



Maricopa County

Department of Finance

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Date: December 15, 2008
To: David Smith, County Manager
From: Tom Manos, Chief Financial Officer 
Subject: FY 08-09 Executive Summary – November 2008

Attached is the General Fund and Detention Fund financial activity through November 30, 2008. The Executive Summary includes the beginning unreserved fund balance (unaudited), adopted revenues and expenditures, fund balance designations and undesignated ending fund balance. The reported General Fund beginning fund balance represents a net gain of \$21.3m over the estimate that was used when preparing the FY 08-09 budget.

Fund balance designations are the County's self-imposed limitations on financial resources that would otherwise be available for use. The primary fund balance designation in both the General Fund and Detention Fund is for budget stabilization. For the General Fund, this includes an amount designated to cover cash shortfalls during the fiscal year due to the property tax collection cycle, as well as a reserve. Designations have also been established in the General Fund for the reserve to support the County's migration to fully self-insured employee benefits. Designations have been established in the Detention Fund for future capital projects.

Note: The General Fund positive expenditure variance of \$59m is primarily related to transfers out of \$34m. Although the variance is explained in greater detail below, the variance is a timing difference and will self-correct in December. Therefore, the total expenditure budget positive variance is estimated to be approximately \$25m.

The November 2008 Executive Summary comments are provided below for significant revenue and expenditure categories and YTD budget variances of $\pm 15\%$.

General Fund Variance Analysis

General Fund Revenues

- **Property Tax Revenue YTD variance of (\$3,284,400):** The FY 08-09 YTD actual collections reflect a 6.3 percent increase compared to FY 07-08 with a current year negative budget variance of 1.4 percent. The Property Tax revenue budget for FY 08-09 reflects a 7.8 percent increase from the FY 07-08 adopted primary levy. The budget also includes an estimated delinquency rate and a one-time reduction due to the impact of a state-wide property tax settlement with Qwest Communications. FY 08-09 YTD collections are 49.4 percent of the adopted levy compared to a historical average of 50.2 percent. It is difficult to determine at this point if property foreclosures will have any impact on the total amounts received by the County as Arizona was among the three states with the highest foreclosure rates, and Phoenix was the sixth among the top ten cities according to the Arizona Republic on November 13, 2008. Finance and OMB will continue to closely monitor property tax collections.

- **Vehicle License Tax Revenue YTD variance of (\$1,975,073):** The FY 08-09 YTD actual collections reflect a 5.9 percent decline compared to FY 07-08 with a current year negative budget variance of 3.2 percent. The FY 08-09 Vehicle License Tax (VLT) revenue was budgeted at a 2.0 percent decline from the FY 07-08 forecast. The declining revenue trend is expected to continue through FY 08-09. The revised forecast from EDP anticipates a 10.0 percent decline for the Pessimistic scenario from FY 07-08 actual collections. The revised Pessimistic forecast would equate to a year-end budget shortfall of \$13m according to the OMB presentation to the Board of Supervisors on November 6, 2008. In the September 2008 – Joint Legislative Budget Committee – Monthly Fiscal Highlights Report, the Arizona Department of Transportation noted the modest job growth and fewer people moving to Arizona as the factors contributing to the decline in VLT revenue collections.
- **Sales Tax Revenue YTD variance of (\$10,293,518):** The FY 08-09 YTD actual collections reflect a 7.6 percent decline compared to FY 07-08 with a current year negative budget variance of 5.5 percent. The FY 08-09 Sales Tax revenue budget is based on the April 2008 Pessimistic forecast from EDP and reflects a decline of 2.0 percent from FY 07-08. The most recent revised revenue forecast from EDP points to an 8.2 percent decline in the Pessimistic scenario from the FY 07-08 collections. The revised Pessimistic forecast would equate to a year-end budget shortfall of \$36m according to the OMB presentation to the Board of Supervisors on November 6, 2008. In the November 30, 2008 – Joint Legislative Budget Committee – Monthly Fiscal Highlights Report, the Arizona Department of Commerce reported that the state lost (70,900) or (2.6 percent) of jobs in October compared to the same month last year. This was the largest job loss in percentage terms since August 1975 when the state experienced a year-over-year job decline of (2.7 percent). Further, October marked the 6th straight month with rising unemployment. The state's unemployment rate increased to 6.1 percent from 5.9 percent in the prior month. The nation's unemployment rate in October was 6.5 percent. The sales tax decline is partially attributable to the rising unemployment rate as consumers are spending less.

General Fund Expenditures

- **Personnel Services Expenditures YTD variance of \$3,073,497:** Current YTD expenditures are 1.6 percent under budget. Departments under budget that make up the largest portion of this variance are Enterprise Technology, Assessor, and Judicial Branch (Superior Court).
- **Services Expenditures YTD variance of \$19,723,814:** Current YTD expenditures are 25.3 percent under budget. Non-Departmental comprises the largest positive variance as expenditures associated with both facility renovations and IT infrastructure projects, such as data network and application developments, are under budget.
- **Intergovernmental Payments YTD variance of \$681,734:** Current YTD expenditures are .7 percent under budget. These expenditures are mainly comprised of the County's Arizona Long Term Care System (ALTCS) and Arizona Health Care Cost Containment System (AHCCCS) contributions to the State. The positive variance is mostly due to the ALTCS contributions being less than the adopted budget amounts. The positive variance related to the ALTCS payments is expected to remain through the fiscal year.
- **Capital Outlay Expenditures YTD variance of \$1,295,030:** Current YTD expenditures are 63.4 percent under budget. Non-Departmental (recurring) comprises the largest positive variance for expenditures associated with vehicle replacement. This activity was budgeted in equal amounts per month, but no expenditures have been incurred due in part to the County's current capital freeze.

- **Transfers Out YTD variance of \$33,449,609:** Current YTD Transfers Out are 13.3 percent under budget. The majority of the Transfers Out were budgeted and occurred in July. These are non-recurring transfers to the Capital Projects Fund for the Court Tower and various other capital projects. The positive YTD variance is the result of a budget adjustment totaling approximately \$34m for the General Fund and the General Fund County Improvement Fund 445. The transfer adjustment was recorded in November; however, the budget adjustment was calendarized in December. This variance is expected to self correct in December.

General Fund Departmental Expenditure Variances

Call Center Expenditures YTD variance of (\$19,585): Current YTD expenditures are 2.8 percent over budget. The negative variance is the result of increased support associated with the November General Election. The department projects expenditures to be under budget by December.

County Attorney Civil Expenditures YTD variance of (\$677,782): Current YTD expenditures are 15.7 percent over budget. The negative variance is due to increased costs associated with Hart v. Hill. Contingency funding of \$400,000 is reserved in the FY 08-09 Non-Departmental budget for Hart v. Hill costs. The Board authorized the \$400,000 to be moved from Non-Departmental to the County Attorney Civil budget. This variance is expected to self correct in December.

Office of Public Defense Services Expenditures YTD variance of (\$3,781,539): Current YTD expenditures are 12.6 percent over budget which includes; Public Defender of (\$34,188) and Public Defense Services of (\$4,180,775).

- **Public Defense Services Expenditures YTD variance of (\$4,180,775) –** Current YTD expenditures are 78.2 percent over budget. The negative variance is due to increases in demand for legal representation in dependency and adult felony matters. Demand for dependency representation in FY 08-09 is projecting to be 65 percent higher than the demand experienced in FY 07-08, and contract attorney expenses are reflective of that fact. Similarly, while new demand for Public Defense Services is projected to increase 4.0 percent, the larger impact is from cases assigned in the prior fiscal year that continue to require legal services from contract attorneys as they are pending final resolution (FY 07-08 demand was 10.0 percent higher than projected). Additionally, the number of capital cases continues to grow. The current inventory of capital cases is about 14.0 percent higher (153 v. 133) than it was during the crisis that occurred in March 2007. The department is working with OMB on a Corrective Action Plan to bring expenditures within budget by year-end.

Justice Courts Expenditures YTD variance of (\$10,284): Current YTD expenditures are .2 percent over budget. The department is working with OMB to increase the appropriation in the Justice Courts Special Revenue Fund 245 to transfer expenditures that cannot be supported in the General Fund. The department is working with OMB on a Corrective Action Plan and projects expenditures to be under budget by December 2008.

Detention Fund Variance Analysis

Detention Fund Revenues

- **Jail Excise Tax (Sales Taxes) Revenue YTD variance of (\$4,363,983):** The FY 08-09 YTD actual collections reflect a 9.8 percent decline compared to FY 07-08 with a current year negative budget variance of 7.5 percent. The FY 08-09 Jail Excise Tax revenue budget is based on the April 2008 Pessimistic forecast from EDP and reflects a decline of 2.0 percent from FY 07-08. The most recent revised revenue forecast from EDP points to an 8.6 percent decline in the Pessimistic scenario from the FY 07-08 collections. The revised Pessimistic forecast would equate to a year-end budget shortfall of \$12m according to the OMB presentation to the Board of Supervisors on November 6, 2008. As noted previously, the sales tax decline is partially attributable to the rising unemployment rate as consumers are spending less.

- **Miscellaneous (Jail Per Diem and Other) Revenue YTD variance of \$971,434:** The FY 08-09 YTD actual collections reflect a 7.5 percent decline compared to FY 07-08 with a current year positive budget variance of 8.6 percent. The revenue variance is primarily for Jail Per Diem and Booking fees. These revenues have historically been budgeted conservatively, as it is unknown how jurisdictions' utilization of county jails may change as a result of the annual calculation and implementation of the jail per diem rates. Based on current rates and utilization levels, this revenue source is forecasted to exceed budgeted revenue. The amount is difficult to determine due to timing differences in collecting city/town revenues and actual city/town arrests.

Detention Fund Expenditures

- **Personnel Services Expenditures YTD variance of (\$420,639):** Current YTD expenditures are .5 percent over budget. Departments over budget that make up the largest portion of this variance are Correctional Health Services and the Sheriff's Office. However, overall expenditures within the Detention Fund are within budget for these two departments.
- **Services Expenditures YTD variance of \$7,924,701:** Current YTD expenditures are 29.9 percent under budget. This favorable variance is the result of unspent contingency funds.

Detention Fund Departmental Expenditure Variance

All departments within the Detention Fund are within their respective lump sum budgets.

HURF Revenue Variance Analysis

- **Intergovernmental Revenue YTD variance of (\$7,623,476):** The FY 08-09 State Shared Highway User revenue YTD budget is \$46,441,240 and YTD Actual is \$38,817,764. The FY 08-09 YTD actual collections reflect a 10.8 percent decline compared to FY 07-08 with a current year negative budget variance of 16.4 percent. The most recent revised forecast from EDP points to a 12.0 percent decline or \$12m in the Pessimistic scenario from the FY 07-08 collections. In the September 2008 – Joint Legislative Budget Committee – Monthly Fiscal Highlights Report, the JLBC noted that the FY 2008 HURF collections declined due to economic factors for the first time since FY 1992. Further, the Arizona Department of Transportation believes that increasing fuel costs reduced consumption, which was one of the factors in the decline in fuel tax collections. The revised Pessimistic forecast would equate to a year-end budget shortfall of \$22m. The HURF revenue is included in the Transportation Operations Fund 232 and is not part of the General Fund variances.

Several departments had variances through November 30, 2008. OMB analysts will work with department liaisons to analyze YTD expenditures and accurately forecast the fiscal year-end financial position. In a collaborative effort, the Department of Finance continues to provide accurate and timely financial information to support management decisions.

Please review and let me know if you have any questions that we can address.

Cc: Sandi Wilson
Assistant County Managers
Shelby Scharbach
DOF Finance Managers
OMB Deputy Directors
OMB Budget Supervisors



General Fund

Executive Summary

As of November 30, 2008

Revenues	Revised FY Budget	YTD Budget	YTD Actual	Variance
Property Taxes	456,457,388	237,033,371	233,748,971	(3,284,400)
Vehicle License Taxes	137,859,289	61,206,207	59,231,134	(1,975,073)
Sales Taxes	459,033,619	188,577,133	178,283,615	(10,293,518)
Intergovernmental	12,964,808	4,895,194	4,459,903	(435,291)
Interest	12,000,000	3,000,000	3,710,776	710,776
Miscellaneous	78,643,659	29,714,670	30,910,037	1,195,367
Transfers In	11,621,745	5,895,978	6,158,503	262,525
Total Revenues	1,168,580,508	530,322,553	516,502,937	(13,819,616)
 Expenditures				
Personnel Services	460,171,485	192,769,042	189,695,545	3,073,497
Supplies	13,785,174	6,348,056	5,657,755	690,301
Services	371,746,242	77,975,752	58,251,938	19,723,814
Intergovernmental Payments	228,143,806	95,575,016	94,893,282	681,734
Debt Service	16,746,660	6,892,167	6,471,471	420,696
Capital Outlay	6,730,441	2,042,029	746,999	1,295,030
Transfers Out	345,577,643	252,366,076	218,916,467	33,449,609
Total Expenditures	1,442,901,451	633,968,138	574,633,456	59,334,682
Excess (Deficiency) of Revenues Over Expenditures	(274,320,943)	(103,645,585)	(58,130,519)	45,515,066
Beginning Fund Balance	485,477,495	485,477,495	506,777,757 ⁽¹⁾	21,300,262
Revenues	1,168,580,508	530,322,553	516,502,937	(13,819,616)
Expenditures	1,442,901,451	633,968,138	574,633,456	59,334,682
Fund Balance with Designations	211,156,552	381,831,910	448,647,238	66,815,328
Fund Balance Designations (2)	210,849,851	210,849,851	210,849,851	-
Undesignated Ending Fund Balance	306,701	170,982,059	237,797,387	66,815,328

1. Unaudited Beginning Unreserved Fund Balance
2. Fund Balance Designations:

Budget Stabilization:

Cash Flow/Property Tax 58,000,000

Reserve 118,549,851

Benefits Self-Funding Reserve 34,300,000

Total: **210,849,851**

* Totals may not foot due to rounding

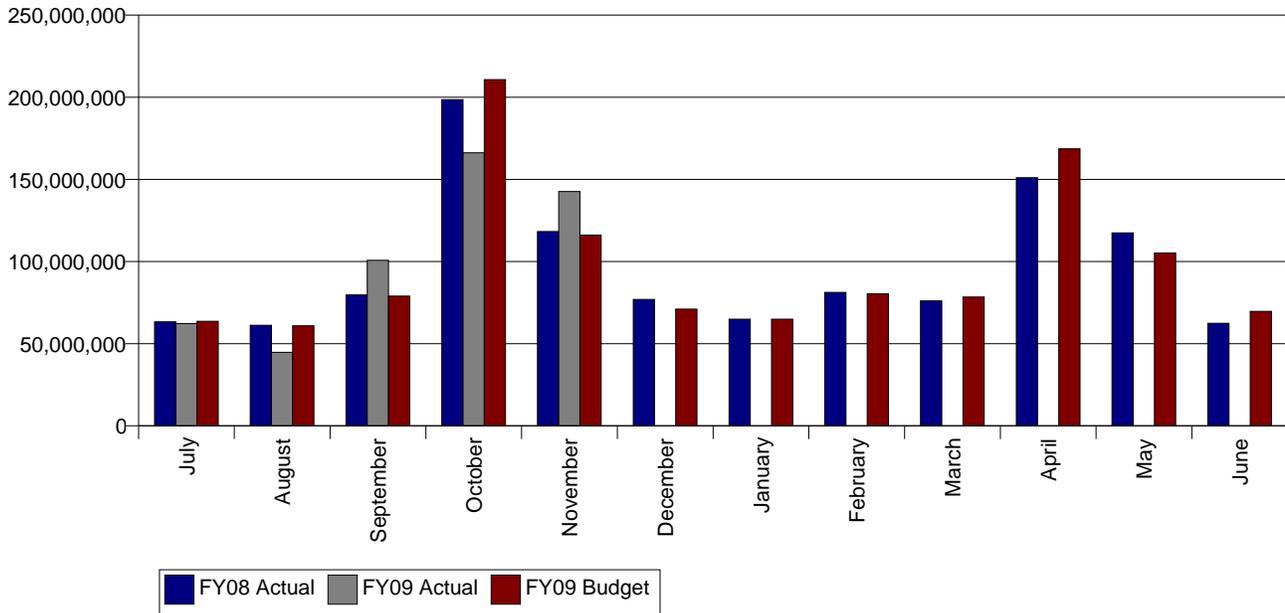


General Fund

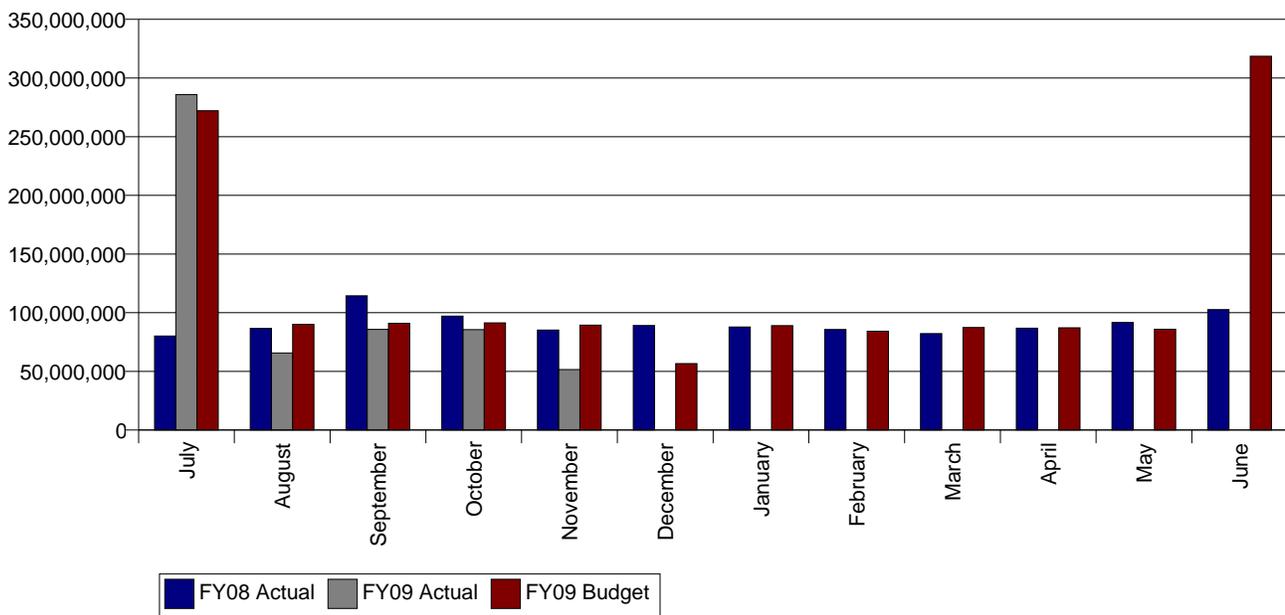
Executive Summary

As of November 30, 2008

Revenues



Expenditures





General Fund

Category Detailed by Agency

As of November 30, 2008

General Government	Revised Budget	YTD Budget	YTD Actual	Variance	% of Variance
ASSESSOR F100	24,923,302	10,338,393	9,602,056	736,337	7.12 %
BOARD OF SUPERVISORS D1 F100	372,646	155,512	145,866	9,646	6.20 %
BOARD OF SUPERVISORS D2 F100	372,649	156,237	150,280	5,957	3.81 %
BOARD OF SUPERVISORS D3 F100	372,649	147,191	138,372	8,819	5.99 %
BOARD OF SUPERVISORS D4 F100	372,648	143,228	137,623	5,605	3.91 %
BOARD OF SUPERVISORS D5 F100	372,643	157,908	147,999	9,909	6.28 %
CALL CENTER F100	1,628,190	702,795	722,380	(19,585)	-2.79 %
CLERK OF THE BOARD F100	716,421	299,451	288,068	11,383	3.80 %
COMMUNICATIONS F100	932,091	413,142	260,238	152,904	37.01 %
COUNTY MANAGER F100	1,429,968	602,974	552,043	50,931	8.45 %
ELECTIONS F100	20,096,904	15,179,776	11,101,772	4,078,004	26.86 %
ENTERPRISE TECHNOLOGY F100	10,785,417	5,283,178	4,191,162	1,092,016	20.67 %
FACILITIES MANAGEMENT F100	12,908,663	5,404,565	5,204,068	200,497	3.71 %
FINANCE F100	3,787,037	1,573,741	1,552,905	20,836	1.32 %
INTERNAL AUDIT F100	1,843,786	776,067	745,883	30,184	3.89 %
MANAGEMENT & BUDGET F100	3,746,301	1,557,506	1,453,334	104,172	6.69 %
MATERIALS MANAGEMENT F100	2,029,600	852,680	797,621	55,059	6.46 %
RECORDER F100	2,279,710	924,968	901,971	22,997	2.49 %
RESEARCH & REPORTING F100	327,743	172,576	146,049	26,527	15.37 %
TREASURER F100	2,909,938	1,249,032	1,215,677	33,355	2.67 %
WORKFORCE MGMT AND DEV F100	6,145,531	2,577,230	1,431,940	1,145,290	44.44 %
Subtotal	98,353,837	48,668,150	40,887,306	7,780,844	15.99 %
Public Safety	Revised Budget	YTD Budget	YTD Actual	Variance	% of Variance
CLERK OF SUPERIOR COURT F100	32,214,103	13,595,775	12,913,028	682,747	5.02 %
CONSTABLES F100	2,361,217	956,929	925,051	31,878	3.33 %
CORRECTIONAL HEALTH F100	3,581,457	1,495,821	1,388,629	107,192	7.17 %
COUNTY ATTORNEY CIVIL F100	10,315,927	4,310,317	4,988,099	(677,782)	-15.72 %
COUNTY ATTORNEY F100	62,837,039	26,425,193	26,061,628	363,565	1.38 %
EMERGENCY MANAGEMENT F100	234,996	87,936	71,962	15,974	18.17 %
INDIGENT REPRESENTATION *	75,878,995	30,009,657	33,791,196	(3,781,539)	-12.60 %
JUDICIAL BRANCH *	149,322,346	62,407,901	60,770,969	1,636,932	2.62 %
JUSTICE COURTS F100	14,234,238	5,801,313	5,811,597	(10,284)	-0.18 %
JUSTICE SYSTEM PLANNING F100	542,057	226,327	132,650	93,677	41.39 %
MEDICAL EXAMINER F100	7,738,016	3,255,258	3,072,100	183,158	5.63 %
PUBLIC FIDUCIARY F100	2,650,584	1,092,942	1,056,515	36,427	3.33 %
SHERIFF F100	74,835,347	30,667,253	29,437,061	1,230,192	4.01 %
Subtotal	436,746,322	180,332,622	180,420,486	(87,864)	-0.05 %
Health, Welfare and Sanitation	Revised Budget	YTD Budget	YTD Actual	Variance	% of Variance
ANIMAL CARE & CONTROL F100	322,919	134,549	134,549	0	0.00 %
ENVIRONMENTAL SERVICES F100	3,687,644	1,580,897	1,520,608	60,289	3.81 %
HUMAN SERVICES F100	2,517,013	1,048,761	803,510	245,251	23.38 %
PUBLIC HEALTH F100	12,462,708	5,198,300	4,712,191	486,109	9.35 %
Subtotal	18,990,284	7,962,507	7,170,858	791,649	9.94 %
Culture and Recreation	Revised Budget	YTD Budget	YTD Actual	Variance	% of Variance
PARKS & RECREATION F100	1,426,304	592,289	578,562	13,727	2.32 %
Subtotal	1,426,304	592,289	578,562	13,727	2.32 %
Education	Revised Budget	YTD Budget	YTD Actual	Variance	% of Variance
SUPERINTENDENT OF SCHOOLS F100	2,320,833	969,604	831,952	137,652	14.20 %
Subtotal	2,320,833	969,604	831,952	137,652	14.20 %
Other Gov Fund	Revised Budget	YTD Budget	YTD Actual	Variance	% of Variance
HEALTH CARE PROGRAMS F100	233,393,967	95,484,960	95,251,403	233,557	0.24 %
NON-DEPARTMENTAL F100	651,669,904	299,958,006	249,492,890	50,465,116	16.82 %
Subtotal	885,063,871	395,442,966	344,744,293	50,698,673	12.82 %
Total Expenditures	1,442,901,451	633,968,138	574,633,456	59,334,682	9.36 %

* Totals may not foot due to rounding



General Fund

Agency Detail of Grouped Appropriations

As of November 30, 2008

Indigent Representation	Revised Budget	YTD Budget	YTD Actual	Variance	% of Variance
JUVENILE DEFENDER F100	4,281,765	1,786,006	1,753,608	32,398	1.81 %
LEGAL ADVOCATE F100	9,529,764	3,816,045	3,545,130	270,915	7.10 %
LEGAL DEFENDER F100	10,511,194	4,176,616	4,046,504	130,112	3.12 %
PUBLIC DEFENDER F100	36,141,386	14,882,911	14,917,099	(34,188)	-0.23 %
PUBLIC DEFENSE SERVICES F100	15,414,886	5,348,079	9,528,854	(4,180,775)	-78.17 %
Subtotal	<u>75,878,995</u>	<u>30,009,657</u>	<u>33,791,196</u>	<u>(3,781,539)</u>	<u>-12.60 %</u>

Judicial Branch	Revised Budget	YTD Budget	YTD Actual	Variance	% of Variance
ADULT PROBATION F100	61,112,616	25,503,840	25,529,771	(25,931)	-0.10 %
JUVENILE PROBATION F100	17,862,469	7,468,835	6,824,383	644,452	8.63 %
SUPERIOR COURT F100	70,347,261	29,435,226	28,416,816	1,018,410	3.46 %
Subtotal	<u>149,322,346</u>	<u>62,407,901</u>	<u>60,770,969</u>	<u>1,636,932</u>	<u>2.62 %</u>

* Totals may not foot due to rounding



Detention Fund Executive Summary

As of November 30, 2008

Revenues	Revised FY Budget	YTD Budget	YTD Actual	Variance
Sales Taxes	138,206,968	57,813,371	53,449,388	(4,363,983)
Interest	6,335,889	1,583,973	2,030,523	446,550
Miscellaneous	27,246,500	11,352,710	12,324,144	971,434
Transfers In	197,452,665	70,867,429	70,867,430	1
Total Revenues	369,242,022	141,617,483	138,671,484	(2,945,999)
Expenditures				
Personnel Services	221,993,397	92,716,294	93,136,933	(420,639)
Supplies	15,092,161	6,738,885	6,827,526	(88,641)
Services	185,538,970	26,512,174	18,587,473	7,924,701
Debt Service	1,716,146	742,649	651,146	91,503
Capital Outlay	929,493	405,909	185,452	220,457
Transfers Out	951,000	951,000	951,000	-
Total Expenditures	426,221,167	128,066,911	120,339,529	7,727,382
Excess (Deficiency) of Revenues Over Expenditures	(56,979,145)	13,550,572	18,331,955	4,781,383
Beginning Fund Balance	141,979,145	141,979,145	155,482,299 ⁽¹⁾	13,503,154
<i>Revenues</i>	369,242,022	141,617,483	138,671,484	(2,945,999)
<i>Expenditures</i>	426,221,167	128,066,911	120,339,529	7,727,382
Fund Balance with Designations	85,000,000	155,529,717	173,814,254	18,284,537
<i>Fund Balance Designations (2)</i>	85,000,000	85,000,000	85,000,000	-
Undesignated Ending Fund Balance	-	70,529,717	88,814,254	18,284,537

1. Unaudited Beginning Unreserved Fund Balance

2. Fund Balance Designations:

Budget Stabilization	35,000,000
Future Capital Projects	50,000,000
Total:	85,000,000

* Totals may not foot due to rounding

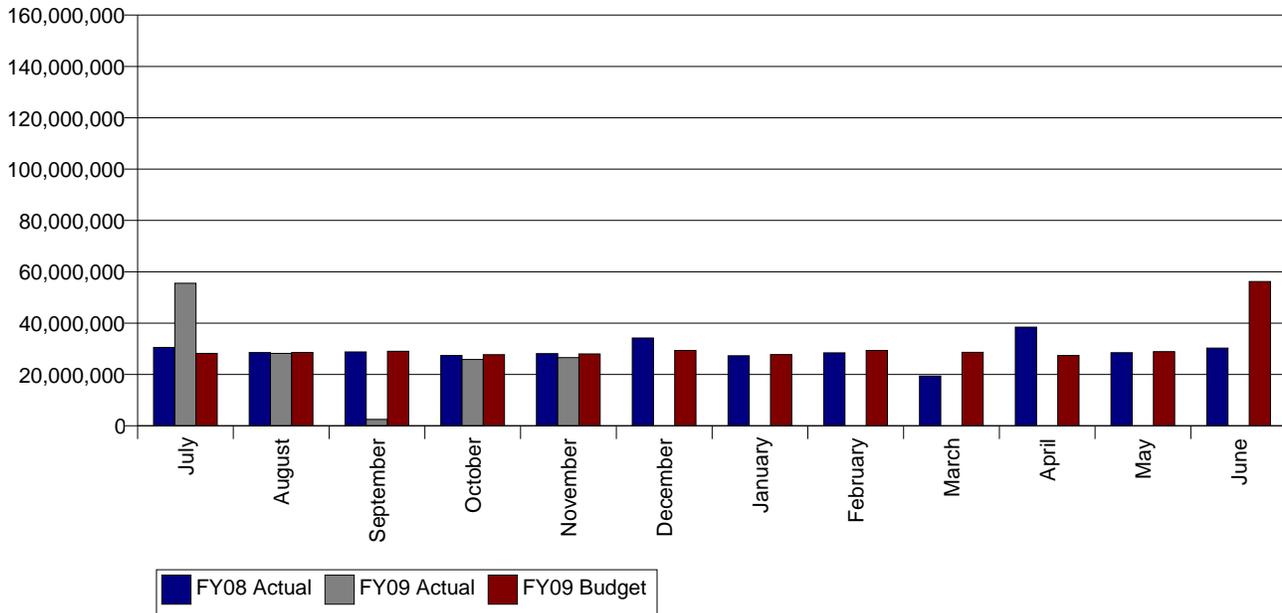


Detention Fund

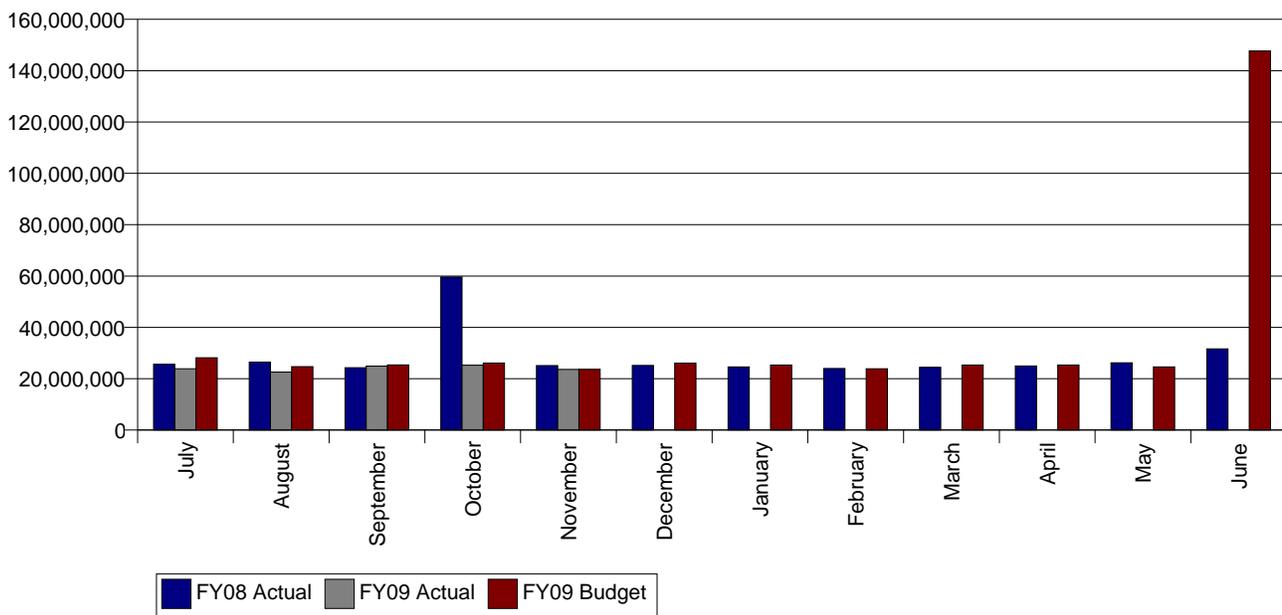
Executive Summary

As of November 30, 2008

Revenues



Expenditures





Detention Fund
Category Detailed by Agency
As of November 30, 2008

Revenues

Agency	Revised Budget	YTD Budget	YTD Actual	Variance	% of Variance
262 - CORRECTIONAL HEALTH F255	6,500	2,710	1,908	(802)	(29.59)%
472 - NON-DEPARTMENTAL F255	341,995,522	130,264,773	126,353,166	(3,911,607)	(3.00)%
507 - SHERIFF F255	27,240,000	11,350,000	12,316,410	966,410	8.51%
	369,242,022	141,617,483	138,671,484	(2,945,999)	(2.08)%

Expenditures

Agency	Revised Budget	YTD Budget	YTD Actual	Variance	% of Variance
262 - CORRECTIONAL HEALTH F255	49,229,949	20,547,909	20,238,772	309,137	1.50%
276 - JUVENILE PROBATION F255	35,072,490	14,640,974	13,864,740	776,234	5.30%
420 - JUSTICE SYSTEM PLANNING F100	1,695,804	893,443	713,095	180,348	20.19%
472 - NON-DEPARTMENTAL F255	151,197,333	12,826,034	7,074,145	5,751,889	44.85%
482 - GEN GOV DETENTION FUND	-	-	-	-	0.00%
507 - SHERIFF F255	186,282,064	78,016,921	77,373,686	643,235	0.82%
701 - FACILITIES MANAGEMENT F255	2,743,527	1,141,630	1,075,093	66,537	5.83%
	426,221,167	128,066,911	120,339,529	7,727,382	6.03%

* Totals may not foot due to rounding