



Maricopa County

Department of Finance

Tom Manos

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Date: October 2, 2008
To: David Smith, County Manager
From: Tom Manos, Chief Financial Officer
Subject: FY 08-09 Variance Report – August 2008

A handwritten signature in black ink, appearing to read "Tom Manos", written over the "From:" line of the memo.

Attached is the General Fund and Detention Fund financial activity through August 31, 2008. The Executive Summary includes the beginning fund balance (unaudited), adopted revenues, and expenditures, fund balance designations and undesignated ending fund balance. Fund balance designations are the County's self-imposed limitations on financial resources that would otherwise be available for use. A brief description of each fund balance designation follows.

Please note that the activity reported within the financial statements of this report is as of August 31, 2008. Due to the timing of this report, it was determined necessary to incorporate the most recent September revenues and the results of updated forecasts from Elliot D. Pollack & Co. (EDP) into the commentary below for Sales Tax, Vehicle License Tax and Jail Excise Tax. The report for September 30, 2008 will be issued within the next 10 days.

The primary fund balance designation in both the General Fund and Detention Fund is for budget stabilization. For the General Fund, this includes an amount designated to cover cash shortfalls during the fiscal year due to the property tax collection cycle, as well as a reserve. Designations have also been established in the General Fund for the reserve to support the County's migration to fully-insured employee benefits. Designations have been established in the Detention Fund for future capital projects.

Enhancements to the Executive Summary include a revision to the schedule entitled "Category Detailed by Agency" which more accurately reflects the appropriation level activity. Summarizations for the Judicial Branch and Indigent Representation have been added to this schedule. Appropriations within the Judicial Branch and Indigent Representation can be transferred between any and all Judicial Branch and Indigent Representation departments, respectively, without any further approval by the Board of Supervisors. The details for each of these are included on the "Agency Detail of Grouped Appropriations" schedule of the Executive Summary.

FY 08-09 Executive Summary Comments regarding variances for certain revenue and expenditure line items are provided below.

Revenues

- **Property Tax Revenue YTD variance of (\$320,776):** Property tax revenue is budgeted based on prior years' collection trends in relation to the adopted levy. Trends indicate a collection rate of 99 percent of the adopted levy. The primary property tax levy increased by 7.8 percent from the FY 07-08 adopted primary levy, therefore, the Property Tax revenue budget for FY 08-09 is 7.8 percent higher than the FY 07-08 budget. Estimated collections for FY 08-09 also reflect a one-time reduction of approximately \$2.4m due to the impact of a state-wide property tax settlement with Qwest Communications.

- **Vehicle License Tax Revenue YTD variance of \$492,382:** The FY 08-09 Vehicle License Tax (VLT) revenue was budgeted at a 4.0 percent decline from the FY 07-08 forecast. Even though August reflects a positive variance of \$492,382, September YTD actual collections for FY 08-09 reflect an 8.2 percent decline compared to FY 07-08. The budget variance that will be reported for September will exceed negative \$1.8m. This declining revenue trend is expected to continue through FY 08-09. The revised forecast from EDP based on the most recent September tax revenues points to a 10 percent decline in the Pessimistic scenario from FY 07-08 actual collections. The revised Pessimistic Forecast would equate to a year-end budget shortfall of \$12.5m. This revised forecasted decline and shortfall are significantly higher than the prior forecast of a 6 percent decline and \$6.0m year-end budget shortfall.
- **Sales Tax Revenue YTD variance of (\$4,275,596):** The FY 08-09 Sales Tax revenue budget is based on the April 2008 Pessimistic forecast from EDP and reflects a further decline of 2.5 percent from FY 07-08. YTD actuals through September further increased the negative growth or decline from FY 07-08 to 7.3 percent. The negative budget variance through September grew to approximately \$5.7m. The most recent revised forecast from EDP points to an 8.2 percent decline in the Pessimistic scenario from the FY 07-08 collections. The revised Pessimistic Forecast would equate to a year-end budget shortfall of almost \$36.0m. This revised forecasted decline and shortfall are significantly higher than the prior forecast of 3 percent decline and \$10.3m year-end budget shortfall. Marshall Vest at the University of Arizona has indicated that sales taxes could decline by as much as 10 percent in a worst-case scenario, which would be a \$44.9m shortfall.

Expenditures

- **Personnel Services Expenditures YTD variance of \$1,030,738:** Overall, personnel services expenditures are 1.3 percent under budget. Departments under budget that make up the largest portion of this variance are Elections, Assessor, and Superior Court.
- **Services Expenditures YTD variance of \$28,748,221:** There are several departments that are under budget for the year. The largest variances are in Non-Departmental and County Attorney-Civil. The majority of the positive variance is the result of programs in Non-Departmental, non-recurring that are calendarized over the fiscal year; however, it is not known when the program expenditures will occur.
- **Intergovernmental Payments YTD variance of \$7,208,653:** The favorable YTD variance is due to a delay in Arnold v. Sarn IGA payments. The IGA renewal was approved by the Board of Supervisors in September, and payments are now up to date in September. This variance will be resolved prior to issuance of the September Executive Summary.
- **Debt Service Expenditures YTD variance of (\$1,100,832):** The negative YTD variance is the result of Debt Service expenditures that were budgeted within the Services category, however, the actual payments were recorded as Debt Service expenditures. This line item is forecasted to be over budget at year-end and offset by under spending in Services in the same amount.
- **Capital Outlay Expenditures YTD variance of \$666,249:** The variances are occurring in the Major Maintenance programs. Many of these projects are currently in the design phase or contract negotiation, so the majority of the expenditures may not occur until the last half of the fiscal year. In addition, some of these projects are multi-year and the expenditures may not occur this fiscal year, however, the amounts have been budgeted to ensure complete project funding.
- **Transfers Out YTD variance of (\$463,370):** The majority of the Transfers Out are budgeted to occur in July. These are non-recurring transfers to the Capital Projects Fund for the Court Tower and various other capital projects. The negative YTD variance is the result of a CIP transfer that was calendarized monthly; however, the entire fiscal year amount was transferred in August.

General Fund Departmental Variances:

Clerk Of The Board F100 – General Fund expenditures are over budget YTD by \$674. The variance is the result of a timing issue in the allocation of contract employee personnel expenditures to Non-Departmental. This issue has been resolved and the variance eliminated.

Recorder F100 – General Fund expenditures are over budget YTD by \$9,596. The distribution of telecommunication charges to the Recorder Surcharge Fund in the amount of \$11,797 was charged to the Recorder Fund 100 and the allocation had not been completed prior to the August month-end close. The September Executive Variance Report will reflect these changes.

Treasurer F100 – General Fund expenditures are over budget YTD by \$109,764. A postage charge in the amount of \$249,600 was charged to the Treasurer's budget during the month of August. On August 22, 2008, the Board of Supervisors amended the Treasurer's Office budget, reallocating funding for postage charges to the Non-Departmental budget. The reallocation of the actual expenditure has since been moved from the Treasurer's Office budget to the Non-Departmental budget. The September Executive Variance Report will reflect these changes.

Constables F100 – General Fund expenditures are over budget YTD by \$4,369. The variance is the result of a timing issue in the allocation of personnel services expenditures to Non-Departmental, Non-Recurring.

Indigent Representation – General Fund expenditures within the Indigent Representation appropriation group are over budget YTD by \$739,237. The majority of this negative variance is in Public Defense Services, the office responsible for contract attorneys.

Justice Courts F100 – General Fund expenditures are over budget YTD by \$89,518. The variance is the result of personnel services expenditures exceeding the YTD budget.

Detention Fund

Revenues

- **Jail Excise Tax (Sales Taxes) Revenue YTD variance of (\$1,791,298):** The FY 08-09 Jail Excise Tax revenue budget is based on the April 2008 Pessimistic forecast from EDP and reflected a further decline of 2 percent from FY 07-08. The most recent YTD actual collections through September have declined 9.5 percent over FY 07-08. The negative budget variance grew from the \$1.7m reported above to a negative \$2.4m. Preliminary revised forecasts based on September actual collections from EDP point to an 8.6 percent decline in the Pessimistic scenario from FY 07-08 collections. In this scenario, the budget shortfall would be \$12.0m. This revised forecasted decline and shortfall are significantly higher than the prior forecast of 4 percent decline and \$4.6m year-end budget shortfall. Marshall Vest at the University of Arizona has indicated that sales taxes could decline by as much as 10 percent in a worst-case scenario, which would be a \$13.1m shortfall.
- **Miscellaneous (Jail Per Diem and Other) Revenue YTD variance of \$1,363,710:** Revenue associated with the Jail Per Diem and Booking fees is above budget by approximately 30 percent year-to-date. These revenues have historically been budgeted very conservatively, as it is unknown how jurisdictions' utilization of county jails may change as the result fee increases. Based on current rates and utilization levels, this revenue source is forecasted to exceed budgeted revenue by \$6.0m this fiscal year.

Expenditures

There are no negative variances in any expenditure category within the Detention Fund.

- **Personnel Services YTD variance of \$254,877:** The favorable variance in personal services is primarily due to the hiring freeze that is currently in place.
- **Supplies YTD variance of \$1,034,390.** The favorable variance in supplies is due to the timing of purchases and the calendarization of these expenditures.
- **Services YTD variance of \$4,928,543:** This favorable variance is the result of unspent contingency funds.

Detention Fund Departmental Variances

Correctional Health F255 – over budget YTD by \$132,177. The variance is due to the physician loan repayment and related payroll taxes occurring in July; this expenditure was budgeted as though it would have been paid equally through out the year.

Several departments had significant variances through August 31, 2008. OMB analysts will work with department liaisons to analyze year-to-date expenditures and accurately forecast the fiscal year end financial position. In a collaborative effort, the Department of Finance continues to provide accurate and timely financial information to support management decisions.

Please review and let me know if you have any questions that we can address.

Cc: Sandi Wilson
Assistant County Managers
Shelby Scharbach
DOF Finance Managers
OMB Deputy Directors
OMB Budget Supervisors



General Fund

Executive Summary

As of August 31, 2008

Revenues	Revised FY Budget	YTD Budget	YTD Actual	Variance
Property Taxes	456,457,388	4,227,947	3,907,171	(320,776)
Vehicle License Taxes	137,859,289	26,071,938	26,564,320	492,382
Sales Taxes	459,033,619	78,645,052	74,369,456	(4,275,596)
Intergovernmental	12,968,892	311,946	139,168	(172,778)
Interest	12,000,000	-	-	-
Miscellaneous	78,967,517	11,815,914	11,971,609	155,695
Transfers In	11,246,745	3,442,080	3,442,078	(2)
Total Revenues	1,168,533,450	124,514,877	120,393,802	(4,121,075)
Expenditures				
Personnel Services	467,596,234	78,020,420	76,989,682	1,030,738
Supplies	13,789,654	3,135,880	2,111,911	1,023,969
Services	339,002,613	45,215,662	16,467,441	28,748,221
Intergovernmental Payments	229,517,906	38,230,004	31,021,351	7,208,653
Debt Service	9,643,704	1,548,010	2,648,842	(1,100,832)
Capital Outlay	4,194,507	687,246	20,997	666,249
Transfers Out	379,416,476	209,747,160	210,210,530	(463,370)
Total Expenditures	1,443,161,094	376,584,382	339,470,754	37,113,628
Excess (Deficiency) of Revenues Over Expenditures	(274,627,644)	(252,069,505)	(219,076,952)	32,992,553
Beginning Fund Balance	485,477,495	485,477,495	506,815,801 ⁽¹⁾	21,338,306
<i>Revenues</i>	1,168,533,450	124,514,877	120,393,802	(4,121,075)
<i>Expenditures</i>	1,443,161,094	376,584,382	339,470,754	37,113,628
Fund Balance with Designations	210,849,851	233,407,990	287,738,849	54,330,859
<i>Fund Balance Designations (2)</i>	210,849,851	210,849,851	210,849,851	-
Undesignated Ending Fund Balance	-	22,558,139	76,888,998	54,330,859

1. Unaudited Beginning Fund Balance

2. Fund Balance Designations:

Budget Stabilization:

Cash Flow/Property Tax 58,000,000

Reserve 118,549,851

Benefits Self-Funding Reserve 34,300,000

Total: **210,849,851**

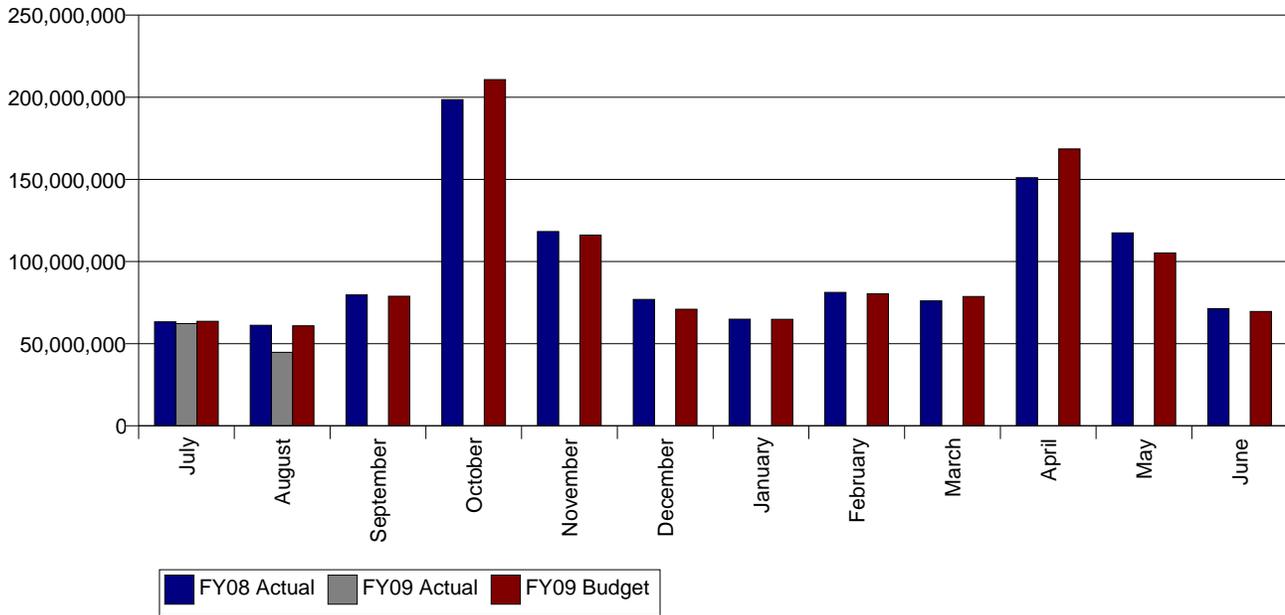


General Fund

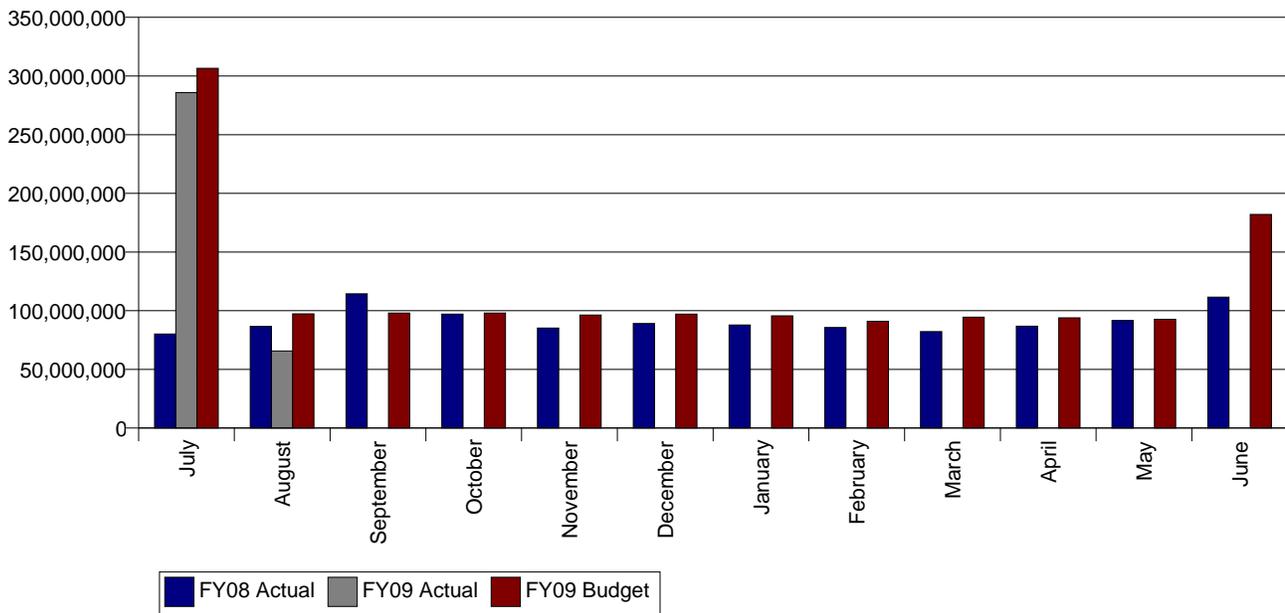
Executive Summary

As of August 31, 2008

Revenues



Expenditures





General Fund Expenditures Summary

As of August 31, 2008

Expenditures (390, 470)	Revised FY Budget	YTD Budget	YTD Actual	Variance
Personnel Services	9,692,246	13,743	165,087	(151,344)
Supplies	33,320	4,108	3,766	342
Services	259,771,176	33,652,722	7,166,103	26,486,619
Intergovernmental Payments	229,375,856	38,206,998	31,021,241	7,185,757
Debt Service	133,500	22,246	1,187,805	(1,165,559)
Capital Outlay	4,028,900	686,484	(43)	686,527
Transfers Out	379,305,169	209,728,606	210,199,476	(470,870)
Total Uses GF (390, 470)	882,340,167	282,314,907	249,743,435	32,571,472
Expenditures (Excluding 390, 470)				
Personnel Services	457,903,988	78,006,677	76,824,596	1,182,081
Supplies	13,756,334	3,131,772	2,108,145	1,023,627
Services	79,231,437	11,562,940	9,301,338	2,261,602
Intergovernmental Payments	142,050	23,006	109	22,897
Debt Service	9,510,204	1,525,764	1,461,037	64,727
Capital Outlay	165,607	762	21,040	(20,278)
Transfers Out	111,307	18,554	11,054	7,500
Total GF Expenditures Excluding 390, 470	560,820,927	94,269,475	89,727,319	4,542,156
Total General Fund (Uses)	1,443,161,094	376,584,382	339,470,754	37,113,628



General Fund

Category Detailed by Agency

As of August 31, 2008

	Revised Budget	YTD Budget	YTD Actual	Variance	% of Variance
General Government					
ASSESSOR F100	24,923,302	4,257,879	3,978,766	279,113	6.56 %
BOARD OF SUPERVISORS D1 F100	372,646	64,440	60,240	4,200	6.52 %
BOARD OF SUPERVISORS D2 F100	372,649	65,489	60,268	5,221	7.97 %
BOARD OF SUPERVISORS D3 F100	372,649	59,347	55,711	3,636	6.13 %
BOARD OF SUPERVISORS D4 F100	372,648	57,746	55,843	1,903	3.29 %
BOARD OF SUPERVISORS D5 F100	372,643	68,004	62,276	5,728	8.42 %
CALL CENTER F100	1,628,190	273,141	267,437	5,704	2.09 %
CLERK OF THE BOARD F100	716,421	120,712	121,386	(674)	-0.56 %
COMMUNICATIONS F100	932,091	188,676	113,905	74,771	39.63 %
COUNTY MANAGER F100	1,429,968	244,366	232,639	11,727	4.80 %
ELECTIONS F100	20,096,904	2,743,182	2,138,581	604,601	22.04 %
ENTERPRISE TECHNOLOGY F100	10,785,417	2,704,255	2,074,056	630,199	23.30 %
FACILITIES MANAGEMENT F100	12,908,663	2,191,731	2,092,125	99,606	4.54 %
FINANCE F100	3,787,037	633,066	630,542	2,524	0.40 %
INTERNAL AUDIT F100	1,843,786	312,024	296,066	15,958	5.11 %
MANAGEMENT & BUDGET F100	3,746,301	628,534	595,218	33,316	5.30 %
MATERIALS MANAGEMENT F100	2,029,600	345,337	318,780	26,557	7.69 %
RECORDER F100	2,279,710	360,358	369,954	(9,596)	-2.66 %
RESEARCH & REPORTING F100	327,743	71,761	63,826	7,935	11.06 %
TREASURER F100	3,396,965	699,430	809,194	(109,764)	-15.69 %
WORKFORCE MGMT AND DEV F100	6,145,531	1,050,949	725,459	325,490	30.97 %
Subtotal	98,840,864	17,140,427	15,122,272	2,018,155	11.77 %
Public Safety					
CLERK OF SUPERIOR COURT F100	32,343,816	5,647,161	5,162,290	484,871	8.59 %
CONSTABLES F100	2,361,217	385,902	390,271	(4,369)	-1.13 %
CORRECTIONAL HEALTH F100	3,581,457	601,223	507,774	93,449	15.54 %
COUNTY ATTORNEY CIVIL F100	15,915,927	2,667,377	1,607,480	1,059,897	39.74 %
COUNTY ATTORNEY F100	62,837,039	10,659,748	10,658,899	849	0.01 %
EMERGENCY MANAGEMENT F100	234,996	34,266	33,671	595	1.73 %
INDIGENT REPRESENTATION *	75,878,995	11,501,922	12,241,159	(739,237)	-6.43 %
JUDICIAL BRANCH *	148,550,793	25,132,224	24,237,440	894,784	3.56 %
JUSTICE COURTS F100	14,115,672	2,344,271	2,433,789	(89,518)	-3.82 %
JUSTICE SYSTEM PLANNING F100	542,057	90,909	65,970	24,939	27.43 %
MEDICAL EXAMINER F100	7,738,016	1,314,687	1,242,190	72,497	5.51 %
PUBLIC FIDUCIARY F100	2,612,944	441,564	393,339	48,225	10.92 %
SHERIFF F100	72,529,713	12,430,908	12,123,429	307,479	2.47 %
Subtotal	439,242,642	73,252,162	71,097,701	2,154,461	2.94 %
Health, Welfare and Sanitation					
ANIMAL CARE & CONTROL F100	322,919	53,819	53,819	-	0.00 %
ENVIRONMENTAL SERVICES F100	3,687,644	679,890	660,108	19,782	2.91 %
HUMAN SERVICES F100	2,517,013	419,506	280,866	138,640	33.05 %
PUBLIC HEALTH F100	12,462,708	2,089,146	1,919,050	170,096	8.14 %
Subtotal	18,990,284	3,242,361	2,913,843	328,518	10.13 %
Culture and Recreation					
PARKS & RECREATION F100	1,426,304	245,601	216,660	28,941	11.78 %
Subtotal	1,426,304	245,601	216,660	28,941	11.78 %
Education					
SUPERINTENDENT OF SCHOOLS F100	2,320,833	388,924	376,843	12,081	3.11 %
Subtotal	2,320,833	388,924	376,843	12,081	3.11 %
Other Gov Fund					
HEALTH CARE PROGRAMS F100	234,768,067	38,193,982	31,203,018	6,990,964	58.08 %
NON-DEPARTMENTAL F100	647,572,100	244,120,925	218,540,417	25,580,508	9.42 %
Subtotal	882,340,167	282,314,907	249,743,435	32,571,472	15.42 %
Total Expenditures	1,443,161,094	376,584,382	339,470,754	37,113,628	12.95 %



General Fund

Agency Detail of Grouped Appropriations

As of August 31, 2008

Indigent Representation	Revised Budget	YTD Budget	YTD Actual	Variance	% of Variance
JUVENILE DEFENDER F100	3,654,409	616,133	658,145	(42,012)	-6.82 %
LEGAL ADVOCATE F100	9,529,764	1,543,881	1,426,872	117,009	7.58 %
LEGAL DEFENDER F100	10,511,194	1,670,398	1,613,685	56,713	3.40 %
PUBLIC DEFENDER F100	36,768,742	6,177,079	6,064,195	112,884	1.83 %
PUBLIC DEFENSE SERVICES F100	15,414,886	1,494,431	2,478,262	(983,831)	-65.83 %
Subtotal	<u>75,878,995</u>	<u>11,501,922</u>	<u>12,241,159</u>	<u>(739,237)</u>	<u>-6.43 %</u>

Judicial Branch	Revised Budget	YTD Budget	YTD Actual	Variance	% of Variance
ADULT PROBATION F100	60,982,903	10,270,446	10,180,578	89,868	0.88 %
JUVENILE PROBATION F100	17,220,629	2,913,689	2,644,532	269,157	9.24 %
SUPERIOR COURTS F100	70,347,261	11,948,089	11,412,329	535,760	4.48 %
Subtotal	<u>148,550,793</u>	<u>25,132,224</u>	<u>24,237,440</u>	<u>894,784</u>	<u>3.56 %</u>



Detention Fund

Executive Summary

As of August 31, 2008

Revenues	Revised FY Budget	YTD Budget	YTD Actual	Variance
Sales Taxes	138,206,968	23,933,177	22,141,879	(1,791,298)
Interest	6,335,889	-	-	-
Miscellaneous	27,246,500	4,541,084	5,904,794	1,363,710
Transfers In	197,452,665	28,346,972	28,346,972	-
Total Revenues	369,242,022	56,821,233	56,393,645	(427,588)
 Expenditures				
Personnel Services	226,435,237	37,484,268	37,229,391	254,877
Supplies	15,092,161	3,156,788	2,122,398	1,034,390
Services	181,508,290	10,806,187	5,877,644	4,928,543
Debt Service	1,716,146	297,059	259,019	38,040
Capital Outlay	518,333	112,989	57,042	55,947
Transfers Out	951,000	951,000	951,000	-
Total Expenditures	426,221,167	52,808,291	46,496,494	6,311,797
 Excess (Deficiency) of Revenues Over Expenditures				
	(56,979,145)	4,012,942	9,897,151	5,884,209
Beginning Fund Balance	141,979,145	141,979,145	155,767,892 ⁽¹⁾	13,788,747
<i>Revenues</i>	369,242,022	56,821,233	56,393,645	(427,588)
<i>Expenditures</i>	426,221,167	52,808,291	46,496,494	6,311,797
Fund Balance with Designations	85,000,000	145,992,087	165,665,043	19,672,956
<i>Fund Balance Designations (2)</i>	85,000,000	85,000,000	85,000,000	-
Undesignated Ending Fund Balance	-	60,992,087	80,665,043	19,672,956

1. Unaudited Beginning Fund Balance

2. Fund Balance Designations:

Budget Stabilization 50,000,000

Future Capital Projects 35,000,000

Total: **85,000,000**

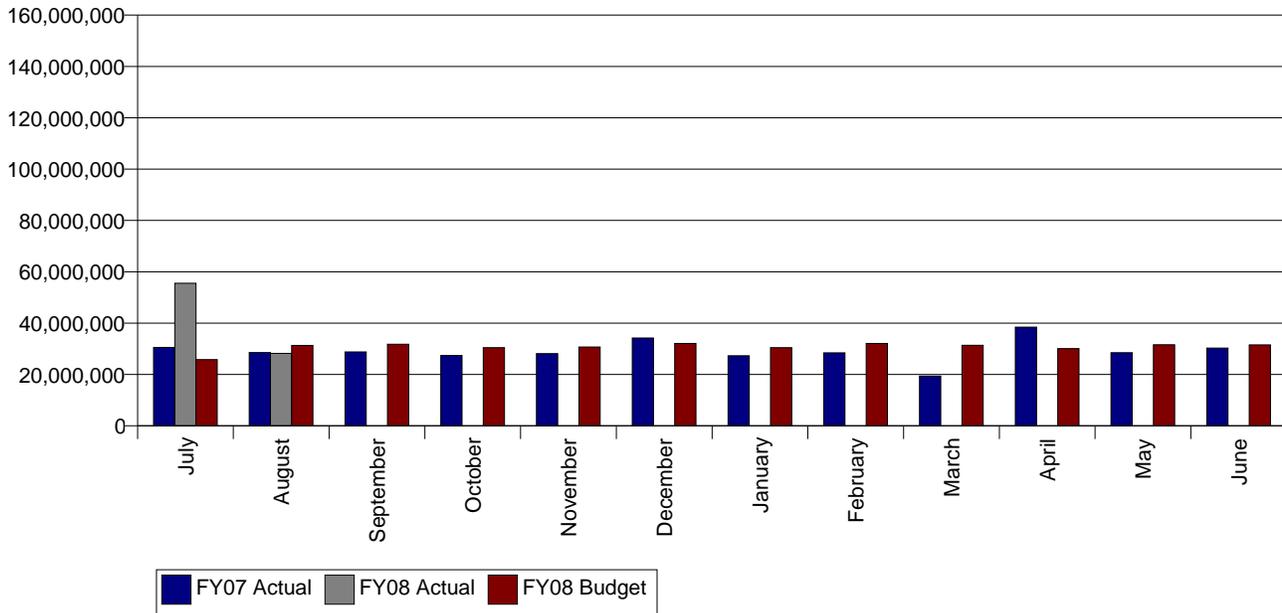


Detention Fund

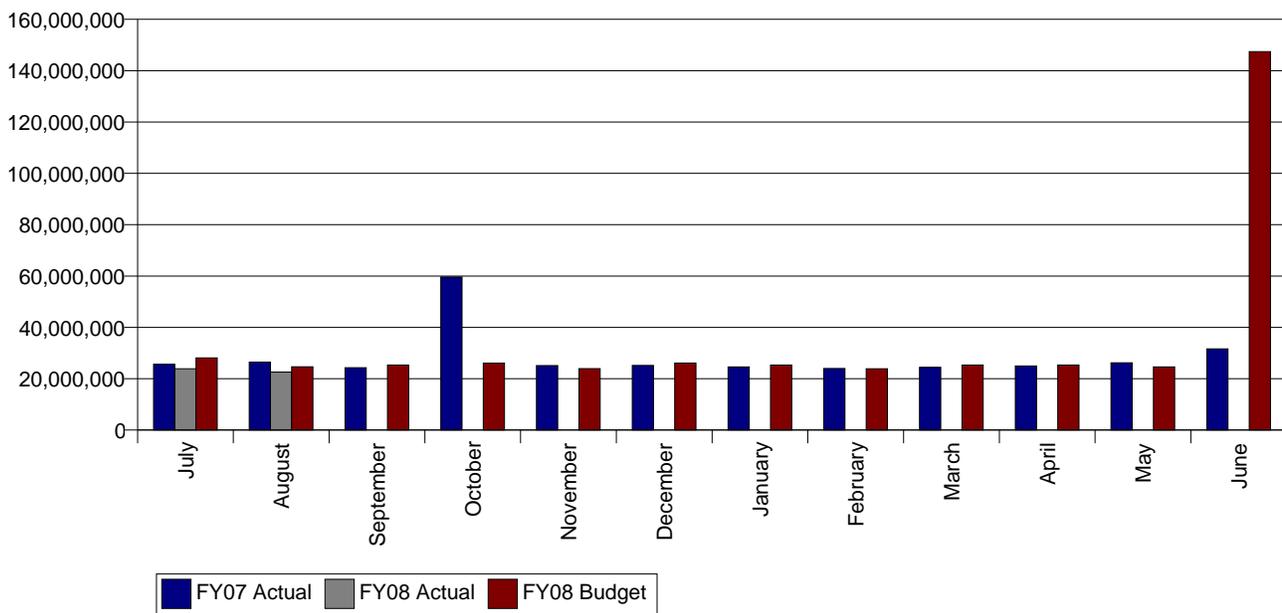
Executive Summary

As of August 31, 2008

Revenues



Expenditures





Detention Fund
Category Detailed by Agency
As of August 31, 2008

Revenues

Agency	Revised Budget	YTD Budget	YTD Actual	Variance	% of Variance
262 - CORRECTIONAL HEALTH F255	6,500	1,084	450	(634)	(58.45)%
472 - NON-DEPARTMENTAL F255	341,995,522	52,280,149	50,488,851	(1,791,298)	48.17%
507 - SHERIFF F255	27,240,000	4,540,000	5,904,344	1,364,344	30.05%
	369,242,022	56,821,233	56,393,645	(427,588)	46.73%

Expenditures

Agency	Revised Budget	YTD Budget	YTD Actual	Variance	% of Variance
262 - CORRECTIONAL HEALTH F255	49,229,949	8,236,687	8,368,864	(132,177)	(1.60)%
276 - JUVENILE PROBATION F255	35,714,330	6,002,101	5,393,103	608,998	10.15%
420 - JUSTICE SYSTEM PLANNING F100	1,695,804	524,529	227,966	296,563	56.54%
472 - NON-DEPARTMENTAL F255	150,966,653	5,967,971	2,097,035	3,870,936	64.86%
507 - SHERIFF F255	185,870,904	31,617,581	30,026,970	1,590,611	5.03%
701 - FACILITIES MANAGEMENT F255	2,743,527	459,422	382,556	76,866	16.73%
	426,221,167	52,808,291	46,496,494	6,311,797	11.95%