

**SPECIAL SESSION
March 5, 2002**

The Board of Supervisors of Maricopa County, Arizona convened at 2:00 p.m., March 5, 2003, in the Board of Supervisors' Conference room, 301 W. Jefferson, Phoenix, Arizona, with the following members present: Fulton Brock, Chairman; Andy Kunasek, Vice Chairman; Don Stapley, Max W. Wilson, and Mary Rose Wilcox. Also present: Fran McCarroll, Clerk of the Board; Shirley Million, Administrative Coordinator; David Smith, County Administrative Officer; and Paul Golab, Deputy County Attorney.

PRESENTATION: THE FINANCIAL STATUS OF THE FY 2002-2003 BUDGET AND RISK FACTORS

Item: Presentation regarding the financial status of the FY 2002-2003 budget and risk factors associated with the development of the FY 2003-2004 budget. (C49030278) (ADM1825)

Chris Bradley, and Brian Hushek, Deputy Budget Directors', presented an update on the FY 2003-04 budget. The presentation covered the following issues:

- State budget cost shifts
- Slow Growth in Sales Tax
- New jail and detention facilities opening
- Maricopa County Health System financials
- Employee issues: retirement, benefit costs and salary adjustments
- Criminal Justice needs and growth
- Increase in Public Health issues
- Infrastructure needs

Chris Bradley said that even with the "pessimistic" projections that were adopted for the current budget, the actual sales tax revenues have fallen far below those anticipated. He compared percentage variances between the FY 2002-03 and FY 2001-02 adopted and actual County budgets showing the State Shared Sales Tax growth in the General Fund and in the Jail Tax fund. It is hoped that the sales tax revenue will soon catch up to the pessimistic projections that were budgeted, especially since the estimate was reduced by \$5.3 million in January 2003. Mr. Bradley said that the Budget Baseline Revenue growth overall for the General Fund is estimated to be a total of \$42.8 million this fiscal year. While there has been low growth in sales tax there was fairly good growth in vehicle license tax. Overall, the low sales tax revenue is balanced in some degree by the unexpected growth in assessed property values and taxes. The main factor affecting future County budgets is the unknown quantity of state budget cuts which are projected to rise to as much as \$93.18 million with the JLBC budget cuts, or \$39.7 million using the projected cuts in the Governor's budget.

~ Supervisor Wilcox left the meeting ~

Brian Hushek showed charts explaining how the General Fund monies are divided, with the largest percentage, 41% or \$359.7 million going to health & welfare. Justice and law enforcement comes in a close second at 40% or \$346.1 million. General government expenses take 19% or \$161.1 million; Education and Recreation require less than 1% or \$1.7 million.

In response to a question from Supervisor Wilson on the expected impact of the State budget cuts, David Smith, Chief Administrative Officer, replied that it appears in the 2003-04 proposal that the State of Arizona is asking Maricopa County to absorb 10% of the entire state deficit, evidently because the County has maintained a responsible spending policy. He said, "they are coming to us in the belief that because we have a balanced budget – and will balance our budget in 2004 regardless of what happens – they are

entitled to solve their money problems by using our funds. It's clearly objectionable. It's bad government, it's bad public policy and I don't think they'd like the result if they actually did impose the \$93 million shifts and cuts on us." He said the greatest impacts will hit in the criminal justice and health system areas.

~ Supervisor Wilcox returned to the meeting ~

Mr. Smith indicated that some of the State's ideas on budget cuts are worse than others and the very worst idea involves the shifting of thousands of inmates to an already overcrowded County jail system. He stated, "I don't know who dreamed that one up but it's nightmarish in its implications." The health system impact depends on whether or not the AHCCCS program is cut, "as they believe they could or should," and those patients finding their way to the County Health System. He doesn't understand the cuts in Public Health saying, "Why would you want the treatment and prevention program for tuberculosis, a very communicable disease, to be cut and those infected with it not receiving treatment and thereby increasing the threat to the community? But that's on their list." He added that transportation funds would be shifted from better roads and bridges to pay for added DPS patrols, as a safety function, "which is a scenario they've used the past few years."

Mr. Smith indicated that these are the kind of cuts that are done by people who are desperate and have run out of good ideas. He explained, "We keep telling County workers that the way we'll be successful through all of this is to continue doing the same kinds of things we've been doing all along: continuous cost cutting, continuous improvement in our operations, applied technology, consolidating functions wherever possible, assessing our results and measures, etc., and that's the recommendation that we would also make to State Government." He said that if County government has to take the cuts and survive them, "We should be able to do it on the caveat that if they shift the cost to us, then we run the program. We tell them, 'you take away the mandates and we'll show you how to cut the costs.' There are good ways and bad ways to cut costs and there are ways to continue to make improvements even in bad fiscal times, and we offer to show you how."

Mr. Bradley pointed out that there are some things to note when the State Shared Sales Tax numbers are reviewed. Such as the way the fixed payments that are set by the State are handled. The State actually withholds certain fixed from our State Shared Sales Tax distribution share." He added, "The interesting thing is, when you add all those things up and take out all those fixed pieces of the pie, we really only get 18% of our State Shared Sales Tax or about \$58 million. ALTCS takes back 34% of our annual sales tax distribution, or \$114.9 million; Dispro takes 31% or \$101.8 million; AHCCCS payments take 14%; a new item appearing this fiscal year, Restoration of Competency takes 2% or \$5.5 million; and the probation cost shift takes \$3 million or 1%. Most of these percentages will grow in the 2003-04 JLBC budget and the County's percentage of our own State-Shared Sales Tax distribution could drop down to only 11% of \$335 million or only \$38.1 million for the remaining County expenses.

He suggested several good government concepts that could help solve the State's crises with less damage to County governments, including:

- Resources or taxes are assessed by the servicing jurisdiction and not the State.
- Services need to be developed for the best outcome at the least cost to taxpayers.

Discussion was held on the different methods that are being used to keep County employees informed on the status of budget issues. Mr. Smith said, "We cannot give our employees too much good and accurate information. People feel more empowered when they know the facts."

Mr. Smith outlined his main concern, "We would have a fairly reasonable budget on our own, but for this external threat. Obviously we would like to see the economy improve and not bump along in the very uncertain condition that it's in, but we have manageable internal issues. It's really this external \$93 million that is causing the greatest potential instability within our operations."

~ Supervisor Wilcox left the meeting ~

Discussion was held on the transfer of State prisoners to the County jails and how to best overcome such a difficult situation and try to make it work. All agreed that having to house, feed and guard thousands of additional prisoners when space and staff are already so limited is the worst proposal that the State has suggested to date. The additional cost of this single act is staggering and will cause a huge budget impact despite the token payment the State indicates will be paid as reimbursement. Different portions of the proposed cuts to the justice system, i.e., probation and trials were also discussed.

~ Supervisor Wilcox returned to the meeting ~

Tent City's limited means of solving the influx of State prisoners was explained and discussed at length. Mr. Bradley said that 2,000 new prisoners would factor in a 25% increase in the current jail population, which now averages 8,000 prisoners a day in a facility that was originally designed for 5,500.

Supervisor Stapley said that he has talked with various legislators recently and the message he has gotten is that no final decisions have been made on the State's 2003 budget let alone the 2004 budget. He said that the County should keep pressing its case with diligence, present a completely unified front in the message that is being conveyed and offer expertise to help solve the problem. Supervisor Stapley added, "This issue of taking money away from Maricopa County but not touching any of the other counties is nonsense, but there are one or two members of the legislative leadership who agree with that concept." He acknowledged that some of the small counties would be bankrupt overnight if a like share of their funding was taken away to help solve the State's problems in a similar ratio, particularly in the ALTCS area. He said, "There are some legislators who realize that it could bankrupt us also and we need to work with those members." Supervisor Stapley explained that ALTCS is an uncapped federal mandate and the number of people going into it is growing and will continue to grow as fast as the number of qualified recipients increase. With the approaching influx of baby-boomers this is expected to happen soon. He continued, "Most people don't even realize that Maricopa County is the only county in the state that does not have a half-cent sales taxing authority, all the other counties have that taxing ability. I don't understand it, and we need to find a way to get the message across to them." He stated, "We've already taken the remedial steps that the state is just now getting around to looking at."

OFFICE OF MANAGEMENT AND BUDGET APPROPRIATION ADJUSTMENT

Item: The Office of Management and Budget requests authorization for an appropriation adjustment reducing the FY 2002-2003 Detention Fund Jail Excise Tax Revenue budget in the amount of \$3,174,508. This request includes authorize a corresponding adjustment reducing FY 2002-2003 expenditures in the same amount. This expenditure adjustment will be made to the Detention Fund General Contingency line within the Appropriated Fund Balance budget. This adjustment will help to ensure that the County's budget maintains structural balance. This adjustment does not alter the duly adopted budget for purposes of ARS §42-17105, but rather, reflects internal structural adjustments necessitated by revenue shortfalls. (C49030298) (ADM1825)

MARICOPA COUNTY BOARD OF SUPERVISORS MINUTE BOOK

**SPECIAL SESSION
March 5, 2002**

Motion was made by Supervisor Kunasek, seconded by Supervisor Stapley, and unanimously carried (5-0) to authorize an appropriation adjustment reducing the FY 2002-2003 Detention Fund Jail Excise Tax Revenue budget in the amount of \$3,174,508, and a corresponding adjustment reducing FY 2002-2003 expenditures in the same amount.

MEETING ADJOURNED

There being no further business to come before the Board, the meeting was adjourned.

Fulton Brock, Chairman of the Board

ATTEST:

Fran McCarroll, Clerk of the Board