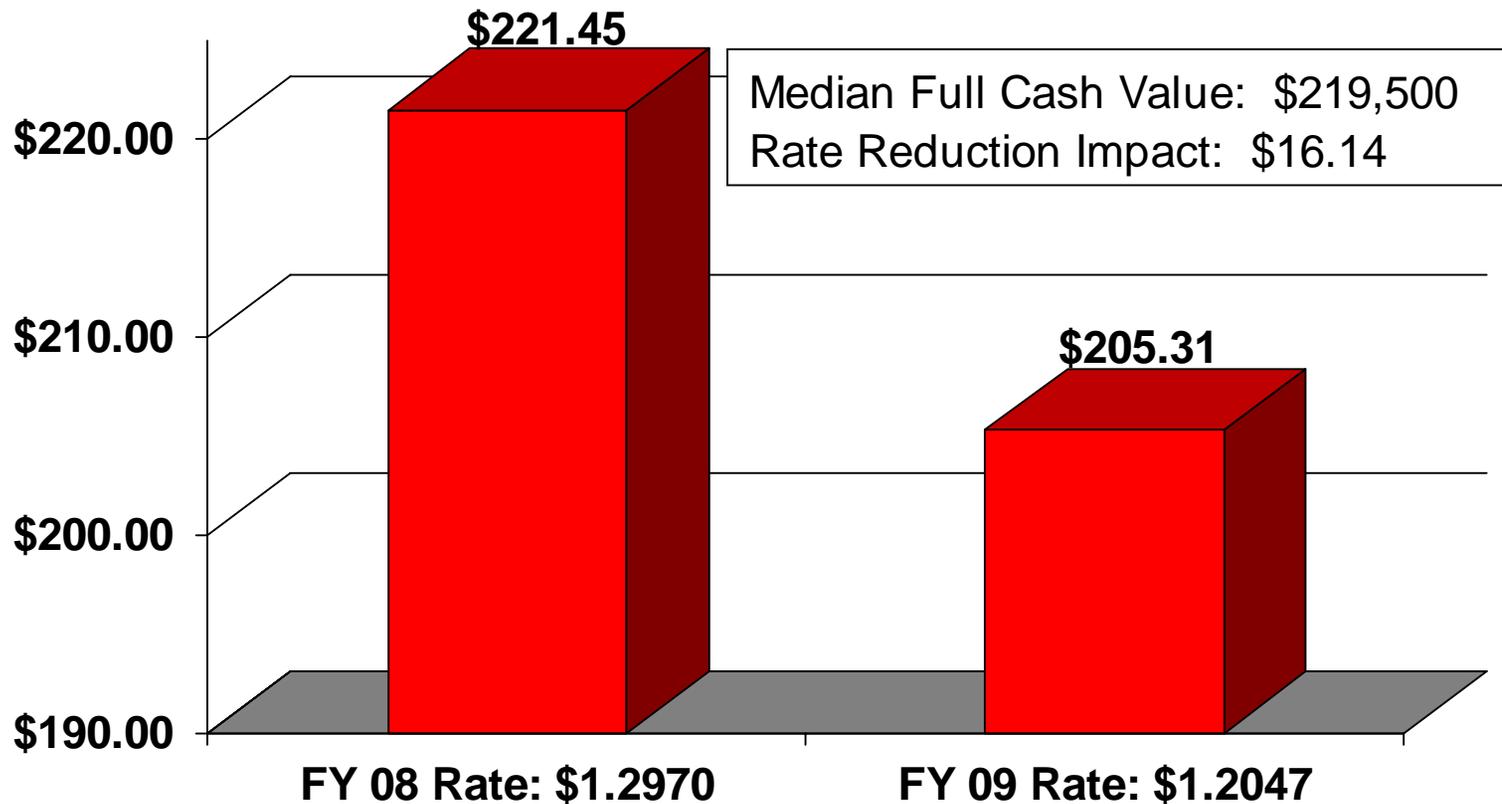
Property Tax Growth from New Construction



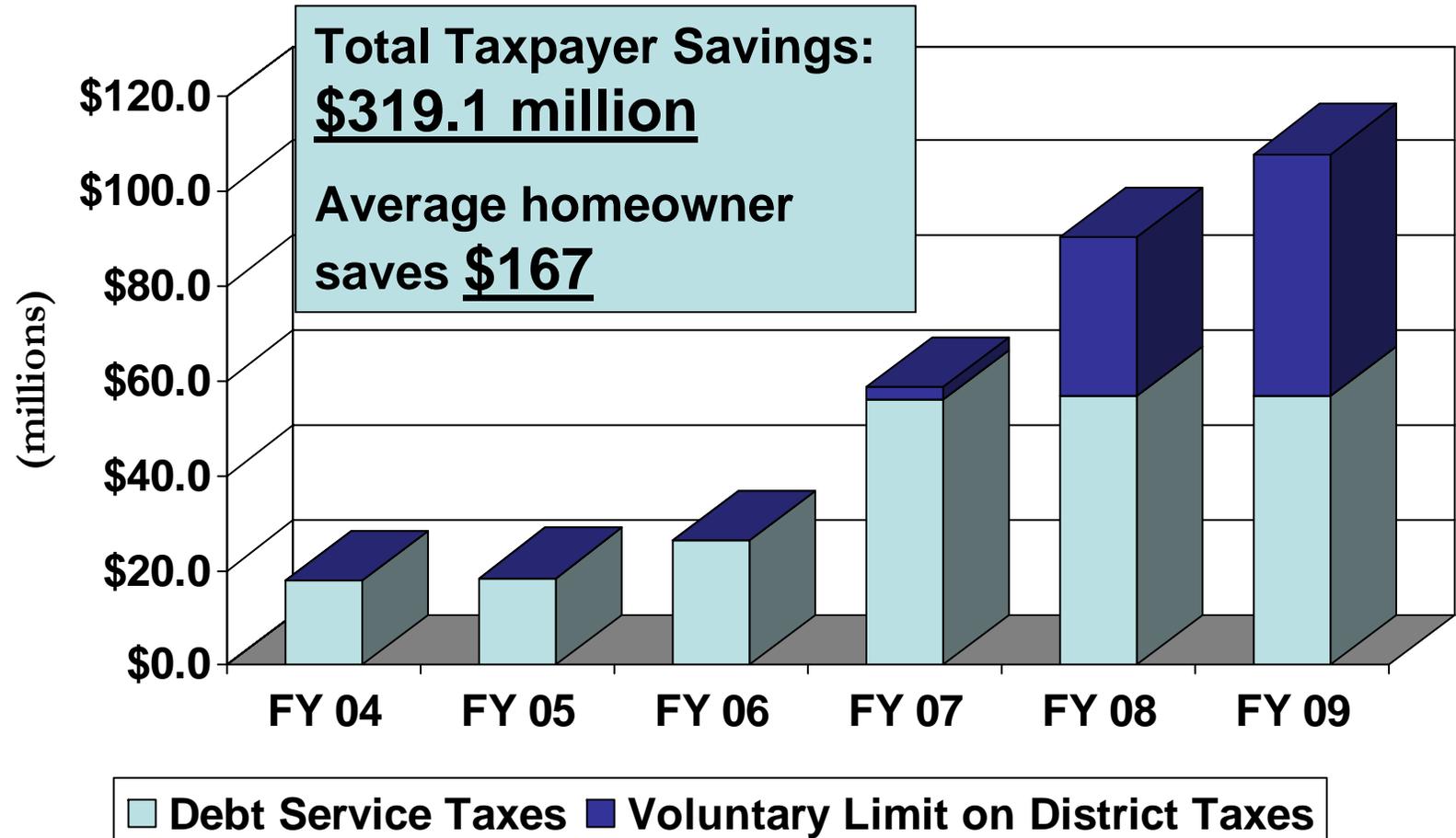
FY 2008-09



Rate Reduction Impact on the 2008 Median Priced Home



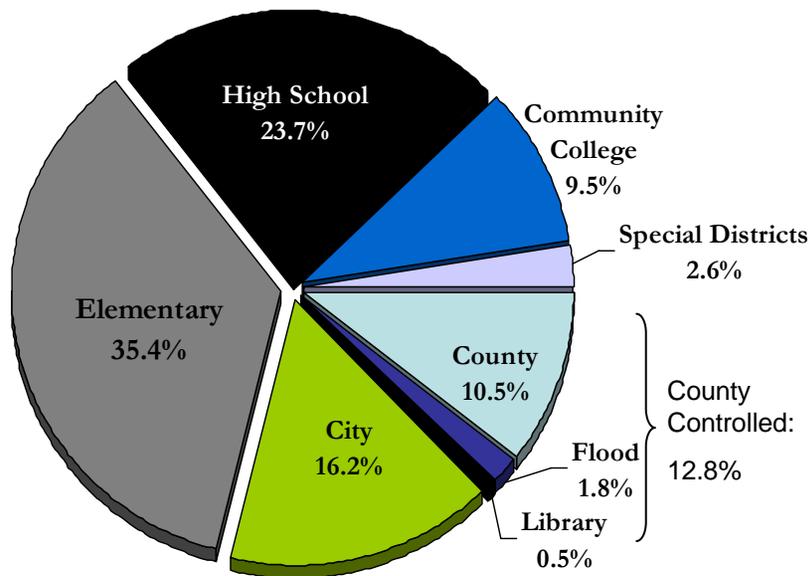
Property Taxes Savings



Property Taxes Compared: Sample Tax Bill from Ahwatukee

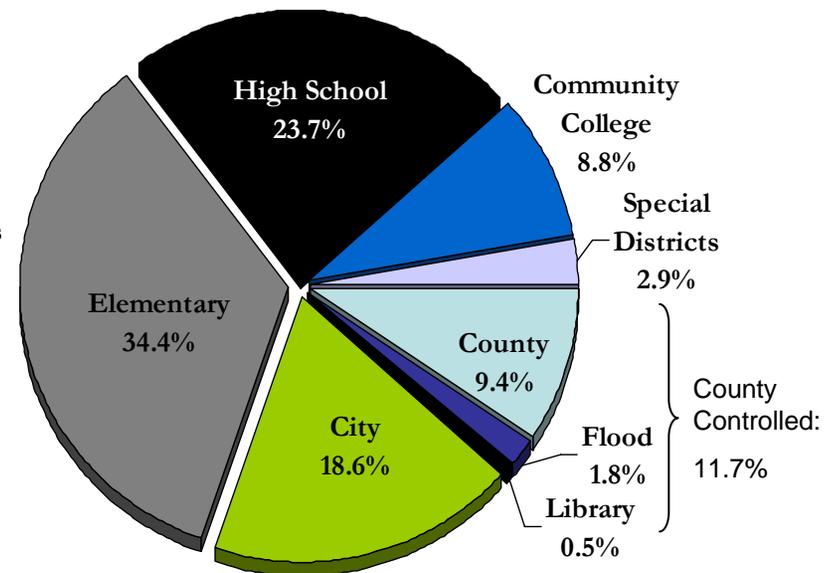
Tax Year

2006



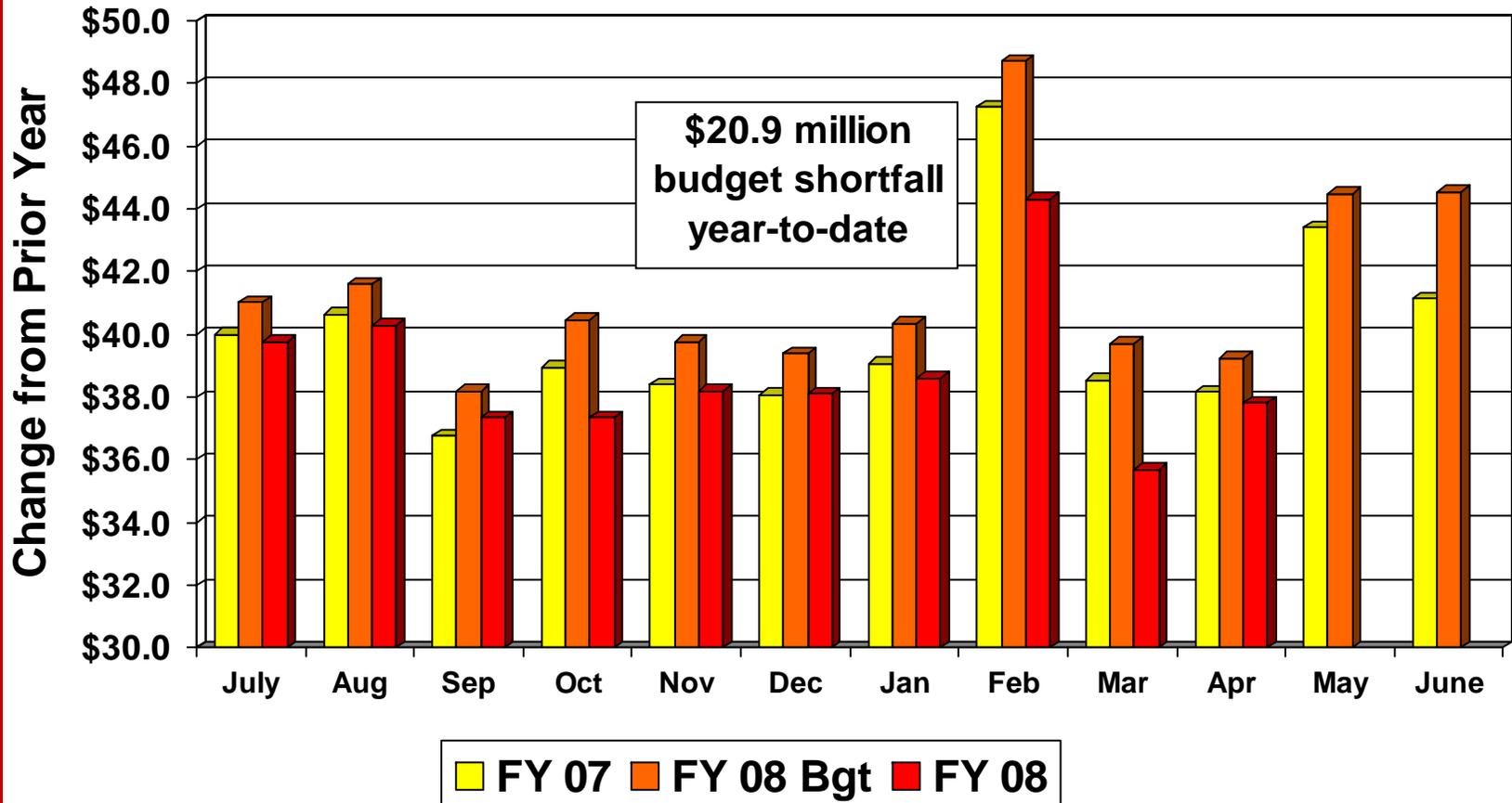
Tax Year

2007

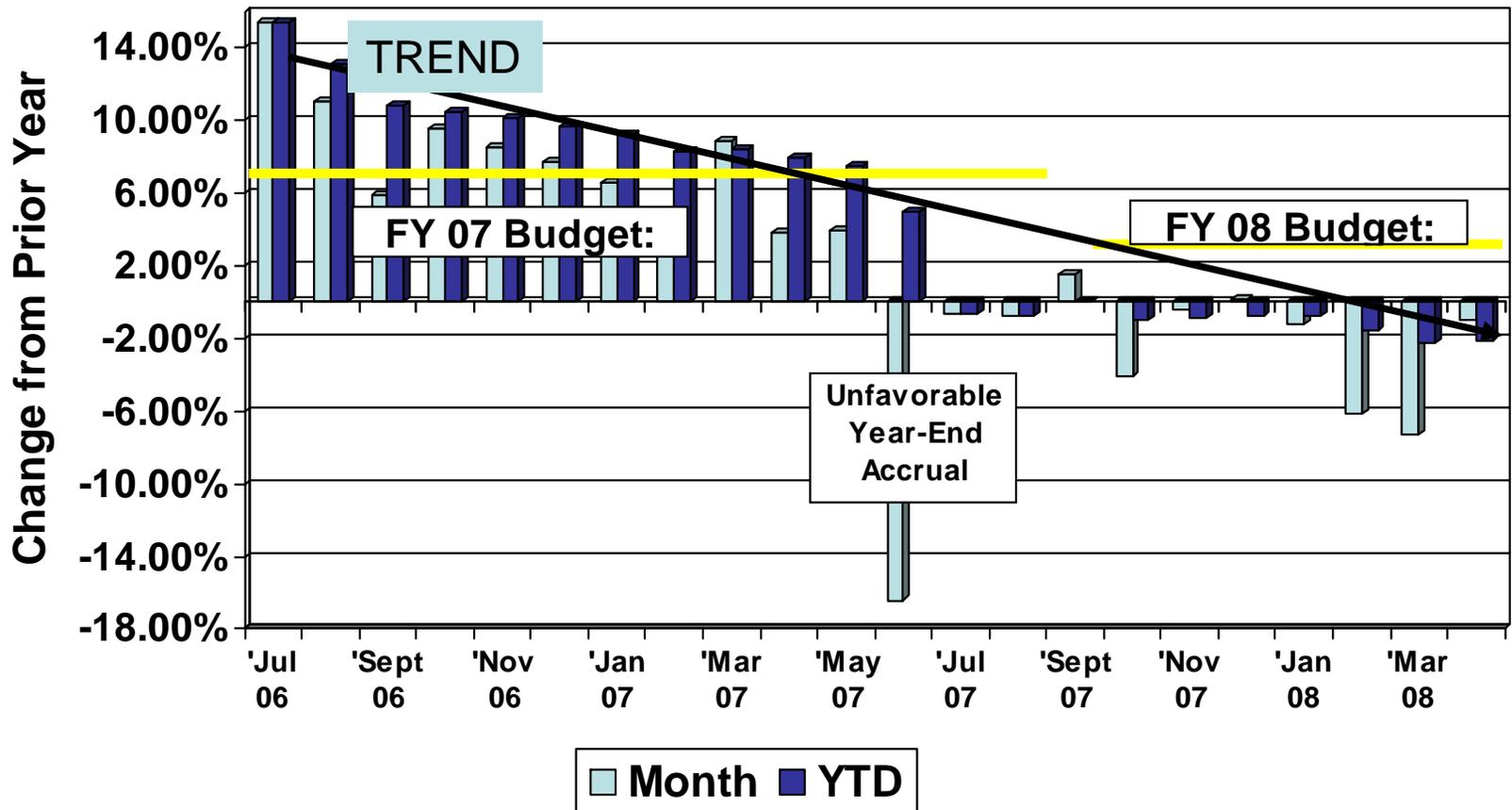


***Tax jurisdictions include: Phoenix City, Kyrene Elementary SD, Tempe High SD, Maricopa County, Flood Control District, Maricopa Library District, Fire District, East Valley Technical Institute, Maricopa Community College District, Health Care Special District, and Central Arizona Water Conservancy District.**

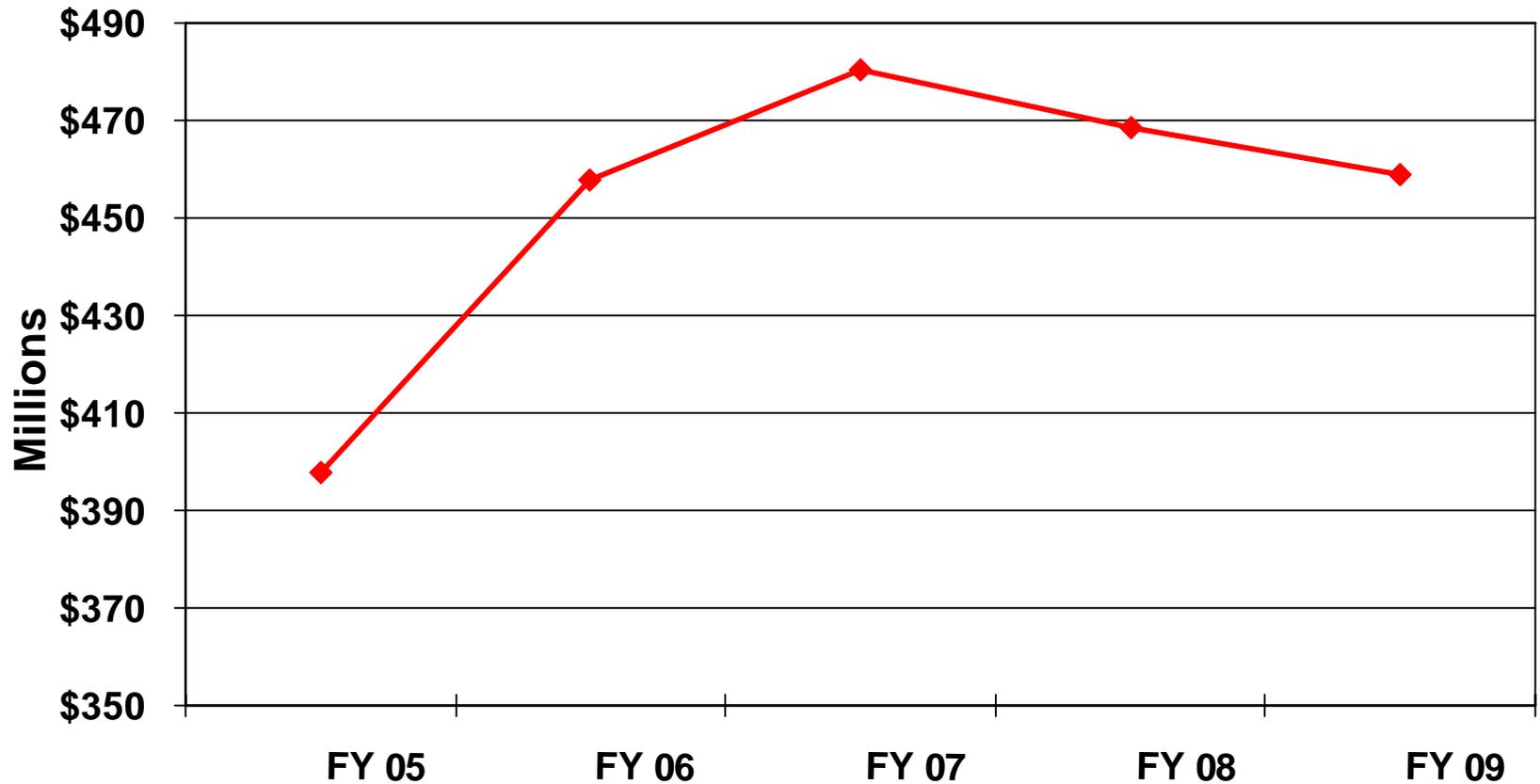
State Shared Sales Tax Budget vs. Actual



State Shared Sales Tax Monthly & YTD Change Over Prior Year



State Shared Sales Tax Trend

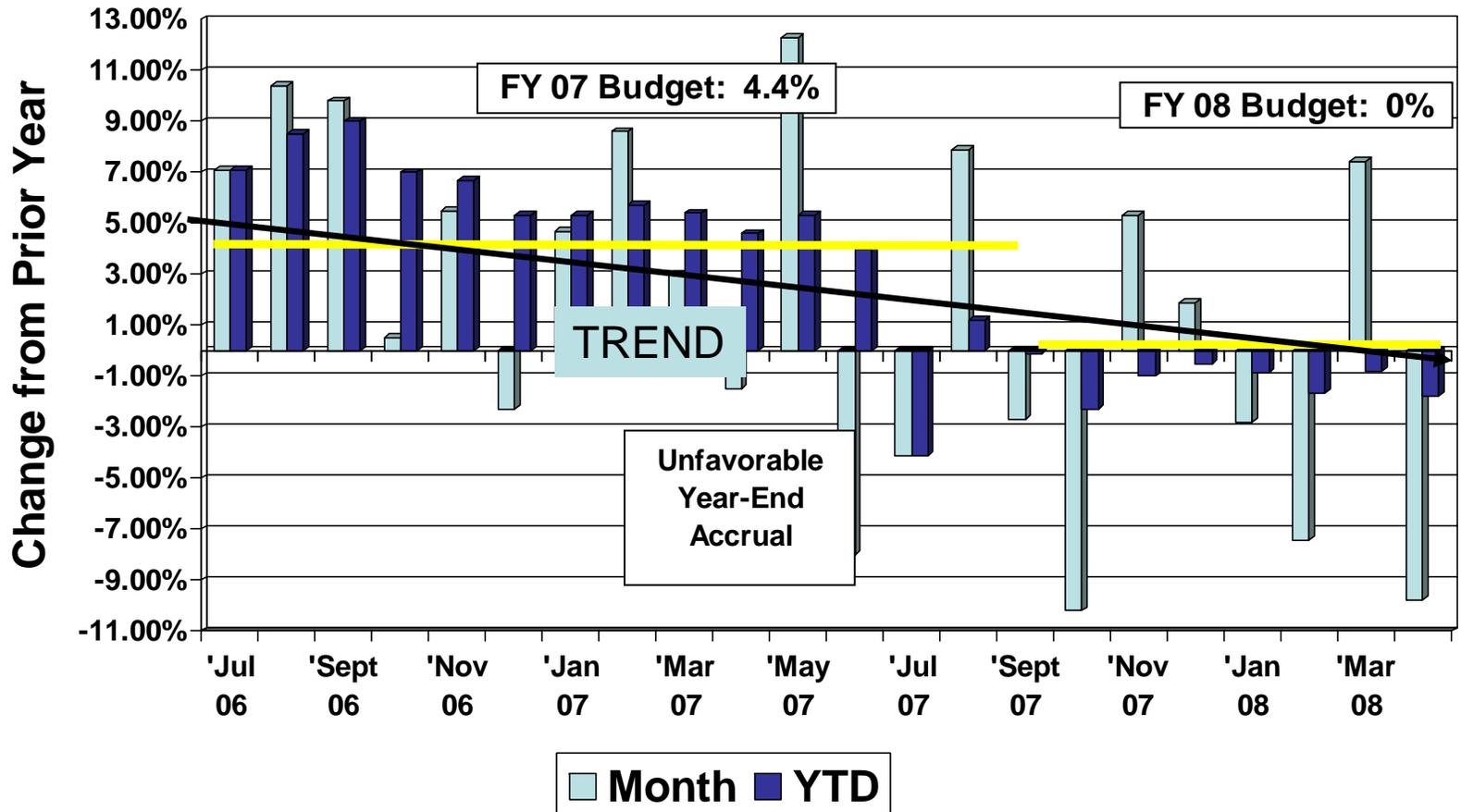


* 2008-12 are forecasted revenues, forecast by EDP & Co. (April 2008)

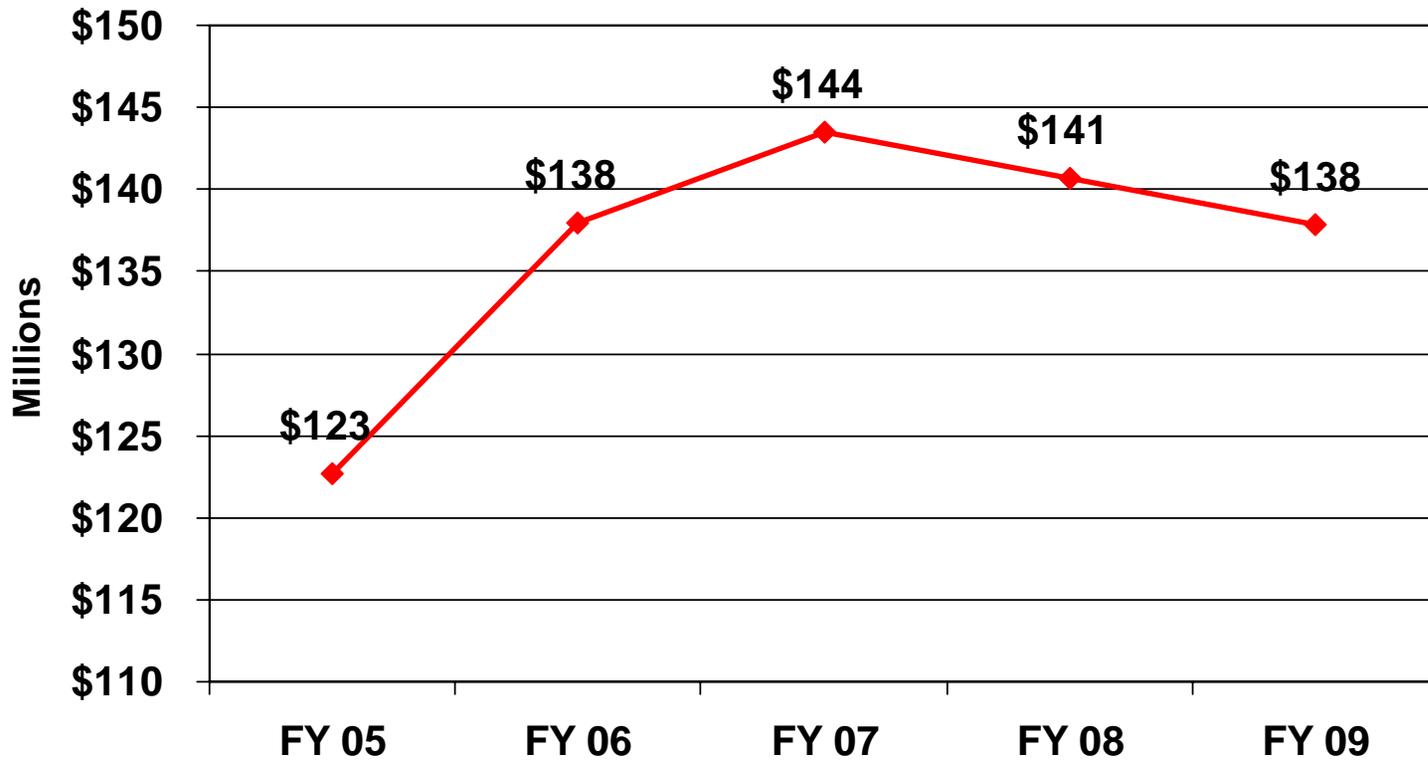


Vehicle License Tax

Monthly & YTD Change Over Prior Year



Vehicle License Tax



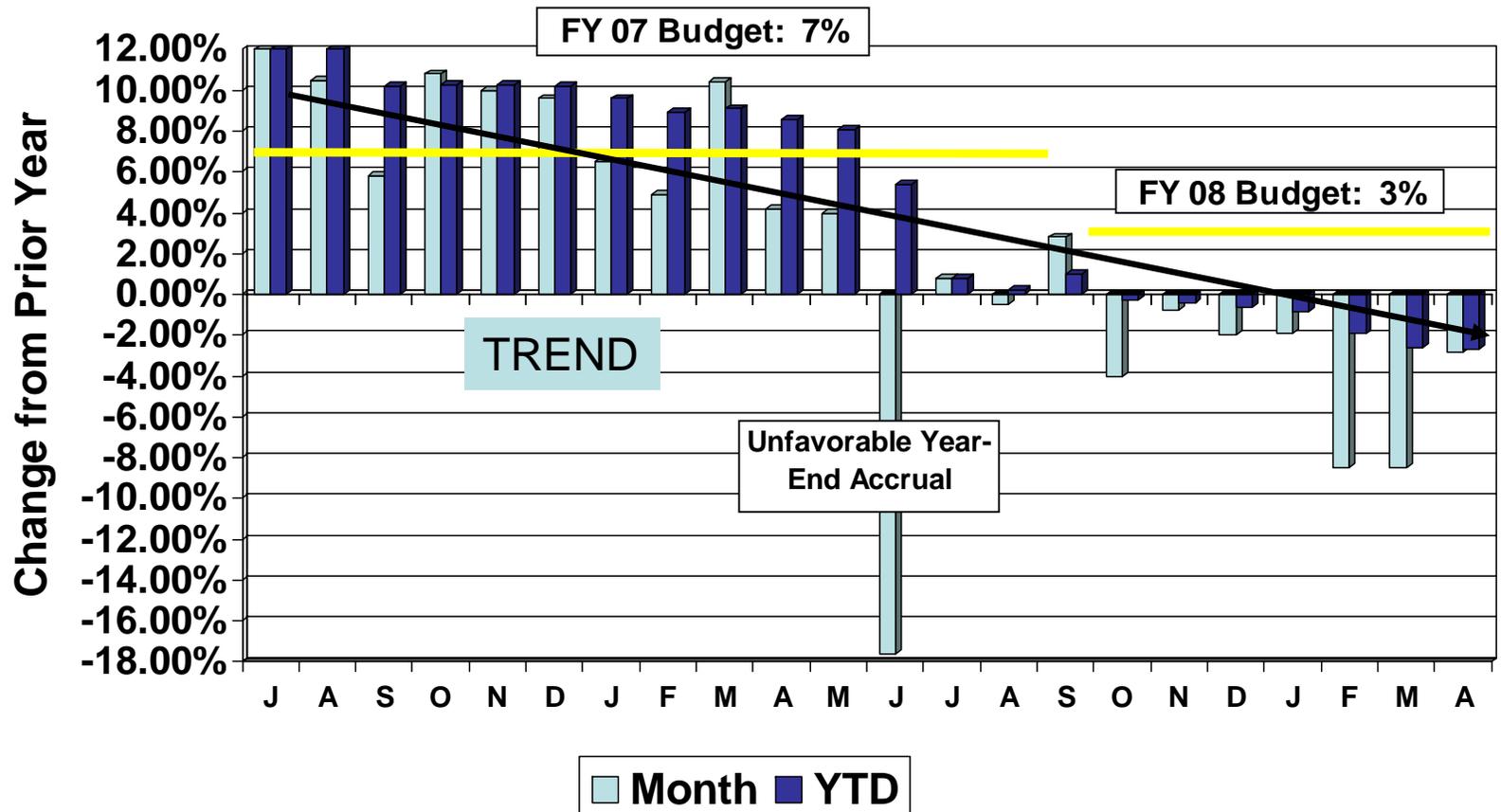
*Pessimistic forecasts for FY 08 and FY 09 from **E.D. Pollack & Co.**



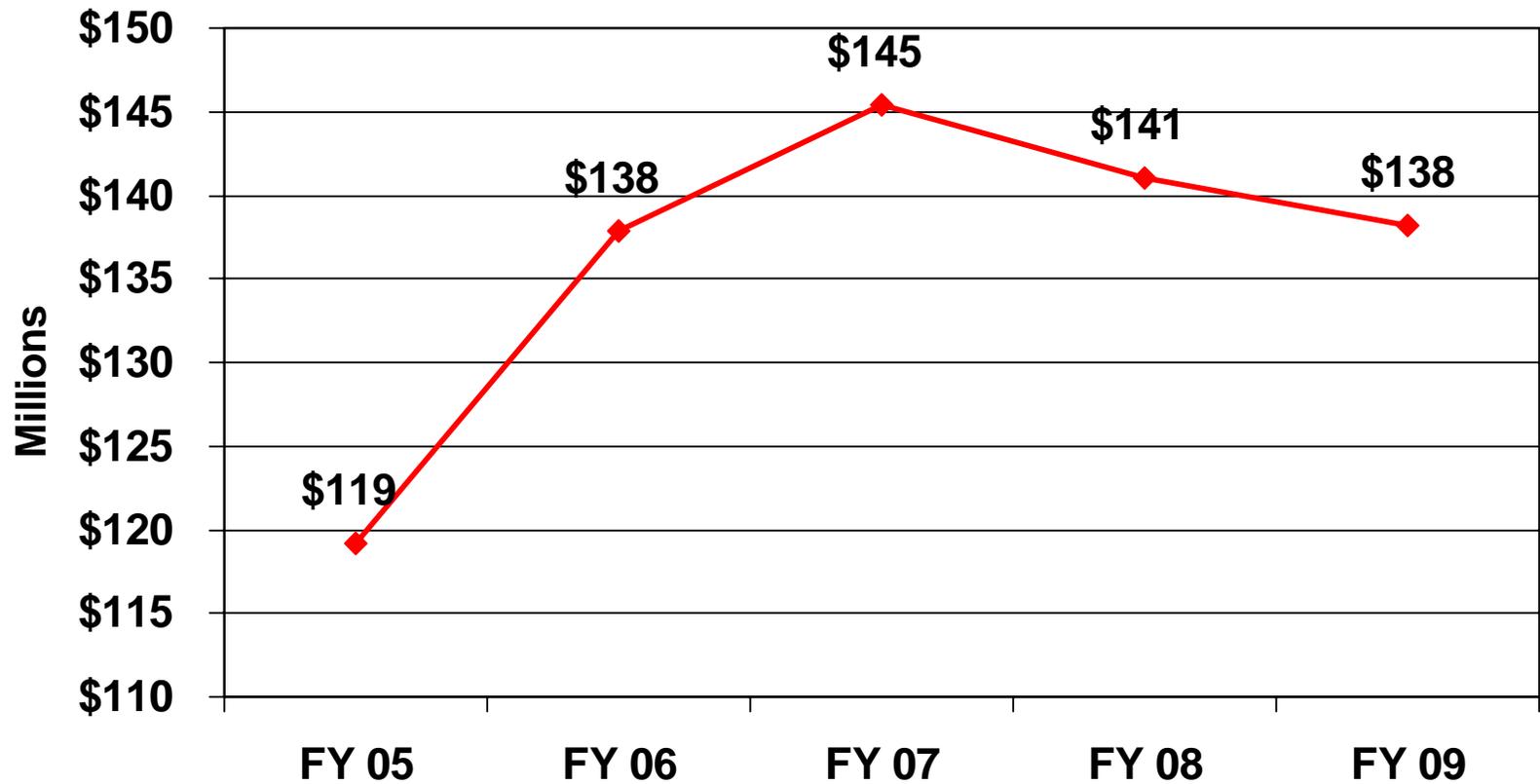


Jail Excise Tax

Monthly & YTD Change Over Prior Year



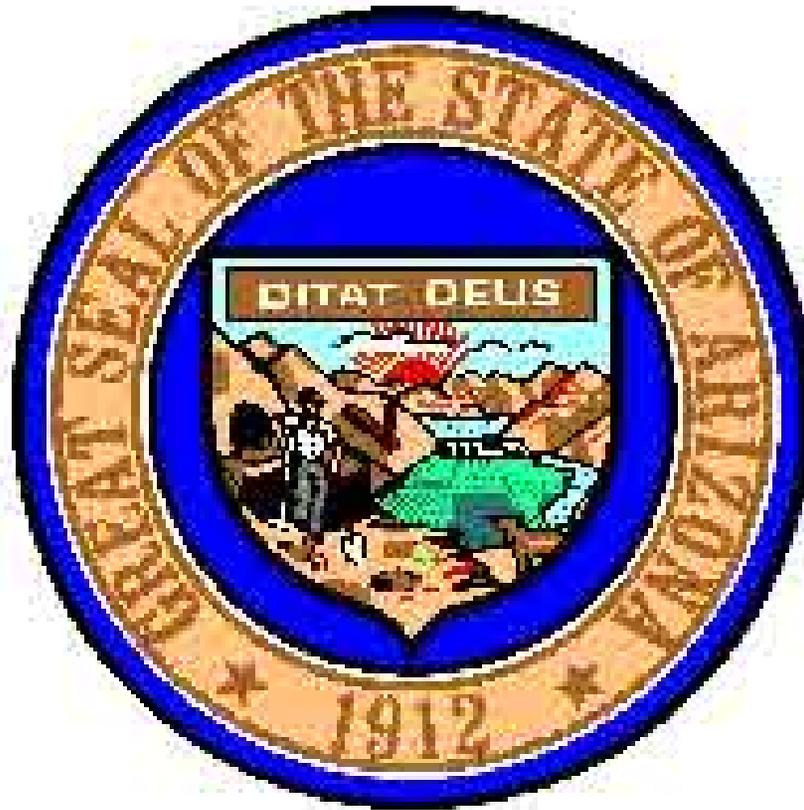
Jail Excise Tax



*Pessimistic forecasts for FY 08 and FY 09 from E.D. Pollack & Co.



State of Arizona Budgetary Threats



State of Arizona Threats

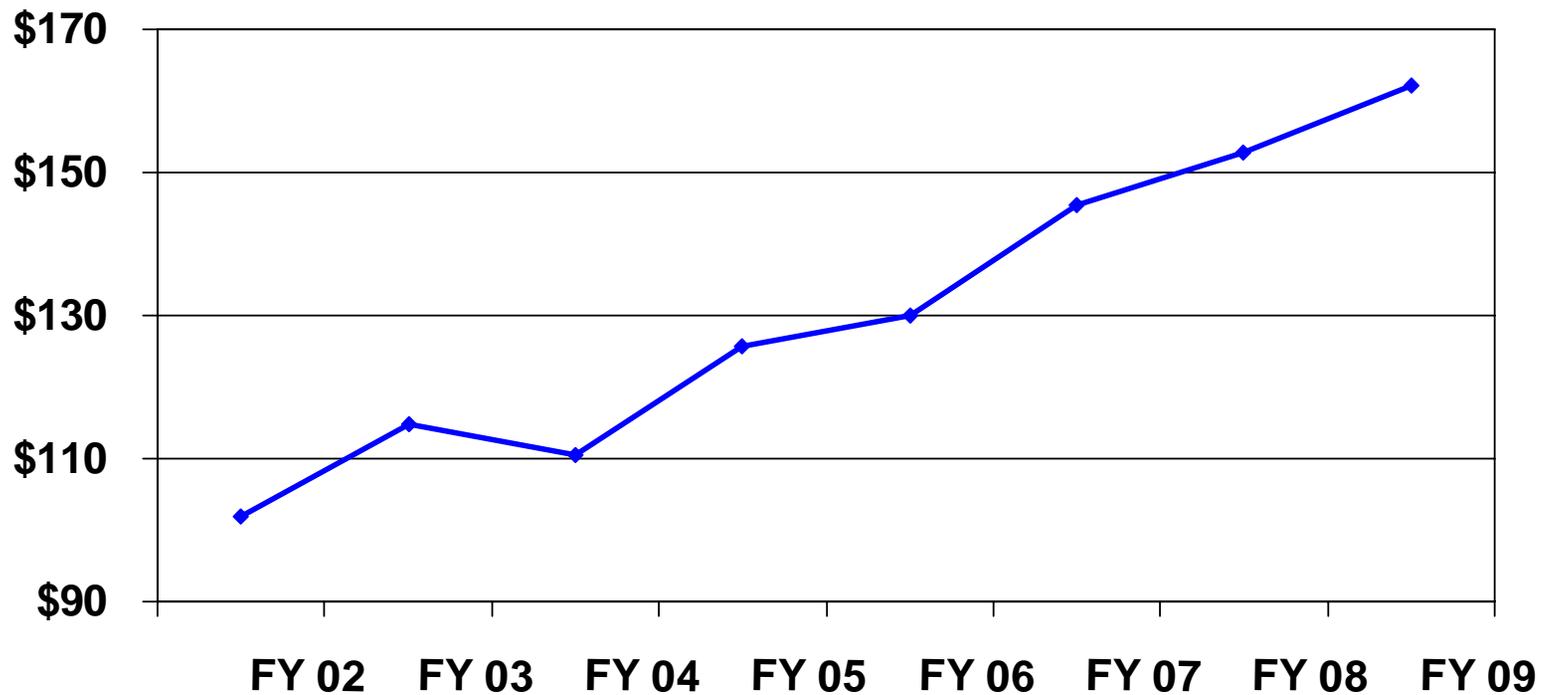
- Inmate Shift for those sentenced to less than a year (\$60 million in operating costs)
- Photo Radar revenue sweep
- ALTCS – State Share of increase
- County Contribution?



Health Care Programs



Maricopa County ALTCS Contribution Growth, FY 2002-2009



Expenditure Reductions



Total Budget Balancing Strategies (\$ 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

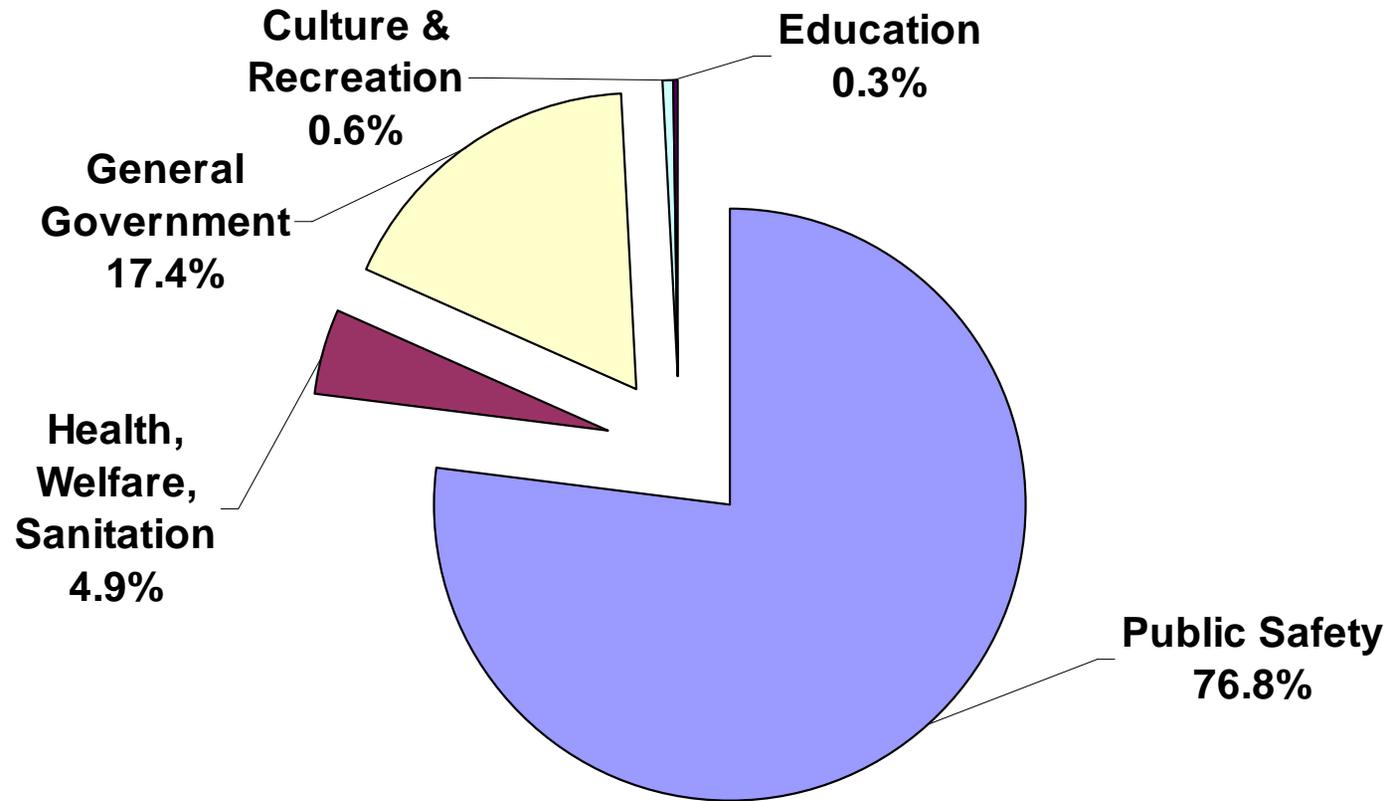


General Fund Budget Reduction Summary

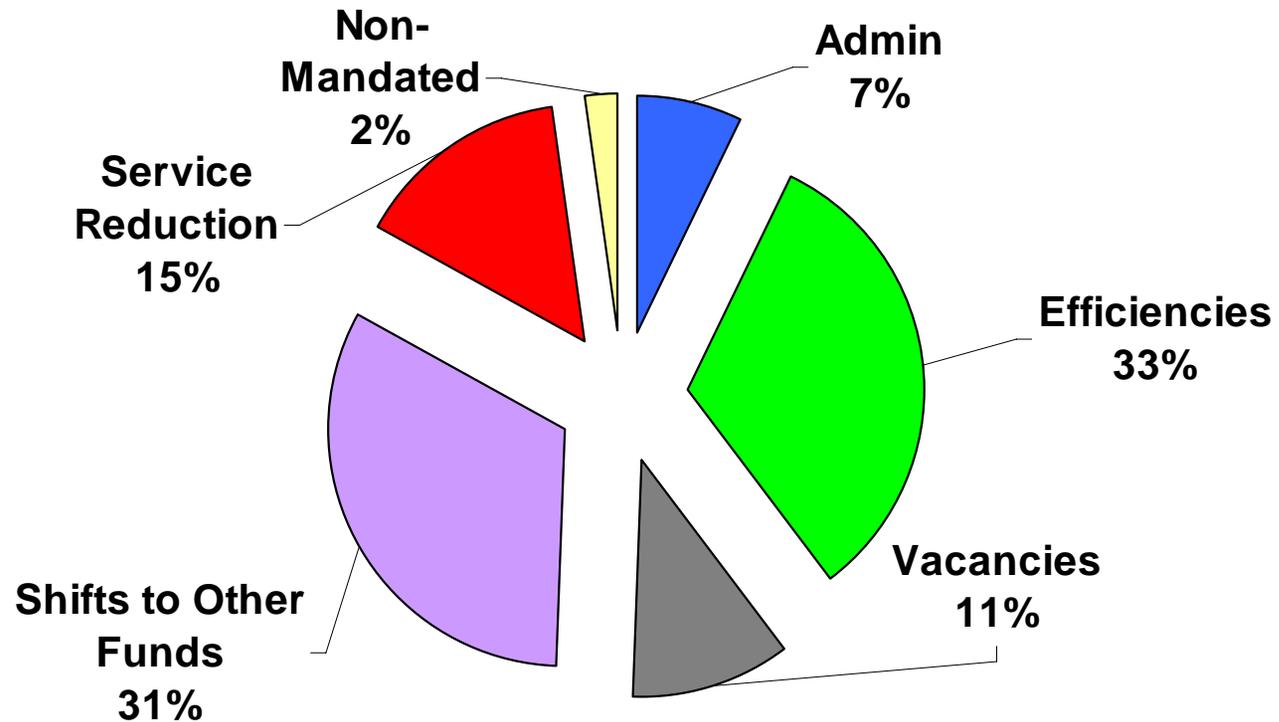
- **Average Reduction: 5.6%**
 - \$33.0 million in departmental reductions
- *Average Appointed Reduction: 7.0%*
- *Average Elected Reduction: 4.6%*
- *Average Judicial Reduction: 5.6%*
- *Non-Mandated Reduction: 15.0%*



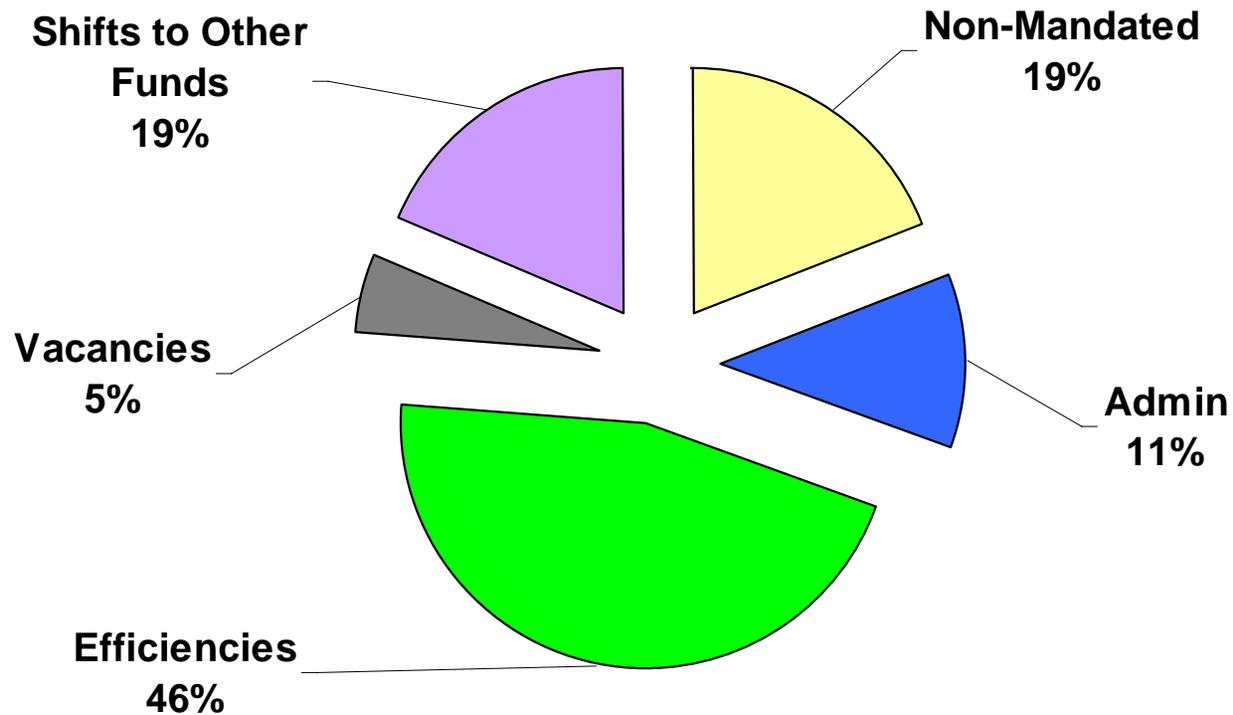
General & Detention Fund Budget Reductions by Category



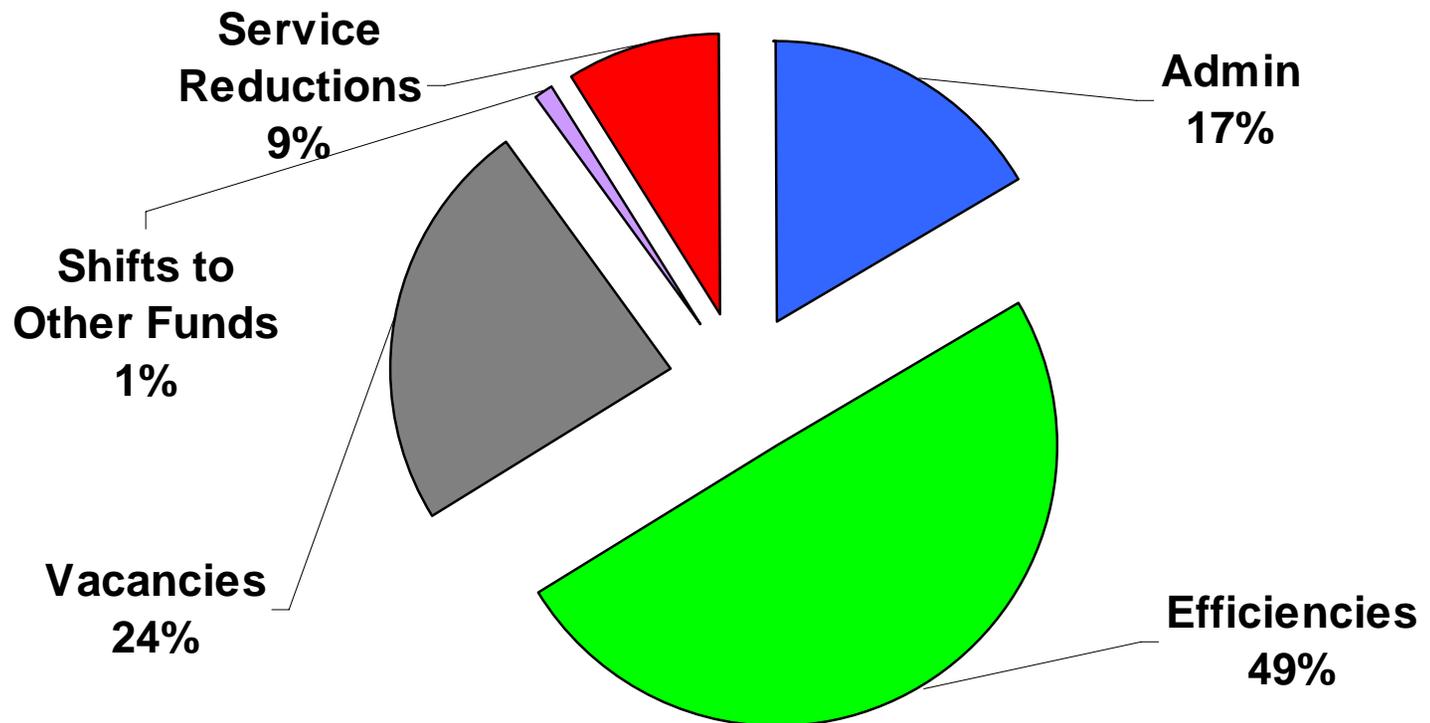
Public Safety Budget Reductions: \$33.0 million



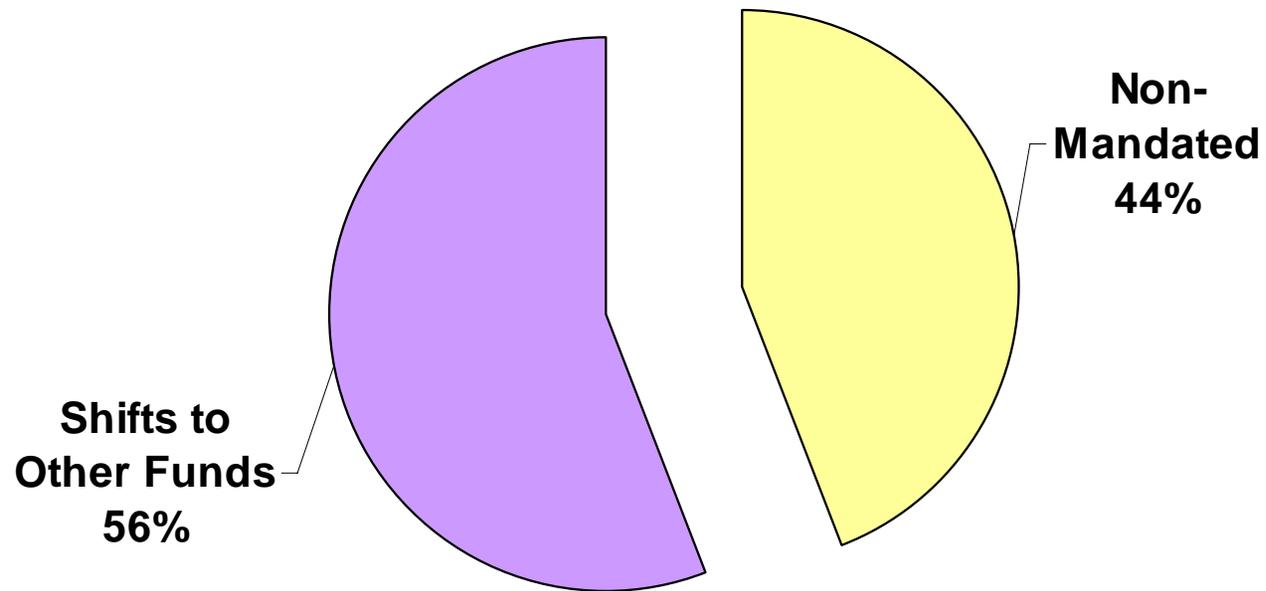
Health, Welfare, & Sanitation Budget Reductions: \$2.1 million



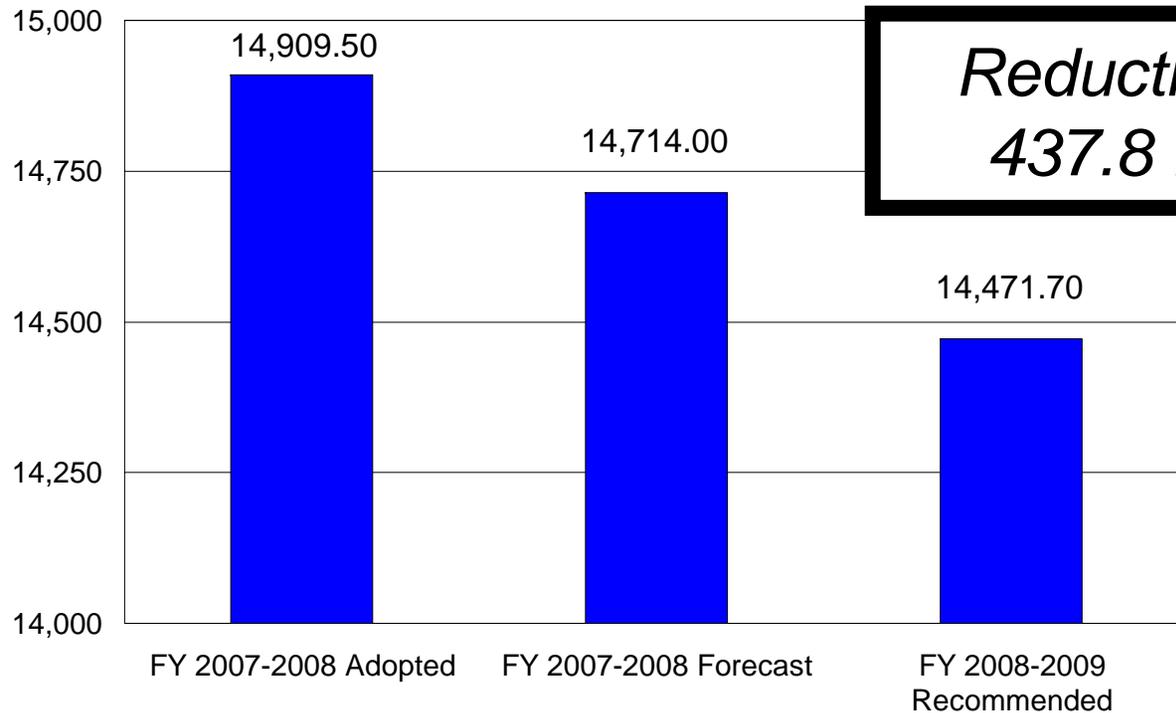
General Government Budget Reductions: \$7.5 million



Culture & Recreation Budget Reductions: \$0.3 million



Reductions in Staffing



****Note the FY 2008-09 staffing levels will likely be lower than shown above, as these FTE counts do not reflect reductions in force planned for the beginning of FY 2008-09.***



Planning and Development



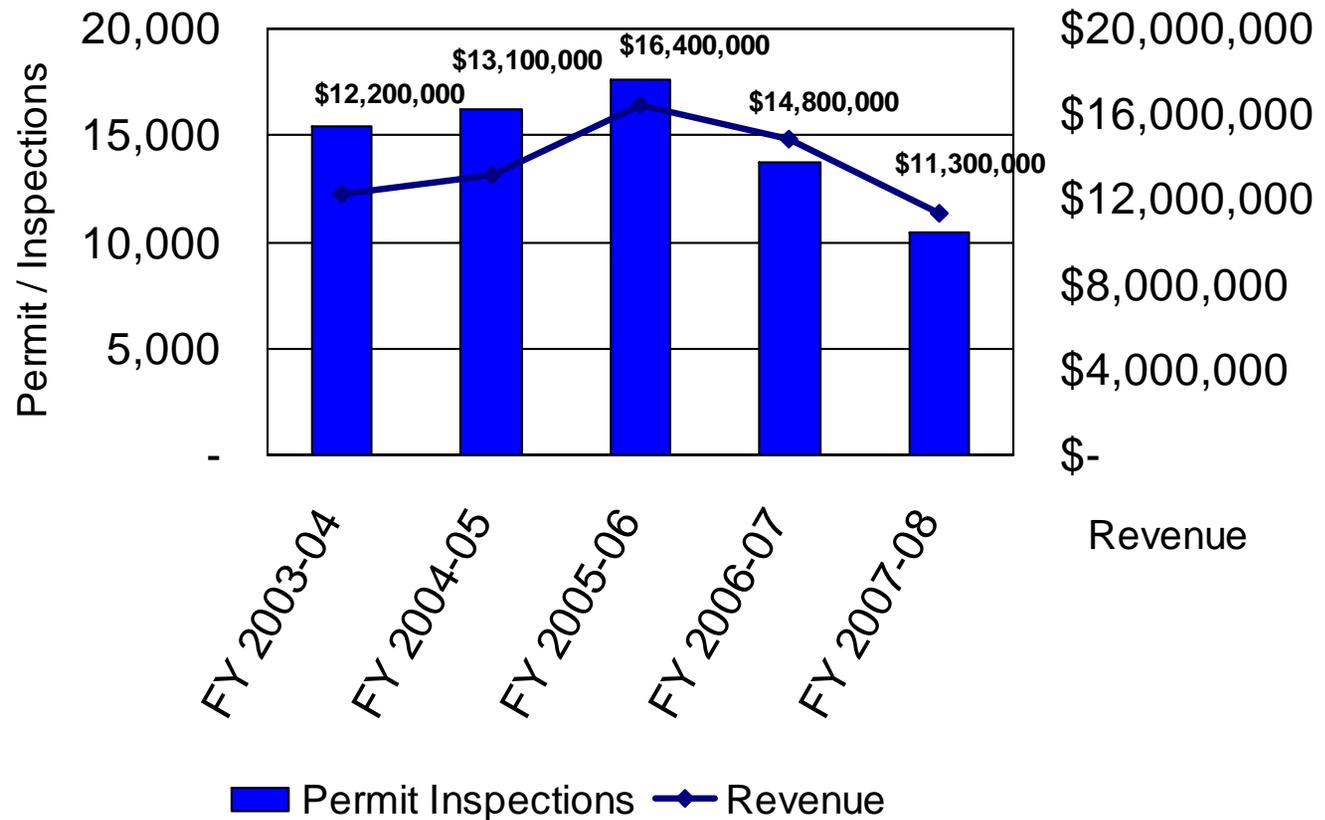
Planning and Development Downsizing

- Revenues have slowed dramatically
 - \$12.2M in FY 2003-04 to \$11.3M in FY 2007-08
 - Five Year high: 16.4M
 - Five year low: 11.3M; 31% reduction from high
 - \$12.5M in FY 2008-09
 - Budgeted FY 2008-09 reflects fees that required adjustments
- Reduced staffing levels
 - Reduction in Force (23 FTEs)
 - Elimination of vacant positions (22 PCNs)
- Continuous review of workload and adjustments as necessary



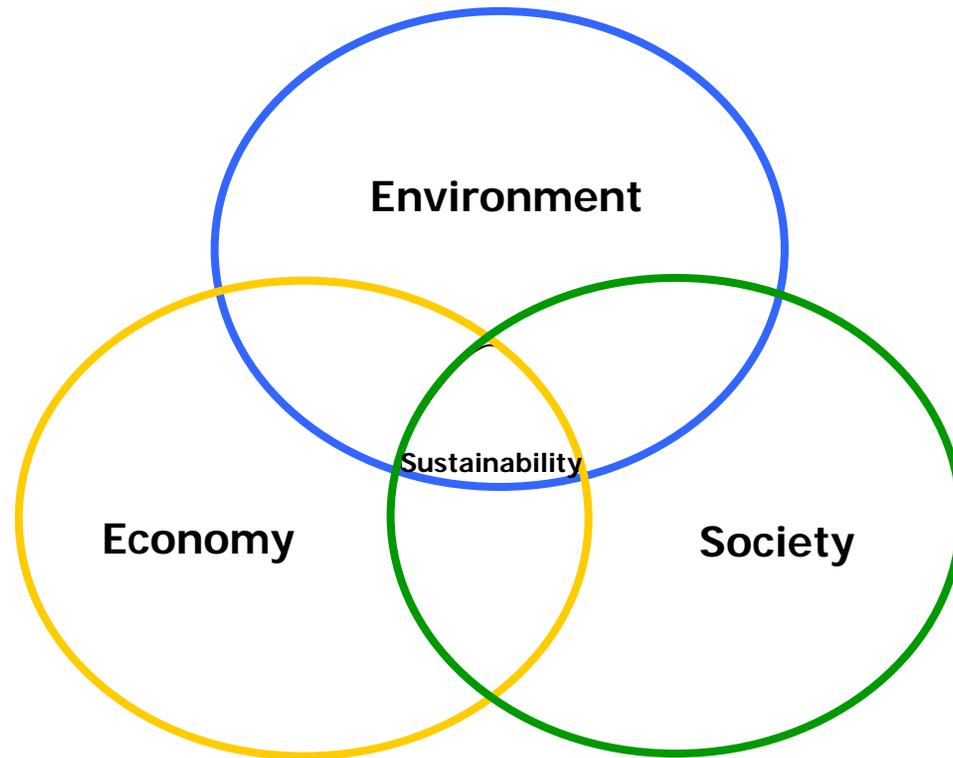
Planning & Development

Number of Permits/Inspections and Revenue



Green Government

Model For Long-Term Sustainability



Green Government

- Cooperative effort between the County and Community Stakeholders
- “To achieve a cleaner, healthier, and higher quality Maricopa County”
- The plan will...
 - Identify specific measures to determine progress
 - Be flexible and adaptable to changing conditions



Green Government

- Maricopa County's First Step
 - Reduction of Carbon Footprint
 - Vehicle replacements that meet EPA "SmartWay" designations
 - Current fleet composition is 34% "green"
 - FY 2008-09 budget will increase fleet composition to 35% "green"



Capital Improvements



Board Strategic Priority: Carefully plan and manage land use in Maricopa County to promote sustainable development and to preserve and strengthen our environment.

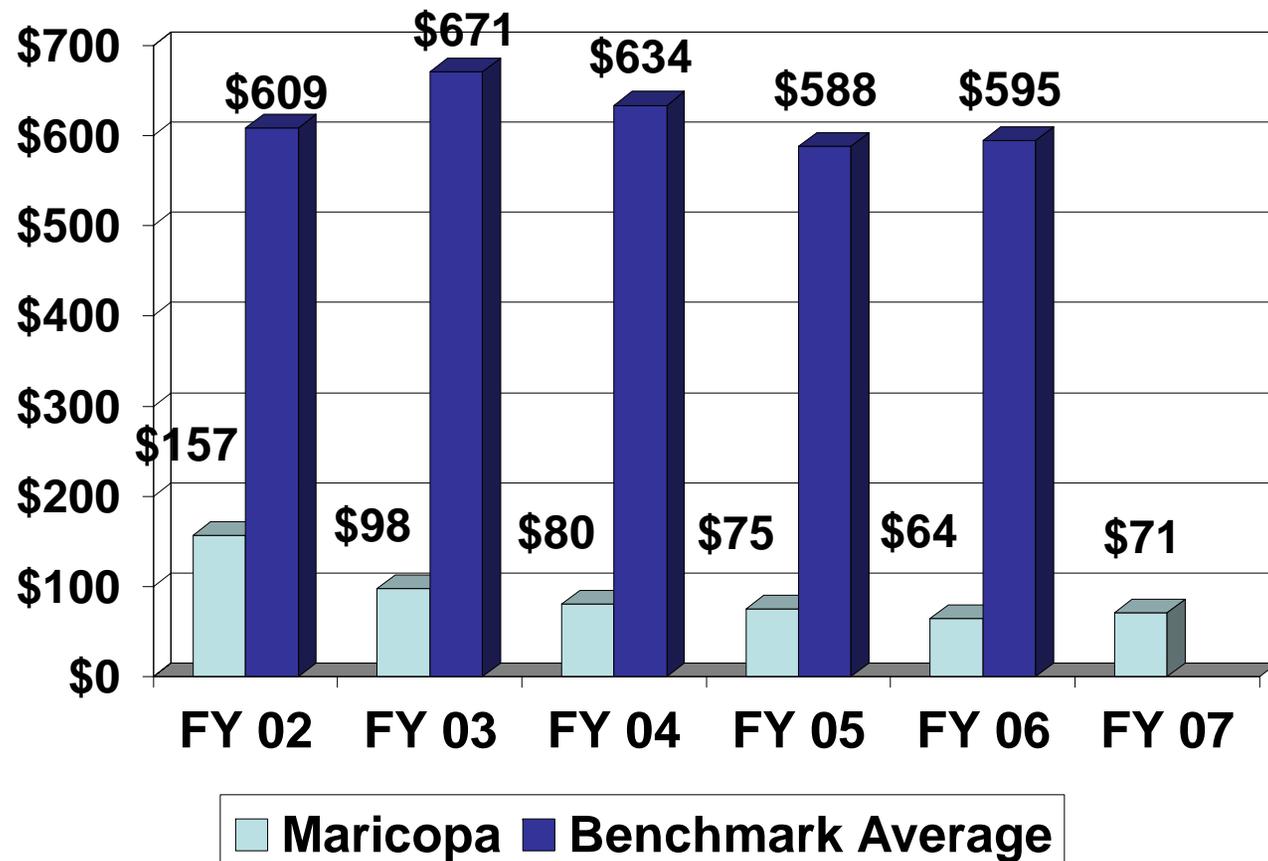


Capital Improvement Philosophy

- 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



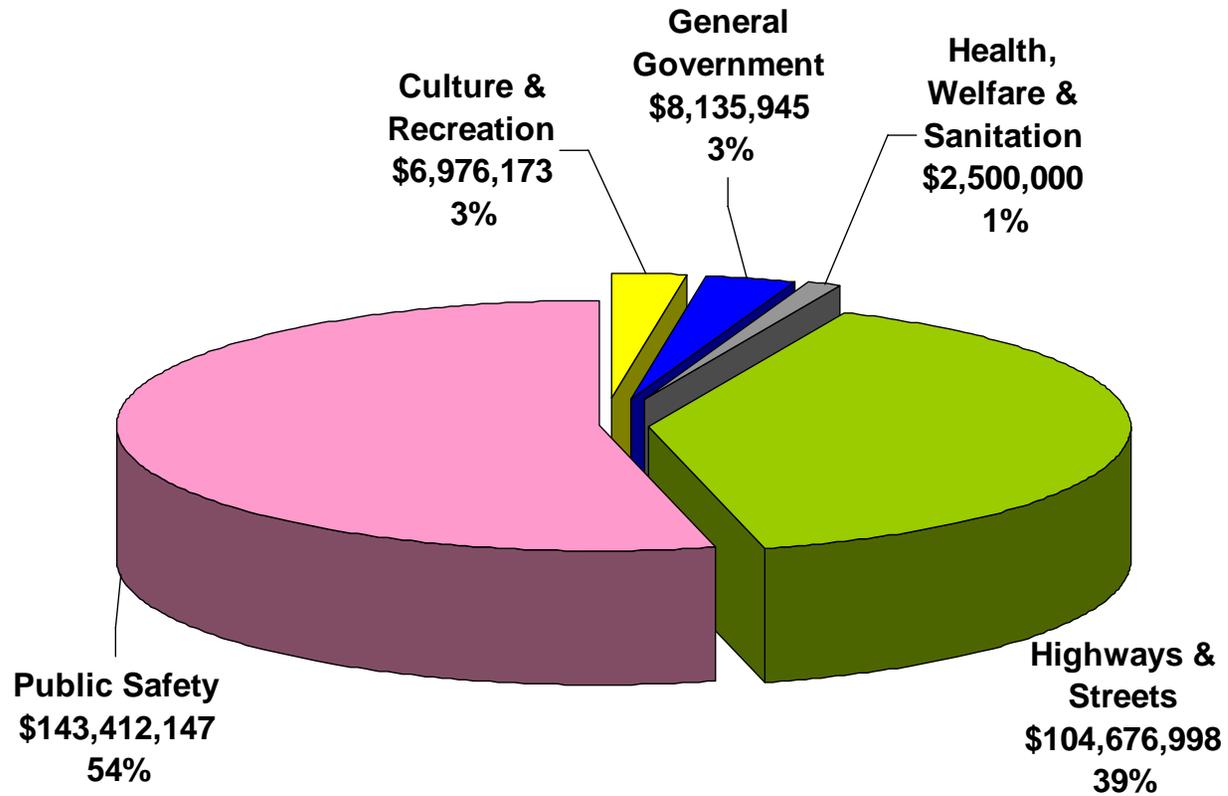
County Long-term Debt per Person Comparison to National Benchmarks*



* National Benchmarks counties include: Clark (NV), Los Angeles (CA), Santa Clara (CA), Salt Lake (UT), Multnomah (OR), San Diego (CA), Pima (AZ), Harris (TX), King (WA), and Orange (CA). Source: Financial Conditions Report, Internal Audit, Maricopa County.

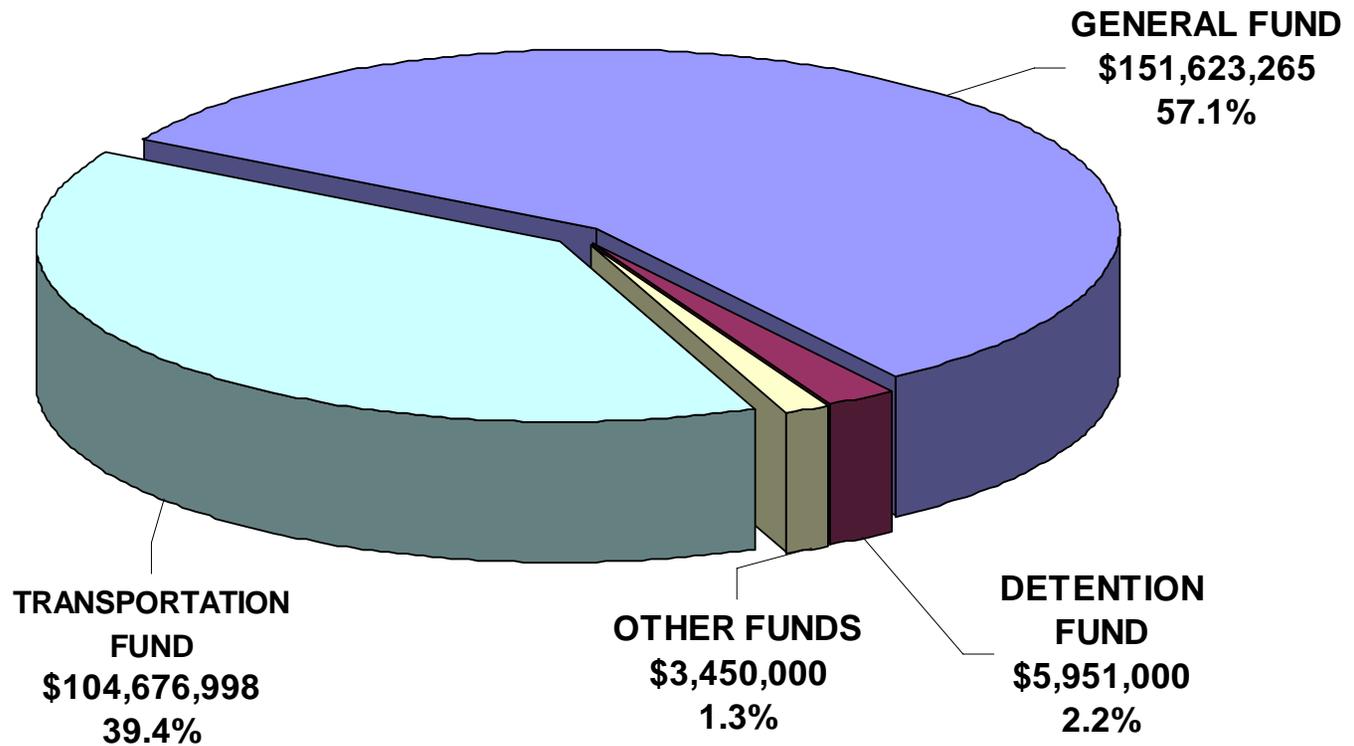
Uses of Capital Funds

FY 2008-09 - \$265,701,263



CIP By Fund

FY 2008-09 CAPITAL IMPROVEMENT PROGRAM



Cancelled/Delayed Projects

- Southwest Justice Center
- White Tank Mountain Regional Park Visitors Center and Amphitheater
- McDowell Mountain Regional Park Visitors Center and Amphitheater



The Court Tower



Criminal Court Tower

- \$334M project budget approved May 2, 2007
- \$25M funding approved May 16, 2007 to demolish 1st Ave Jail and relocate functions
- Will accommodate 32 new courtrooms (22 built-out)
- Projected completion scheduled January 2012
- Funding reserved for Debt Service Payments and ongoing Building Maintenance and Operations

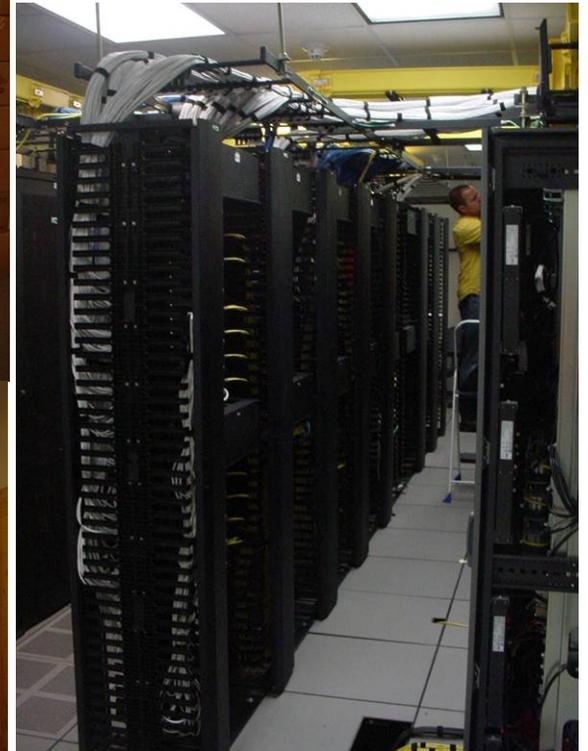


Unfunded Projects

- Southwest Justice Center
- White Tanks and McDowell Mountain Visitor Centers and Amphitheaters
- Emergency Operations Center
- Parks 10-Year Capital Improvement Plan
- Downtown Administration Building
- Santa Fe Depot Remodel
- Attorney Building



Technology Infrastructure



IT Projects

- Continued Network Infrastructure Upgrade
 - New Admin Building cabling completed to current standards
 - IT Network Infrastructure distribution equipment rooms completed
 - Completed Distribution equipment rooms
 - Clustered Datacenters and D/R Site
 - Downtown Campus Wireless Integration and Admin Building 9th/10th Floor Wireless Pilot
 - Downtown Data Center build out and migration of applications New Admin Building and West Court Building
- Managing For Results Information Systems (MFRIS)
 - Deployed first release (version 1.x):
 - Budgeting for Results
 - Planning for Results
 - Reporting for Results



IT Projects

- GDACS Project
 - Expected completion in FY 2008-09
- Agenda Central Replacement
 - Streamlined procedures
 - Roll-out expected shortly
- County Assessor Mass Appraisal System
 - Phase One (Replace Draw Client):
 - Completed Business Analysis
 - RFP requirements in progress
- Treasurer Data Center Upgrades
 - Parcel Watch Functional Requirements are complete



Employee Issues



Employee Compensation

2007-08 Accomplishments

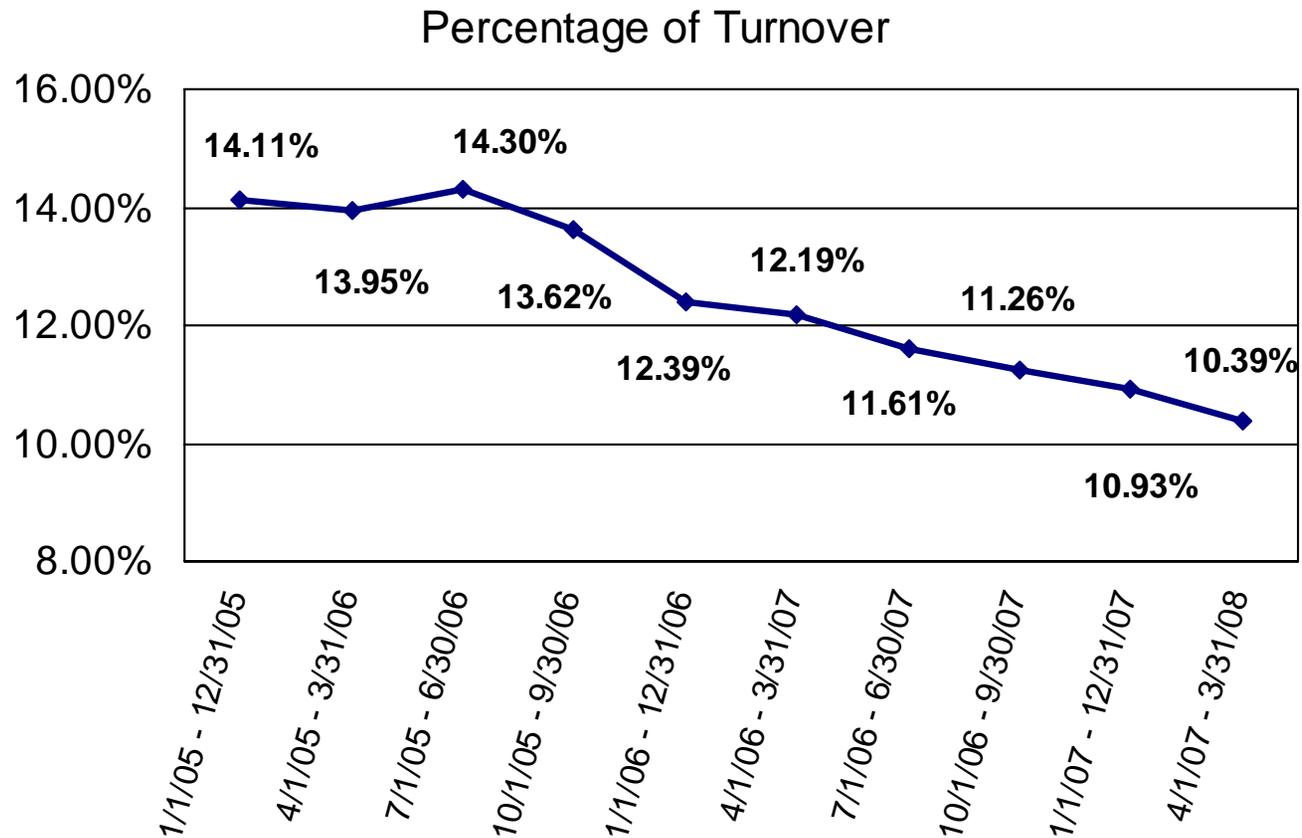
- Reviewed 1,300 market ranges
- Provided market increases when turnover illustrated a need
- Implemented pay for performance
- Enhanced website
- Standardized placement in range procedures

2008-09 Comp. Goals

- Review the Compensation Plan
- Document processes and procedures
- Review and update ½ of the County's market ranges (NO FUNDING BUDGETED)
- Pay for Performance will be determined at a later date



Voluntary Turnover By 12-Month Period

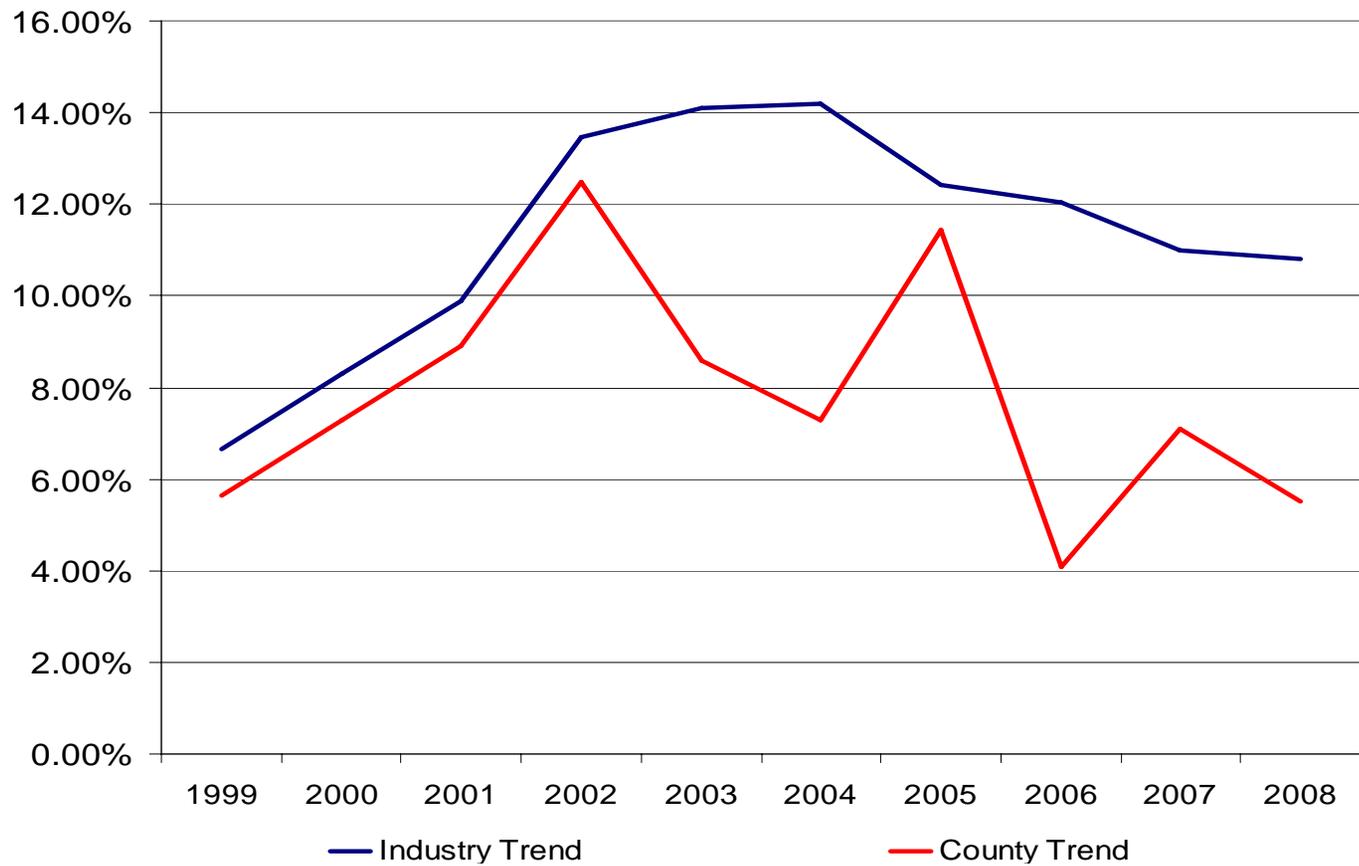


Employee Benefits

- Encourage Healthy Behavior Change through Incentive Based Wellness Initiatives
- Remove Barriers to Preventive Care
 - Progressive/Regressive Dental Program increases coverage if Preventive Services obtained
- Choices (6 medical, 2 pharmacy, 3 dental plans)
- Moderate Rate Increases
- 2008 County Employee Health Benefit Satisfaction is at 94%



Medical Plan Trend Experience



Conclusion



Budget Calendar – Remaining Dates

- 5/21/08: Board adopts the Tentative Budget
- 6/11/08: OMB presents Budget to Arizona Tax Research Association
- 6/16/08: FY 2008-09 Final Budget Adoption
- 8/18/08: Board sets the Tax Rate



Acknowledgements

Thank you to the Board of Supervisors and the County Manager for their policy guidance and leadership.

Thank you to Elected Officials, Judicial Officers, ACMS, and Department Directors for cooperation during budget development.

The entire staff of the Office of Management and Budget:

Tara Acuna, Lee Ann Bohn, Chris Bradley, Neeraj Deshpande, Mary Driessen, Shannon Fitzgerald, Angie Flick, Cindy Goelz, Brian Hushek, Kirk Jaeger, Klint Johnson, Lisa Johnson, Bradley Kendrex, Marc Kuffner, Jack Patton, Kimberly Roman, Scott Rothe, Dexter Thomas, Maria Tutelman, Sandi Wilson, Ryan Wimmer, and Janet Woolum.

The MFRIS Project Team from the Office of Enterprise Technology.





Office of Management & Budget



Special Districts



Board Strategic Priority: Continue to improve the County's public image by increasing citizen satisfaction with the quality and cost-effectiveness of services provided by the County.



Stadium District Highlights

- Overall expenditures of \$11.9 Million, a \$12.5 Million decrease from FY 2007-08
- FY 2007-08 included one-time expenditures for:
 - New Scoreboard (\$12.0 Million)
 - Suite Renovations (\$2.0 Million)



Library District Highlights

- Board's self-imposed levy limit reduced the secondary property tax rate from \$0.0391 to \$0.0353
- Overall expenditures of \$25.7 Million, a \$5.0 Million increase over FY 2007-08
- New Library Openings
 - Perry (Gilbert) Branch (07/2007)
 - Queen Creek (11/2008)
 - Goodyear (2009-10)



CITIZEN SAVINGS FROM SELF-IMPOSED TAX LEVY CAP LIBRARY DISTRICT TAX LEVY

Fiscal Year	Tax Levy	Capped Tax Levy	Taxpayer Savings
2005-06	\$ 17,295,751	\$ 17,295,751	\$ -
2006-07	\$ 18,909,535	\$ 18,401,410	\$ 508,125
2007-08	\$ 25,807,513	\$ 19,368,018	\$ 6,439,495
2008-09	\$ 30,376,194	\$ 20,581,183	\$ 9,795,011

*Tax Rate \$0.0521



Flood Control District Highlights

- Board's self-imposed levy limit reduced the secondary property tax rate to \$0.1367; \$4,413,411 increase in property tax revenue
- Overall expenditures of \$95.96 million, a decrease of \$985,893
- FY 2008-09 CIP is \$60 million, an decrease of \$793,000
- Five-year CIP projected to be \$300 Million
- Consolidation of FCD staff into Public Works

CITIZEN SAVINGS FROM SELF-IMPOSED TAX LEVY CAP FLOOD CONTROL TAX LEVY			
Fiscal Year	Tax Levy	Capped Tax Levy	Taxpayer Savings
2005-06	\$ 62,733,411	\$ 62,733,411	\$ -
2006-07	\$ 69,456,639	\$ 67,096,622	\$ 2,360,017
2007-08	\$ 97,342,505	\$ 70,422,870	\$ 26,919,635
2008-09	\$ 116,017,926	\$ 74,844,976	\$ 41,172,950

*Tax Rate \$0.2119



Flood Control CIP

Flood Control District Projects (28 Projects)	FY 2008-09 Recommended Budget	FY 2009-10 Thru FY 2012-13	Five-Year CIP Program Total
	\$ 60,000,000	\$ 240,000,000	\$ 300,000,000





Office of Management & Budget

