

Maricopa County FY 2014 Chairman's Budget

May 20, 2013

Sandi Wilson, Deputy County Manager

Brian Hushek, Deputy Budget Director

Lee Ann Bohn, Deputy Budget Director

Cynthia Goelz, Budget Administrator

Executive Summary



Denny Barney
District 1
Supervisor



Andy Kunasek
District 3 Supervisor
Board Chairman

Clint Hickman
District 4
Supervisor



Steve Chucri
District 2
Supervisor

Mary Rose Wilcox
District 5
Supervisor



Revised Philosophy

- Reduce Property Taxes
- Reduce Spending to Obtain Structural Balance
- Reduced Level of CIP
- Most Likely Revenue Forecast
- Elimination of Operating Contingency
- Reduce Non Departmental Expenditures



General Fund Contingency - Operating

	General	Line Item	TOTAL
2010	\$30,915,674	\$46,800,000	\$77,715,674
2011	29,560,809	0	29,560,809
2012	27,897,167	6,481,980	34,379,147
2013	30,825,226	12,805,268	43,630,494
2014	0	0	0



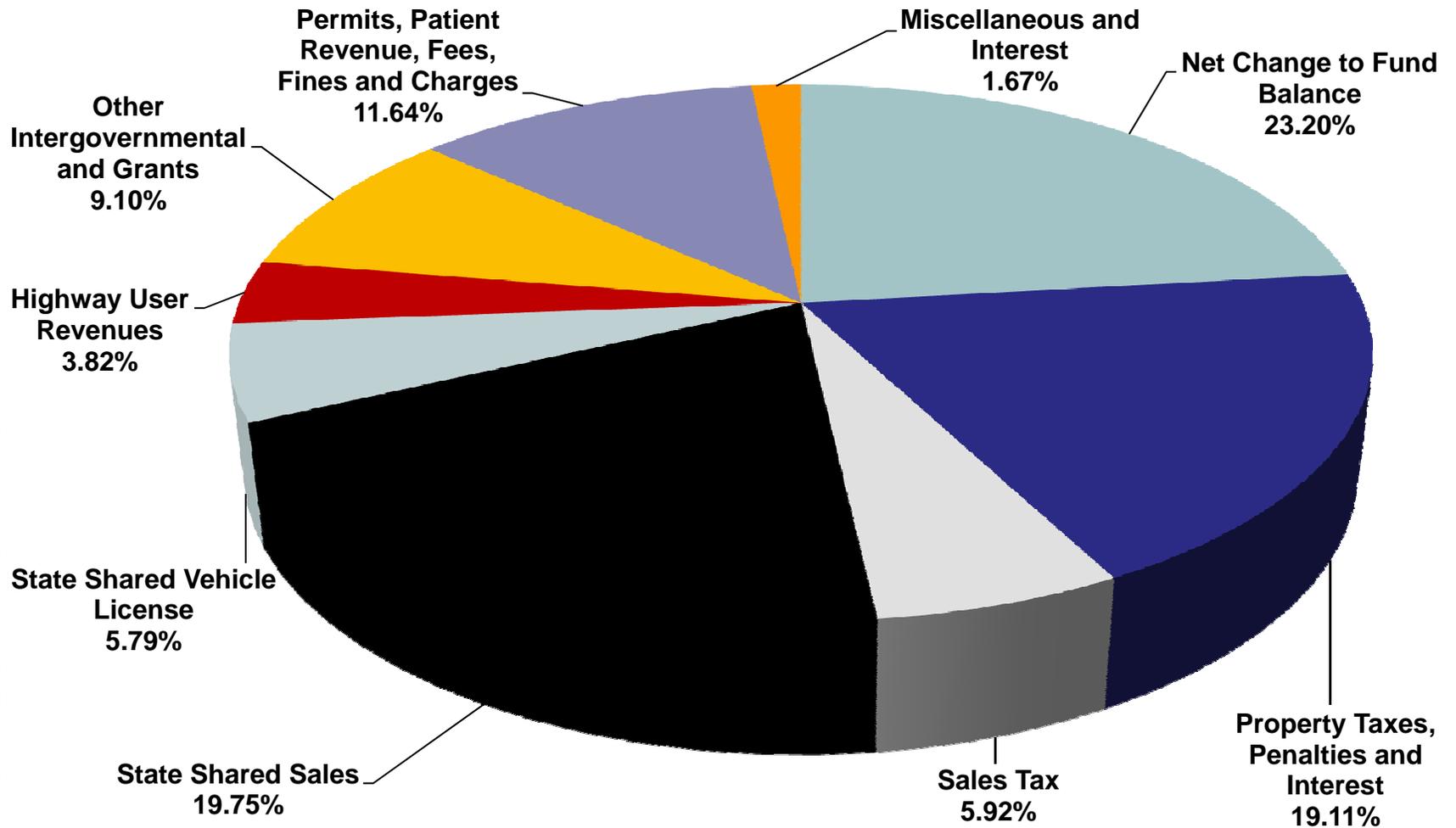
General Fund Contingency - Nonrecurring

	General	Line Item	TOTAL
2010	\$14,725,211	\$0	\$14,725,211
2011	17,785,437	12,500,000	30,285,437
2012	15,362,964	4,960,337	20,323,301
2013	7,034,082	29,301,781	36,335,863
2014	24,712,604	9,750,000	34,462,604



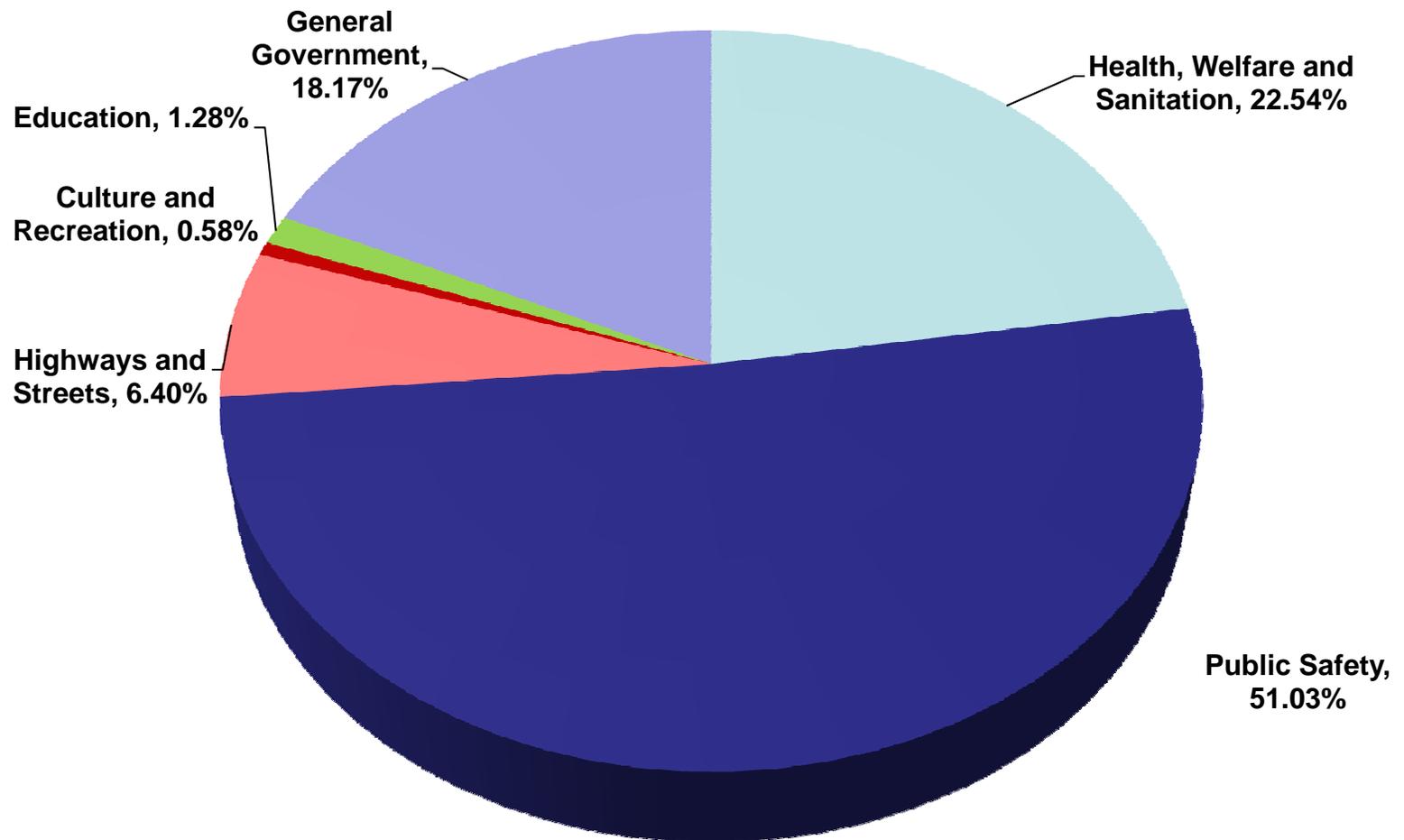
FY 2014 Chairman's Budget

Sources of Funds: \$2,215,142,198



FY 2014 Chairman's Budget

Uses of Funds: \$2,215,142,198



FY 2014 State Mandates

Mandate	Amount
ALTCS	\$149,698,100
Arnold v. Sarn (SMI – Mental Health)	50,563,660
AHCCCS	19,820,700
TOTAL	\$220,082,460

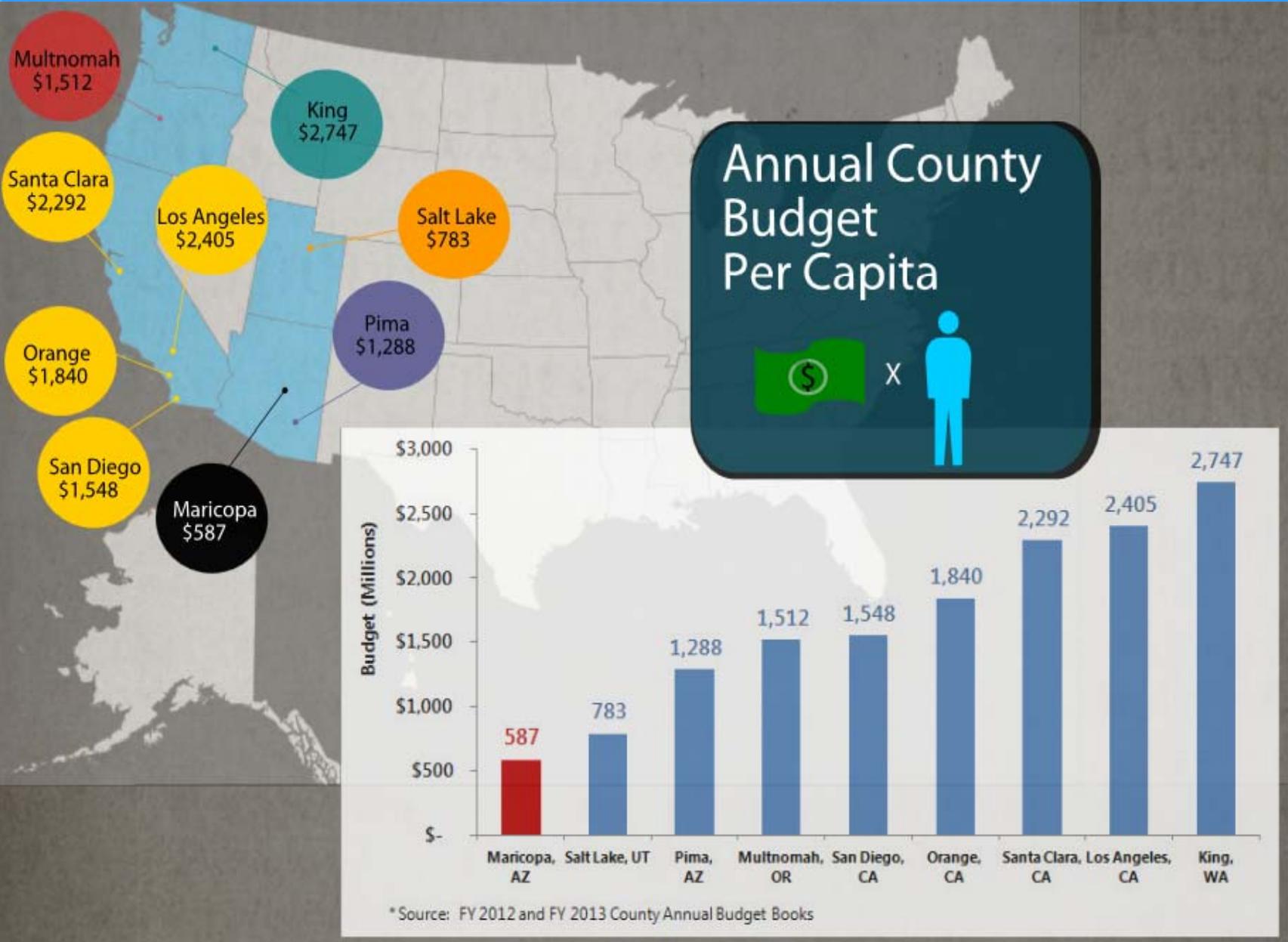


FY 2014 State Shifts

General Fund		\$14,105,666
<i>100% of Judges Salaries *</i>	<i>\$9,012,579</i>	
<i>Sexually Violent Persons</i>	<i>4,200,000</i>	
<i>Other Shifts/Reductions</i>	<i>893,087</i>	
HURF		<u>8,551,343</u>
TOTAL		\$22,657,009

* Only County in the State with this cost shift.





FY 2014 Net Variance to the FY 2013 Revised Budget

(millions)

	FY 2013 Revised	FY 2014 Chairman's	(Increase)/ Decrease
Total County	\$2,297.5	\$2,215.1	\$82.4
Total Operating	1,623.7	1,640.3	(16.6)
Total Non Recurring	673.8	574.8	99.0
Total General Fund	1,281.9	1,288.5	(6.6)
General Fund Operating	1,034.5	1,056.3	(21.8)



Structurally Balanced Budget

Definition:
Reoccurring
revenues meet or
exceed reoccurring
expenditures –
evaluated annually



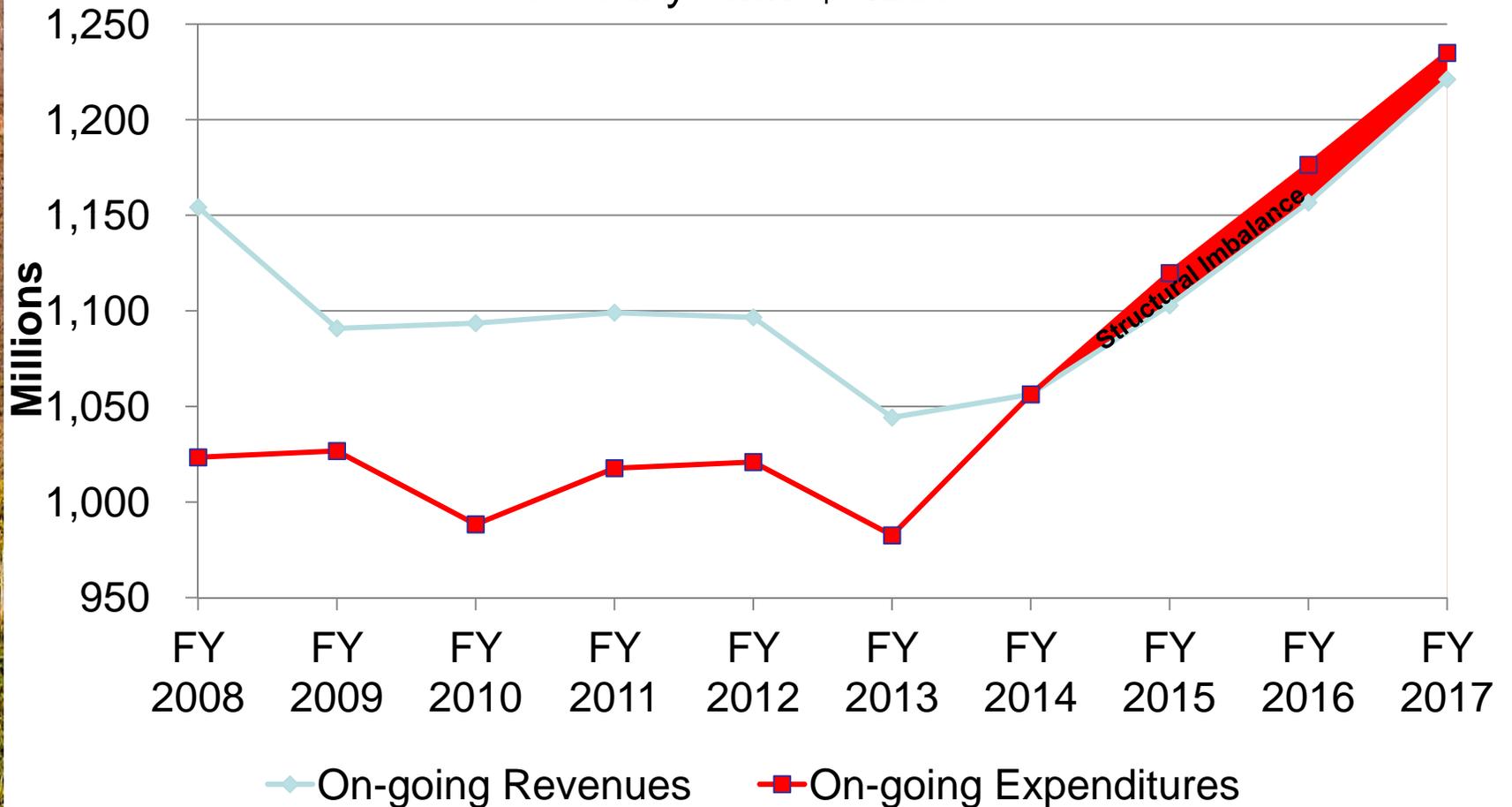
General Fund Summary

Operating Revenue	\$ 1,056,343,141
Operating Expenditures	<u>1,056,343,141</u>
Subtotal Balance	\$ 0
Non Recurring Revenue	\$ 2,137,000
Non Recurring Expenditures	<u>232,203,825</u>
Subtotal Balance	\$ -230,066,825
Grand Total Revenue	\$ 1,058,480,141
Grand Total Expenditures	<u>1,288,546,966</u>
Reduction in Available Non Recurring Funds	\$ -230,066,825



General Fund Structural Balance Reduced Combined Rate

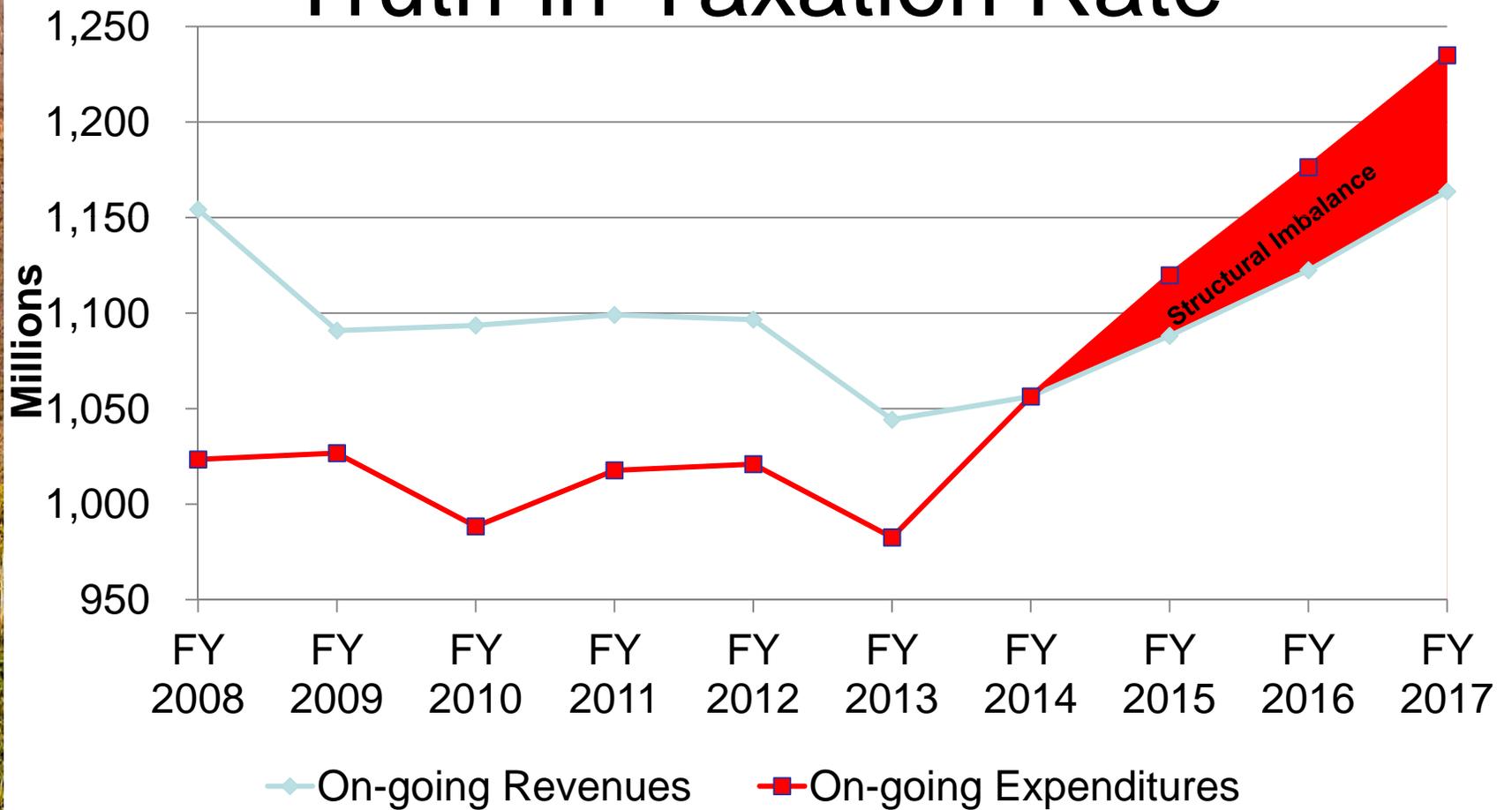
Primary Rate \$1.2807



Assumes a continued Primary Tax Rate of \$1.2807 for
FY 2014 through FY 2017



General Fund Structural Balance FY 2015- FY 2017 Truth-in-Taxation Rate



*Assumes a Primary Tax Rate of \$1.2807 for FY 2014
then TNT for FY 2015 through FY 2017*



Future Year Considerations

How to Avoid Structural Imbalance

- Revenue comes in higher than projections.
- Spending projections are reduced, less money approved.
- An increase in property taxes or a new revenue source.
- A business plan needs to be created.



Revenue Trends

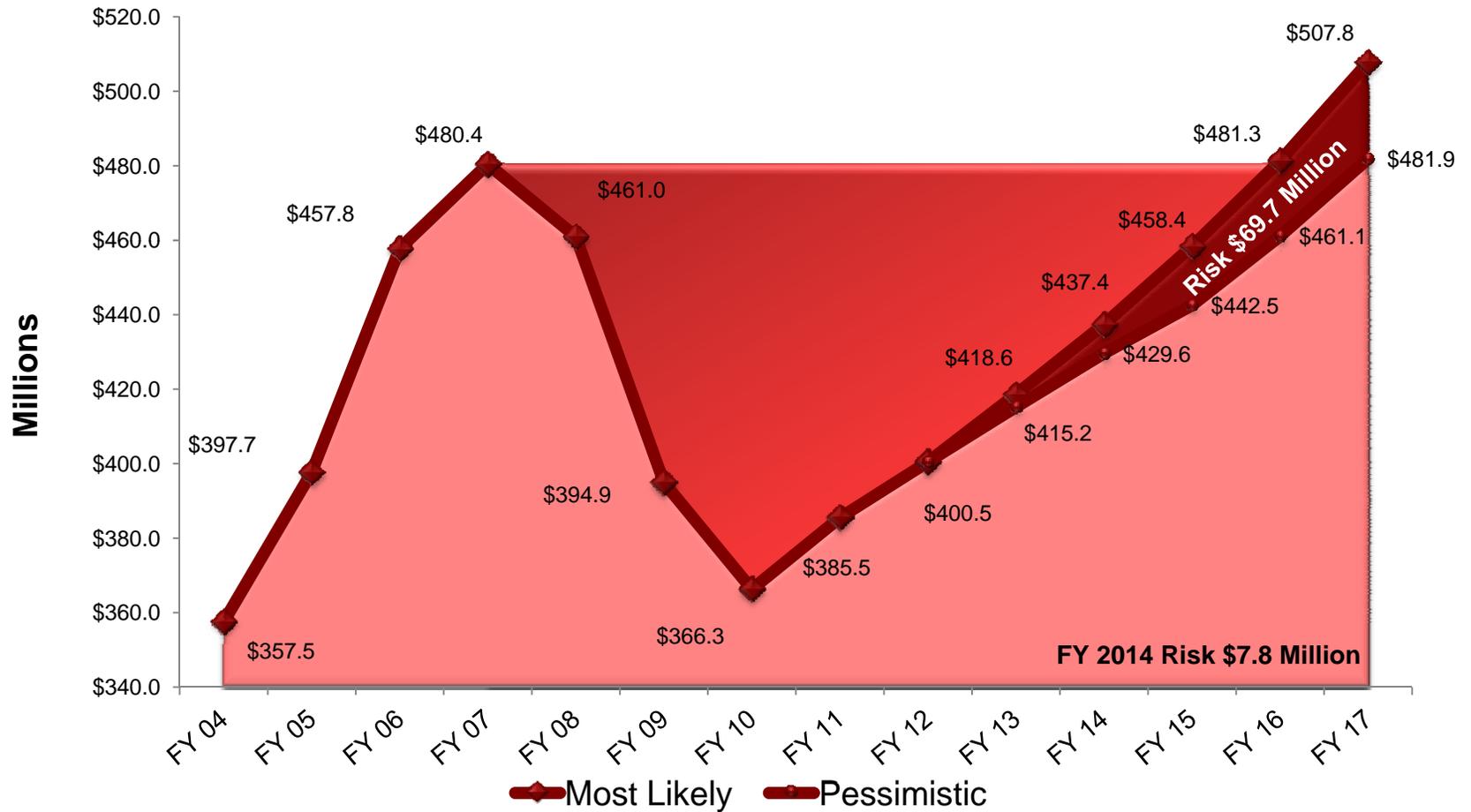


Revenue Summary

- State Shared Sales Tax and Jail Tax trends reflect continued growth at a modest pace
- VLT receipts are volatile and unpredictable
- Utilization of Most Likely forecast - revenues will be tracked closely throughout the year so corrections can occur quickly
- Property Tax – FY 2015 preliminary valuation estimates show an increase for the first time since FY 2010

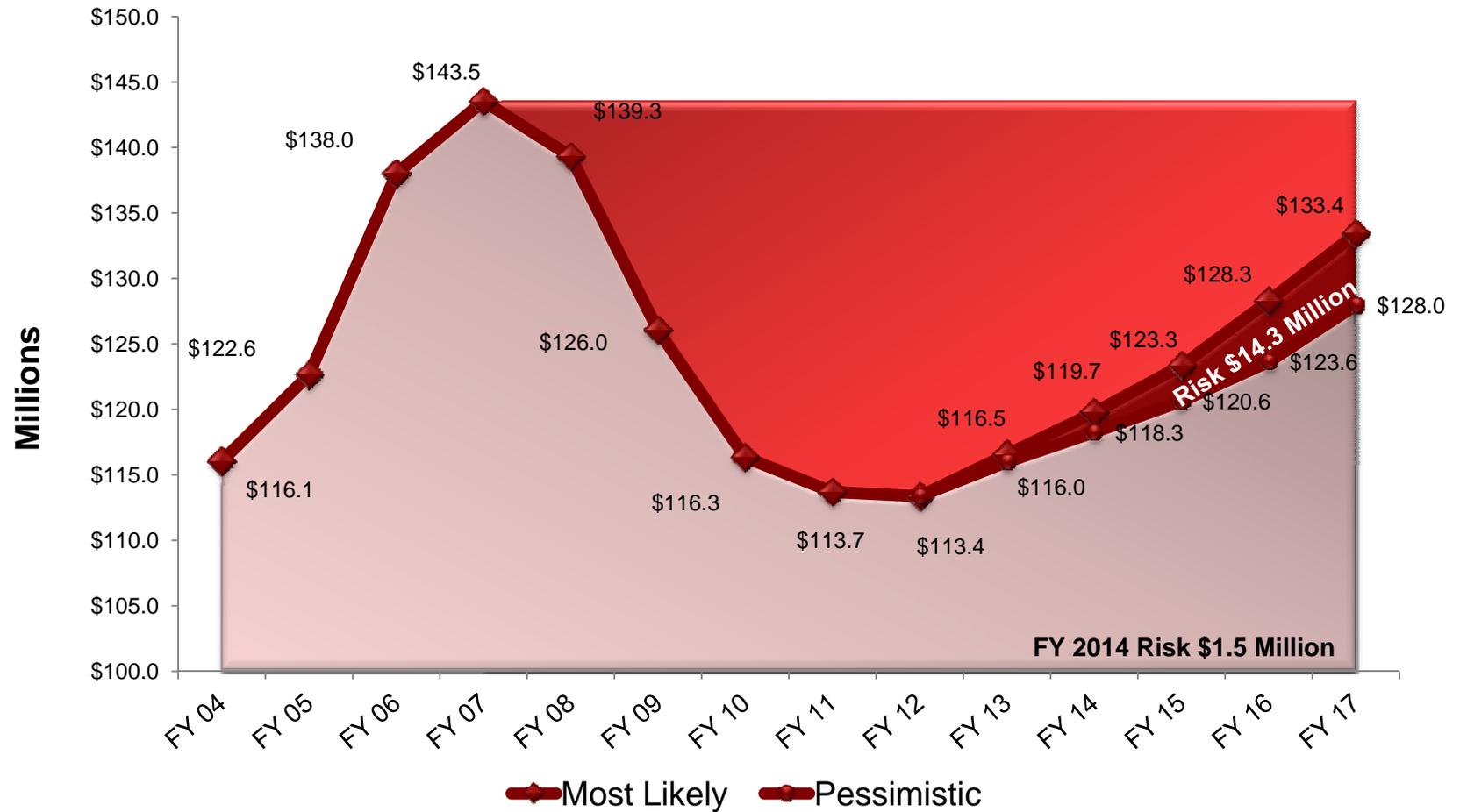


State Shared Sales Tax



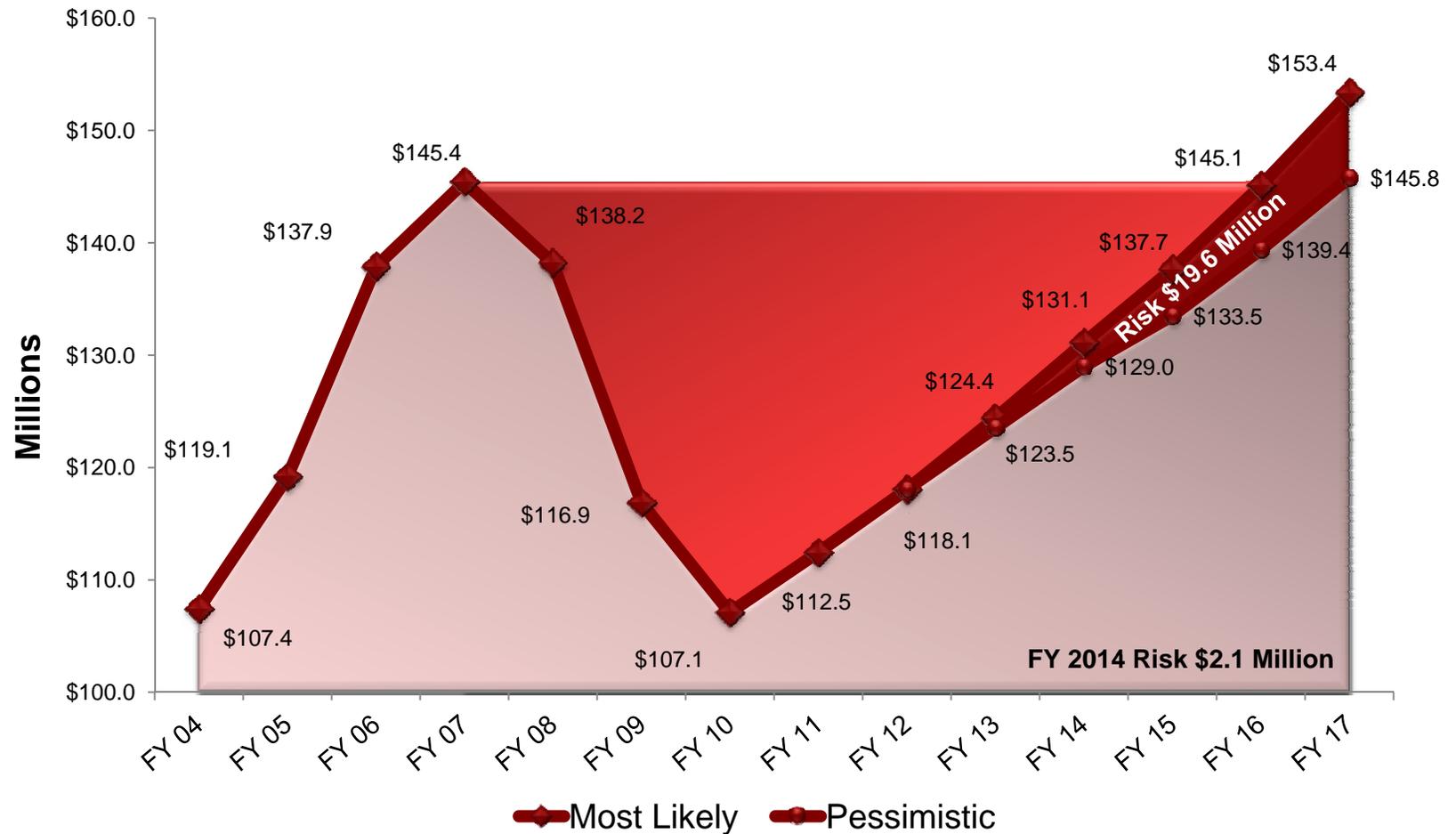
Forecast Values from Elliot D. Pollack and Co., April 2013

Vehicle License Tax



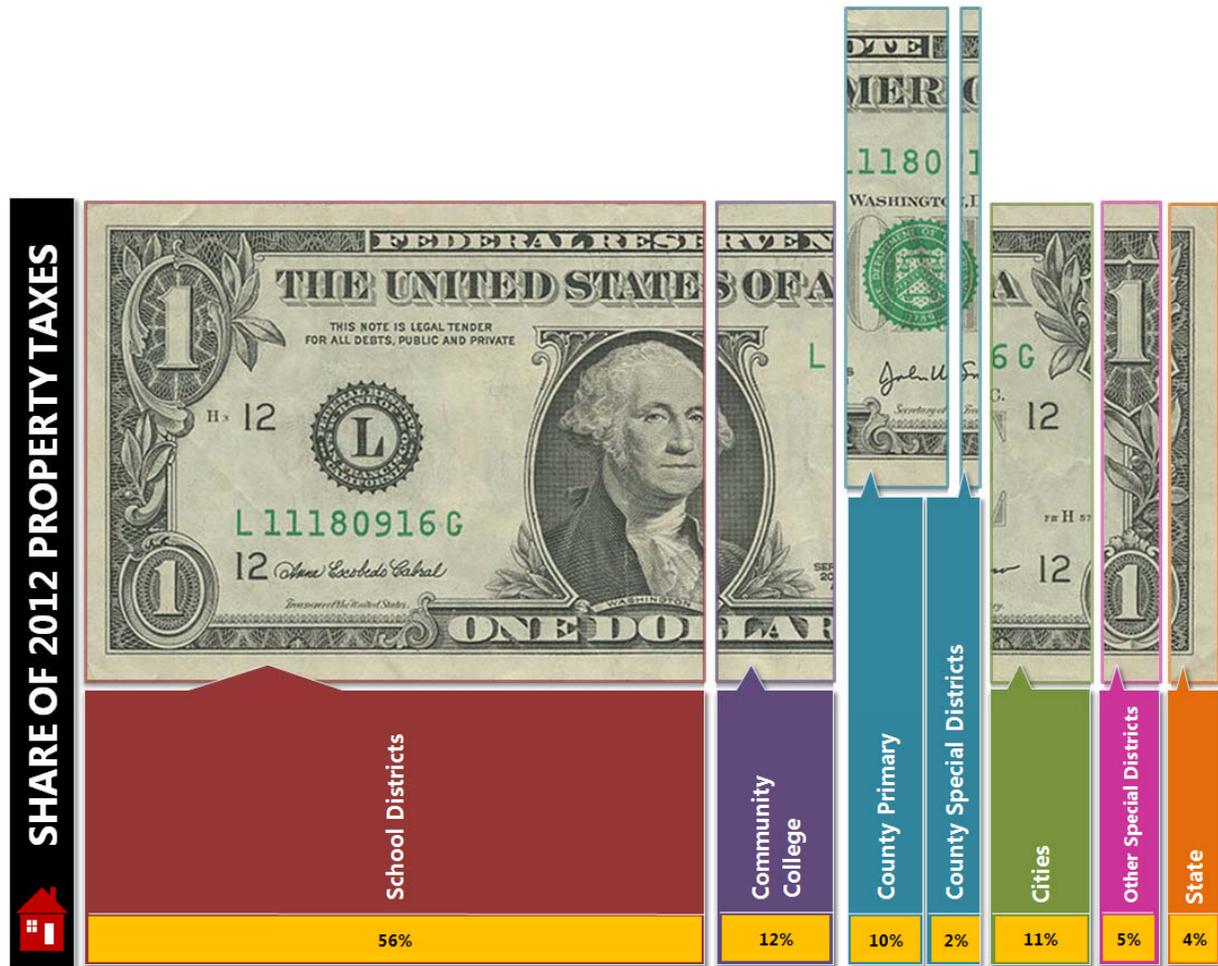
Forecast Values from Elliot D. Pollack and Co., April 2013

Jail Excise Tax



Forecast Values from Elliot D. Pollack and Co., April 2013

FY 2013 County Controlled Property Taxes made up only 12% of Total Property Taxes



Property Taxes

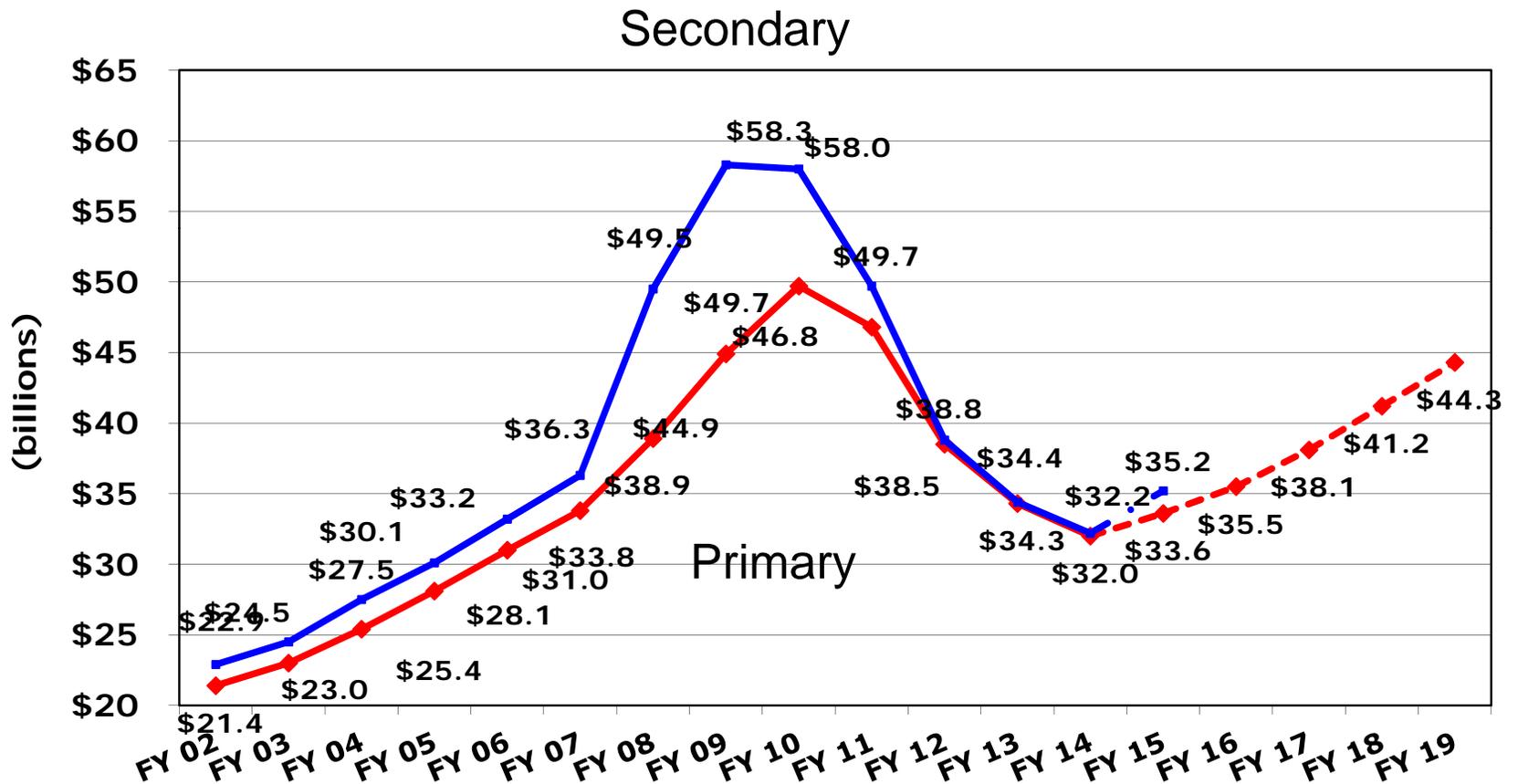


Prop 117

- Effective for FY 2016
- Single valuation source for all taxes
 - No longer will have secondary valuations for taxing purposes
- Appreciation limited to the lesser of actual growth or 5%
- Economic growth will no longer influence net assessed values to the extent experienced in the past



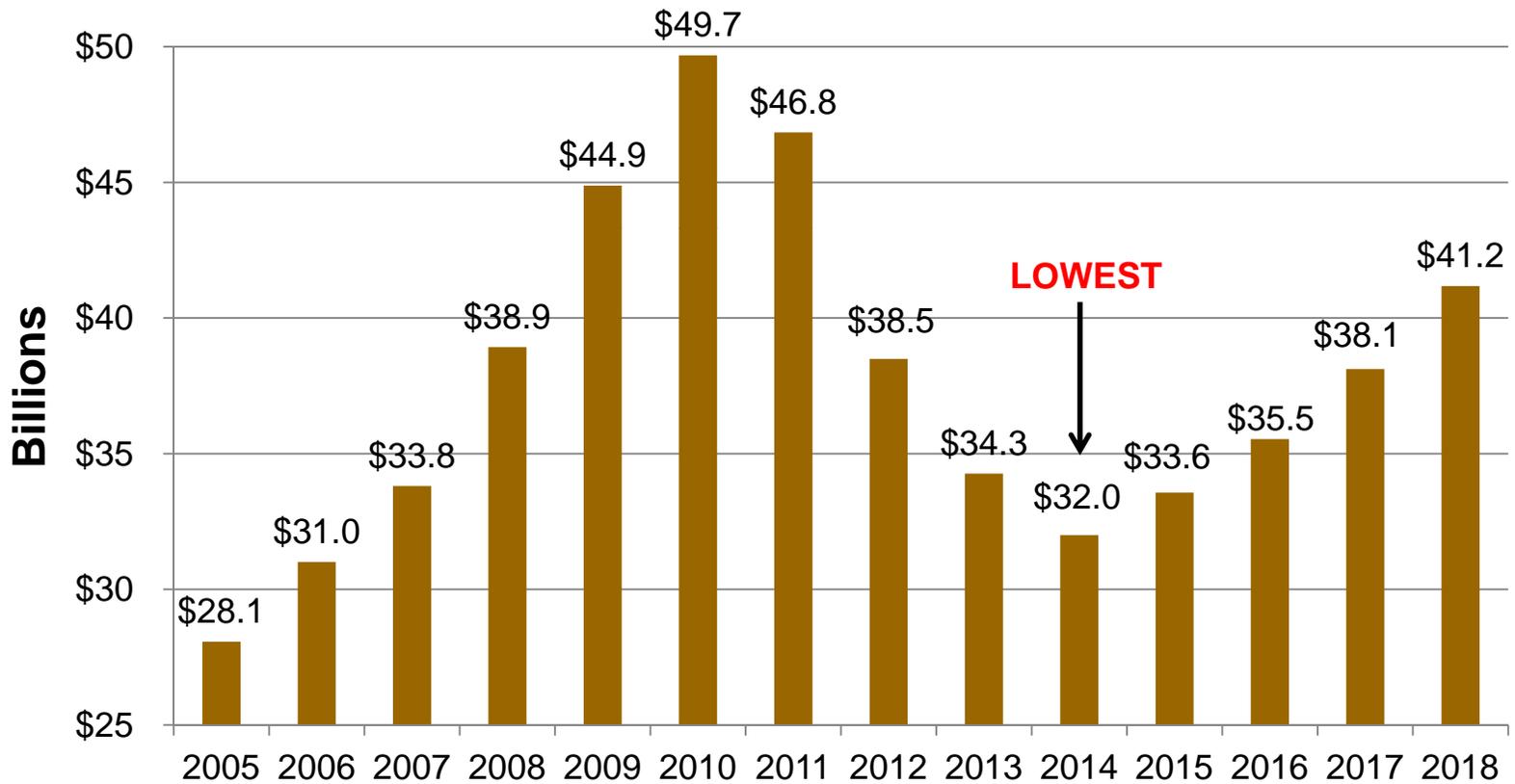
Net Assessed Value



April 2013 Most Likely forecast, Elliott D. Pollack and Company
Beginning in FY 2016, all property taxes will be based off primary assessment.



Primary Net Assessed Value

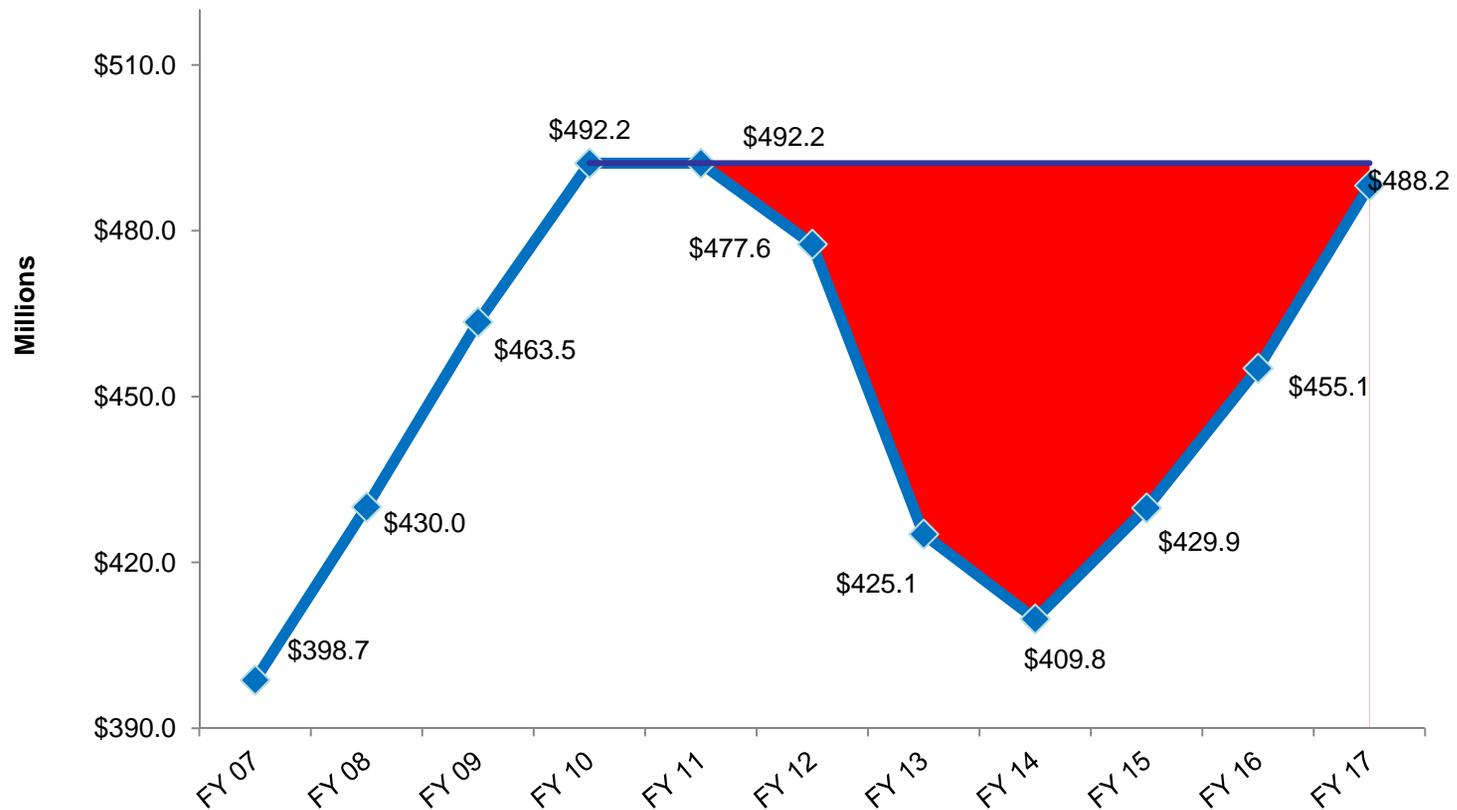


April 2013 Most Likely forecast, Elliott D. Pollack and Company



Property Tax

Flat Tax Rate FY 2015-FY 2017



April 2013 Most Likely NAV, Elliott D. Pollack and Company
\$1.2807 for FY 2014-2017



Truth-in-Taxation

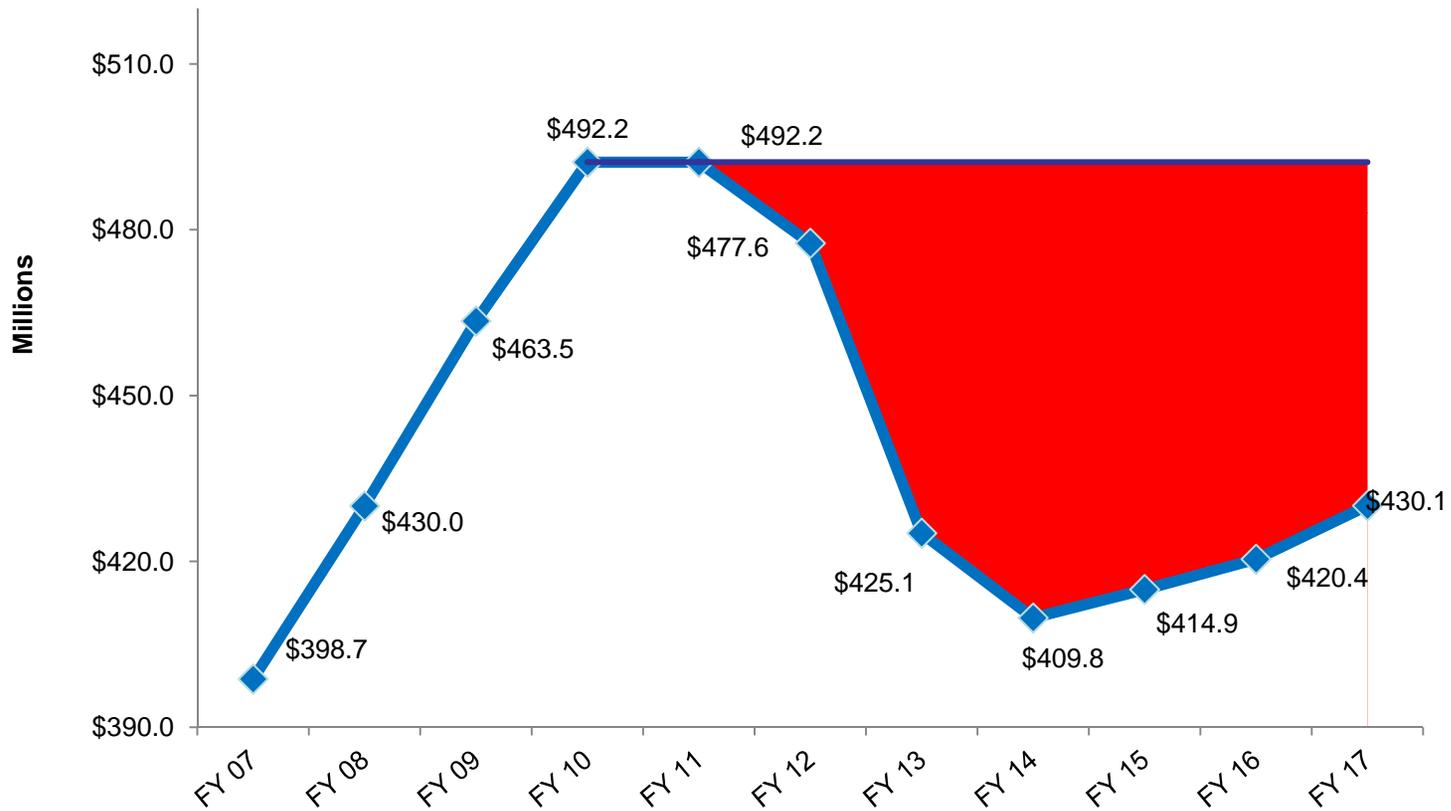
A.R.S §42-17107

- If the proposed primary property tax LEVY, excluding amounts that are attributable to new construction, is greater than the amount levied in the preceding year...the governing body shall publish a.... Notice of Tax **Increase**.....
- Interpretation – On average the tax bill must be the same or less to avoid “Truth in Taxation” publication.



Property Tax

Truth-in-Taxation FY 2015-FY 2017



April 2013 Most Likely NAV, Elliott D. Pollack and Company
\$1.2807 for FY 2014-; TNT FY 2015- FY 2017



Median Valued Home

PRIMARY PROPERTY TAX LEVY FY 2014 vs. FY 2013 TAX BILL IMPACT ON MEDIAN HOME

FY 2013:

Median Residential Limited Property Value	\$	111,000	
Primary Tax Rate (per \$100 Assessed Value)		1.2407	
Property Tax Bill	\$	137.72	

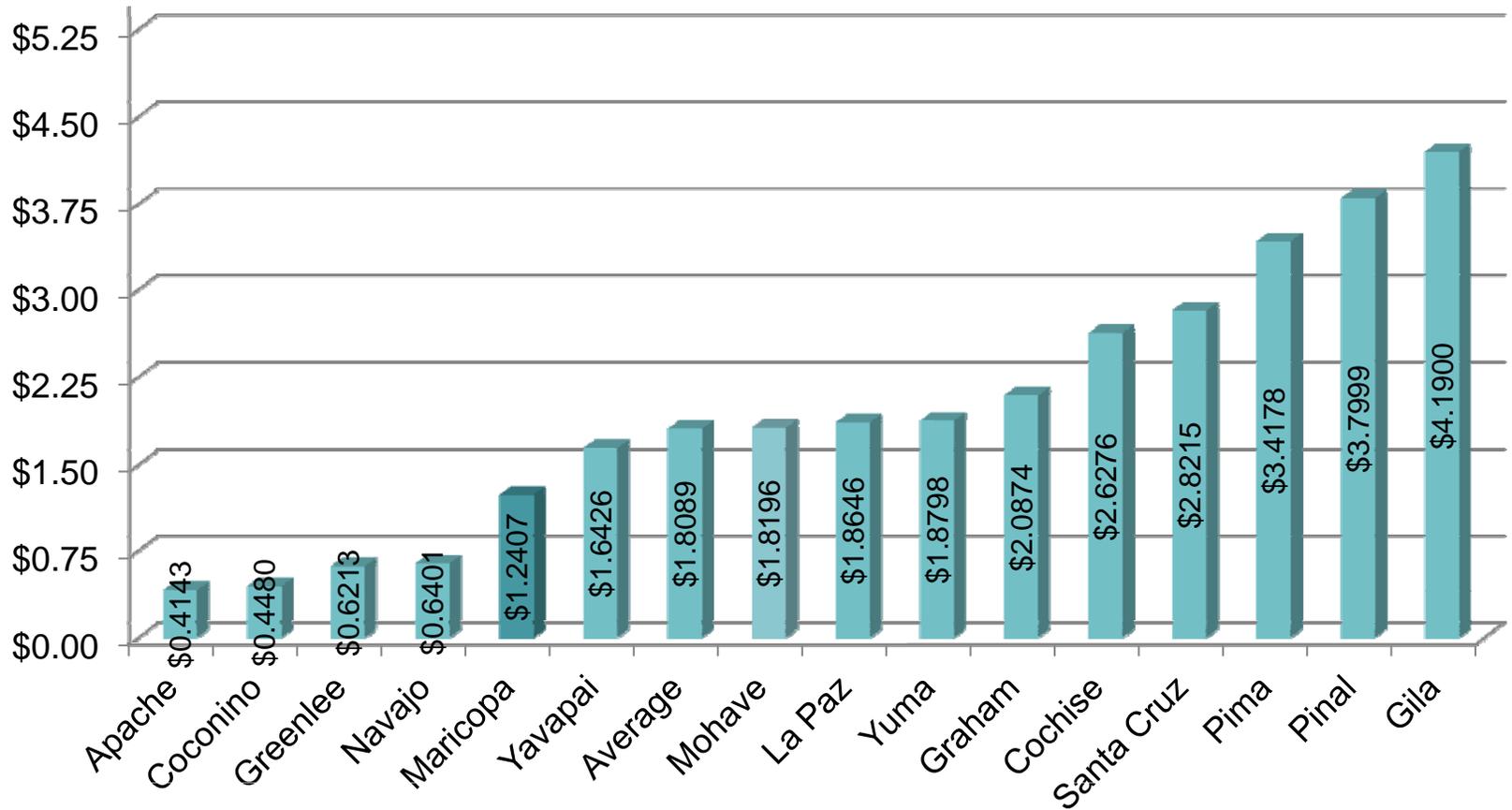
FY 2014:

Median Residential Limited Property Value	\$	102,000	
Primary Tax Rate (per \$100 Assessed Value)		1.2807	
Property Tax Bill		130.63	

Tax Bill Savings/(Increase)	\$	7.09	5.1%
-----------------------------	----	------	------



FY 2013 Arizona County Primary Tax Rates



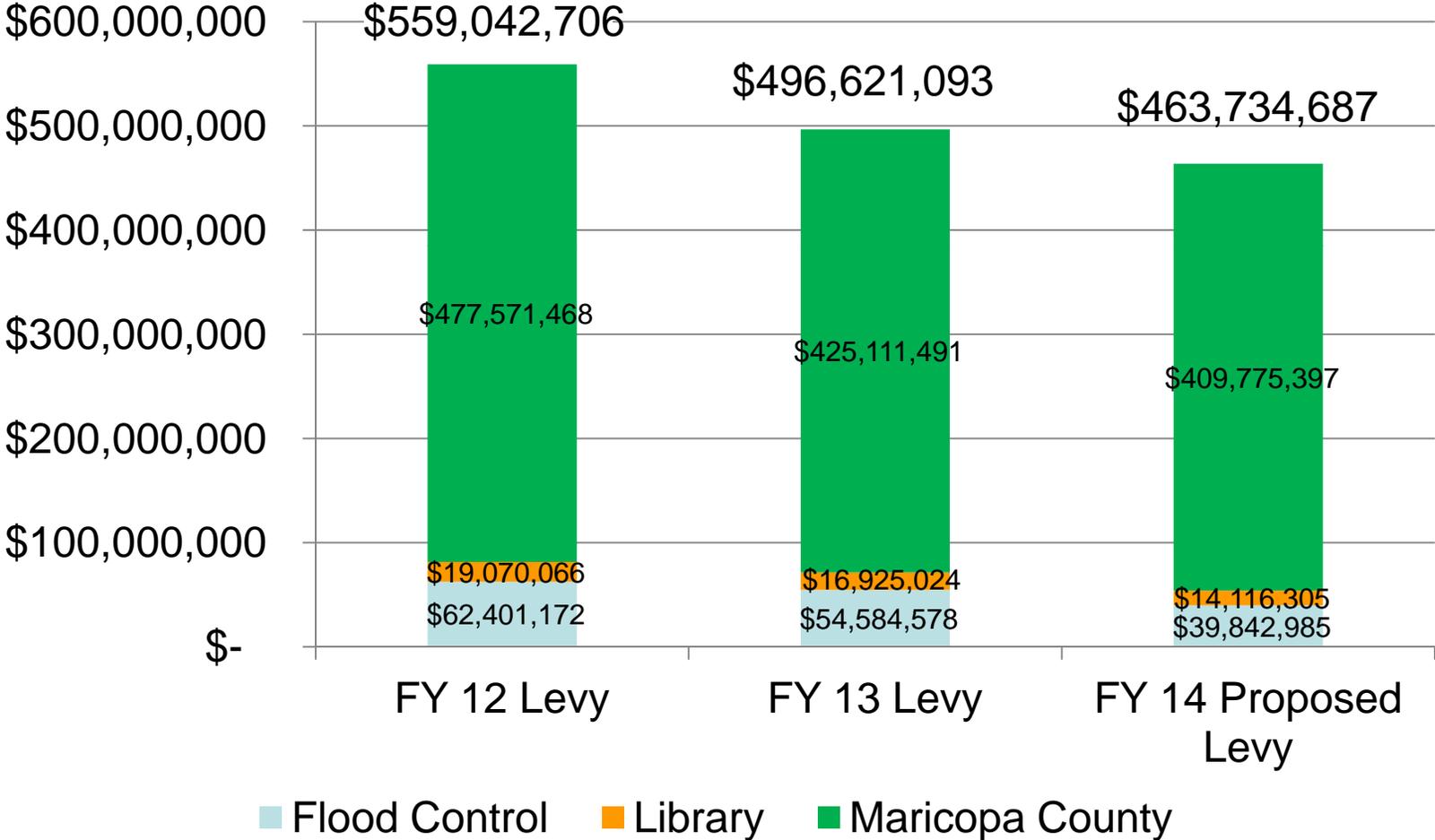
Maximum Levy

FY 2014 PRIMARY PROPERTY TAX LEVY vs. LEVY LIMIT

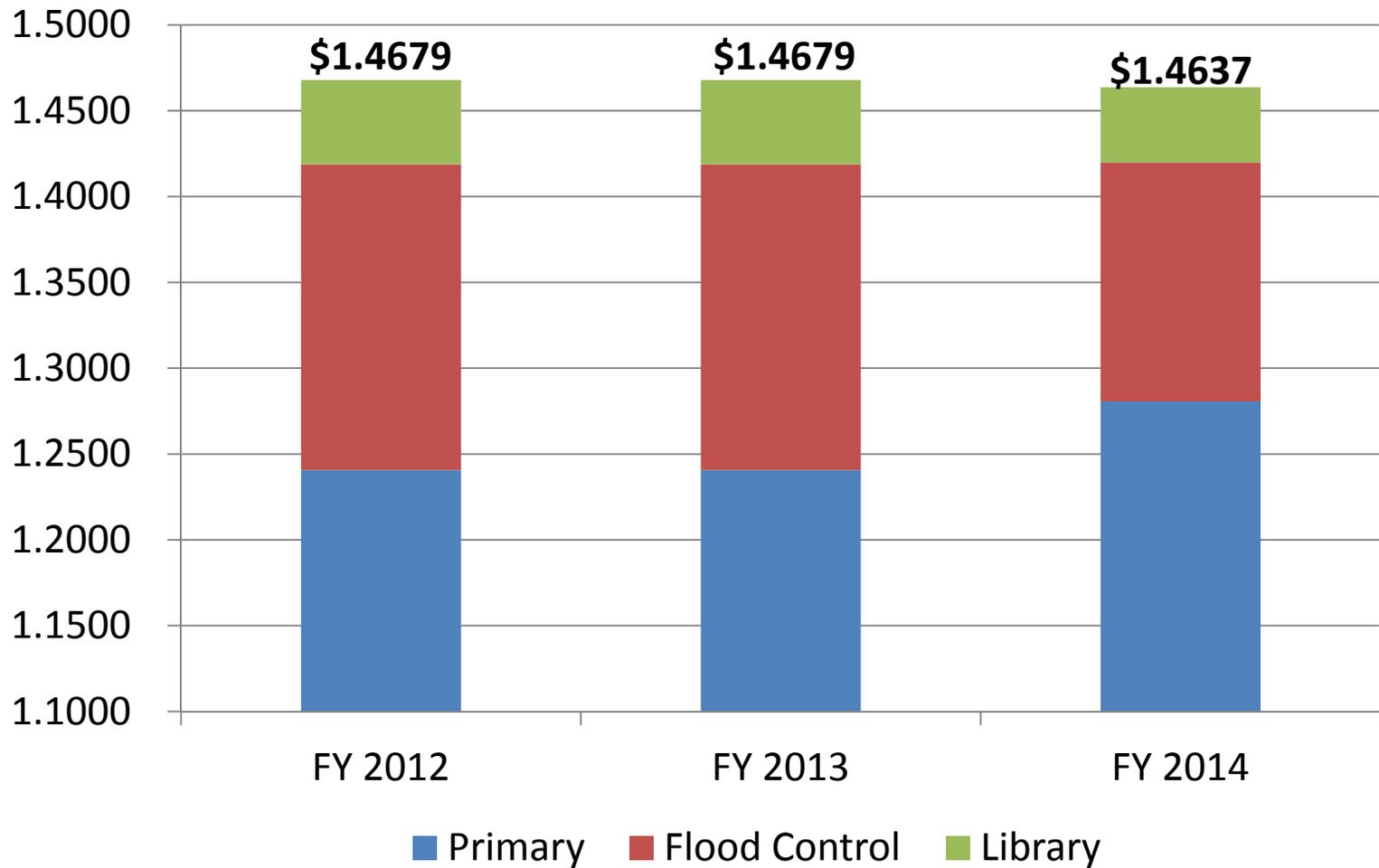
FY 2014 Adjusted Allowable Levy Limit	\$ 581,339,049	
Maximum Tax Rate (per \$100 Assessed Value)	1.8169	
FY 2014 Primary Levy (excluding SRP)	\$ 409,775,397	
Primary Tax Rate (per \$100 Assessed Value)	1.2807	
Amount Under Limit:	\$ 171,563,652	29.5%
	0.5362	



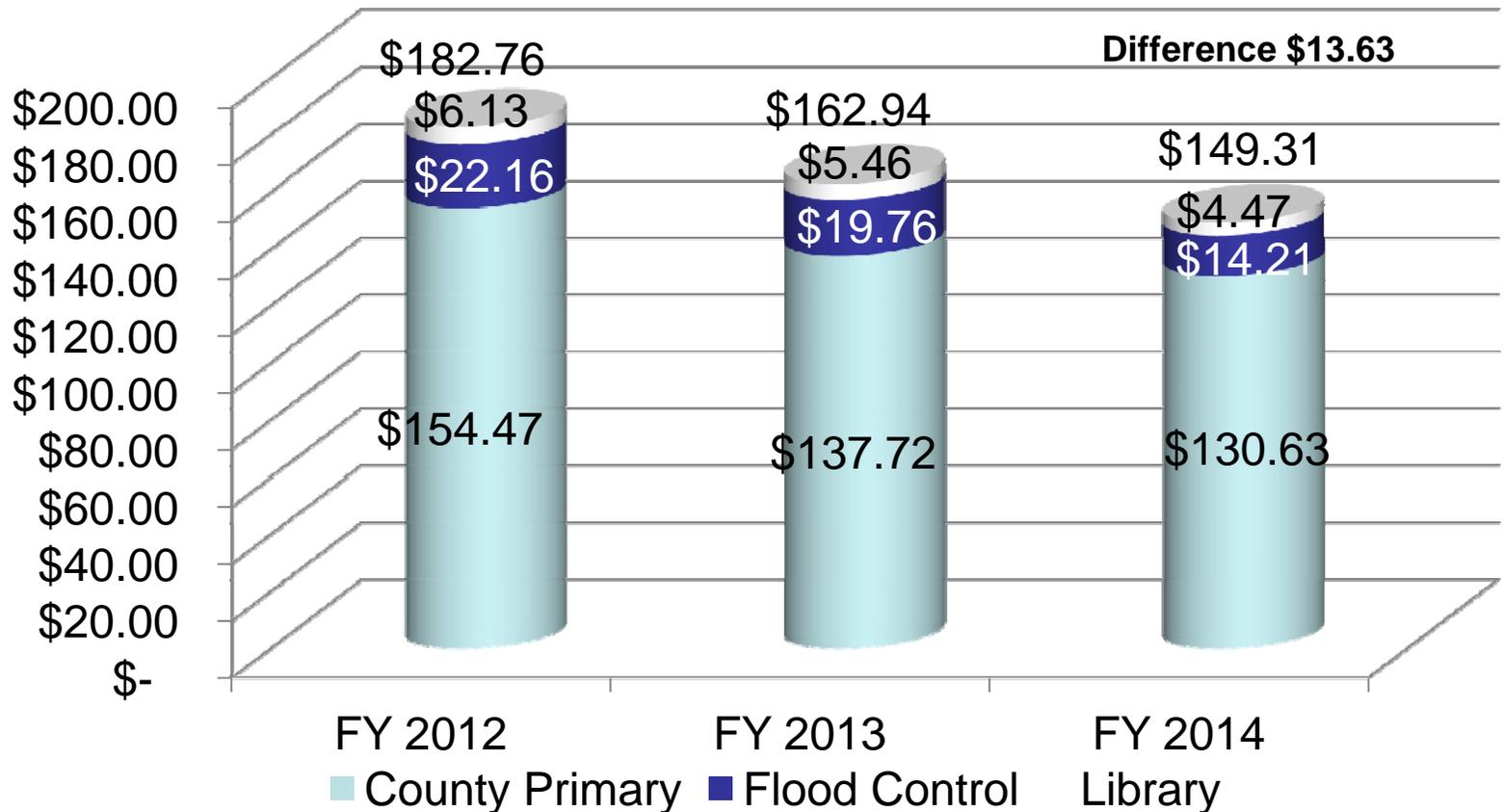
Combined Property Tax Levy



County-Controlled Property Tax Rates



Median Valued Home Tax Bill



Median Home Value:

Primary: FY 2012 = \$124,500

FY 2013 = \$111,000

FY 2014 = \$102,000

Secondary: FY 2012 = \$124,500

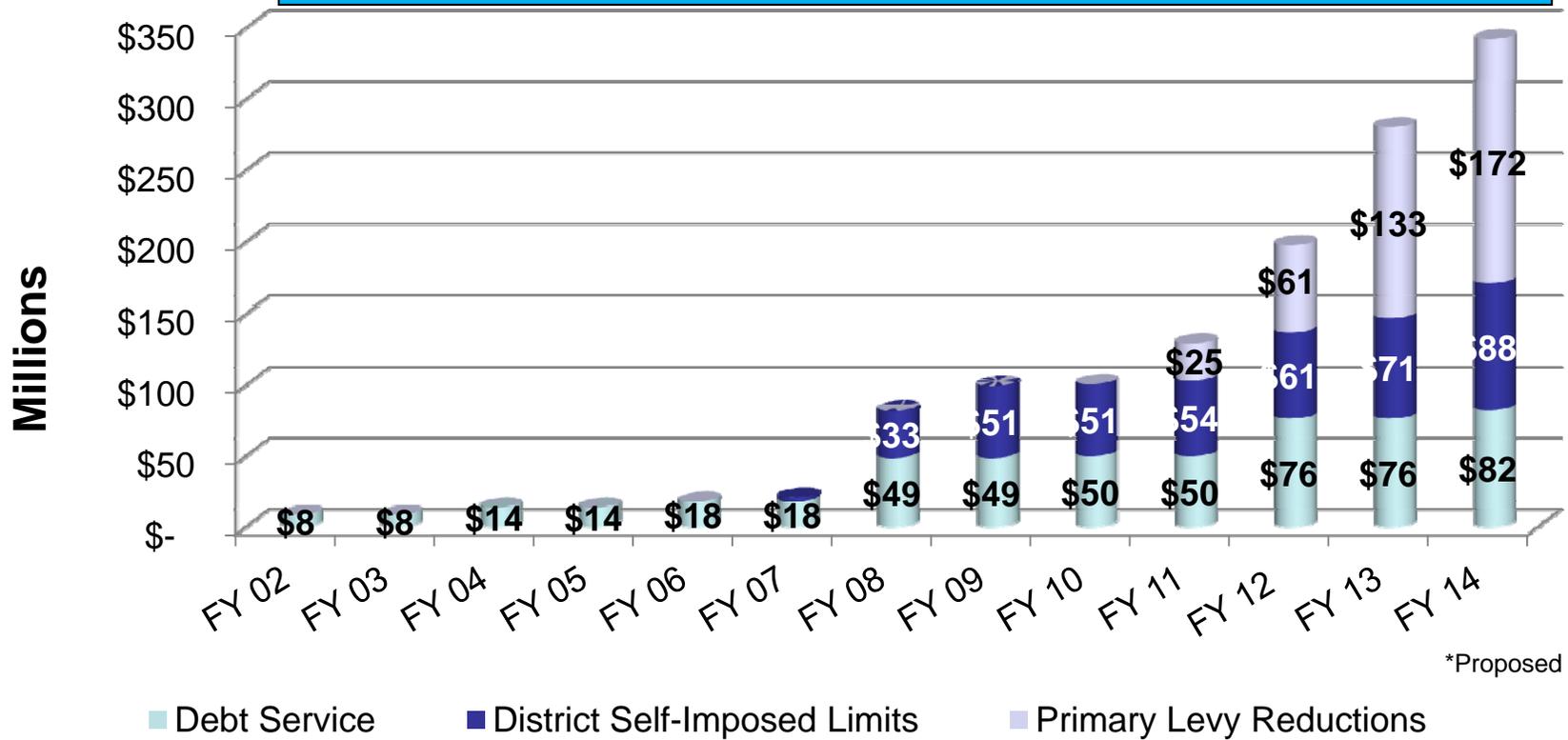
FY 2013 = \$111,000

FY 2014 = \$102,100

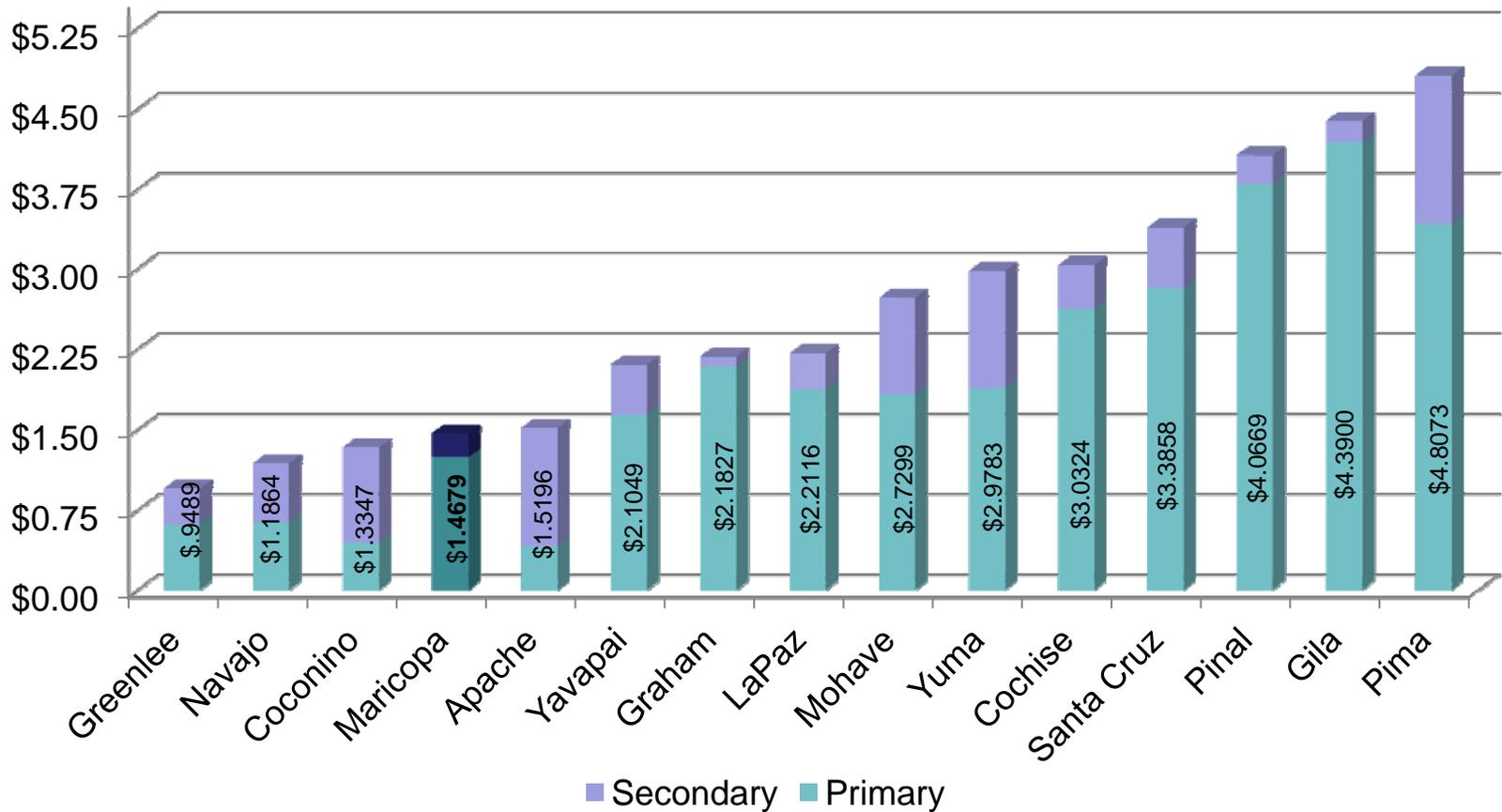


County Policies Result in Accumulating Tax Bill Savings

Total FY 2014* Taxpayer Savings: \$342 million
Savings FY 2002 through FY 2014*: \$1.314 billion



FY 2013 Arizona County Tax Rates



Economic Indicators



Growth will remain weak because of the following:

- Consumer spending modest, but up (Additional jobs and hours worked).
- Business spending up.
- Excess industrial capacity.
- Continued housing recovery in 2013. Large percent gain. Small numerical gain.
- Limited commercial construction.



Source: *Elliott D. Pollack & Company, April 2013*



How Arizona Ranks Among the States in Percentage Growth

<u>DECADE</u>	<u>POPULATION</u>	<u>EMPLOYMENT</u>	<u>PERSONAL INCOME</u>
1950 - 1960	4TH	3RD	4TH
1960 - 1970	3RD	3RD	4TH
1970 - 1980	2ND	3RD	3RD
1980 - 1990	3RD	3RD	5TH
1990 - 2000	2ND	2ND	3RD
2000 - 2010	2ND	12TH	10TH
2000 - 2006	2nd	2nd	3RD
2007—2010	44th	49th	48th
2010 - 2012	8TH	12TH	24TH



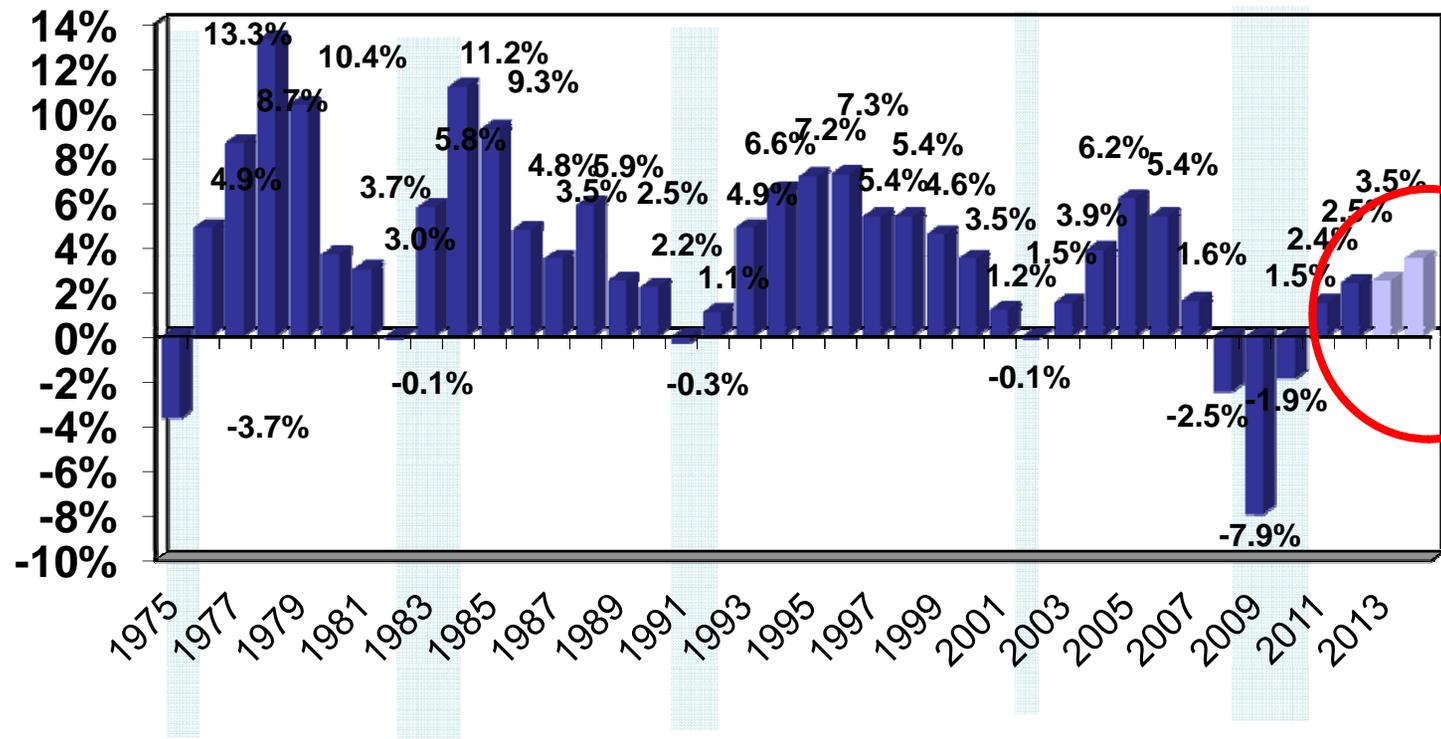
Source: Elliott D. Pollack & Company, May 2013



Greater Phoenix Employment*

Annual Percent Change 1975–2014**

Source: Department of Commerce, Research Administration



*Non-agricultural wage & salary employment. Changed from SIC to NAICS reporting in 1990.

** 2013 & 2014 forecast is from Elliott D. Pollack & Co.

Recession Periods



But the local recovery will be slow because...

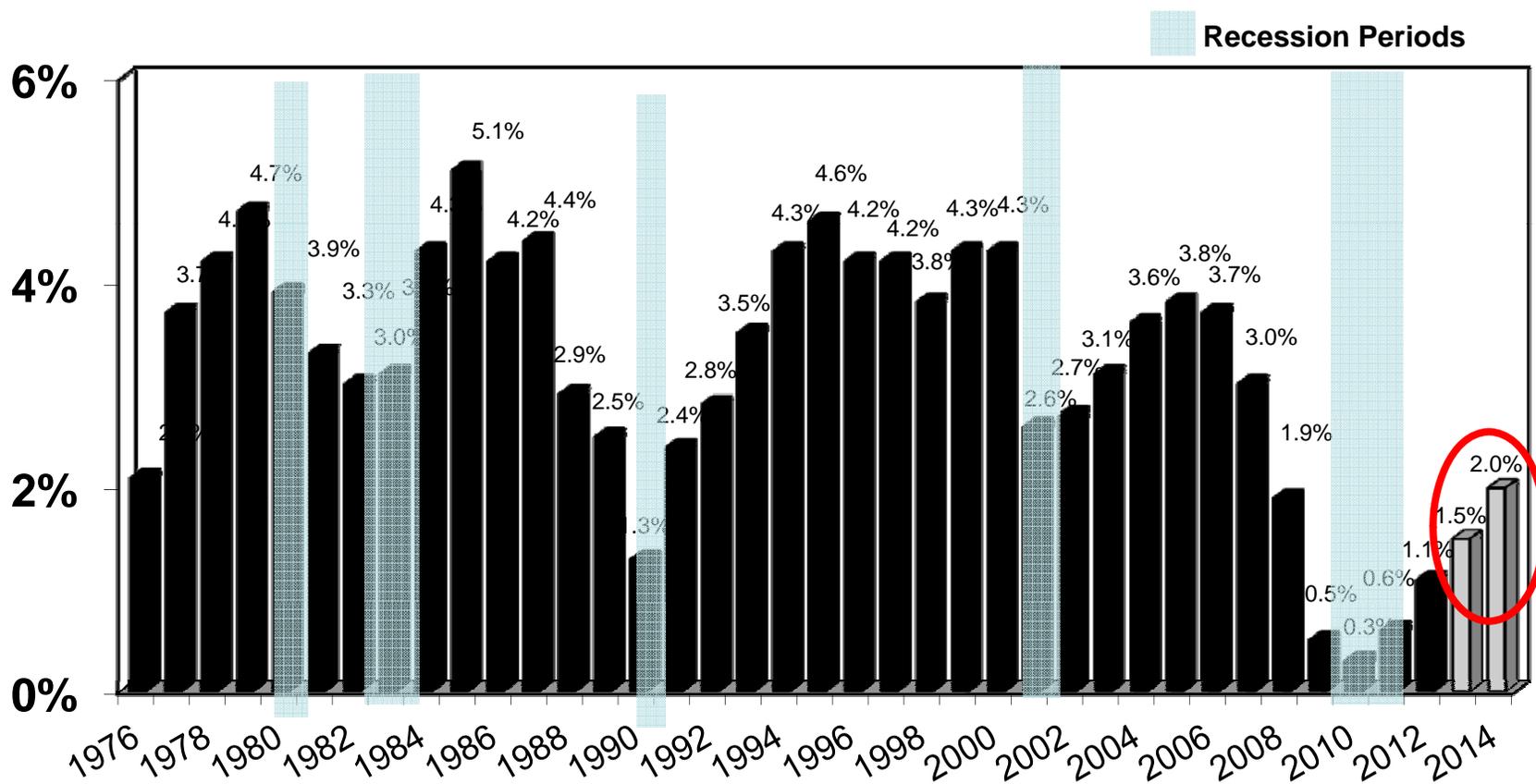
- **Slow national recovery**
- **Sequestration**
- **Modest population flows**

Source: *Elliott D. Pollack & Company, May 2013*



Greater Phoenix Population Annual Percent Change 1976–2014*

Source: Arizona State University & Department of Commerce, Research Administration

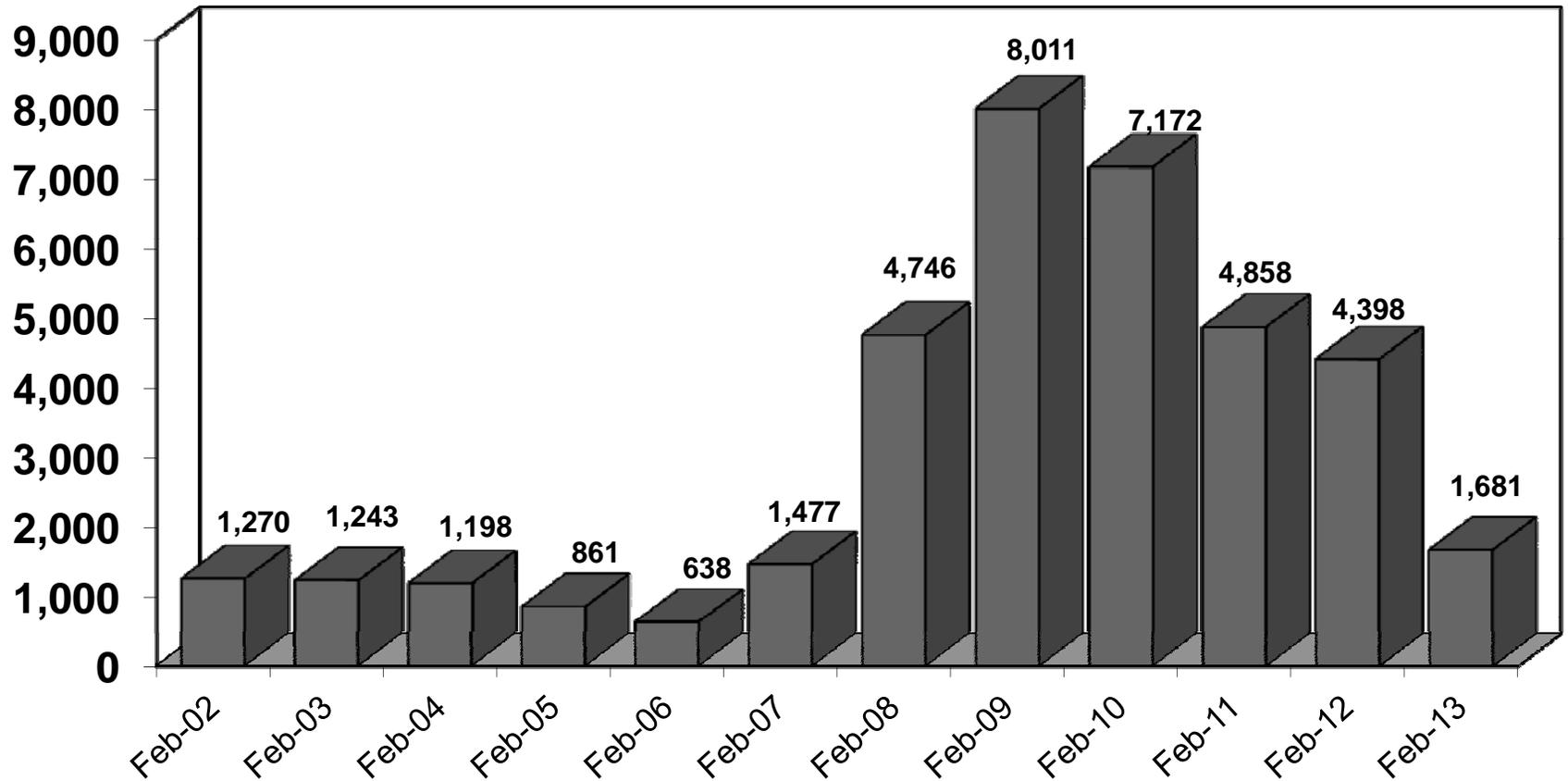


* 2012 & 2013 forecast is from *Elliott D. Pollack & Co.*



New Residential Foreclosure Notices Greater Phoenix

Source: Information Market



Source: Elliott D. Pollack & Company, May 2013

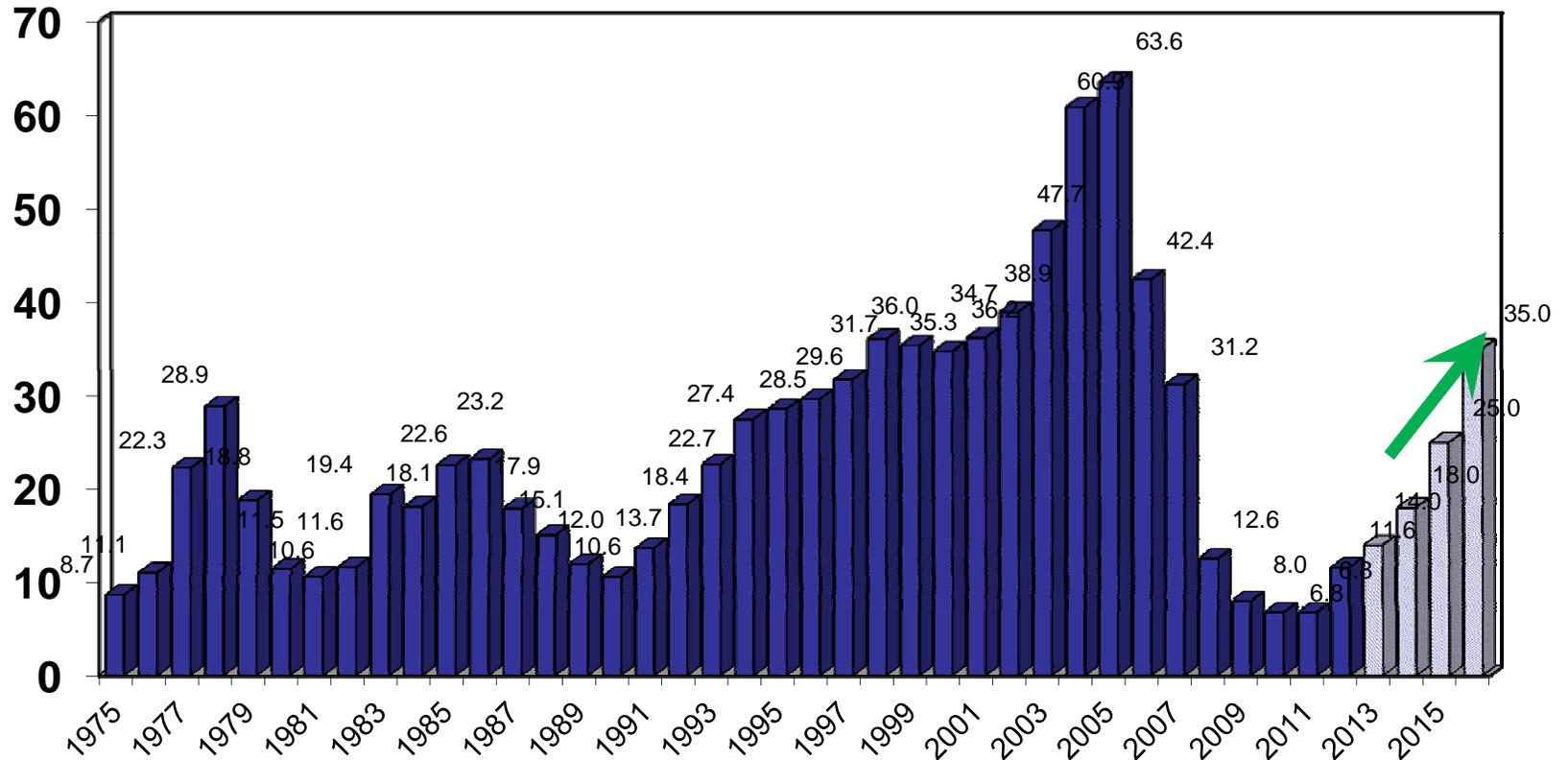


Single Family Permits Greater Phoenix 1975–2016*

Source: RL Brown & Elliott D. Pollack & company



Permits
(000)



*2013 – 2016 forecast is from *Elliott D. Pollack & Company*



There is a **BOOM** for Arizona out there somewhere



Source: *Elliott D. Pollack & Company, May 2013*



ARIZONA-

Slow but mildly accelerating recovery.

Calendar year 2013 will be slightly better than 2012.

Calendar year 2014 will be better than 2013.

Calendar year 2015 should be a good year.

Source: *Elliott D. Pollack & Company, May 2013*



Department Budgets



**Not out
of the
woods
yet.**



Health Care Programs



tapi The Arizona Partnership for Insurance
whyinsurematters.org
Insurance Info

Providers

Keeping Arizona Kids Strong

Private Insurance Vaccine Payments and Impact to County Health

A young boy is shown from behind, flexing his muscles. He has a yellow band on his right shoulder.

CLEAN AIR MAKE MORE

MARICOPA COUNTY'S INITIATIVE TO PROMOTE CLEANER AIR AND HEALTHIER LIVES



Health Care Programs

- \$2.2 million increase in Arnold v Sarn mental health contribution
- \$1.2 million increase in base ALTCS contribution
- \$400 thousand reduction in AHCCCS contribution
- \$200 thousand increase in the cost share for mandated payment to Arizona State Hospitals for Sexually Violent Persons



Correctional Health Services

- Added nearly \$1 million for pharmaceutical expenses
- Electronic medical records system expected to be online in the fall
- Currently working with consultant on Affordable Care Act impact study



Justice System



Justice System Overview

- Filings, caseloads, and detention populations have been in growth cycle for last two years; do not show signs of slowing
- Low salaries appear to be contributing to system backlog
- Budgets have grown in nearly all areas in response to increasing demands for service

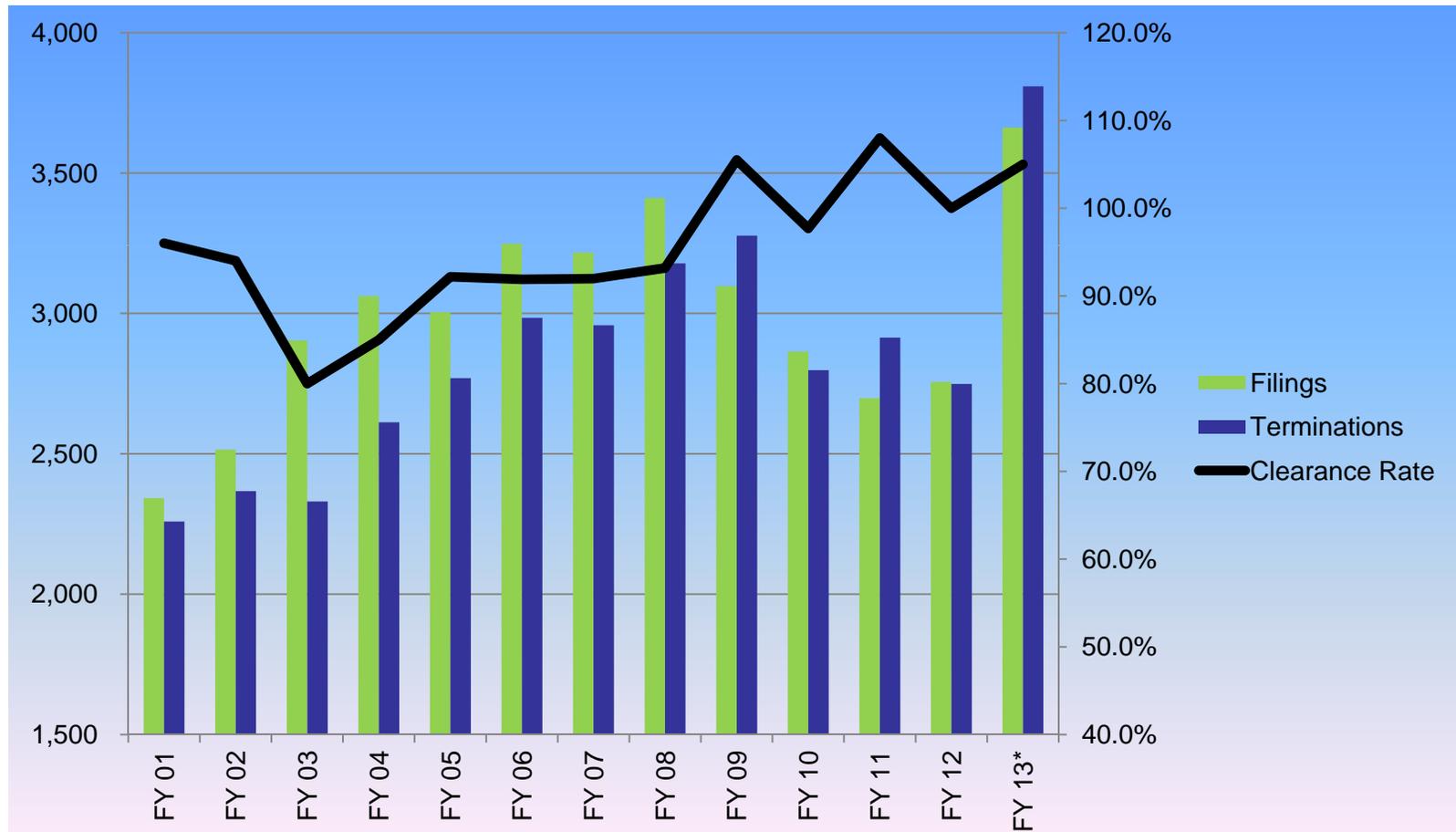


Superior Court

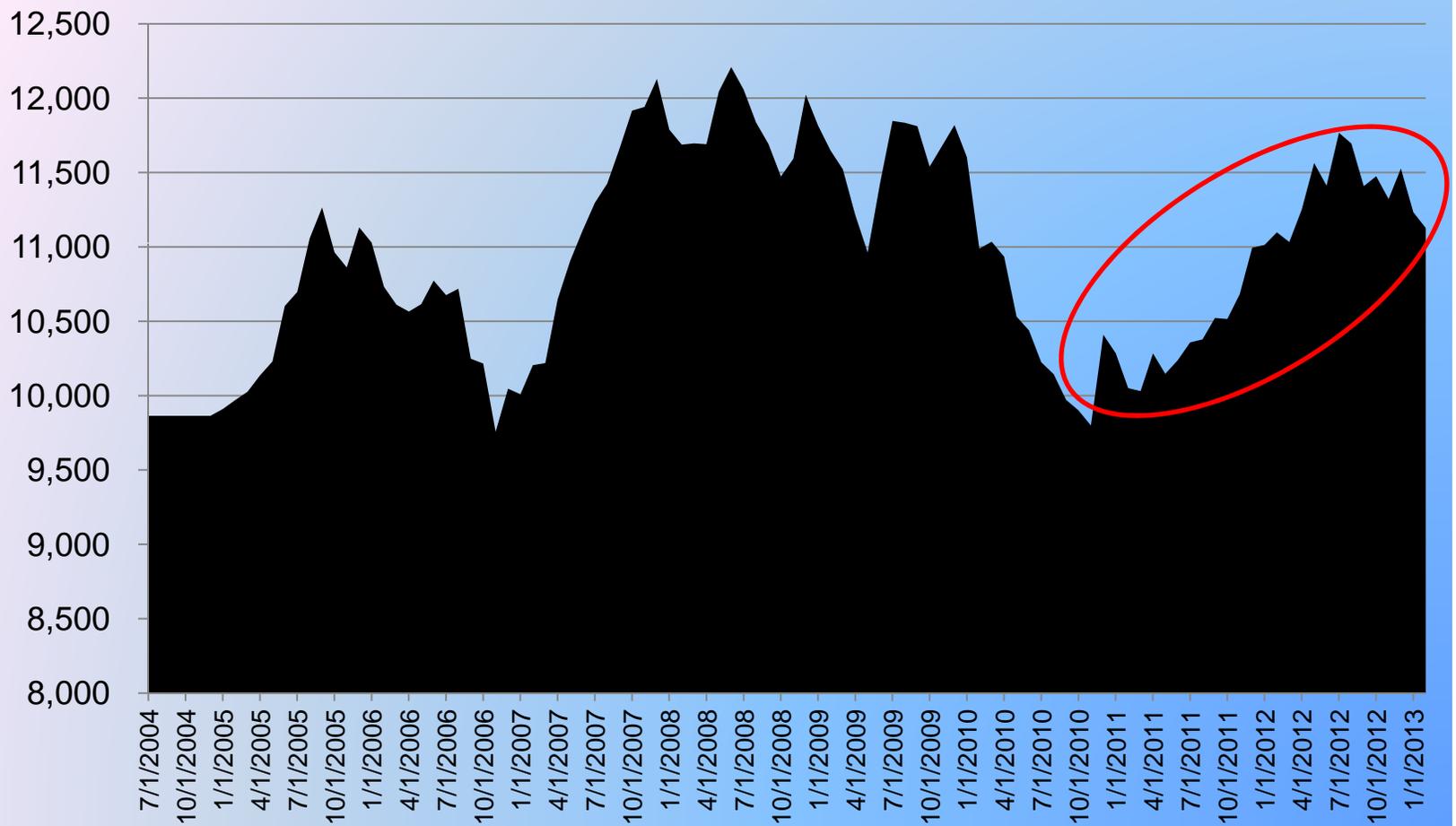
- Pilot Cradles to Crayons program within Juvenile Court to begin second year
 - Initial results are promising – adjudications occurring more quickly and reunifications occurring more frequently
- FY 2014 budget includes salary adjustment for commissioners
 - Increasing salary to statutory maximum, consistent with other counties
- Funding for ICISng continued upgrades within Court's special revenue fund



Superior Court Average Monthly Case Data

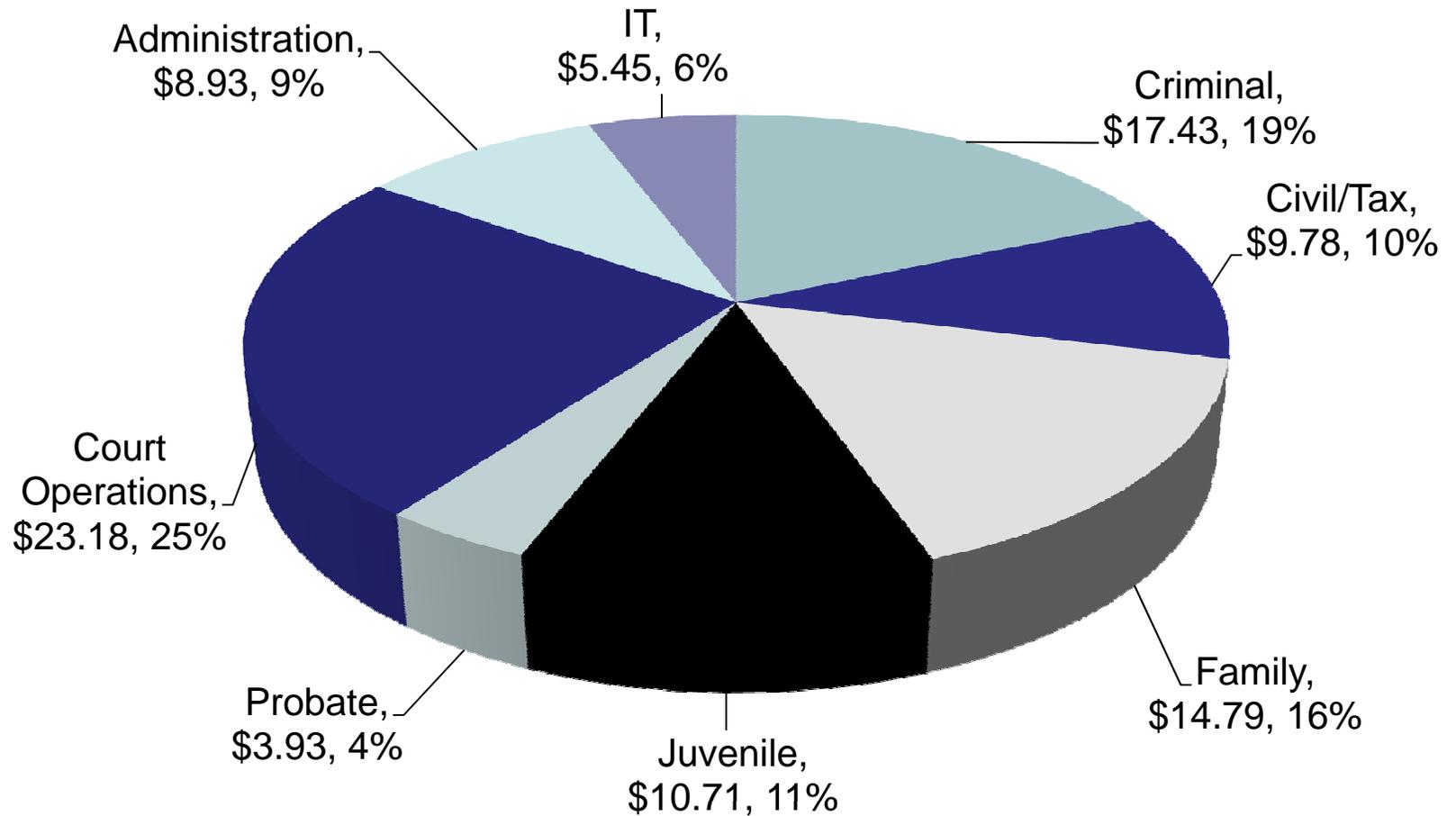


Superior Court Active Pending Inventory



Superior Court Budget

(in millions)



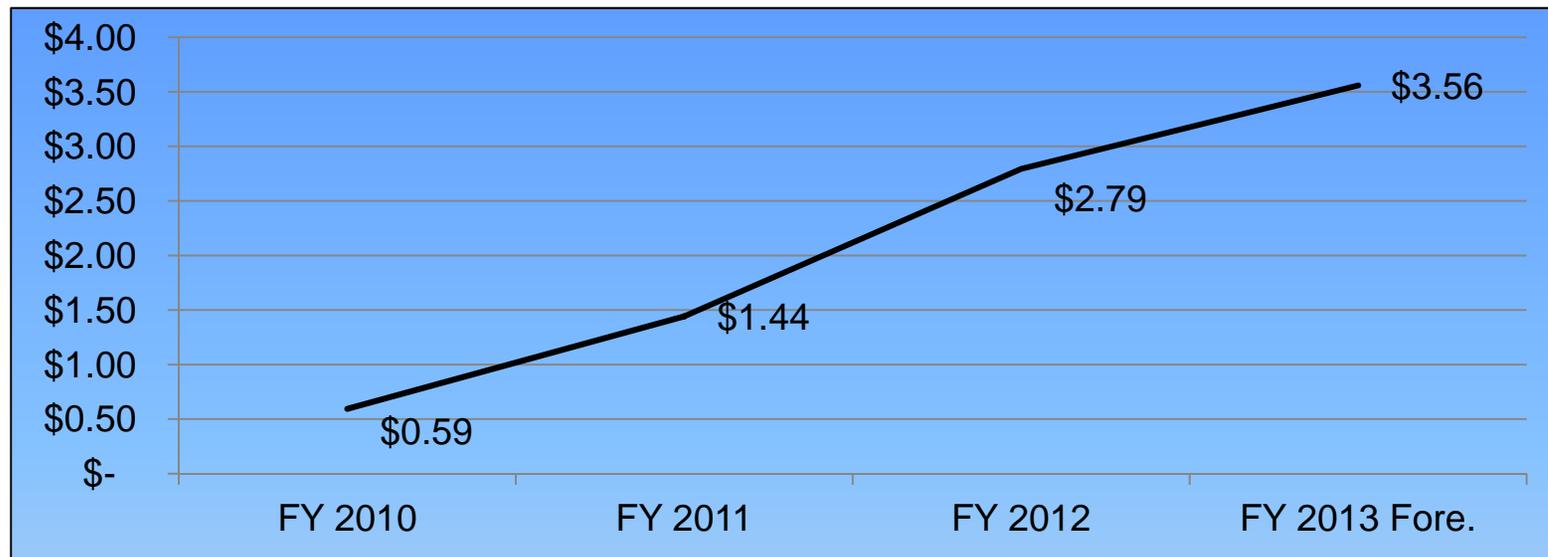
Public Defense System

- Significant caseload growth in nearly all areas of representation
- Operating budget increase primarily comprised of:
 - Juvenile representation
 - Parental dependency
 - Juvenile guardian ad litem
 - Adult criminal representation
 - Capital post-conviction relief
 - Non-capital felony

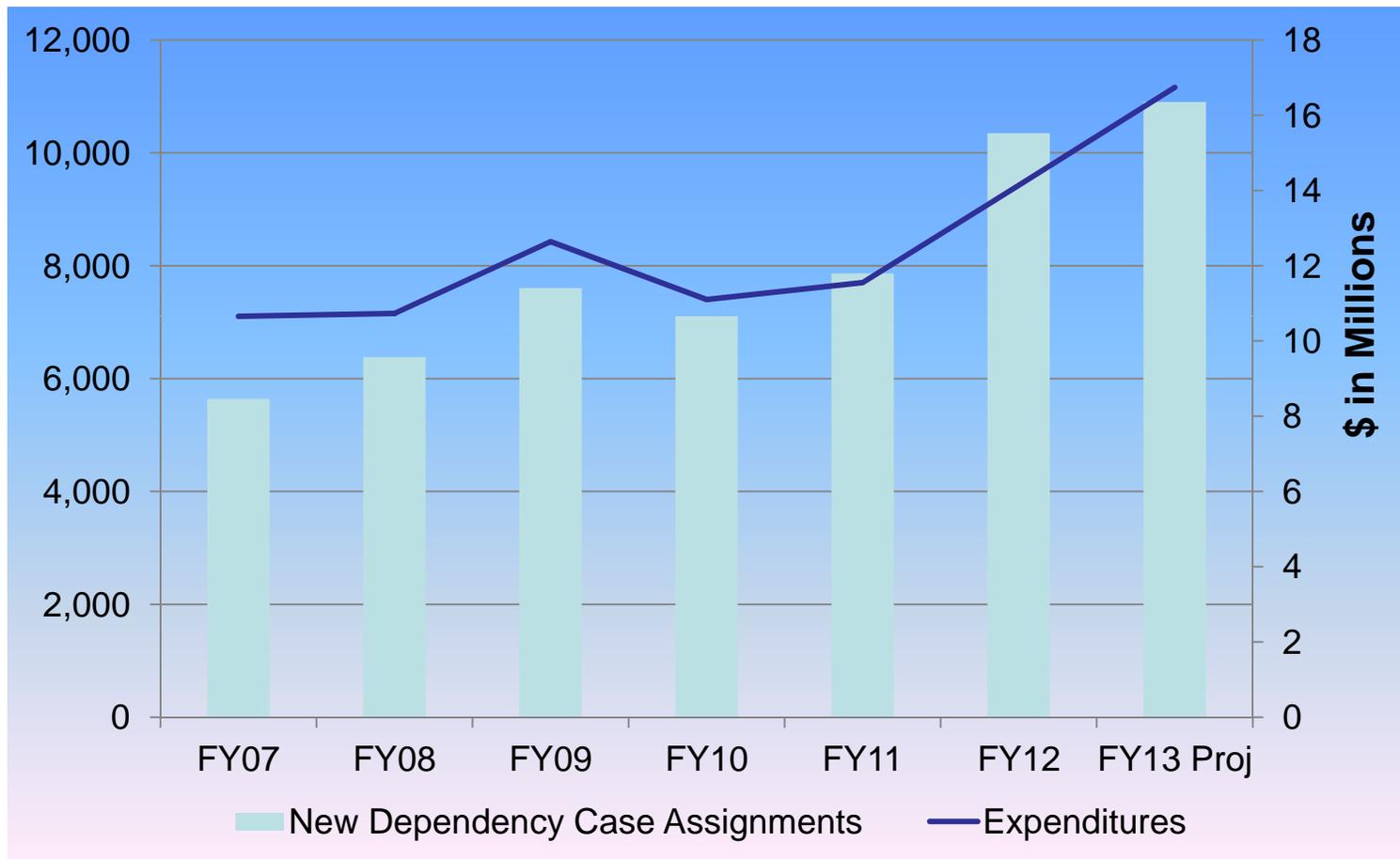


Capital Post-Conviction Relief Spending (in millions)

- Volume grew as the “backlog” of cases completed the trial and appeal phases
- Relaxation of standards for PCR attorneys meant more cases could be assigned
- Elimination of State office so County pays all costs



Dependency



County Attorney

- New funding provided for:
 - Additional costs associated with sexual assault and domestic violence examinations
 - 6.5 Civil attorneys
 - Various other administrative needs (e.g., leases, training, postage)

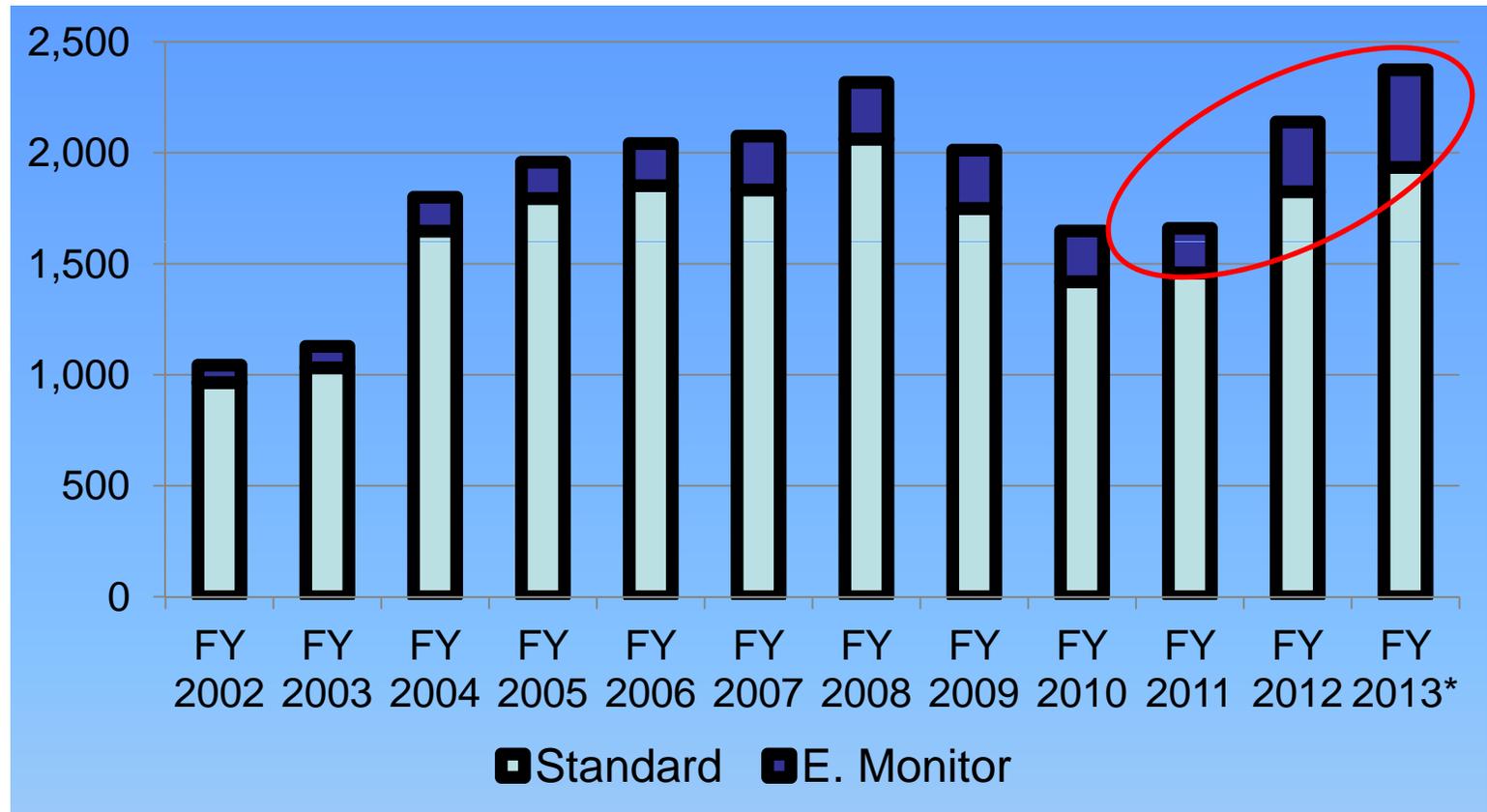


Adult Probation

- Case volumes growing in most areas
- \$2.9 million added to cover new staff in:
 - Pre-sentence (3)
 - Pre-trial (18)
 - Domestic violence (2)
 - Sex offender (6)
 - Work furlough (1)
 - Prison re-entry (3)
 - Interstate compact (1)
 - Community restitution (3)
 - Drug treatment and education (5)



Adult Probation Pre-Trial Supervision

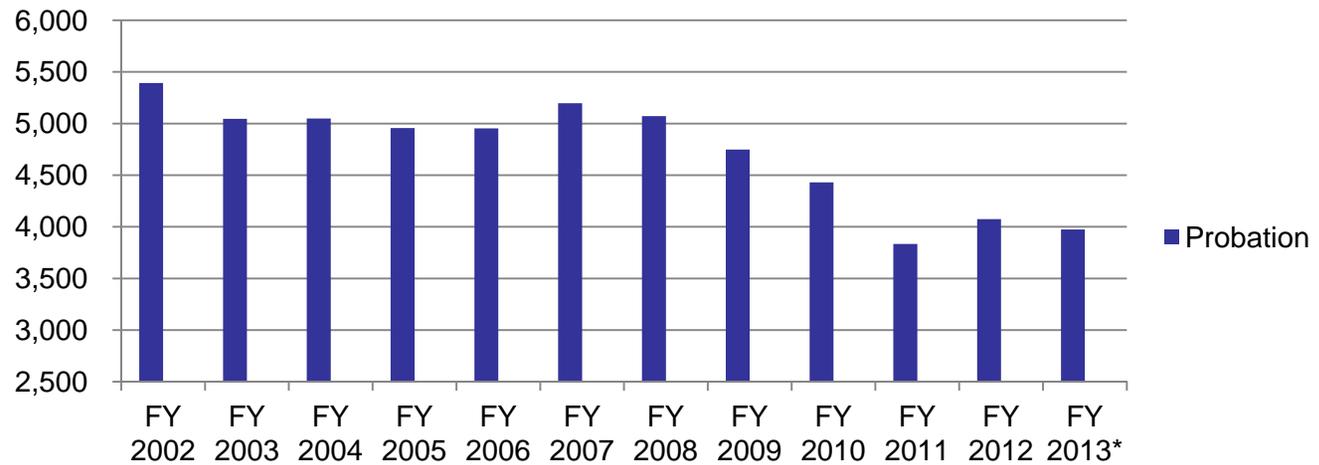
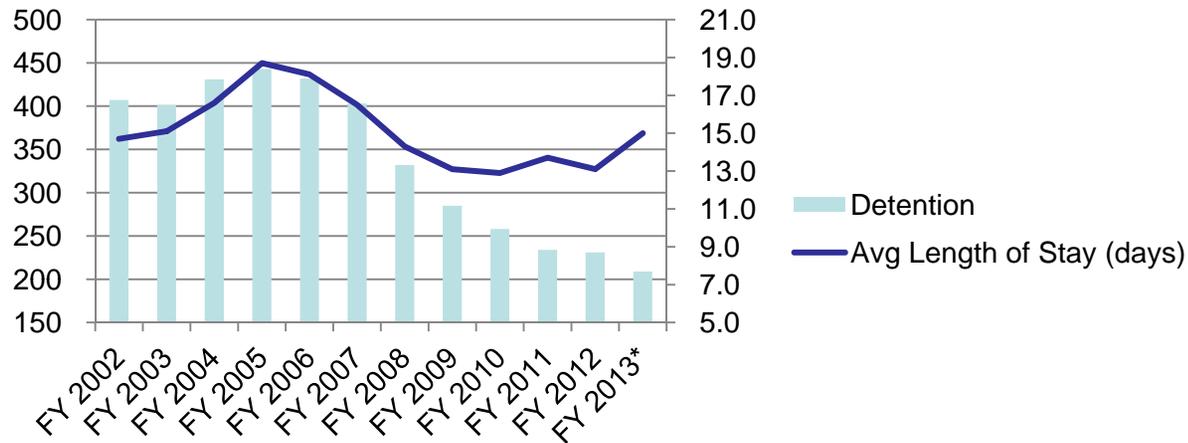


Juvenile Probation

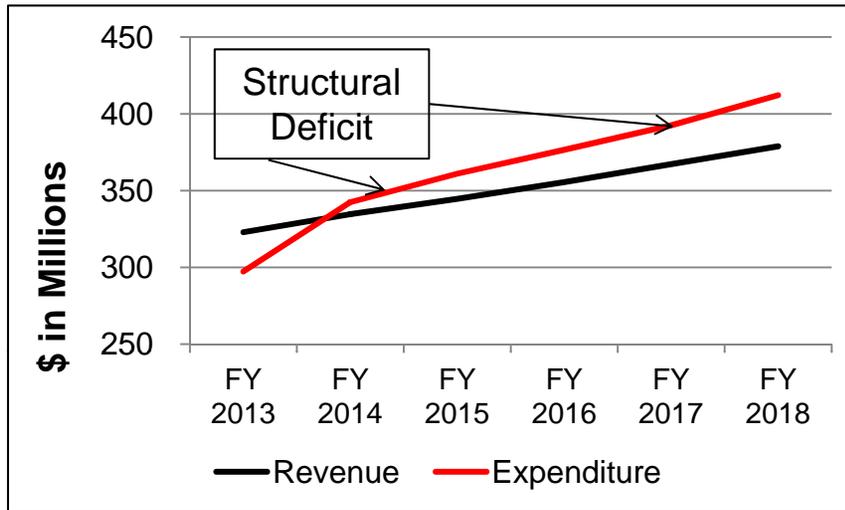
- Detention and General Fund budgets reduced slightly
 - Detention population continues to decline, but average length of stay has increased slightly
 - Probation caseloads declined from 2007-2011, but appear to have stabilized



Juvenile Detention and Probation Caseloads

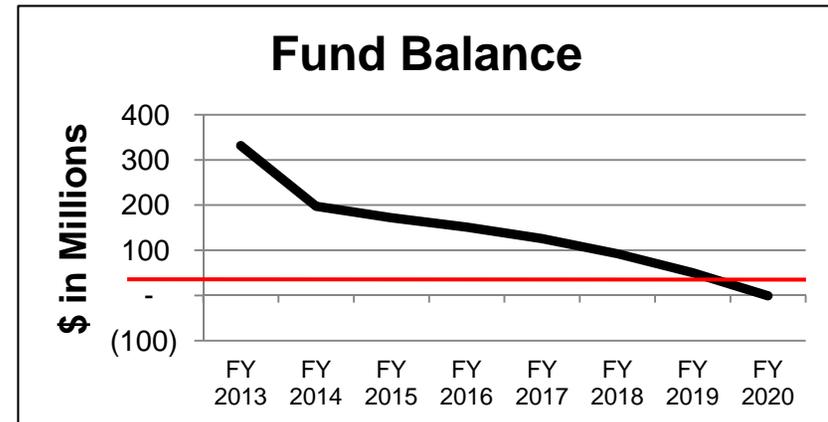


Detention Fund Forecast



- Detention Fund is not structurally balanced in FY 2014 budget
- Fund is forecasted to be in cash deficit position in FY 2020

- Forecast does not include new jail facility or any additional capital improvements in existing jails
- Over half of annual revenue comes from General Fund MOE, not external source

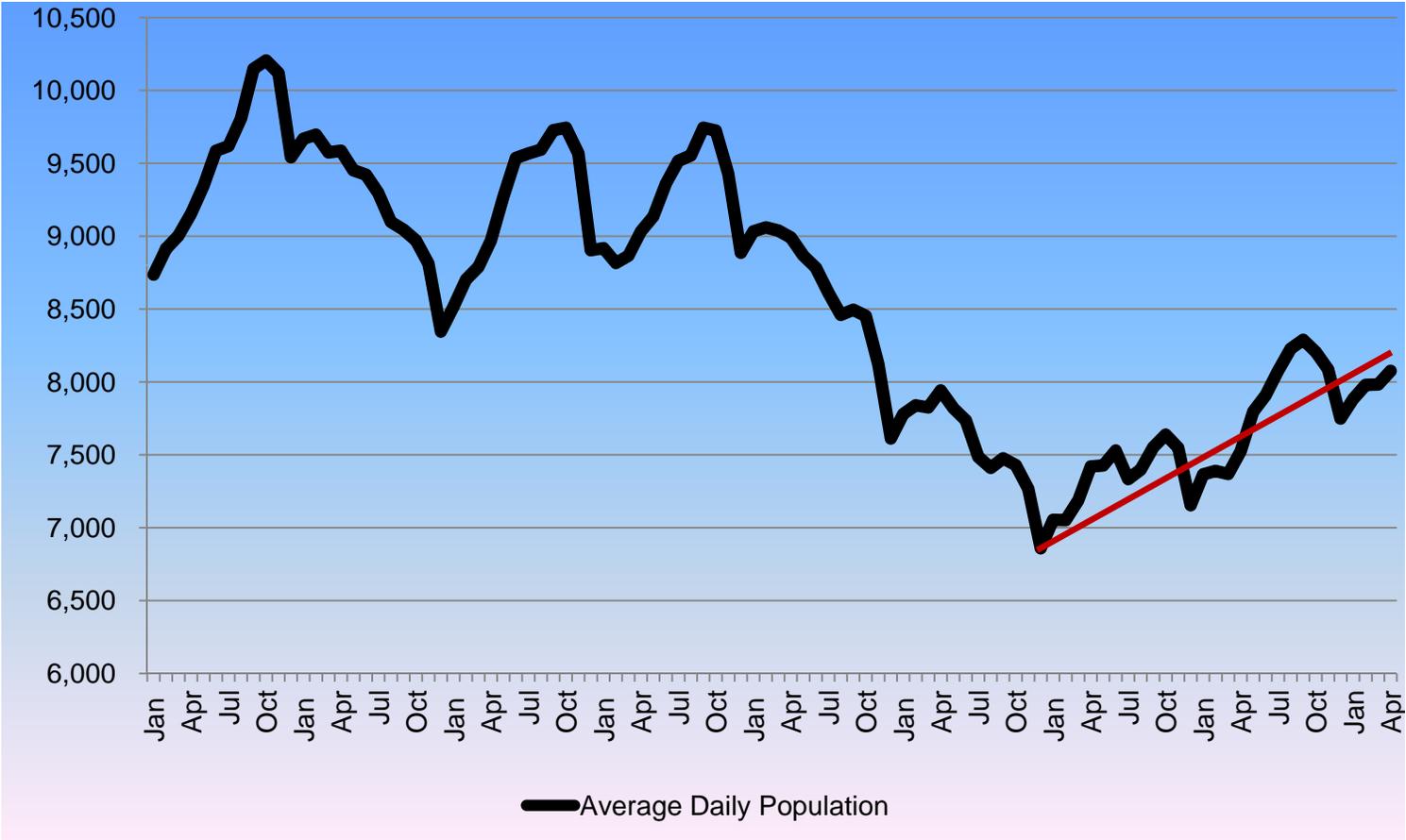


Sheriff's Office

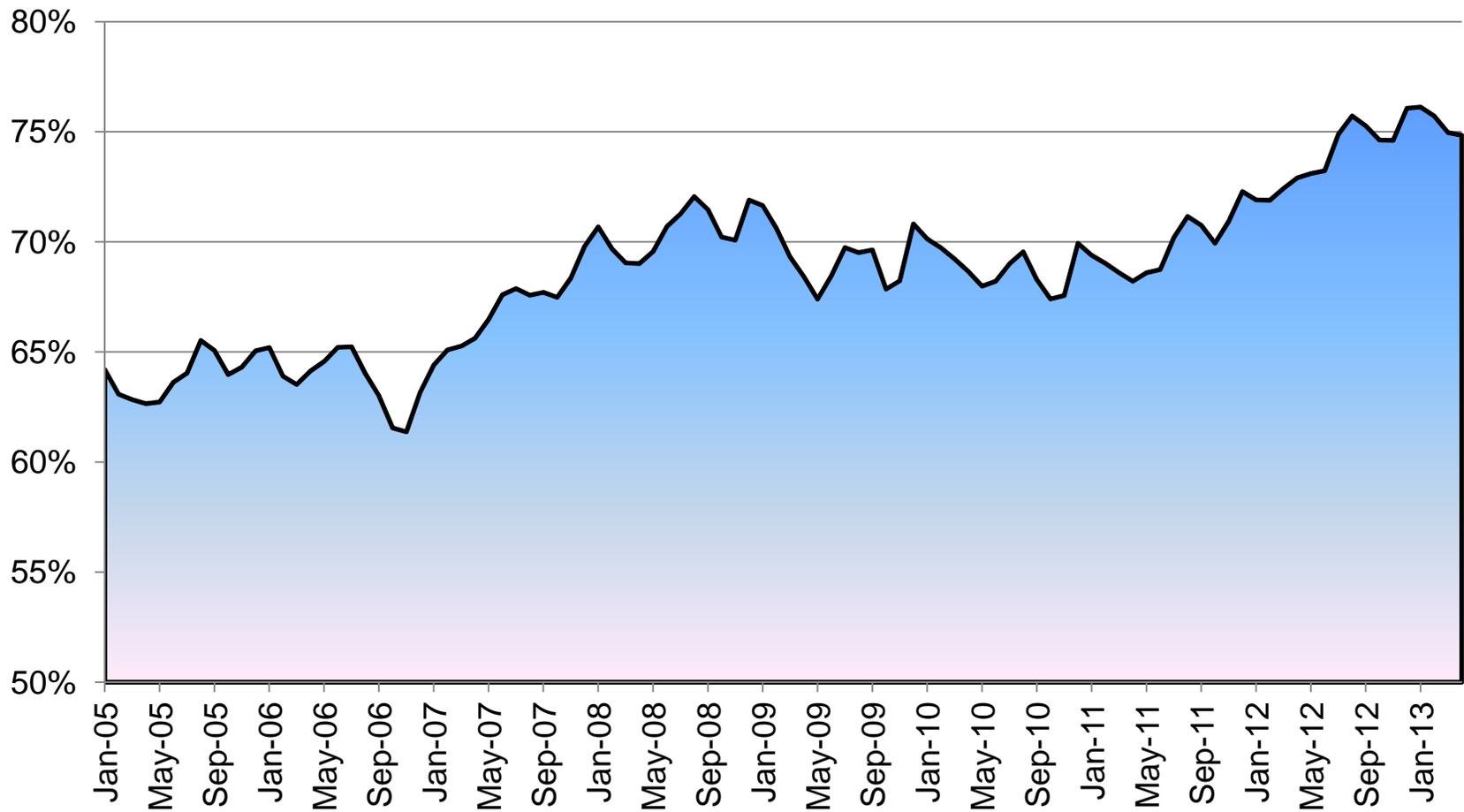
- Additional funding provided to support staffing recommendations from consultant study
 - Law enforcement: \$6.7 million
 - Detention: \$2.3 million
 - Administration: \$0.5 million
 - IT study still being reviewed
- Jail population continues to rise, largely driven by increased average length of stay



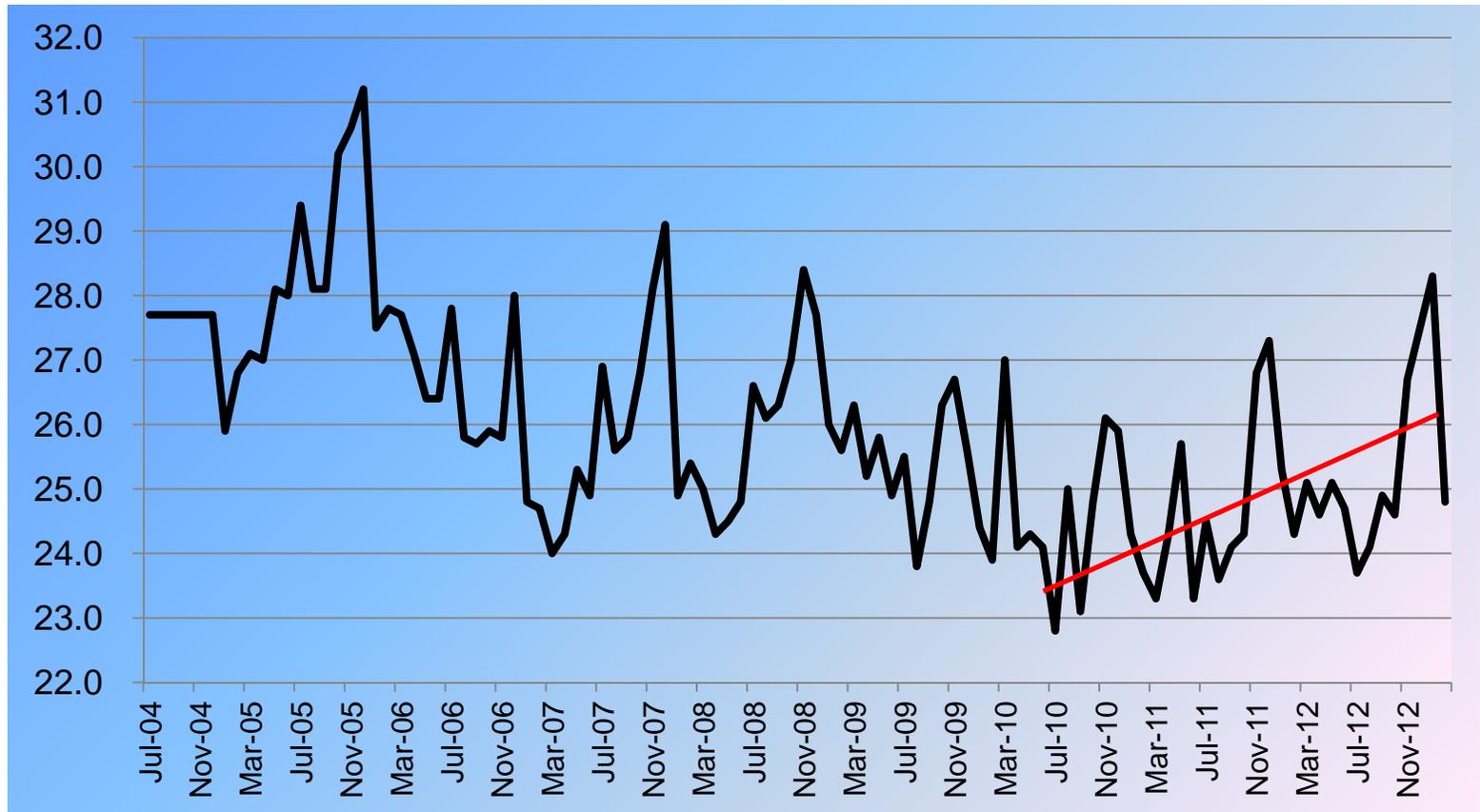
Maricopa County Adult Jail Population (2005-2012)



Jail Population – Percent Pre-Trial



Average Length of Stay



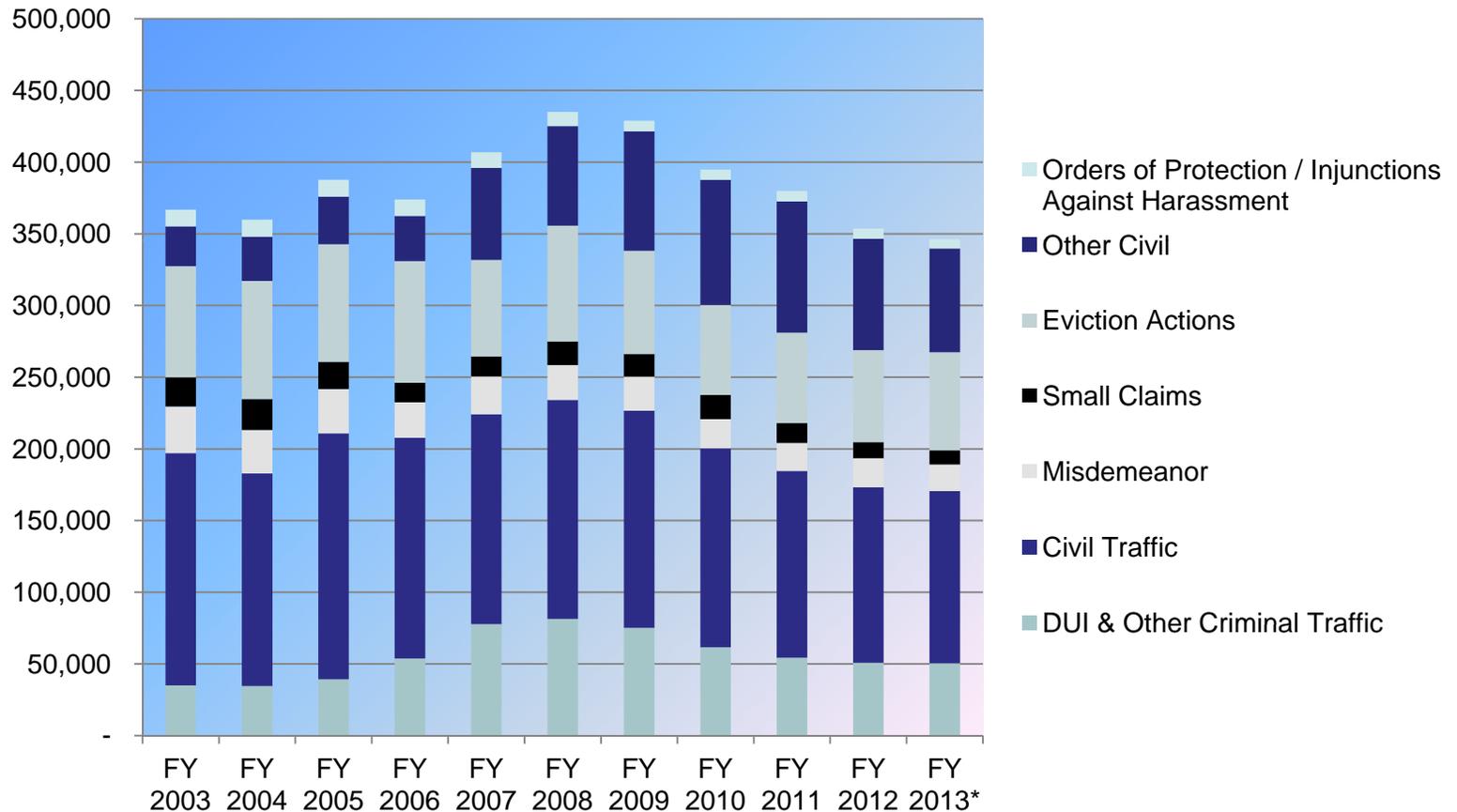
Justice Courts

- Filings continue downward trend, but appear to be leveling
 - 20% reduction since 2008
 - FY 2013 expected to decline just 2.0% from FY 2012
 - All categories of cases down year-over-year except eviction actions
- General Fund budget relatively flat
 - Annualized new precinct
 - Supplies and services for new electronic data management system (largely funded with special revenue funds)



Justice Court Filings

(Average Monthly)



Justice System: Emerging Trends

- Capital caseload growing
- Dependency caseload growing
- Average length of stay increasing



General Government



Education Service Agency

- Budget increased for rent, IT, internal service charges
- Juvenile Transition Program (MCESA)
 - Second year of two year pilot
 - \$1.2 million



Assessor

FY 2014 Operating Budget

- Costs absorbed
 - \$110K Marshall and Swift Contract Increase
 - \$47K Postage increase for Legal Class Verification Mail-outs
- \$537k Non Recurring Non Project
 - \$127k Process Manual Development
 - \$410k ESRI Desktop Review Pilot Project

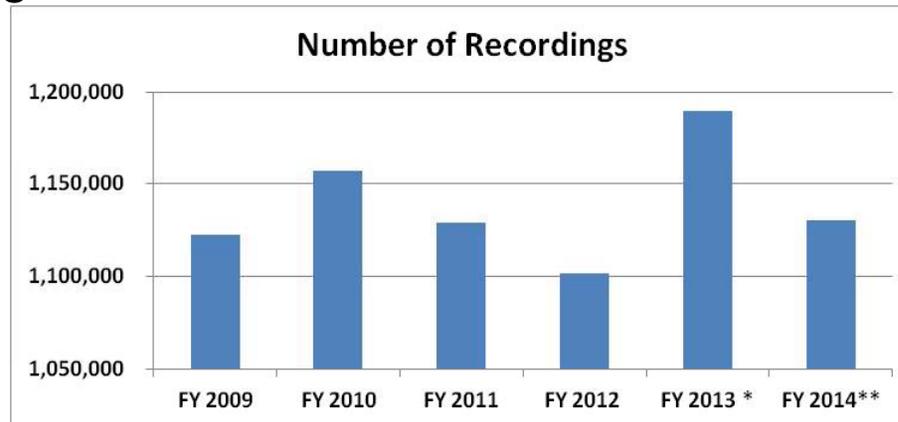
* New CAMA System discussed in IT Section



Recorder's Office

FY 2014 Operating Budget

- General Fund
 - \$700k Revenue Increase
- Recorders Surcharge Fund
 - \$408K Revenue increase
 - \$2.2M IT and Communication upgrades



* Forecast ** Recommended Budget



Elections

FY 2014 Non-Recurring Reserved Contingency Funding

- Recall Signature Verification \$750,000
- Recall Election 4,000,000
- Electronic Poll Books 5,000,000

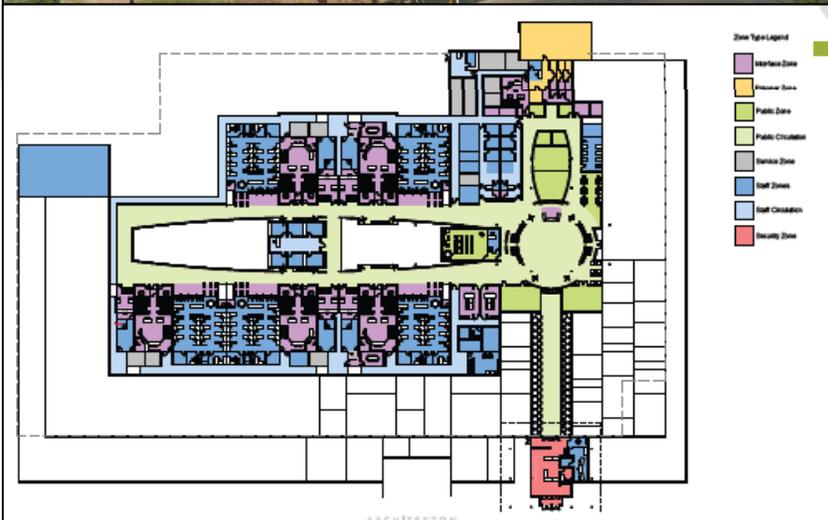
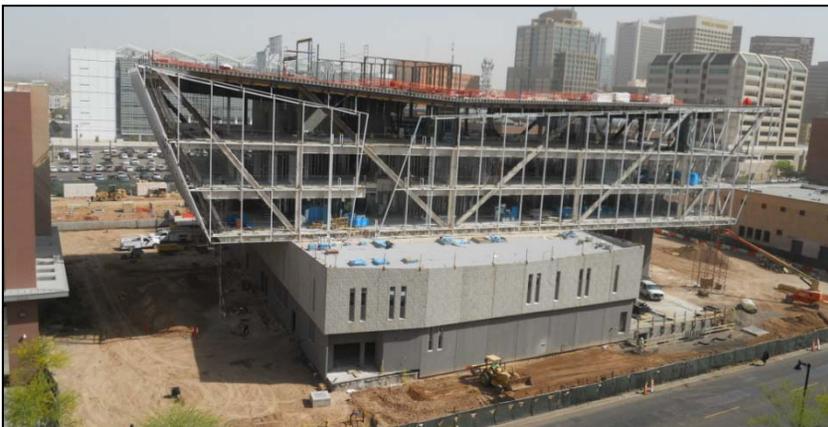


Treasurer

- Over \$10 Billion in receipts/disbursements
- Deposits to over 1,500 district accounts
- Over \$3 Billion Maintained Portfolio Investments
- FY 2014 Operating Budget
 - \$53k increase for IT Maintenance
 - \$64k increase for operational costs



Capital Improvements

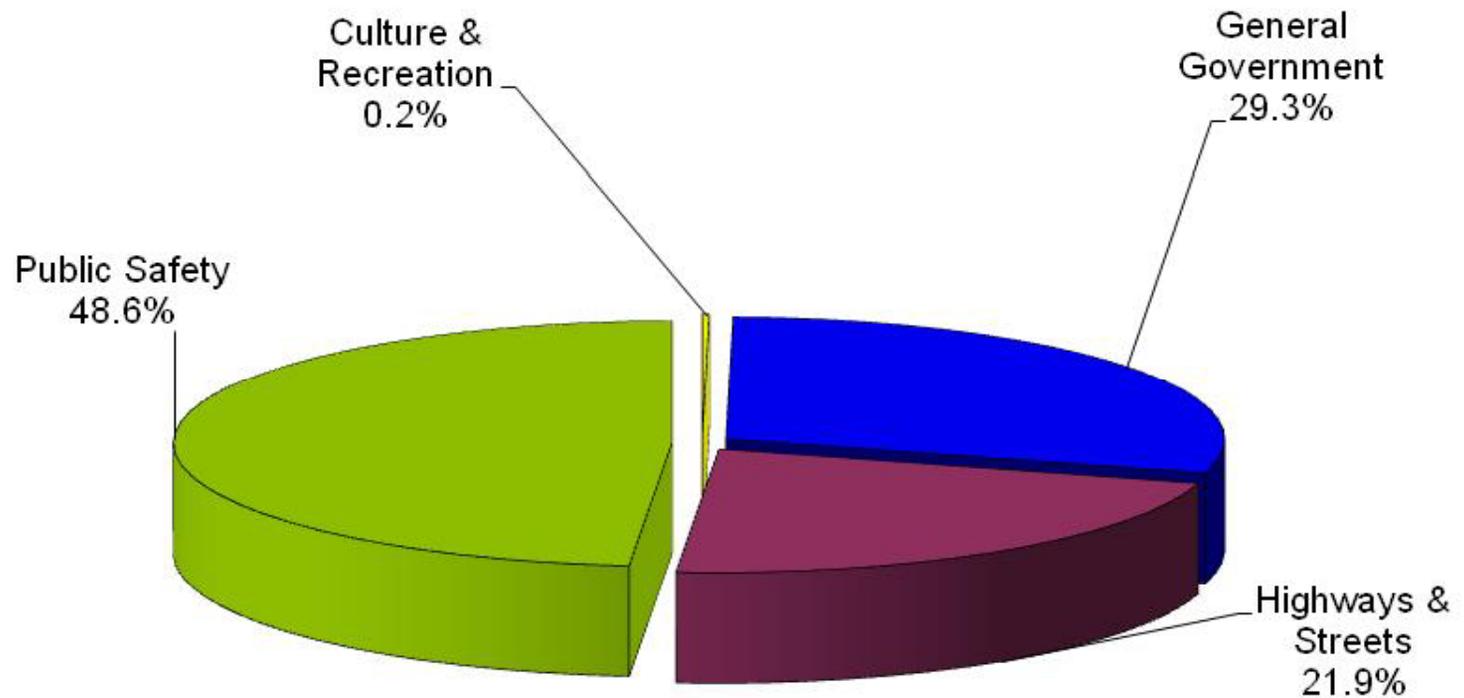


Capital Improvement Philosophy

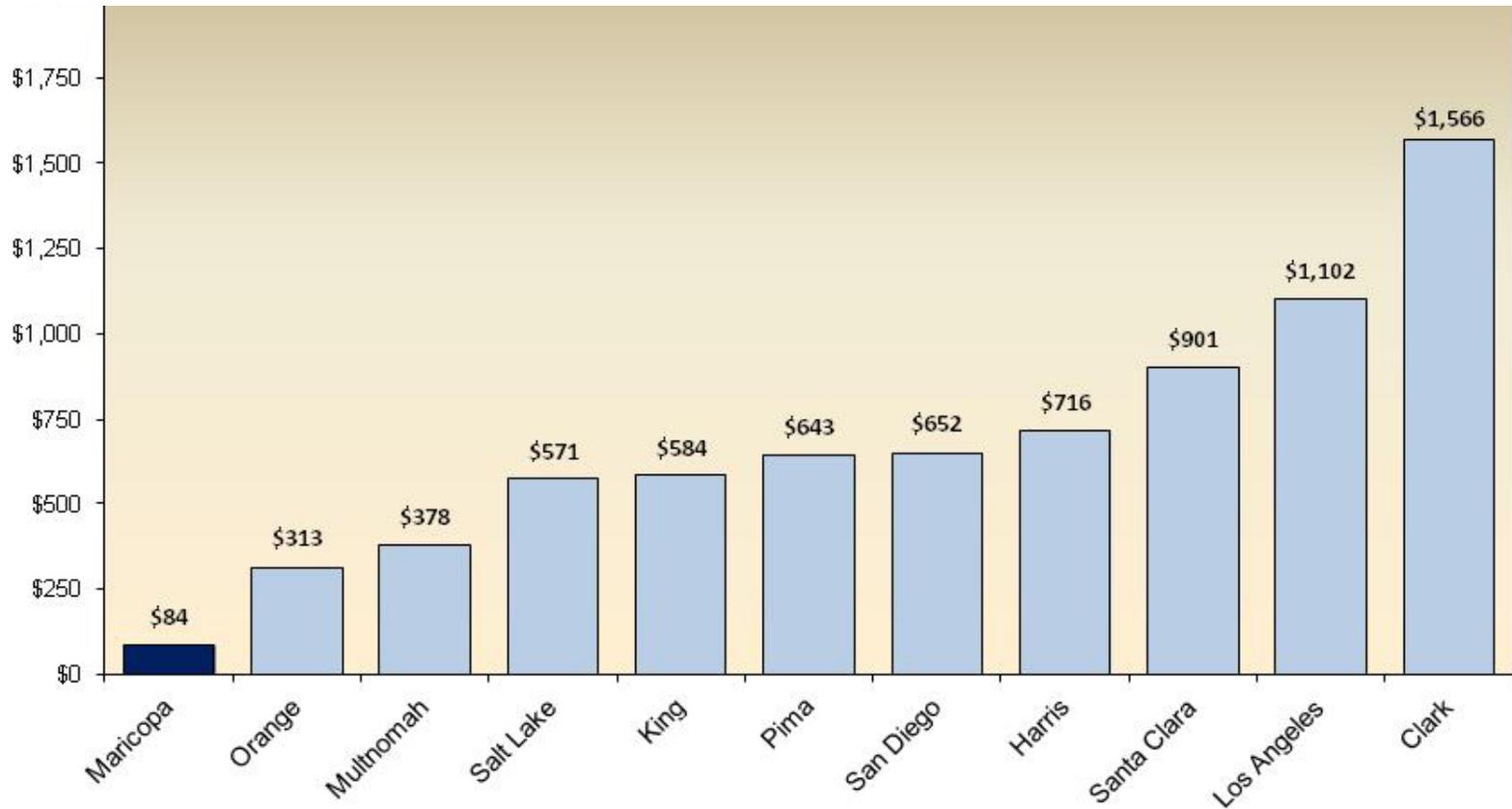
- Modified “pay as you go” policy, which began in FY 1999-00
- Use of cash or a combination of identified operational savings and lease reversions to pay the debt service
- County’s 1986 General Obligation (GO) bond debt was paid off in 2004
- Savings of \$82 Million in interest for FY 2014
- In order to preserve cash reserves, CIP will be re-evaluated with the Board of Supervisors



Uses of Capital Funds FY 2014 - \$375,341,045



FY 2012 Long-Term Debt Per Person Comparison To National Benchmarks



Source: Maricopa County LTD for Governmental Activities "Note 14 – Long Term Liabilities", (Benchmark CAFRs & Internal Audit Analysis)



FY 2013 Previously Approved CIP Projects

• Sheriff's HQ Building	\$73,463,560
• Clerk of the Court Remodel	10,377,017
• Maricopa Regional Trail	5,996,937
• Security Building Tenant Improve	5,965,858
• Cell Door Release Projects	5,000,000
• SW Justice Court Design	4,034,060
• SWAT Covered Parking	3,177,086
• East Court Abatement – 2 Floors	2,887,500
• Flat Cell Projects	1,450,000
• Vulture Mountain Study	277,500



Study Session

- A study session will be scheduled with the Board of Supervisors to discuss the funding of existing and new capital projects



Sheriff's Headquarters Update

- Final permit package submitted
- GMP contract signed 4/25/12 for NTE \$47.2 million
- Value engineering underway, over \$188,000 realized
- “White space” scheduled for June 21
- Substantial completion is set for November 18, 2013



Technology Projects



Technology Infrastructure Projects

- Byte Info Exchange (BIX) Room Study
- Maximo Work Order System Upgrade
- Project Reserve
 - Assessor's CAMA System
 - Financial System Replacement
 - Treasurer's Mgmt System
 - Jail Mgmt System Replacement



Recommended Continuing Technology Projects

11 Projects - \$241,514,417 (5 years)

- Downtown Network Infrastructure Upgrade – Zone 2
- Downtown Network Infrastructure Upgrade – Zone 3 final work
- Durango Campus, Southeast Campus and Remote Sites – Zone 2 & Zone 3
- Zone H – Correctional Health
- Enterprise Data Center
- Telephone and Call Center Systems
- Public Safety Radio System
- Infrastructure Upgrades
- CHS Electronic Health Records
- Sheriff's Office HQ Infrastructure



Transportation Capital Improvement Projects

Transportation Improvement Projects	FY 2014 Recommended Budget	FY 2015 to FY 2018	Five-Year CIP Program Total
	\$ 82,089,011	\$ 286,937,190	\$ 368,935,201



Employee Issues

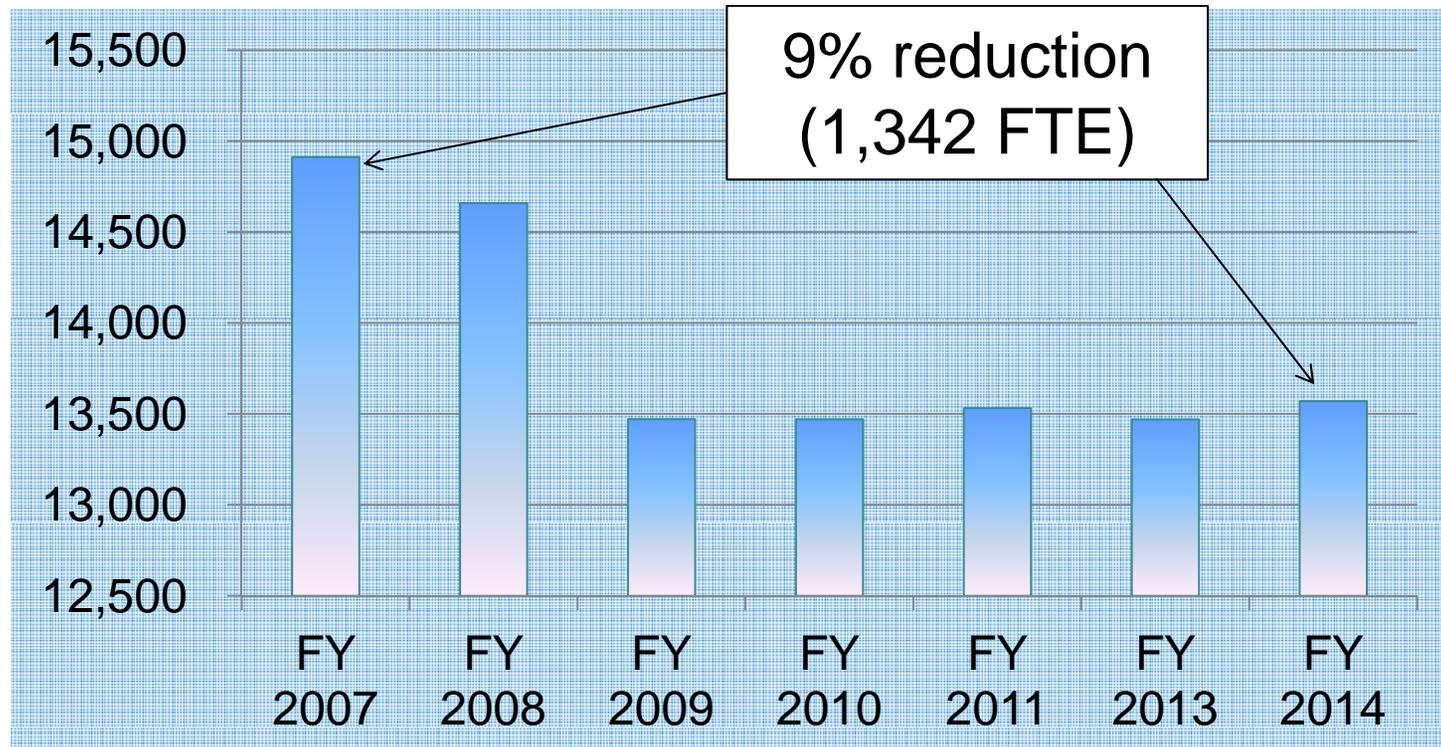
Compensation

turnover

Benefits



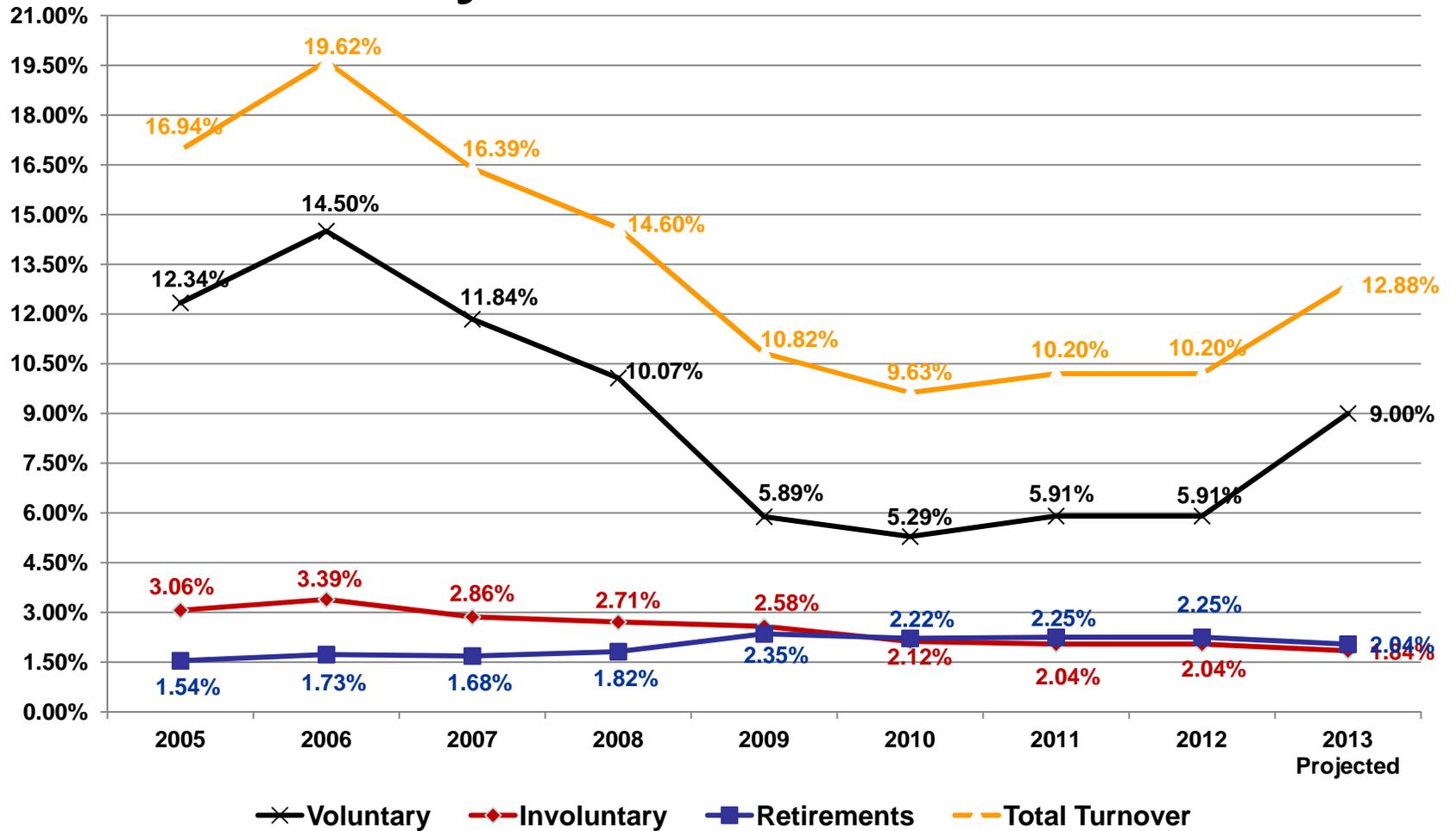
Changes in Funded Positions



Changes from FY 2013 to FY 2014 primarily in Adult Probation, Correctional Health, MCESA (grant funded), and Public Health (grant funded)



Voluntary Turnover By Fiscal Year



Compensation

- Includes funding for Pay for Performance and internal equity increases
- Funding for market-based increases for MRTs with significant turnover and business justification
- Reduced Funding for continuation of Education Assistance Program
- Eliminated funding for the Peak Performer Program
- Employee Benefits maintained without significant cost increase for employees



Risks and Threats

- Property tax not keeping pace with expenditure needs.
- Legislative changes to Transaction Privilege Tax could impact Maricopa County's share of State Sales Tax.
- Vehicle License Tax continues to be volatile with unpredictable growth; concerned about meeting the budget.
- General Fund Contingency is at low level; Operating Contingency has been eliminated. (Unreserved General Fund Contingency is 1.92% of the overall General Fund budget).



Risks and Threats

- State temporary 1 cent sales tax will expire May 2013.
- Jail Facilities & Technologies are aging and will need significant upgrades in coming years.
- Case filings and inmate populations are on the rise.
- A long-term financial/business plan will be necessary.



Opportunities

- Lower taxes may spur the economy
- Additional compensation funds expected to lower turnover and improve results
- A collaborative approach to criminal justice issues will improve efficiencies, reducing future costs
- Strategic review of priorities will set expectations and direct funding decisions for FY 2015



Conclusion

- Provides needed funding to address turnover issues.
- Overall, this budget continues to do more with less.
- Caution is prudent with the current economic conditions.
- There is a risk of not meeting “Most Likely” revenue forecasts.
- Will monitor monthly revenues more closely.
- Additional revenue will be necessary to maintain current service levels in future years.



Next Steps

- Study session to review one-time capital projects (Between Tentative and Final)
- Review budget/financial policies (Summer)
- Study session to discuss long-term forecasting (Late Summer/Fall)



Budget Calendar – Remaining Dates

May 20	Tentative Budget Adoption
May 31	ATRA Presentation
TBD	Study Session on One-Time Spending
June 24	Final Budget Adoption
August 19	Property Tax Levy Adoption



Appreciation

Thanks to the Board of Supervisors, other Elected Officials, Judicial Branch, Presiding Judge and the Appointed Officials for their cooperation. Also significant thanks to the Employees of OMB and HR-Compensation for their professionalism and commitment to this process.





Maricopa County FY 2014 Special Districts Recommended Budget

May 20, 2013

Sandi Wilson, Deputy County Manager
Brian Hushek, Deputy Budget Director
Lee Ann Bohn, Deputy Budget Director
Cynthia Goelz, Budget Administrator

Library District Highlights

- Overall expenditures of \$25,525,017
- Levy reduced by \$2,808,719
- First year that all public library systems in Maricopa County will offer a Summer Reading Program, reaching estimated 80,000 children
- Convert last 2 branches to the Deweyless system
- Non Recurring budget includes funding for the reciprocal borrowing and materials assistance programs and implementation of Polaris for the City of Tempe





Flood Control District Highlights

- Overall expenditures of \$72,009,409
- Levy reduced by \$14,741,593
- FY 2014 CIP decreased to \$40.0 Million
- Five-year CIP projected to be \$194 Million





Stadium District Highlights

- FY 2014 expenditures: \$7.8 M
- Car Rental Surcharge growing slightly (1.2%)
 - Payment of nearly \$1.2 million to Arizona Sports and Tourism Authority in FY 2014 pursuant to intergovernmental agreement

