SPECIAL SESSION
May 12, 2003

The Board of Supervisors of Maricopa County, Arizona convened in Special Session at 9:00 a.m. May 12, 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.

LIQUOR LICENSE APPLICATION

No protests having been received and no speakers coming forth at the Chairman's call, motion was made by Supervisor Wilcox and seconded by Supervisor Kunasek, to recommend approval of the following liquor license application:

Application filed by Tiffany Paige Bock for a Special Event Liquor License: (F23105)

Organization:	Mental Health Association of Arizona
Location:	8216 South 133rd Avenue, Goodyear
Date/Time:	Sunday, May 18, 2003; 4:00 p.m. – 9:00 p.m.

Motion carried by majority vote (4-1) with Supervisors Stapley, Kunasek, Wilson and Wilcox voting "aye" and Supervisor Brock voting "no."

PRESENTATION OF THE FY 2003-2004 MARICOPA COUNTY RECOMMENDED TENTATIVE BUDGET

Sandi Wilson, Deputy County Administrator
Chris Bradley, Deputy Budget Director
Brian Hushek, Deputy Budget Director

David Smith commented that this is his ninth year to present the County's proposed budget since becoming County Administrator. He explained that this year's budget continues the tradition of financial stability with no increase in the over-all tax rate, no program additions or deletions and with only a few staff positions being deleted. He indicated that the solid development of contingency funds and reserves necessary in the coming year for the County to weather the continuing down economic times continues to be in place. (C49030348) (ADM1802)

Sandi Wilson remarked that this year's budget has been very difficult and challenging cooperative process and thanked leadership in the County and Courts, OMB and all staff for being understanding and cooperative in facing cuts of as much as 10% in certain departments.

Ms. Wilson said that the tax rate will remain the same, at 1.55448, for the third year in a row so this will be a good budget for taxpayers as well as for the County. Rates remain flat for all categories – primary and secondary rates. She said that the overall 1.55448 rate is actually the lowest overall rate that Maricopa County has had in the past 16 years that this has been tracked and that is worthy of notice and pride.

The primary tax rate is low compared to other jurisdictions. She compared it with the four other large counties in the State and the State's overall average, which is $2.15. Maricopa County's rate remains at $1.2108 for the second year in a row. However, she warned that the trends show very slow growth and the April update from Elliot Pollack repeated the same mantra of much uncertainty in the economy. She said the County has agreed with the pessimistic estimates given by Mr. Pollack for the second year in a row for both Sales Tax and Vehicle License taxes; another very conservative budget is the result.

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Maricopa County is once again recognized as the fastest growing large county in the United States, having recently overtaken Harris County, Texas to become the third largest county in the nation. She cited the Arizona Republic's newest population quote for the County, "Another day another 280 people." In 2020 the estimate is for the County's population to be at 5.5 million people, which is more people than are in the entire state today. Unemployment continues to rise in this sluggish economy and has been above 5% in Maricopa County since last November. Consumer confidence in the State and the County dropped in June 2002.

Retail sales did not meet projections with only a .3% growth last year. It is hoped this will rise to 2.3% growth in 2003 and it is expected that sales will pick up considerably in 2004-05. Ms. Wilson said that the County's budget for next year will be $2.4 billion but she indicated that the County's biggest challenge continues to be the uncertainty of what to expect with regards to the State's budget crises and the impact of that on County revenues.

She recognized the uninvited nature of the budget crisis facing the newly elected Governor and State officials, and indicated that the County continues to offer aid to Speaker Flake and the legislature while continuing its plea to take voluntary cuts in areas that would hurt the County's economy the least while still giving the same level of relief to the State. The County asks to assume responsibility for developing the programs that it is being forced to fund and is willing to answer to the taxpayers for running these programs in a cost effective manner. She indicated that when the State is running programs that the County is paying for there is no accountability and no incentive for the State to make them cost effective and it could result in significant damage to the County's infrastructure if allowed to continue.

Supervisor Wilson wondered how many County tax dollars are being used to run State operated programs and speculated on how long Maricopa County taxpayers could or would continue to allow this. He felt that "now is a good time to correct a lot of these problems."

Ms. Wilson responded, "If you look at what the County is paying for in mandated healthcare services alone it's probably over $200 million, and there are a lot of other things that have come to us over the last few years, such as Restoration of Competency, making it an even larger amount."

Discussion ensued on the JLBC (Joint Legislative Budget Committee) and Governor's proposed budgets and the various sources of the County's operating funds and how these are dispensed. This led to discussion of the various problems hinging on reductions in the State Shared Sales Tax monies (especially in the JLBC version of the budget). This reduction, plus the funding cuts from other state and federal sources, will result in greatly reduced essential revenue that the County will be forced to "live with" in future fiscal budgets. Ms. Wilson said that some reductions in staff of approximately 240-253 FTE's (full time equivalents) had been forced in the projected budget, and it is expected that the majority of those will come about through attrition and layoffs will not be necessary. She explained that more than half of the County's expenditures are for Health, Welfare and Sanitation ($1.2 billion) and the majority of that amount is for MIHS (Maricopa Integrated Health System), which has prompted the appeal from the Citizen's Task Force and the County for a Special Healthcare District to relieve this burden.

Ms. Wilson continued by stating that while revenue from the State Shared Sales Tax has flattened over the past two years, Vehicle License taxes have continued to produce a steady growth, which is estimated conservatively at 4.6% for 2003 and 2004. It was 6.2% this year, down from its top in 1999-2000 of 8.7%, but still is considered a healthy and consistent growth trend of 5% or better.

Ms. Wilson said there are a couple of pending General Fund money issues that must be considered that include Health, Dental and Retirement benefit increases ($12 million), Mandated Healthcare cost increases ($8.1 million, consisting primarily of the ALTCS contribution to the State), and certain Criminal Justice cost increases ($10 million, largely resulting from the Ring decision). She reiterated that a number of 10% base budget cuts will affect some general fund departments (mostly administrative) and cuts have also been made in several non-mandated programs for a total budgetary saving of $6.6 million. She explained that voluntary departmental cutbacks taken last year had amounted to approximately $20 million, "So this is the second year in a row to ask departments to cutback, and we really are at the bone at this point."

Chris Bradley reported on the budgetary impact that MIHS has had on Maricopa County during the past several years. He then focused on the past twelve months and the coming year and gave statistics on amounts and types of services provided. He indicated that "MIHS is not only a very large part of the County but it also plays a significant role in regional health care." He said the chief risk has been a cash shortage within the system and because of the shortage a carry-over reserve of $53 million has been set aside in the County's General Fund for possible future emergencies. Other MIHS concerns cited include federal health policies and reimbursement rates, the impact of the economic downturn, an inadequate physical plant, workforce shortages, decreasing utilization of psychiatric beds, declining in-patient utilization and an over-all reduction of plan-member utilization at MIHS facilities. He said that in 2001, when the County lost its exclusivity in ALTCS (Arizona Long Term Care Services) the net income for MIHS dropped from a $18.1 million profit in 2000 to a minus $2.93 million in 2002. He indicated that there were four years (1998-2001) when the County did not have to subsidize MIHS from the General Fund at all. This was primarily because there were ALTCS funds and Disproportionate Share Funds (DSH funds) of $13 million from the State. In 2002 the DSH funds were lost to the State and had to be replaced by a General Fund subsidy to MIHS. In addition, an $8.8 million cash transfer had to be made from the General Fund to MIHS in 2002 to compensate for accumulated deficits. All of this led to the formation of the Citizen's Task Force to try to determine the best survival methodology for MIHS in the future, or if it would be best to close it down. The resulting recommendation was for the formation of a Special Healthcare District.

Mr. Bradley next reported on the new detention facilities, which he termed possibly the second biggest issue this year. He said the 1998 voter approved, new detention facilities are all coming to fruition this year, including the Sheriff's Training Academy, 4th Avenue Jail, Lower Buckeye Jail, Durango Juvenile Detention Facility, Mesa Juvenile Detention Facility and the Facilities Management Maintenance Building. The original $900 million Jail tax funding approved in 1998 for operations of the facilities and startup costs became a growing concern over the past few years. Forecasts have indicated the original monies would be gone in December 2007 and there would be no way to pay operational costs after that time.

Mr. Bradley gave a brief overview of the various issues surrounding the passage of this tax bill in 1998, which the Legislature rewrote and capped at $900 million or nine years with no consideration given to future operating and maintenance costs. The abridged legislative version was given to the voters and it passed. Subsequently, voters had to be asked to approve an extension of that tax in order to man and operate the new jails. Mr. Bradley related that the jail population (currently at 8,000 adult prisoners plus 400 juveniles) is where the projected master plan had placed it. However, in an effort to ease its financial crisis, the State is expected to transfer 2,000 inmates to the County as soon as the new jails are completed and this unexpected infusion will essentially make the new jails obsolete before the first County prisoner steps through the door.

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Brian Hushek reviewed the Capital Improvement Program (CIP) and said the FY 2004 program totals $315.6 million, as follows:

General Government Capital Improvement Fund (445)	$23,851,077
Capital Improvement Lease Revenue Bond Fund (435)	22,029,606
Intergovernmental Capital Projects Fund (422)	20,900,213
Detention Capital Projects Fund (455)	117,361,689
Transportation Capital Projects Fund (234)	77,457,228
Flood Control Capital Projects Fund (990)	54,000,000
Total	**$315,599,813**

Ms. Wilson thanked the Board, department heads and County employees for their help and understanding during this difficult process. The Chairman thanked her and all OMB staff for their diligence and hard work in drafting this year's budget during the financial crisis.

Supervisor Wilson commented on the $21 million the County lost in State budget cuts last year and the projected $32 million it will lose this year and said he wanted the department heads to realize that the Board is aware of the position they have been put in and is doing everything possible to alleviate future distress. He said that the Board appreciates and will continue to support their efforts to maintain excellent County services for the public despite these cutbacks.

Supervisor Stapley concurred with this and said that it speaks to an issue that has been addressed by the Supervisors numerous times, which is the County's relationship with the State of Arizona. He said, "We can't stop this paradigm-shift in the wrong direction unless we work harder at improving relationships on both the state and federal level." He urged continuation in funding adequate representation at the federal and state levels to bring needed awareness to those elected officials. At the same time he recommended increased individual efforts to educate the Legislators, the Governor and her staff, CSA representatives (Center for Medicare and Medicaid Services), and ATRA members (Arizona Tax Research Association) on the problems that confront the Counties saying that most of the problems stem from a basic lack of understanding. He indicated that if it takes an increase in staffing and/or lobbying efforts it would be money well spent. "Spending a few dollars now relates to millions of dollars when the State shifts these costs to us. And those actions create bad public policy that will take years to correct if we don't stop it."

Chairman Brock agreed and added that the members of the Legislature depend on ATRA to brief them and when ATRA doesn't understand the full picture that just multiplies the problems for the County.

Summary of the budget is as follows:

Total Gross Budget	$2,969,129,112
Eliminations	$(537,772,335)
Total Net Budget	$2,431,356,777
Total Expenditures	$2,199,350,095
Appropriated Beginning Fund Balance	$232,006,682

Motion was made by Supervisor Wilcox, seconded by Supervisor Kunasek, and unanimously carried (5-0) to approve the Maricopa County tentative budget of $2,431,356,777 for FY 2003-04.

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