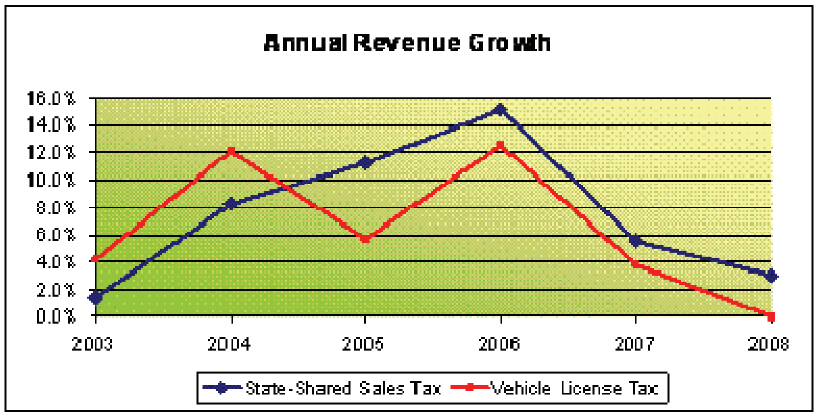
Transmittal Letter

To: Fulton Brock, Chairman, District 1
Don Stapley, District 2
Andrew Kunasek, District 3
Max Wilson, District 4
Mary Rose Wilcox, District 5

The 2007-08 budget marks a notable departure from the strong revenues enjoyed by the County for the last several years. Growth in two primary revenue sources, State-Shared Sales Tax and Vehicle License Tax, began to fall precipitously in the early part of FY 2006-07. By January 2007, it became clear that the County would not meet budgeted revenues in these areas, despite our conservative budgeting approach of utilizing the forecasted pessimistic scenario. General Fund revenues and expenditures were reduced mid-year by nearly $10 million to account for slowed growth. This slow-down continues in FY 2007-08 with State-Shared Sales Tax projected to grow only 3% (the lowest growth rate since the recession following September 11, 2001), and no growth expected for Vehicle License Tax, as shown in the graph below.



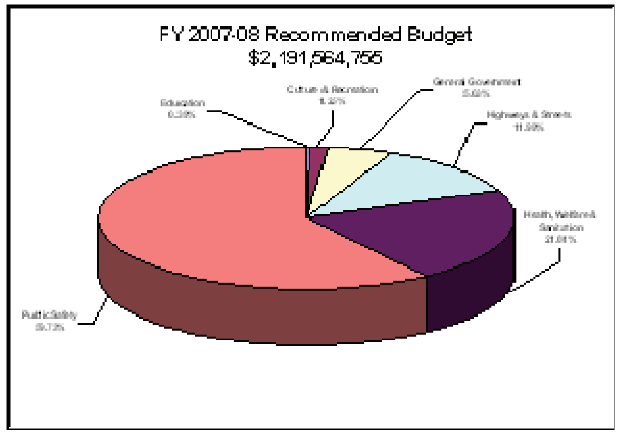
Unfortunately, the revenue forecast does not anticipate a recovery until FY 2012. Paired with continued strong population growth (estimated to be approximately 3% annually), this will challenge us to operate more efficiently. Balancing the County's budget will become increasingly difficult over the next several years.

The recommended budget is $2.192 billion, which is a 5.4% increase over the 2006-07 revised budget. The increase is primarily due to cash contributions to the Capital Improvement Program, enhancements in employee compensation and benefit packages, changes in budgeted revenues and expenses associated with the County self-funding employee benefits, minimal growth in the justice system, and increased contributions paid to the State of Arizona for mandated health care costs. Some of these increases were partially offset with base reductions of $12 million. The overall increase in the budget is less than the combined increase in population and inflation of 6.0%.

Each year, the Board of Supervisors adopts the budget guidelines which provide policy direction for County departments and the Office of Management and Budget. As a result of slowing revenues, the guidelines for the 2007-08 budget allowed primarily for known fixed cost increases, such as employee health and retirement increases and mandatory payments to the State of Arizona. Requests for additional funding required Board approval before review by the Office of Management and Budget. Departments were encouraged to find ways to reduce expenditures while maintaining results. The Board of Supervisors continued the practice they began last year of voluntarily limiting the growth in our secondary property tax levies by self-imposing a 2% limit on taxes levied on existing properties. This parallels the constitutional limits that exist on the primary property tax levy.

Expenditure Uses

Maricopa County is not a chartered county providing for elements of home rule; therefore, most of our mission is set in statute by the State of Arizona. We are, essentially, a service delivery arm of State government. Every citizen in Maricopa County utilizes County services at some level. Public safety and justice services, such as those delivered by the Sheriff's Office, the Justice and Superior Courts, the probation offices, and legal departments, comprise the majority (nearly 60%) of our budget. Public health, welfare and sanitation make up the second largest piece of the County's overall budget (21.6%). Services in this category are delivered primarily by the Public Health, Correctional Health Services, Air Quality, Environmental Services, and Animal Care and Control departments. Social services are encompassed in this category, as well, and are delivered by the Community Development and Human Services departments. The remainder of the County's budget is devoted to highways and streets, general government (such as elections, recordings, property assessments, and treasury and tax collection for local governments), culture and recreation, and education. Although almost all of these services are mandated by the State of Arizona, the County strives to employ innovative service delivery strategies that reduce the burden on taxpayers while ensuring that programs are successful, customers are satisfied, and results are achieved. Budgetary decisions are based on program performance, and programs are aligned to the strategic priorities of Maricopa County as adopted by the Board of Supervisors.



Econometric and Demographic Trends

During the last fiscal year, the County's population grew by an estimated 3.7%. Although growth may decline as much as a full percentage point in the upcoming fiscal year, Maricopa County's growth will continue to outpace the national average by nearly 300%. Job growth follows a similar pattern, with Maricopa County exceeding the national average by nearly three times. However, the forecast over the next several years shows Maricopa County's job growth declining more dramatically than the projected slowdown in population. This can be expected to drive an increase in local unemployment rates, which generally increases demand for governmental services. Unfortunately, it is unlikely that the growing demand for services will be supported with increased revenues, as two of the County's three primary General Fund revenue sources naturally fluctuate with the employment rates and overall economic trends.

To that end, the Office of Management and Budget is carefully monitoring the economic indicators and tracking economic predictors to better prepare the County for the recession that is likely ahead. Growth in our revenue base is troublesome. In prior years, State-Shared Sales Taxes and Vehicle License Taxes had very strong increases and helped to drive the very high growth in revenues. In FY 2007-08, our forecast shows a projected growth in State-Shared Sales Taxes of 1.1%, as compared to a budgeted growth of 7.3% over the forecast last year. State-Shared Vehicle License Taxes are actually projected to be lower than the Fiscal Year 2006-07 Adopted budget by $788,506. This is unprecedented. Economists are stating that the slowdown which has occurred with the housing market is beginning to spread to general sales and employment indicators. Since May of last year, sales have been relatively flat and employment indicators are slowing. According to Marshall J. Vest, the forecasting director of the University of Arizona's Eller College of Management:

> *"Spillover from the housing downturn is now clearly visible in both sales and employment data. Moreover, the slowdown extends beyond housing components into general merchandise and apparel as well as autos. As 2007 begins, Arizona's high-flying economy is much closer to recession than most analysts realize."*

Property Taxes

Maricopa County has one of the lowest property tax rates in the State of Arizona and continues to be at its lowest rate in over 25 years. Our overall proposed property tax rate is $1.2970 per $100 of assessed valuation. This is a double-digit tax rate reduction of $0.1378. The savings on the average Maricopa County home of $250,000 is estimated to be $34.45. The Property tax rate for the primary tax is recommended to be $1.1046, which is a $.0748 reduction. This is a very significant reduction. There has been a large increase in property tax assessment values and Maricopa County is offsetting that increase with a 9.6% reduction in the overall tax rate.

Maricopa County taxpayers are also fortunate because we do not have a secondary tax rate for debt service. Several years ago, Maricopa County paid off its 1986 bonds. It is unheard of for a jurisdiction of our size to operate without general obligation bonds being utilized for capital improvements. We do not have any outstanding general obligation bonds and the debt we do have is minimal. The Board of Supervisors has directed staff to pay cash whenever possible and if debt financing is necessary, to do so within the capacity of the primary property tax levy. However, in the future, it may be necessary to pursue other approaches for park improvements or other critical needs.

Finally, Maricopa County has limited our growth in the other secondary property tax rates through the imposition of a limit for both the Library and Flood Control districts. The Board of Supervisors, acting as the Board of Directors of these districts, imposed a 2% growth limit on existing property to ensure that the large increases in assessments did not result in a large tax increase in the secondary property levies. This was initially imposed last year and will continue in Fiscal Year 2007-08. The Flood Control District's rate will drop $.0514 per $100 of assessed valuation, and the Library District's rate will drop $.0116 per $100 of assessed valuation. This innovative approach to controlling property tax growth was heralded by the Arizona Tax Research Association in their support of a bill (HB 2565) in this legislative session. This bill mirrors our actions of last year and mandates the 2% limit on our and other similar secondary taxing districts. Maricopa County set the example in responsible controls on tax levies.

Technology Infrastructure

Maricopa County began its Desktop Refresh Program in FY 2003-04. This plan replaces personal computers used by County employees every three years in order to keep up with changes in technology. The plan has been very successful and in the coming fiscal year, $36.5 million is budgeted to continue this program.

Recently, Maricopa County extended this to the County's enterprise-wide technology infrastructure. Beginning in the fourth quarter of FY 2006-07, the County began an update of the data and telecommunications infrastructure and network environments that will initiate a regular refresh program of infrastructure technology. This update is in conjunction with an overarching strategic IT master plan for the County's technology infrastructure. Phase I of the plan, which began in Fiscal Year 2006-07, included updating documentation of our data and telecommunication systems, eliminating the single points of failure, upgrading the Administration Building IT infrastructure, initiating a new wide area network (WAN) and internet blocks, procuring spare servers, and completing the technology strategic plan. Phase II will commence during Fiscal Year 2007-08 and continue to update the downtown campus infrastructure, complete the development of clustered data centers, finalize a regional disaster recovery site, and achieve a comprehensive information security solution. In Fiscal Year 2007-08, $14.2 million is budgeted for Phase I and II. Subsequent years will also have a financial commitment of approximately $20 million for continuation of the IT infrastructure refresh program.

Planning for phase III will begin in Fiscal Year 2007-08 as well. The Office of Enterprise Technology will continue to document our data and telecommunications infrastructure at the two other main campuses at Durango and the Southeast Regional Center, as well as the hundred plus remote sites operated by Maricopa County. In addition, updates to the WAN backbone and an out-of-state disaster recovery site will be scoped. No cost estimates have been made for phase III at this point.

While the cost associated with improving our IT infrastructure is large, it is critical to providing superior services to our County residents. The future environment will provide a high performance and a secure network for County departments that will be ready and able to utilize the new technologies that will be available in the coming years. The future network design will be comprehensive and will ensure business continuity and disaster recovery so that disruption in County service will not occur. The infrastructure will be highly scalable, available and fault-tolerate. Once completed, the County will have 1 Gbps to the desktop, 10 Gbps backbone, high-speed wide area network links, and a wireless network overlay. This will allow us to proceed with automated solutions which improve services for our customers. Departments and functions that are planning for technological solutions include the Assessor, Treasurer, Clerk of the Board, and the County Manager's Office.

Managing For Results

Managing for Results (MFR) is the County's management system. It is customer-oriented, results-focused, and data-driven. This philosophy creates an environment in which every employee within the County knows:

- How their work contributes to the overall strategic direction of the County.
- The effectiveness or impact of their work on their customers.
- What it costs to deliver the programs they support effectively and efficiently.

This is accomplished through an annual cycle of planning for results, measuring results, budgeting for results, delivering results, analyzing and reporting results, and, lastly, evaluating and improving results.

The County first implemented MFR seven years ago. Understanding and applying MFR has grown tremendously over that time. Many departments have fully embraced the MFR philosophy. From a budgetary perspective, this means that they can articulate the financial impact of changes to demand and output levels, as well as quantify the cost of improving results.

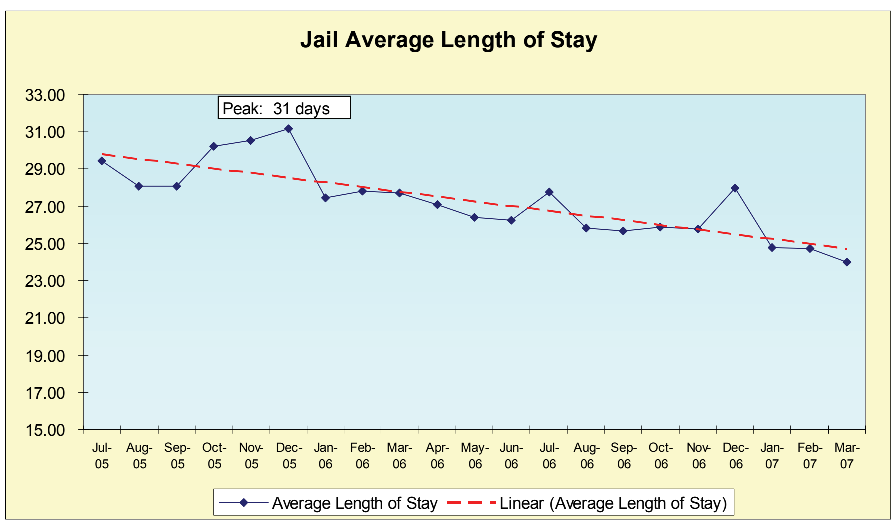
This year we continued our budgeting for results efforts by requiring demand forecasts as a part of the budget request process. This greatly facilitated analysis, and allowed us to better align resources with need. In some instances, performance information helped to identify efficiencies and ultimately allowed for resources to be reallocated to other areas. Performance data is now routinely reported in conjunction with budgetary data (see Departmental Section for examples).

As the MFR philosophy became ingrained in the way we do business at the County, we began to realize that full implementation was impeded by our out-of-date technology. As a result, the Office of Enterprise Technology, with the consent of the Board of Supervisors, entered into a partnership with Microsoft to design a system that will support MFR at many different levels. At the most basic level, it will be a repository for departmental strategic plans – mission, vision, goals, programs, activities, and services, as well as performance metric data. This system will, whenever possible, feed directly from existing departmental systems, thereby eliminating time-consuming and error-prone duplicative data entry. The system will also provide customized dashboards and scorecards so that County executives, staff, and citizens can quickly and easily access information about the services provided by the County. It will support our data analysis needs by featuring forecasting, trending and other analytical tools, and interface with the County's budget system. This will support our need to develop financial forecasts that include assumptions about service delivery, both in terms of quality and quantity. Implementation of this system began in the latter half of FY 2006-07, and continuous enhancements are expected throughout FY 2007-08.

Migration to a new system provided a good opportunity to review our existing strategic plans and ensure that they are meeting the needs of management and County executives. With the assistance of Weidner, Inc., we have developed and begun to implement a strategy to review and improve existing plans, as well as train staff in how to develop and use plans and performance data, and how this information can and should be integrated with budget data to make management decisions. We are hopeful that many plans can be updated in the first half of FY 2007-08. Intensive training will continue throughout the year.

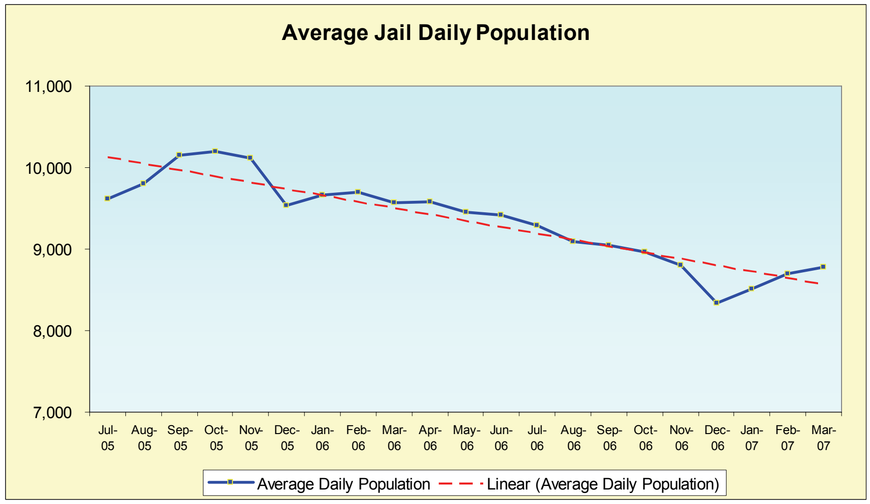
Detention Operations

Maricopa County has one of the largest adult jail detention systems in the United States. The system is funded in large part by a dedicated sales tax that was approved by the voters in 1998, and re-approved and extended in 2002. This dedicated tax, along with a "Maintenance of Effort" (MOE) allocation from the General Fund and other jail-related revenues, is maintained in a separate Detention Fund. Growth in the Detention Fund has slowed with the general downward trend in sales tax collections and a change in the MOE inflator. The FY 2007-08 revenue growth associated with sales tax is projected to be 4.2%, while the increase in the maintenance of effort transfer from the General Fund is projected to be 3.1%. The MOE is a required allocation from the General Fund that is outlined in statute. The MOE contribution is lower this year because of a change in the statutory requirement that occurred during the 2002 legislative update to the enabling statute. The MOE was originally tied to the growth in the secondary property tax rate. The new statutory language uses the GDP price deflator as the annual growth factor for the MOE contribution. (The GDP price deflator is a conservative inflation indicator.) This is favorable to the General Fund but is unfavorable to the Detention Fund. Since the Detention Fund has stronger revenues this fiscal year, this was a positive occurrence for the 2007-08 budget.



The largest expenditure increases in the budget being presented are due to market increases for the detention staff in adult and juvenile detention facilities and patient care staff in Correctional Health Services. Other expense increases include transfers to the capital improvement program, major maintenance on various facilities, and an average salary increase of 3.5 % for performance pay for all workers in this fund.

One of the focuses in the 2006-07 budget year was to lower the daily average inmate population and the average length of stay for inmates and it was successful. The jail inmate average length of stay



(ALOS), which had exceeded 30 days in late 2005, has been reduced to slightly more than 24 days in recent months, the lowest level in four years. This was accomplished through system-wide efforts to streamline court proceedings and transfer sentenced inmates to the State Department of Corrections on a timelier basis. Lowering the ALOS in the jails results in a lower jail population which in turn lowers the overall cost of operating the jails. It allows achievement of lower cost for food, clothing, medical expenses and overtime.

Correctional Health Services (CHS) is in the process of procuring an Electronic Health Record System. Preliminary estimates indicate that this system will have a return on investment of seven years. It is expected to lower overall medical costs for inmates by identifying repeat offenders' health concerns earlier, so that preventative health initiatives can be undertaken. It should also help the County to mitigate liability by enhancing early detection of diseases in the jail setting. The Board of Supervisors is expected to approve funding for this system by the end of Fiscal Year 2006-07.

Law Enforcement and Justice Issues

Public Safety, which includes law enforcement and other justice issues, makes up 59.73% of our County budget. This is the largest slice of County expenditures. The Board of Supervisor's strategic priority for criminal justice is, "Ensure safe communities and a streamlined, integrated justice system." As we develop the County budget, we keep in mind that criminal justice and other justice issues are critical to County operations. Handling these issues in the most cost effective manner will be key to our fiscal success today and into the future.

Last year, Maricopa County budgeted $6.0 million for crime prevention grants in an effort to try to impact the steady increase in court case filings and to reduce the crime rate in our community. The County will continue to experiment with this approach to dealing with criminal justice. In Fiscal Year 2007-08, we will be carrying over $5.0 million of the original $6.0 million, and continue to look for evidence-based programs that will achieve results within our community.

Within Maricopa County there is a surplus of capital cases pending. This reached crisis levels during the Spring of 2007. As of April 2007, there are currently about 130 capital cases that need to be tried or otherwise disposed of. In order to deal with this dilemma, the County has completed an emergency procurement to hire contract mitigation specialists and capital case qualified attorneys. Because there is a backlog, we believe that there is not a need to add permanent staff to deal with capital cases. However, the County has also completed a market study of capital attorneys. The Board has approved a stipend of $17,500 for attorneys who are first-chair qualified and willing to try these capital murder cases. The capital case processing items listed above have been funded in the 2007-08 budget. Additionally, the Trial Courts will be submitting a request for resources to deal with this issue on their end. The Office of Management and Budget has reserved contingency funds to deal with this issue once the courts have sized it.

Caseloads in our Adult Probation department continue on an upward trend. We anticipate having an average of approximately 32,000 individuals on various types of standard and intensive probation in Fiscal Year 2007-08. The recommended budget supports improved results for probation programs. The rate of successful completion of probation will improve to 62% for standard supervision, and the percentage of probationers under intensive supervision who are not revoked to jail or prison will increase to 48% We monitor these results throughout the year as part of the Managing for Results initiative.

The recommended budget supports continued improvement in results in adult probation. Probation officers received a significant increase in their compensation due to a market study completed in Fiscal Year 2007, which will improve staff recruitment and retention. This budget also calls for adding staff and resources to adult probation at a cost of over $1.2 million, supported by additional probation surcharge revenue. This additional non-General Fund revenue was made possible by the enactment last fall of House Bill 2819, which increased the surcharge to $10 and corrected the allocation of funds to the counties.

Finally, the Maricopa County Sheriff's Office will be moving forward with a pilot program that will further automate computing within our patrol cars. The mobile data-computing pilot will update our technology and make our sheriff's deputies more efficient and effective. The cost of this pilot will be $225,000 and is budgeted in the coming fiscal year.

Air Quality

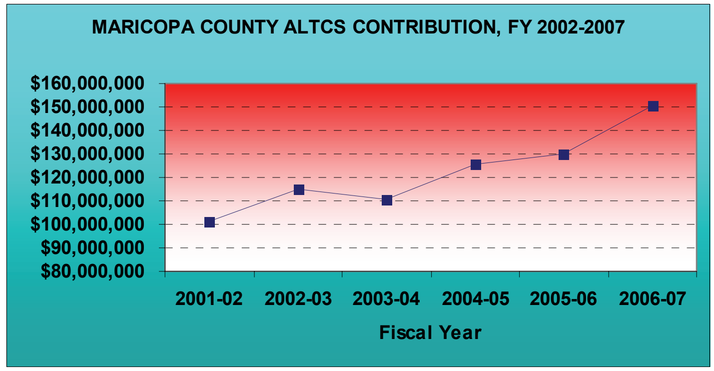
Air Quality in Maricopa County continues to receive much attention as the County strives to improve its environment and clean up its air. Maricopa County officially had 27 days where at least one monitor exceeded the national ambient standard for particulate matter (PM10) in calendar year 2006. Since the region, which includes Maricopa County, did not attain the PM10 standard set by the Environmental Protection Agency (back in 1990) by December 31, 2006, the region needs to submit a Five Percent Reduction Plan for PM10 by December 31, 2007, that demonstrates five percent reductions per year in emissions from the date of submission to the Environmental Protection Agency (EPA).

During FY 2006-07, the Air Quality Department launched their "Bring Back Blue" media campaign to draw attention to the simple things each citizen can do to reclaim good air quality. Enforcement and related fines have been strong in the last fiscal year, with projected revenue from fines nearing $3.3 million. The Department is in the process of securing a Mobile Air Monitoring Van which will have several distinct air monitoring capabilities that current air monitoring sites will never be able to offer. The van will enable the County to monitor a wider variety of pollutants, including toxic air contaminants, in any geographic location. The van will be used for handling concerns, complaints, or other reasons necessitating samplings that can be taken for air quality studies, cancer and asthma clusters, and airborne security threats.

Mandated Health Care

One of the Board of Supervisors' strategic goals is as follows: "Eliminate mandated fixed contributions to the State of Arizona in exchange for reductions in State funding of County programs with a goal of reducing such contributions to 15% or less of the total general fund expenditures by FY 2009-10." There are three large contributions that Maricopa County makes to State-managed programs: Arizona

Long-Term Care System (ALTCS), Arizona Health Care Cost Containment System (AHCCCS), and the contribution for Arizona's mental health programs required by the *Arnold v. Sarn* court ruling.



This year the contribution to the ALTCS program is estimated to increase by $10.6 million to $156.1 million, a 7.3% increase over the 2006-07 contribution. The *Arnold v. Sarn* and general mental health payments are estimated to increase by $1.7 million to $39.2 million, while the AHCCCS acute care contribution decreased by $1.5 million to $23.1 million. The reduction in the AHCCCS acute care contribution is the result of successful efforts to reduce this mandated payment in exchange for the County taking full responsibility from the State for funding adult and juvenile probation. Nonetheless, these mandated fixed contributions still total $218.4 million. While this is a positive development, mandated health care remains an uncontrollable component of our operating budget that needs to be reduced. Our strategic goal explains our position. We want a "good government" model that has the State responsible for State-managed programs, and the County responsible for County-managed programs. To that end, we continue to propose legislative solutions that can help us achieve our strategic goal.

The General Government Department continues to address several of the most challenging fiscal issues facing Maricopa County. Primary among these is the defense of the so-called "Pre-AHCCCS tail litigation." This series of lawsuits initially involved over $360 million in billed charges which hospitals alleged represented emergency health care services provided to indigent patients. General Government has successfully settled approximately one-third of the potential liability at less than five percent of billed charges. The remaining $240 million is the subject of a court-mandated "sampled" litigation process. The first two of three trials under this process were conducted in April and November of 2006. The court decisions in these trials are being appealed by both parties. The final trial is scheduled for November of 2007.

Major Maintenance and Capital Improvement Programs

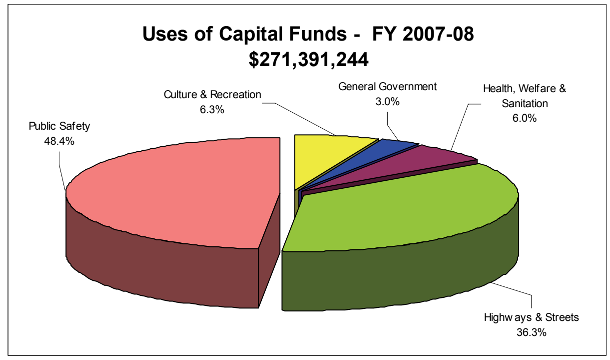
The FY 2007-08 Major Maintenance Program is made up of 93 individual maintenance, renovation, and remodel projects necessary to improve the condition and operation of County buildings. Major Maintenance projects are critical to protect County assets by prolonging the useful life and operating conditions of County facilities. These projects are organized into four (4) major categories: facility renovation, major maintenance, deferred maintenance, and deferred maintenance-FCI. (The definitions of these major categories are available in the major maintenance section of this document.)

The FY 2007-08 Major Maintenance Program budget includes $10 million in the General Fund and $7.5 million in the Detention Fund annually through FY 2011-12. Additional one-time funding is provided for Major Maintenance projects deferred in prior years as well as for uncompleted projects carried over from FY 2006-07. The total Major Maintenance Program expenditures in all funds is $33.2 million.

Maricopa County began its present day Capital Improvement Program (CIP) in FY 1999-00. The CIP plan is a modified "pay as you go" financial policy. This financial policy is used for the General Fund, Detention Fund, Intergovernmental Fund, and Transportation Fund. The County pays cash for most projects. Other projects use a combination of identified operational savings and lease reversions to pay the debt service on new facilities. Fiscal Year 2004 was the final year of the County's 1986 General

Obligation (GO) bond debt. The County currently has no General Obligation (GO) bond debt, and has very little long-term debt.

The debt that the County does have is in the form of Certificates of Participation (COPs) or Lease Revenue Bonds. The debt service on these is paid for with either cash that has been set aside, or through lease reversions and operational savings. During FY 2006-07, funding was approved for the expansion of the Southeast Justice Center and the construction of the Southwest Justice Center. In the FY 2007-08 budget, operating capacity of $23.7 million is reserved for future debt service payments on a proposed Court Tower project. In addition, $10.2 million has been set aside to fund the ongoing maintenance and operations of the new Court Tower. This strategy will allow the County to meet its capital needs without requesting a new GO bond for the court master plan. If the Board of Supervisors approves the Court Tower Project at a budget of $334 million, the County will complete the addition of 100 new courtrooms in a period of 7 years.



A number of major projects were completed in FY 2006-07. These include the purchase of the Chambers Building, Downtown Justice Center, Estrella Mountain Irrigation System, McDowell Track Comfort Station, Santan Consolidated Justice Courts, and Usery Mountain Water System projects. Continuing projects include a number of court projects and several other critical infrastructure items. They are listed below.

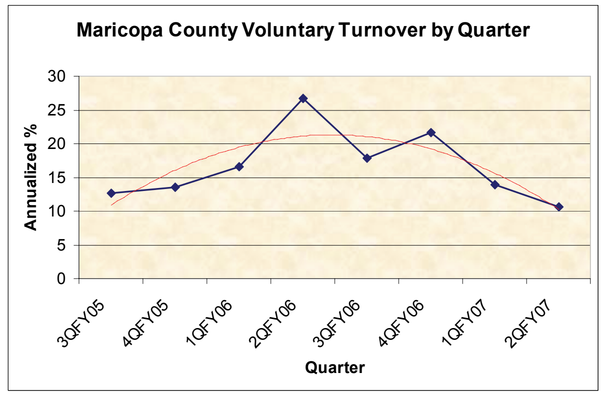
- Central Court Building Remodel
- Criminal Court Tower
- Detention Facility Renovations
- Southeast Justice Center
- Southwest Justice Center
- Buckeye Hills Shooting Range
- Durango Animal Care and Control Facility
- Human Services Campus – Phase 2
- Security Building Improvements
- Maricopa Regional Trails System
- Parks Comfort Stations and Improvements
- Parks Improvements Master Plan
- Parks Visitor Centers and Amphitheaters

The Maricopa County's Department of Transportation employs an objective planning procedure for evaluating and ranking potential projects for inclusion in its five-year Transportation Improvement Program (TIP). This procedure includes using equally weighted, objective criteria to score and rank potential projects. The ranking criteria used by the department includes the following: safety, land use, current and future traffic volumes, cost/benefit analysis, and joint sponsorship. The process also utilizes bonus points for intelligent transportation systems, alternative modes and environmental enhancements. A separate ranking system exists for evaluating potential bridges, channel upgrades, bicycle, pedestrian, and other multi-modal improvements.

The primary source of funding for the TIP is State Shared Highway User Revenue Funds (HURF). The County must spend these funds only on transportation-related items. Other funds received that are applied to these projects include Federal Highway Administration (FHWA) funds, Maricopa Association of Governments funds, and Federal Emergency Management funds. The County also participates in partnerships with other local jurisdictions, state agencies, the federal government, and private corporations. This budget recommends a five-year TIP of $412.1 million. Of that total, $98.6 is budgeted for the 2007-08 fiscal year.

Unfunded capital improvement needs are constantly evaluated by the Facilities Management department and are closely monitored by the Office of Management and Budget. There are a number of capital items that must be addressed in the next several years. The projects that have been identified, but not yet funded, include the Downtown Office Building, Security Building 1st Floor Remodel, and Sheriff's Administrative Building, just to name a few. It may be necessary to find alternative funding sources for some of these projects, as the economic downturn will make it very difficult to fund these projects through the traditional primary property tax base.

Employee Issues and Concerns



Over the past year, Maricopa County has invested significantly in its employees. The Compensation Division of the Office of Management and Budget (OMB) has reviewed salaries and job descriptions for over 12,000 positions encompassing over 90% of all County employees within the last 24 months. This process has promoted uniformity in our job descriptions and titles, corrected FLSA status issues, and corrected salaries as compared to the local job market. Market-based salary increases have been implemented throughout the County over the last two fiscal years. As a result, the annualized voluntary rate of employee attrition has begun to show dramatic improvement with a reduction of over eight percent since the beginning of FY 2006-07. Market studies will continue through the upcoming fiscal year. These studies are being conducted to complete a number of market ranges with relatively few positions and to adjust hiring ranges in a few markets that continue to demonstrate turnover in excess of ten percent. However, very limited funding is being set aside for market studies. Funding has been identified for performance increases at an average of 3.5% and will be effective on July 2, 2007. This percentage increase reflects the average increase in the Bureau of Labor Statistics' Employee Cost Index for state and local government wages during calendar year 2006.

Maricopa County is also concerned about providing a sound benefit package. Our employee health and dental benefits remain very competitive with both public and private sector employers. In addition, our programs promote healthy living and choices based on a family's needs. Our premiums and co-payments are reasonable and affordable. Our wellness programs are favorably received by the employees. The employee benefits satisfaction survey this year indicated that 97% of our employees are very satisfied or satisfied with their benefit package.

Other employee issues that have been budgeted are retirement system increases. Maricopa County participates in the Arizona State Retirement System (ASRS) and its various programs. All of the plans will have employer-based increases in the coming fiscal year. Maricopa County will need to contribute an additional $5.8 million in the 2007-08 proposed budget for continued participation in these programs.

Conclusions

Maricopa County is a recognized leader in local government innovation. We take pride in our ability to think creatively to develop new ways of delivering results for our taxpayers. This past year, six County departments were awarded the Arizona Quality Award for continuous quality improvement. The Library District won the prestigious Pioneer Award. The Board of Supervisors has supported and continues to support funding and innovation within our community. This year, available funding is limited, but we will still proceed with non-mandated programs that achieve results, such as our crime prevention program and our “Bring Back Blue” campaign. Maricopa County continues to lower the tax rate and use a “pay as you go” capital improvement plan. I want to thank the Board for their continued leadership, as well as the elected and appointed officials of Maricopa County. I am recommending a budget that I believe will sustain the County during this revenue slowdown and allow us to achieve excellent results for our County residents.

Sincerely,

David R. Smith
County Manager

On June 18, 2007, the Maricopa County Board of Supervisors adopted the FY 2007-08 Budget totaling $2,214,275,629, with Expenditures of $1,780,932,646 and Appropriated Beginning Fund Balance of $433,342,983. This represents a $22,710,874 increase from the tentatively adopted budget of $2,191,564,755.