

The Board of Supervisors of Maricopa County, Arizona convened in Special Session at 9:00 A.M., June 21, 2004, in the Supervisors' Conference Room, 301 W. Jefferson Phoenix, Arizona, with the following members present: Andrew Kunasek, Chairman, District 3; Fulton Brock, District 1, Max W. Wilson, District 4, and Mary Rose Wilcox, District 5. Absent: Don Stapley, District 2. Also present: Norma Risch, Deputy Clerk of the Board, Shirley Million, Administrative Coordinator, David Smith, County Administrative Officer and Paul Golab, Deputy County Attorney.

DISCUSSION REGARDING FY 2004-2005 TENTATIVE BUDGET

David Smith, County Administrator
Sandi Wilson, Deputy County Administrator
Christopher Bradley, Deputy Budget Director
Brian Hushek, Deputy Budget Director

David Smith reported that in comparison with last year's budget, this year's tentative budget report presented a much sunnier outlook. He indicated that this is in response to good leadership and the conservative "pay as you go" guidelines set forth by the Board and implemented by quality staff work. He indicated that this budget includes all the traditional services with no new programs. Accommodations have been made for a long awaited employee salary adjustment as well as a pay as you go dividend for taxpayers. In addition he related that to date a \$500,000 savings has accumulated as a result of combining several departments to create the Public Works Office. He projected prudent increases in the area of health care by the end of this year instead of the steadily mounting losses experienced in recent years. Mr. Smith expects another State budget impact this year and said that while in former years he might project a possible status change in the budget of three to five million dollars, now the status can change by as much as 30 to 50 million dollars on any given day depending on what the State passes down. He referenced the fact that the County would soon be debt free but that borrowing from certain non-property tax supported revenue streams is considered good business practices and would continue as prudently necessary. He indicated that any borrowing would be covered by a cash reserve and added that Tom Manos would explain this fully in his report.

Sandi Wilson gave a summary of the recommended tentative FY 2004-05 budget, totaling nearly \$2.6 billion, using a slide presentation and handouts. She indicated that this year's budget is structurally balanced and that there would be a sustainable property tax reduction (\$.07 rate cut) through the elimination of debt service on a loan that is being paid off at the end of this month, making this the lowest combined tax rate (\$1.4748) in the last 25 years. In total, the combined rate has been reduced \$.1727 over the past six years. She indicated this would also help build reserves for potential future liabilities that would include the health system and its transition to the new district and will allow additional pay-as-you-go funding for small projects while establishing reserves for larger capital projects.

Expenditure of County funds funnels the largest percentage, 48.48%, to health, welfare and sanitation costs. Public safety takes 25.60%, General Government uses only 19.59% and highways and streets 5.09%. The remaining 1.23% is used to fund County educational, cultural and recreational facilities.

Chris Bradley spoke of the impact on the jails and criminal justice system by the phenomenal growth being experienced in the County. The average daily adult jail population has increased by 6.5% and some days the population spikes to more than 9,000 prisoners. There has been a similar 6% increase in juvenile detainees. New jails are nearing completion and will open later this year. Following these openings, time will be needed to renovate the old jails. Because of the population growth being experienced, the new facilities are already said to be inadequate to handle the surge in the number of

inmates, and new solutions must be explored. The problem only begins with additional law enforcement space and personnel needs and costs. The space/time/personnel problem escalates as inmates move into the judicial system that includes the County Attorney's Office, Superior, Juvenile and Justice Courts, the Public Defender, Adult and Juvenile Probation, Correctional Health and must include more mundane things such as processing hundreds of thousands of various court records, improving information systems throughout the different levels, and DUI and Initial Appearance Courts. Methods are being implemented to cut escalating Criminal Justice System costs in every possible way but they continue to soar as families continue to move to the Valley.

The new FRG management staff for the Health Delivery System under Ted Shaw's direction have produced revenue improvements of \$14 million in cash collections from March through May 2004, vs. the same period in FY 2002-03, and they are \$7.8 million over target. Detailed staffing analysis has provided more efficient staff utilization and this and supply chain initiatives have helped to control costs. In addition, their cost accounting system supports profit and loss analyses in all areas. This positive trend is expected to continue and perhaps increase, until the system is handed over to the new Health Care District in January 2005. The outlook for the Health Plans is stable with the exception of Senior Select. FRG recommends closure of Senior Select, which would reduce losses by \$500,000. In summation continuing and new projects were discussed that included Trails property acquisition and preservation and renovation of existing facilities. Ms. Wilson said that the FY 2004-05 budget vote will be July 12 and the property tax rate will be set on August 16.

During the discussion period, Maricopa County was compared to 12 benchmark counties whose average per capita long-term debt is \$421,000, with the highest being Clark County at more than \$1 million and Maricopa County the lowest at \$68,000 (Pima County's was \$223,000). The population growth rate for the top six U.S. counties shows Maricopa County as the fastest growing county, leading No. two, Harris County, TX, 2.8% to their 1.5% growth. Maricopa County also rated lower than most major cities in Arizona in FY 2003 with an outstanding debt of \$130,273,452. Phoenix's outstanding debt in FY 2003 was highest at \$3,375,512,875 – the only city with a total in the billions of dollars. Total outstanding debt amounts for other Arizona cities were as follows: Tucson, \$782,730,171; Mesa, \$728,538,000; Scottsdale, \$542,651,737; Glendale, \$385,660,463; Chandler, \$302,697,500; Tempe, \$271,000,000; Gilbert, \$164,920,000 and Peoria, \$148,046,868.

The Supervisors all credited David Smith and the OMB staff for another excellently planned budget. Supervisor Wilcox said she had sat through many of David Smith's proposed budget presentations "and they get better and better, even in the bad years." Chairman Kunasek said this budget is a credit to stabilized and improved policies over the years and to the integrity of the system that now garners genuine respect for the process and those doing it, even from former critics. Supervisor Brock said the financial health of Maricopa County is a tribute to David Smith and his staff as well as the good relationship the Board and management have built with employees. He said that this has been an open Board that emphasizes pay-as-you-go planning, "and despite the struggles with mandates from the State Legislature our philosophy has paid off." Supervisor Wilson, still the "new kid on the block" after being appointed to the Board early in 2002 and elected for another two years that fall, remarked on the resiliency of County government after facing near-bankruptcy ten years ago. He reflected on some new things he has learned while participating in government at the County level. He said that what he used to term "crisis" he has learned to regard as "normal business" and added, "What we do, we do, and we do it in front of everyone – no hiding things from the public – they get to see the bad along with the good."

Chairman Kunasek called a five-minute break at this time.

Motion was made by Supervisor Wilcox, seconded by Supervisor Brock and unanimously carried (4-0-1) to approve the adoption of FY 2004-2005 Tentative Budget, as follows: (C49040288) (ADM1802)

- a) FY 2004-2005 Tentative Budget by total appropriation for each department and fund in the amount of \$2,466,665,939 (Expenditures totaling \$2,175,846,561 and Appropriated Beginning Fund Balance of \$290,819,378);
- b) FY 2004-2005 Tentative Budget Executive Summary; and
- c) Schedule a public hearing to solicit public comments on the FY 2004-2005 Budget for 9:00 a.m., Monday, July 12, 2004.

PRESENTATION AND OVERVIEW OF THE COUNTY'S DEBT STATUS.

Tom Manos, Chief Financial Officer

Mr. Manos said the 1986 General Obligation Bond will be paid off on July 1st and the County will have no outstanding obligation debt and will be considered debt free under our constitutional limit, which was \$3.7 billion (or 15 percent of assessed value) as of June 30, 2003. He added that the \$30 million 1994 Certificate of Participation (COP) has also been paid off, there have been no Tax Anticipation Notes since 1996 and no use of the Credit Line since 1994. He said that in comparison with other counties around the nation "this is exceptionally good news." Maricopa County's total debt, as reported to ATRA, as of June 30, 2004, is \$107,010,000. This amount is from one COP and two Lease Revenue Bonds taken out in 2001 and 2003. He reported that it is most unusual for a county the size of Maricopa to have such a low debt and it is even more unusual for a county to have cash reserves set aside to pay their debt. He stressed the fact that the pay-as-you-go policy set by the Board and Administration has saved Maricopa County taxpayers millions of dollars. In November 2003, Fitch upgraded the County's general obligation bond rating from AA to AA+. (C49040298) (ADM1800)

EXTEND LETTER OF AGREEMENT WITH AMERIHEALTH

Motion was made by Supervisor Wilcox, seconded by Supervisor Brock, and unanimously carried (4-0-1) to approve an extension of letter of agreement with AmeriHealth Mercy in order to finalize contract negotiations from July 1, 2004, to July 8, 2004. (6004271M01)

INCREASE IN REVENUE AND EXPENDITURE AUTHORITY – SHERIFF'S OFFICE

Motion was made by Supervisor Brock, seconded by Supervisor Wilcox, and unanimously carried (4-0-1) to approve an increase in revenue and expenditure authority of \$377,226 to the FY 2003-2004 Sheriff's Office Grant Fund, 251, to accommodate the anticipated year-end variance caused by special revenue activity for Jail Enhancement Funds and RICO that was not included in the FY 2003-2004 Adopted Budget. The receipt, by the Sheriff's Office, of Jail Enhancement Funds and RICO funding are not considered "local revenues" for the purpose of the constitutional expenditure limitation because (1) they have been included in the appropriation limitation of the expenditure limitation of the State and thus, non-local (per Arizona Constitution Article 9, § 20(d)(vi)); (2) their receipt is a transfer of non-local revenues from another agency, department, or office of Maricopa County and, thus, are non-local (per Arizona Constitution Article 9, § 20(d)(vii)); or (3) are a "grant or aid" from the federal government, and, thus, are non-local (Arizona Constitution Article 9, § 20(d)(iv)). Also, authorize the establishment of two new special revenue funds entitled Sheriff Jail Enhancement Fund (214) and Sheriff RICO Fund (212) in the FY 2004-2005 budget. Also, approve increasing the FY 2004-2005 revenue and expenditure budgets for

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these funds between tentative and final adoption: JEF revenue and expenditure authority equal to \$1,100,000 and RICO revenue and expenditure authority equal to \$395,000. The receipt, by the Sheriff's Office, of Jail Enhancement Funds and RICO funding are not considered "local revenues" for the purpose of the constitutional expenditure limitation because (1) they have been included in the appropriation limitation of the expenditure limitation of the State and thus, non-local (per Arizona Constitution Article 9, § 20(d)(vi)); (2) their receipt is a transfer of non-local revenues from another agency, department, or office of Maricopa County and, thus, are non-local (per Arizona Constitution Article 9, § 20(d)(vii)); or (3) are a "grant or aid" from the federal government, and, thus, are non-local (Arizona Constitution Article 9, § 20(d)(iv)). (C50050068) (ADM3900-003)

NEW TEMPE THOMAS J. PAPPAS REGIONAL ELEMENTARY SCHOOL RIR

In accordance with the Board of Supervisor's FY 2004-2005 Budgeting for Results Guidelines and Priorities, motion was made by Supervisor Brock, seconded by Supervisor Wilcox, and unanimously carried (4-0-1) to authorize the Office of Management and Budget (OMB) to accept, review, recommend and prioritize the following Results Initiative Requests (RIR) from the Superintendent of Schools to fund the FY 2005 operational, maintenance and one-time costs of the new Tempe Thomas J. Pappas Regional Elementary School. (C37040078) (ADM3800-003)

TRANSFER OF CONTINGENCY FUNDS – CONTRACT COUNSEL

Per ARS §42-17106, motion was made by Supervisor Wilcox, seconded by Supervisor Brock, and unanimously carried (4-0-1) to approve the transfer of expenditure authority from FY 2003-2004 contingency funds in an amount not-to-exceed \$3.0 million from General Government (470) General Fund (100) Reserve for Contingency for "Unfunded Liabilities" to the Office of Contract Counsel (560) General Fund (100) at the end of the fiscal year. This action will require expenditure appropriation adjustments increasing the Office of Contract Counsel's General Fund budget by an amount not-to-exceed \$3.0 million and reducing the General Government (470) General Fund (100) General Contingency budget by the same amount. (C56040018) (ADM530)

WATERLINE EASEMENT FOR STETSON VENTURE II, LLC

Motion was made by Supervisor Brock, seconded by Supervisor Wilcox, and unanimously carried (4-0-1) to approve and execute a waterline easement for Stetson Venture II, L.L.C. as it pertains to the waterline and electrical service along 51st Avenue from the Central Arizona Project Canal to Happy Valley Road, subject to legal counsel review and approval of the documents. (C30040320) (ADM3200)

TRANSFER OF FUNDS – MEDICAL EXAMINER

In accordance with ARS §42-17106(b), motion was made by Supervisor Wilson, seconded by Supervisor Brock, and unanimously carried (4-0-1) to approve and authorize the transfer of \$30,000 in General Government (470) General Fund (100) General Contingency (4711) to a new line in General Government (470) General Fund (100) Other General Fund Programs (4712) entitled "Medical Examiner Toxicology Costs". With this approval Office of Management & Budget is authorized to transfer not-to-exceed \$30,000 at fiscal year end to Medical Examiner (290) General Fund (100) in order to cover higher than anticipated Toxicology Costs. This action will require appropriation expenditure adjustments increasing the Medical Examiner General Fund budget and reducing the General Government General Fund budget for a countywide net impact of zero. (C29040058) (ADM2170)

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RESIGNATION AND APPOINTMENT – BOARD OF ADJUSTMENT

Motion was made by Supervisor Wilcox, seconded by Supervisor Wilson, and unanimously carried (4-0-1) to accept the resignation of Art McKinn, effective June 18, 2004, and appoint Robert Olivas to the Board of Adjustment, as District 5 nominee. The term of appointment will be from the date of Board approval, to March 18, 2006. (ADM3413)

OFFICIAL APPOINTMENT AND OATH OF OFFICE – CLERK OF THE BOARD OF SUPERVISORS

Motion was made by Supervisor Wilcox, seconded by Supervisor Brock, and unanimously carried (4-0-1) to authorize the Official Appointment and Oath of Office for Barbara Hofmann as special deputy clerk in the Office of the Clerk of the Board of Supervisors. (ADM700-001)

ASRS COMPUTATIONS FOR VOLUNTARY CONTRIBUTIONS

Motion was made by Supervisor Wilson, seconded by Supervisor Wilcox, and unanimously carried (4-0-1) to accept computations representing the amount of voluntary contributions to be made by the Arizona State Retirement System in lieu of property taxes for the 2004 tax year, in accordance with ARS §42-11102C. The market value of the property owned by the retirement system has been determined using standard appraisal techniques. The computations are based on the same methods of assessment used in calculating ad valorem taxes of similar properties in the county for the current tax year. (ADM303)

MEETING ADJOURNED

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

Andy Kunasek, Chairman of the Board

ATTEST:

Norma Risch, Deputy Clerk of the Board