

**MARICOPA COUNTY
FY 2017
RECOMMENDED/
TENTATIVE BUDGET**



May 16, 2016

**Sandi Wilson, Deputy County Manager
Brian Hushek, Deputy Budget Director**

**Cynthia Goelz, Deputy Budget Director
Tina Allen, Budget Administrator**



Executive Summary



Maricopa County Board of Supervisors



Denny Barney
District 1 Supervisor



Steve Chucri
District 2 Supervisor



Andy Kunasek
District 3 Supervisor



Clint L. Hickman
District 4 Supervisor
Chairman



Steve Gallardo
District 5 Supervisor



Maricopa County
Board of Supervisors



FY 2017 Recommended Budget Overview & Challenges



2016 vs. 2017

FY 2016 Adopted to Revised Budget (Millions)

Adopted Budget	\$2,234.4
Grants and IGA's Countywide	<u>4.8</u>
REVISED BUDGET	\$2,239.2

Revised Budget includes adjustments approved by the Board throughout the fiscal year



FY 2017 Net Variance to the FY 2016 Revised Budget (Millions)

	FY 2016 Revised	FY 2017 Recommended	(Increase)/ Decrease	% Change
Total County	\$2,239.2	\$2,356.0	\$(116.8)	-5.2%
Total Operating	1,773.9	1,824.7	(50.8)	-2.9%
Total Non Recurring	465.3	531.3	(66.0)	-14.2%
Total General Fund	1,275.5	1,405.9	(130.4)	-10.2%
General Fund Operating	1,183.5	1,252.8	(69.3)	-5.9%
General Fund Non Recurring	92.0	153.1	(61.1)	-66.4%



Expenditure Limitation

- Approved by the voters in 1980
- Expands by the GDP Deflator and population growth
- The base year was FY 1979-80
- County costs do not increase at the same rate as the Expenditure Limit
- Sometimes it grows more quickly and sometimes more slowly
- When there is high inflation and/or population, Maricopa County is significantly below the limit
- When there is low inflation and/or population, Maricopa County gets close to the limit

Current Situation

- Population and inflation growth is slow
- Criminal Justice, State Mandates, CIP and Mandates are escalating at a higher rate
- Therefore exclusions must be utilized:
 - Debt Payment and Receipts (including Bonds)
 - Grants, IGAs
 - Interest Earning
 - Trust Monies
 - HURF Fund (Highway User Revenue Funds)
 - Voter Approved Accumulation Funds
 - Judgments

Year-over-Year Excluding Debt Payments Related to Expenditure Limitation

(Millions)

	Recommended Budget		Adjusted Budget*	
	(Increase)/ Decrease	% Change	(Increase)/ Decrease	% Change
Total County	\$(116.8)	-5.2%	\$(21.8)	-1.0%
Total Operating	(50.8)	-2.9%	(50.8)	-2.9%
Total Non Recurring	(66.0)	-14.2%	29.0	6.5%

* Adjusted to Exclude Debt Payments related to Expenditure Limitation

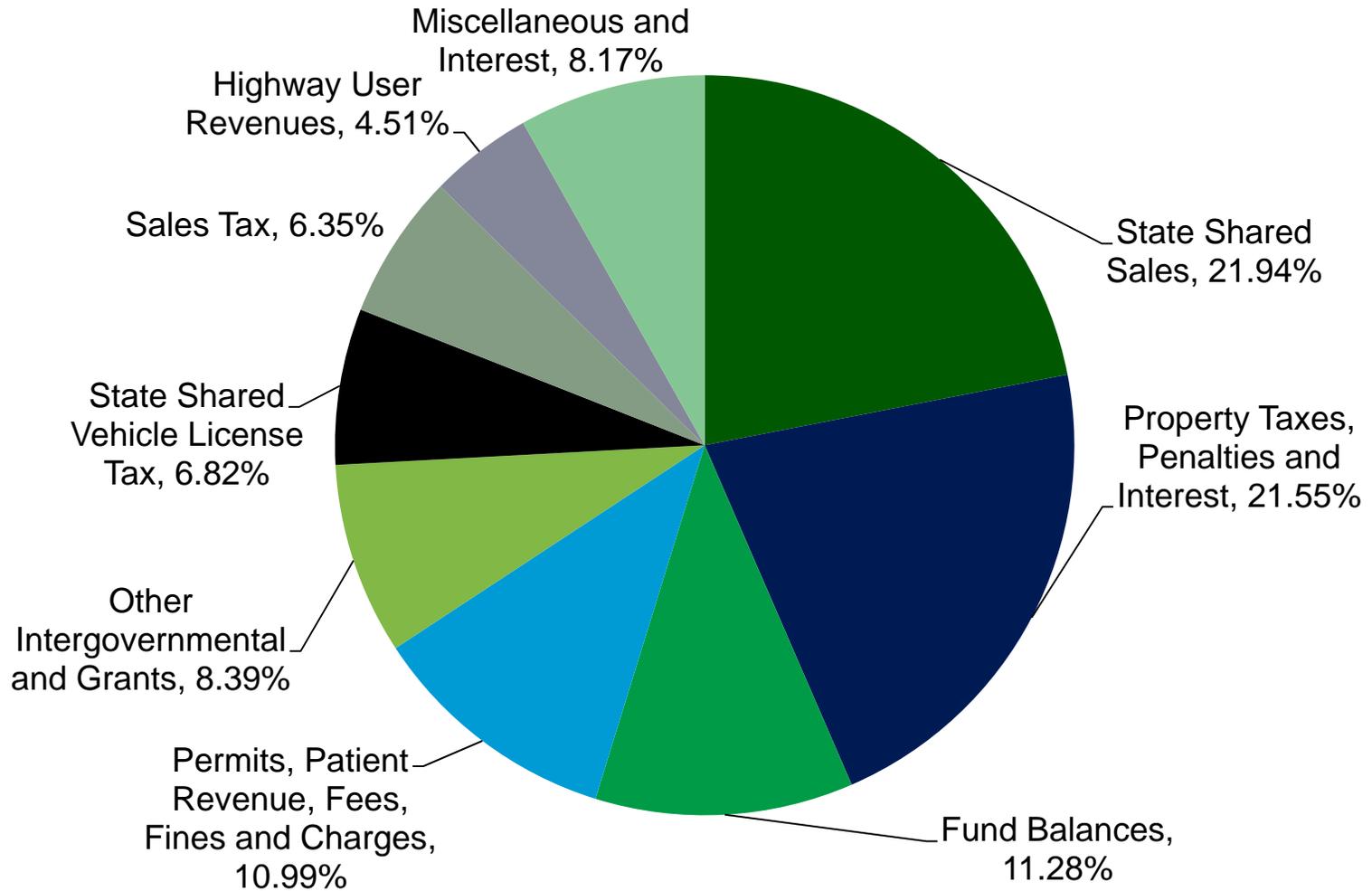


General Fund Interest Savings of \$594 Million since FY 2002

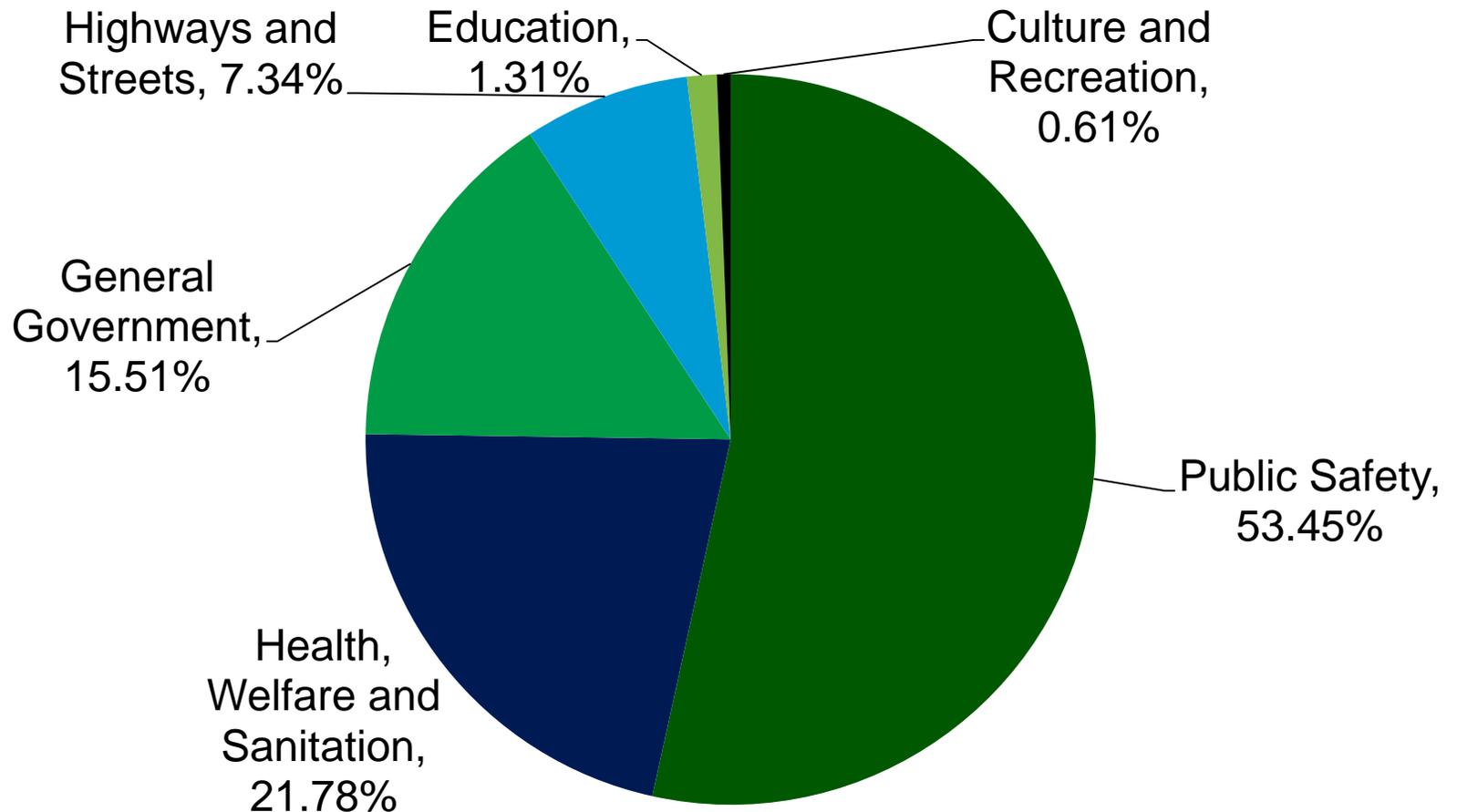


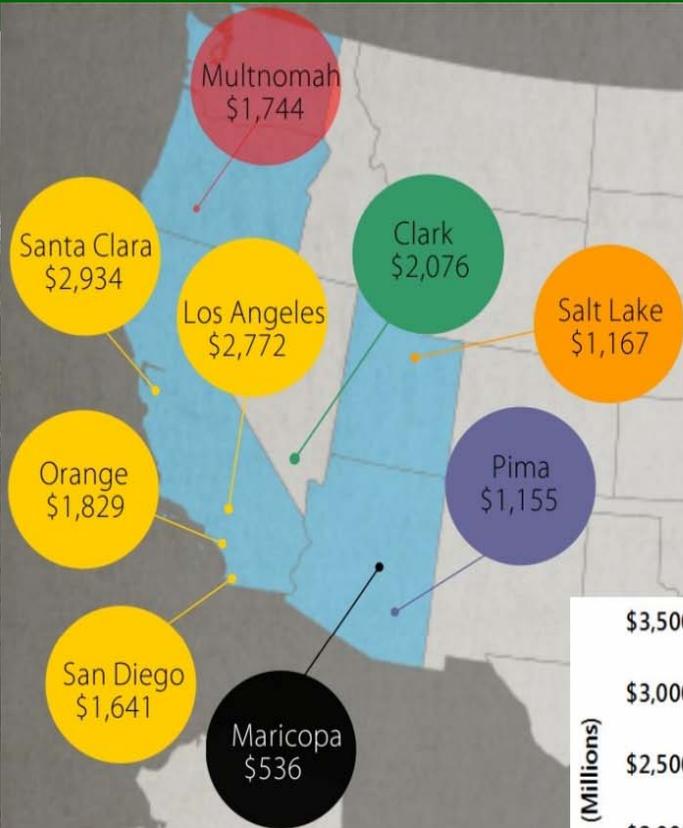
FY 2017 Recommended Budget

Sources of Funds: \$2,356,007,976



FY 2017 Recommended Budget Uses of Funds: \$2,356,007,976





Annual County Budget Per Capita

 MC is 70% lower than the average comparable county



* Source: FY 2016 County Annual Budget Books & 2015 U.S. Census Bureau



Budget Guidelines and Priorities

- Adopted by the Board of Supervisors on January 6, 2016
- Develop a sustainable, structurally-balanced budget that advances the County's mission and strategic goals
- All departments must submit within their baseline
- No requests for new funding
- Zero-Based Budget departments will complete decision packages
- The base budget will continue to incrementally restore operating contingency
- No new capital or technology will be reviewed until reserve decisions are made
- Increases will be evaluated for their impact on the County's Expenditure Limitation

Budget Guidelines and Priorities

- Ten Departments submitted a Zero-Based Budget:
 - Call Center
 - Elections
 - Employee Benefits and Health
 - Environmental Services
 - Medical Examiner
 - Parks and Recreation
 - Protective Services
 - Public Health
 - Risk Management
 - Stadium District

Major Budget Challenges

- Maintaining structural balance in All Funds
- Low Growth in Sales Taxes, Vehicle License Taxes, Jail Taxes, and Property Tax Assessment Growth
- Detention Fund continued dependency on the General Fund
- Maintaining General Fund Cash Reserves at adequate levels
- Establishing a Detention Fund Cash Reserve
- Absorbing the FY 2015-16 State Cost Shifts into the Operating Budget
- Criminal Justice Operating and CIP needs continue to increase
- Dwindling fund balances are negatively impacting cash flow
- Possible recession in coming years
- Animal Care & Control Services will be out of structural balance and a deficit fund balance will occur without significant operational changes

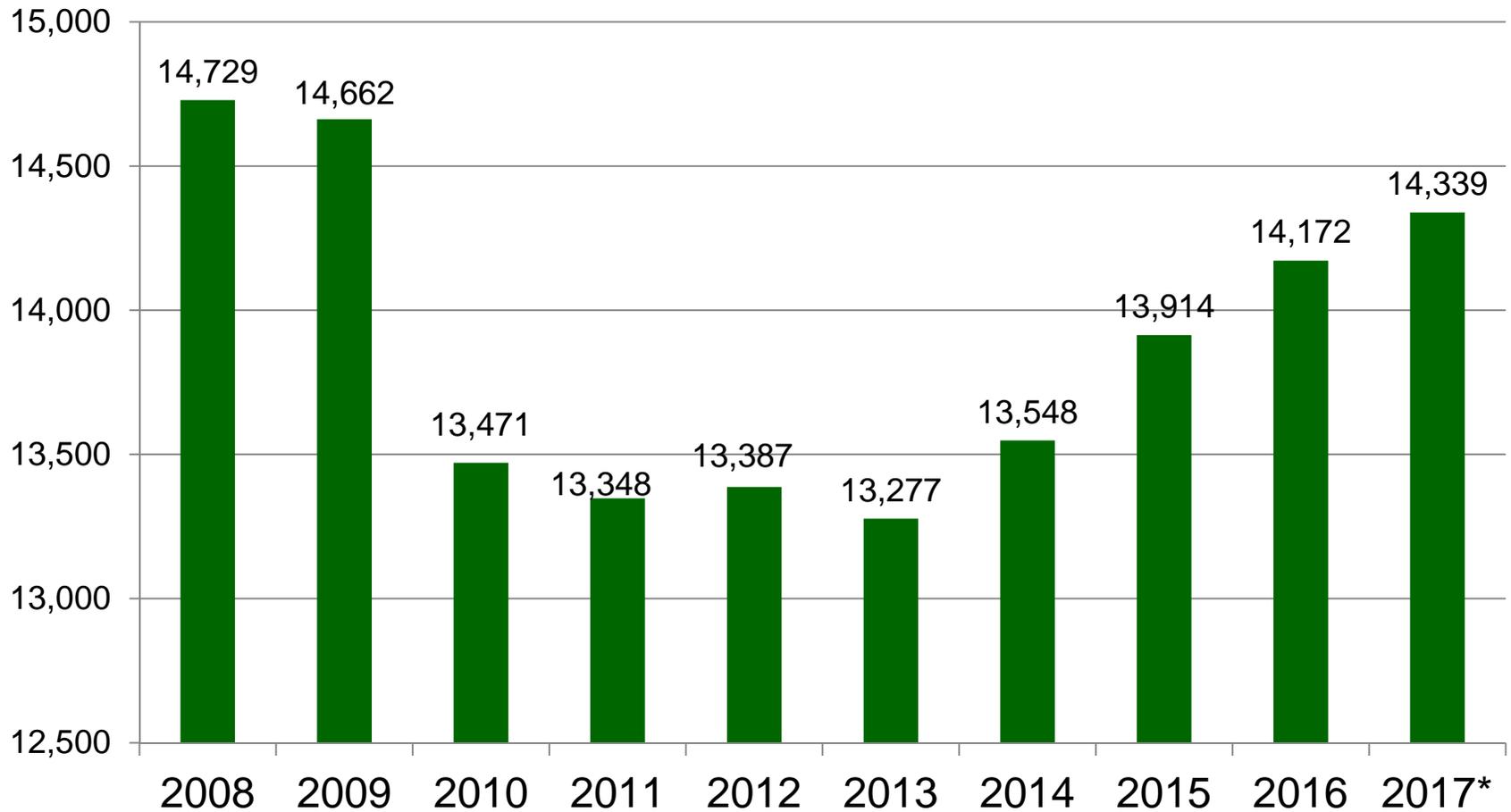


Structurally Balanced Budget

*Definition:
Reoccurring
revenues meet
or exceed
reoccurring
expenditures –
over the
economic cycle*



Budgeted FTE's



* Recommended Budget



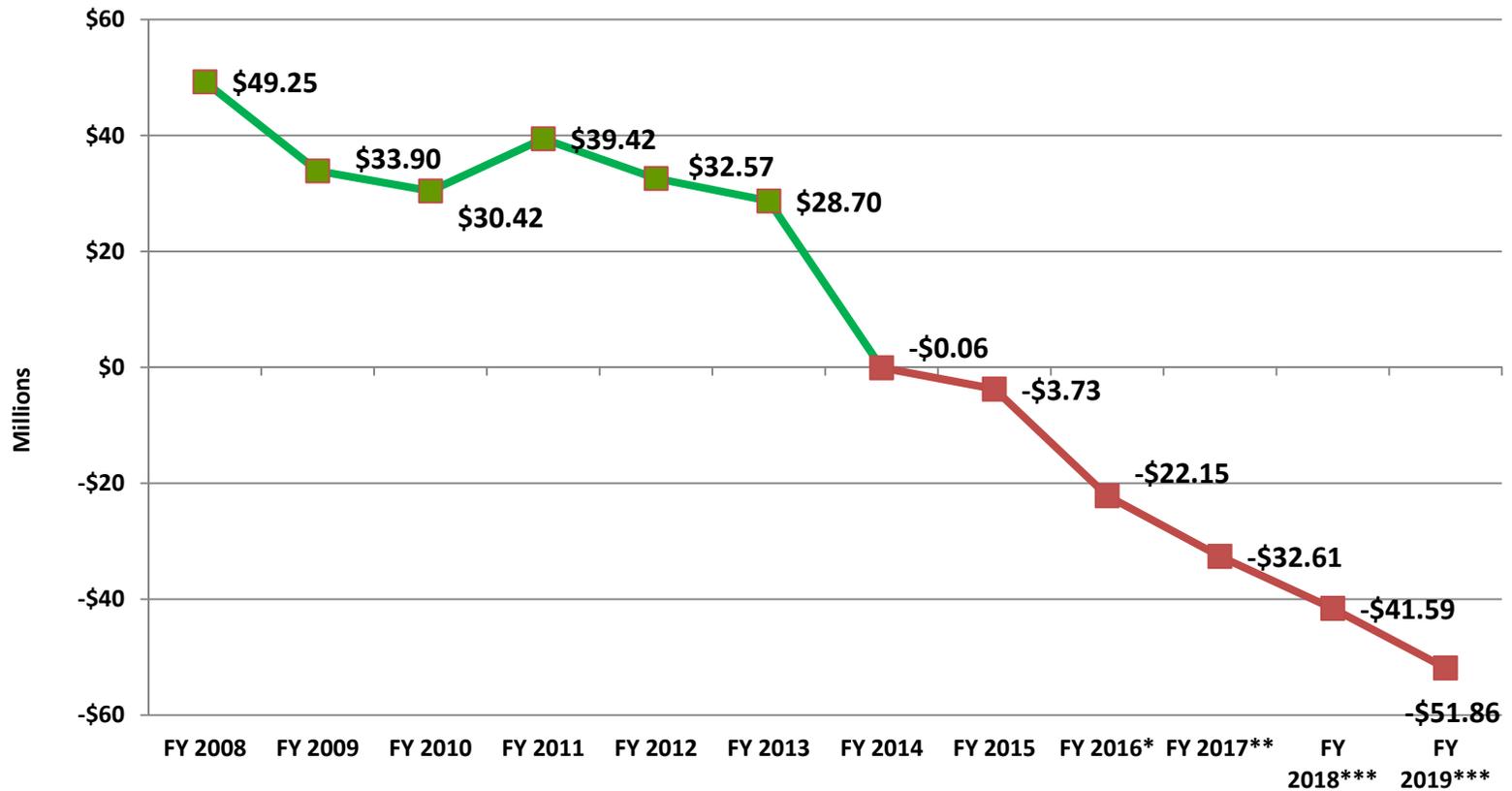
Retirement and Benefits

- Retirement rates remained relatively flat
 - Overall retirement contributions in all funds are decreasing \$663K due the decrease in the PSPRS rate, which offset minor increases in other plans
 - All retirement plans still have substantial unfunded liabilities
- Benefits Trust Fund reserves declining
 - General and Detention Fund contributions to health benefits increasing by \$15 million

Detention Fund Structural Balance

- Maricopa County asked for 1/3¢ and received approval from the legislature for 1/5¢ in sales taxes
- Detention Fund has been out of structural balance since FY 2014
- Revenue growth is not keeping pace with expenditure increases due to increases in services as well as increases in other costs, including our growth in Probation Officers
- To achieve structural balance in FY 2017, a \$32.6M infusion from the General Fund is necessary
- Long range forecast indicate this trend will continue
- Jail Excise Tax expires in 2027

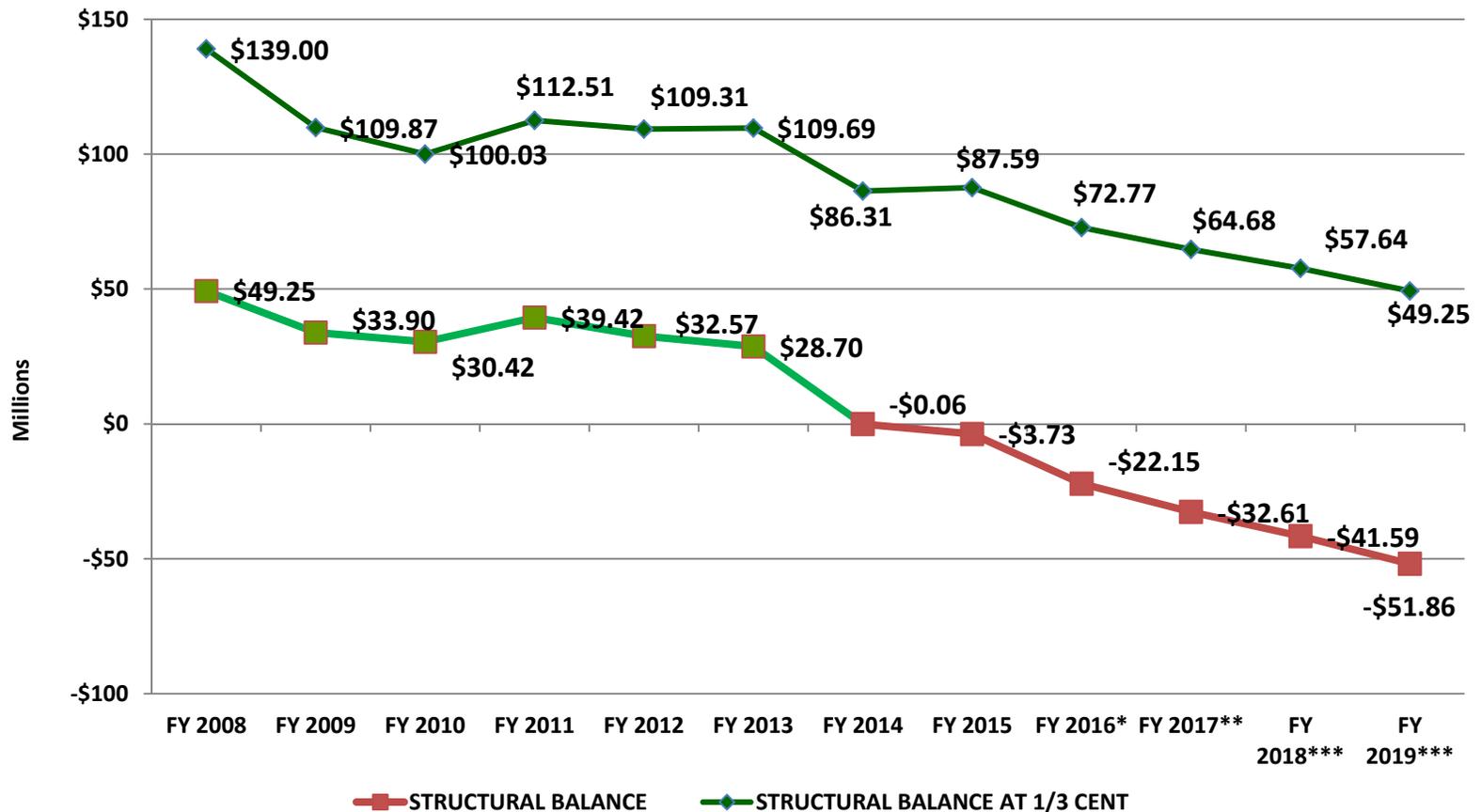
Detention Fund Structural Balance without General Fund Subsidy



*Forecast ** Recommended *** Projection



Detention Fund Structural Balance 1/3rd cent vs. 1/5th cent



*Forecast ** Recommended *** Projection



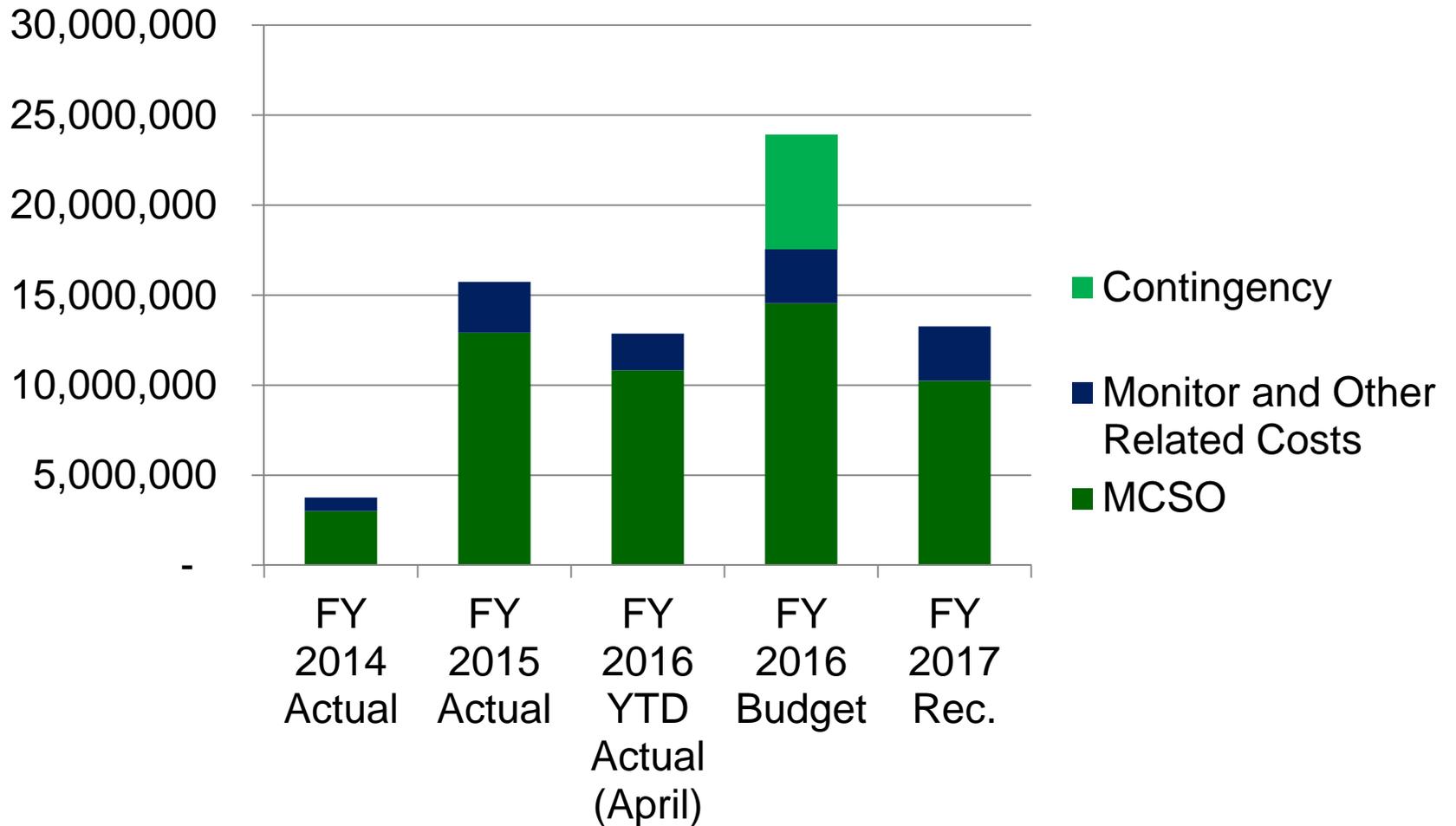
MCSO Judgment Order

- In October 2013, the United States District Court for the District of Arizona issued a Judgment Order in the Melendres v. Arpaio
- The Judgment Order stated requirements which MCSO must follow in order to comply with Courts ruling
- In addition, it required a court appointed monitor

Note: The above excludes legal costs for defense and plaintiff.



MCSO Judgment Order



Excludes legal costs for plaintiff and attorney



State Budget Impacts

Estimated State Budget Impacts on Maricopa County, FY 2008 to FY 2017

	FY 2008-2014	FY 2015	FY 2016	FY 2017	TOTALS
Mandated Contribution	\$ 103,668,300	\$ -	\$ -	\$ -	\$ 103,668,300
Sweep ALTCS Refunds	11,078,831	-	-	-	11,078,831
HURF Diversion to DPS*	42,264,339	4,492,963	5,095,023	5,098,334	56,950,659
HURF Diversion to MVD	6,662,102	-	-	-	6,662,102
Reduce, Eliminate Lottery Revenue**	1,248,860	249,772	249,772	249,772	1,998,176
SVP Payments	16,700,000	2,106,649	2,106,649	2,345,000	23,258,298
100% Superior Court Judges Salaries	36,050,316	9,155,758	9,354,345	9,354,345	63,914,764
Assessor - DOR**	846,000	282,000	282,000	282,000	1,692,000
Capital PCR - ongoing**	722,630	447,723	447,723	447,723	2,065,799
Capital PCR - start up	64,962	-	-	-	64,962
Reduction in State-Shared Sales Tax for Utilities used in Manufacturing**	-	1,000,000	1,000,000	1,000,000	3,000,000
Reduction in Jail Excise Tax for Utilities used in Manufacturing**	-	600,000	600,000	600,000	1,800,000
Juvenile Corrections Cost Shift*	-	-	7,166,033	6,724,128	13,890,161
DOR Cost Shift	-	-	4,030,498	4,030,498	8,060,996
Presidential Preference Election***	-	-	2,972,161	-	2,972,161
Superior Court Judges and Justices of the Peace Salary Increase****	-	-	-	991,747	991,747
Total	\$ 219,306,340	\$ 18,334,865	\$ 33,304,204	\$ 31,123,547	\$ 302,068,956

*Receiving one-time relief of \$4,777,300 for Juvenile Corrections and \$4,186,117 for HURF Diversion to DPS in FY 2017, but full impact has been built into operating budget

**Estimates based on initial year of shift without consideration of inflation

***Reimbursement request submitted to Secretary of State for \$2,972,160.56

****Annualized cost of Superior Court Judges and Justices of the Peace salary increase in State budget



Econometric Perspective

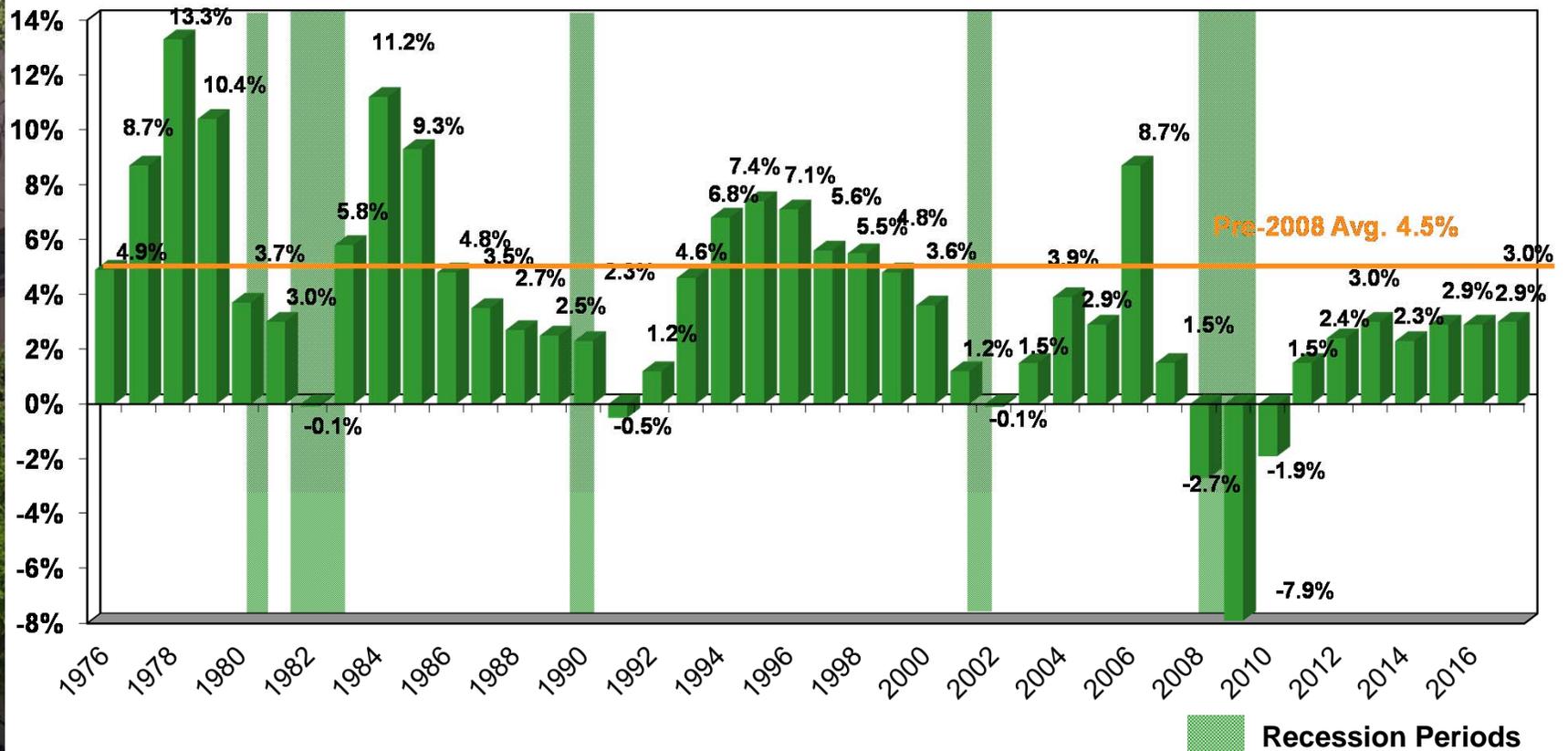
“As a cycle continues on in years, though, it is prudent to be more cautious as the probabilities of an economic slowdown grow. While expansions don’t end because of old age as expansions get older, imbalances can occur.”

Elliott D. Pollack and Company
January, 2016



Maricopa County Employment* Annual Percent Change 1976–2017**

Source: Arizona Department of Administration



*Non-agricultural wage & salary employment. Changed from SIC to NAICS reporting in 1990; Preliminary 2015 data

**2016 & 2017 forecasts from Elliott D. Pollack & Co.



Population Change

Fiscal Year	Population	Year-Over-Year	
2007	3,708,664		
2008	3,781,121	72,457	1.95%
2009	3,814,982	33,861	0.90%
2010	3,822,597	7,615	0.20%
2011	3,833,714	11,117	0.29%
2012	3,864,038	30,324	0.79%
2013	3,914,782	50,744	1.31%
2014	3,976,755	61,973	1.58%
2015	4,042,545	65,790	1.65%
2016*	4,119,353	76,808	1.90%
2017*	4,205,859	86,506	2.10%

*Forecast; Historical and Forecast Data from Elliott D. Pollack and Company April 2016

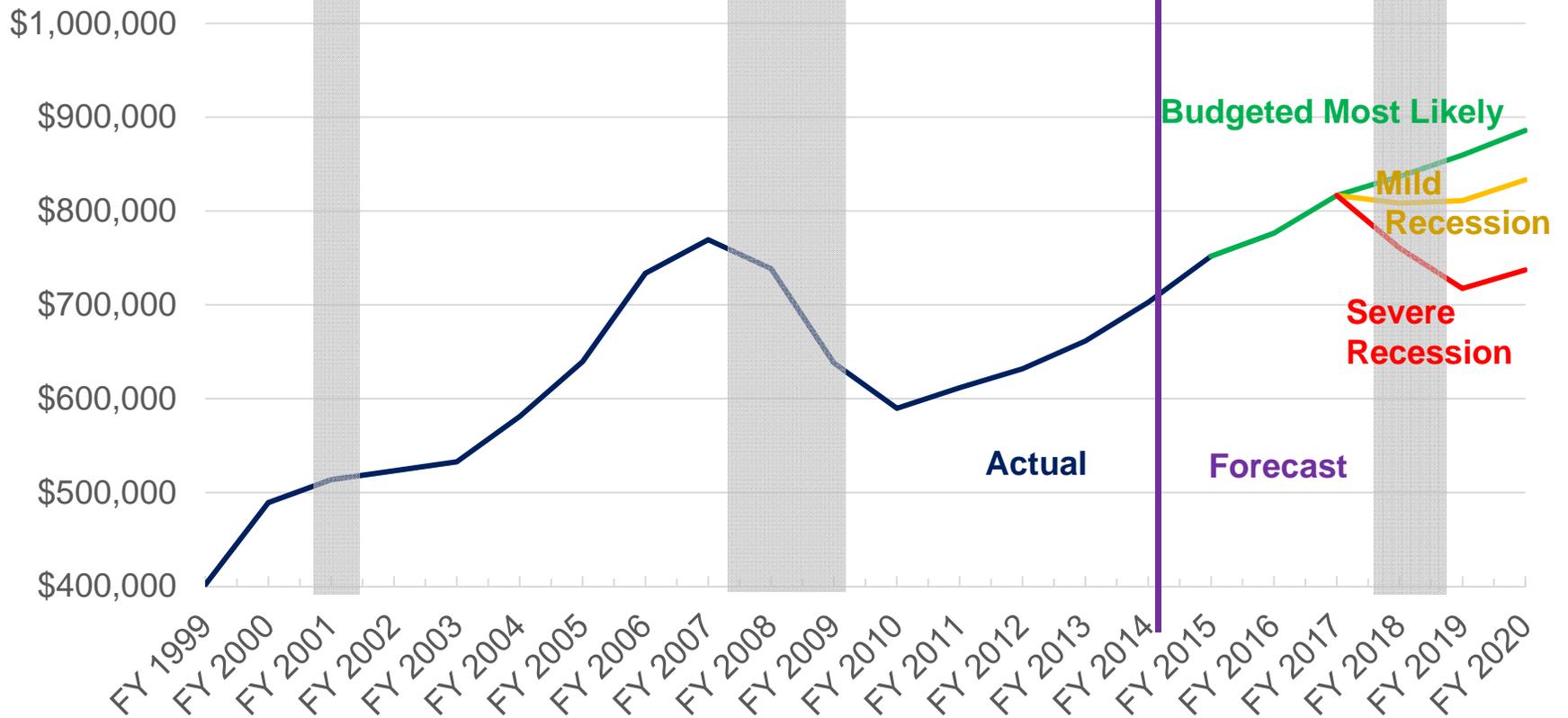


Maricopa County Revenue Forecast (Sales, VLT, Jail)

Budgeted/Forecast FY 1999 - 2020

Recession Period

Thousands



Economic Summary

- Our economy is growing slowly
- Imbalances are beginning to surface, signs of an upcoming recession
- Oil prices are low
- Employment has improved, slightly
- Slow housing recovery
- U.S. dollar is strong
- Consumer debt burden low, but student loans debt is high and climbing

Source: Elliott D. Pollack & Company, April 2015

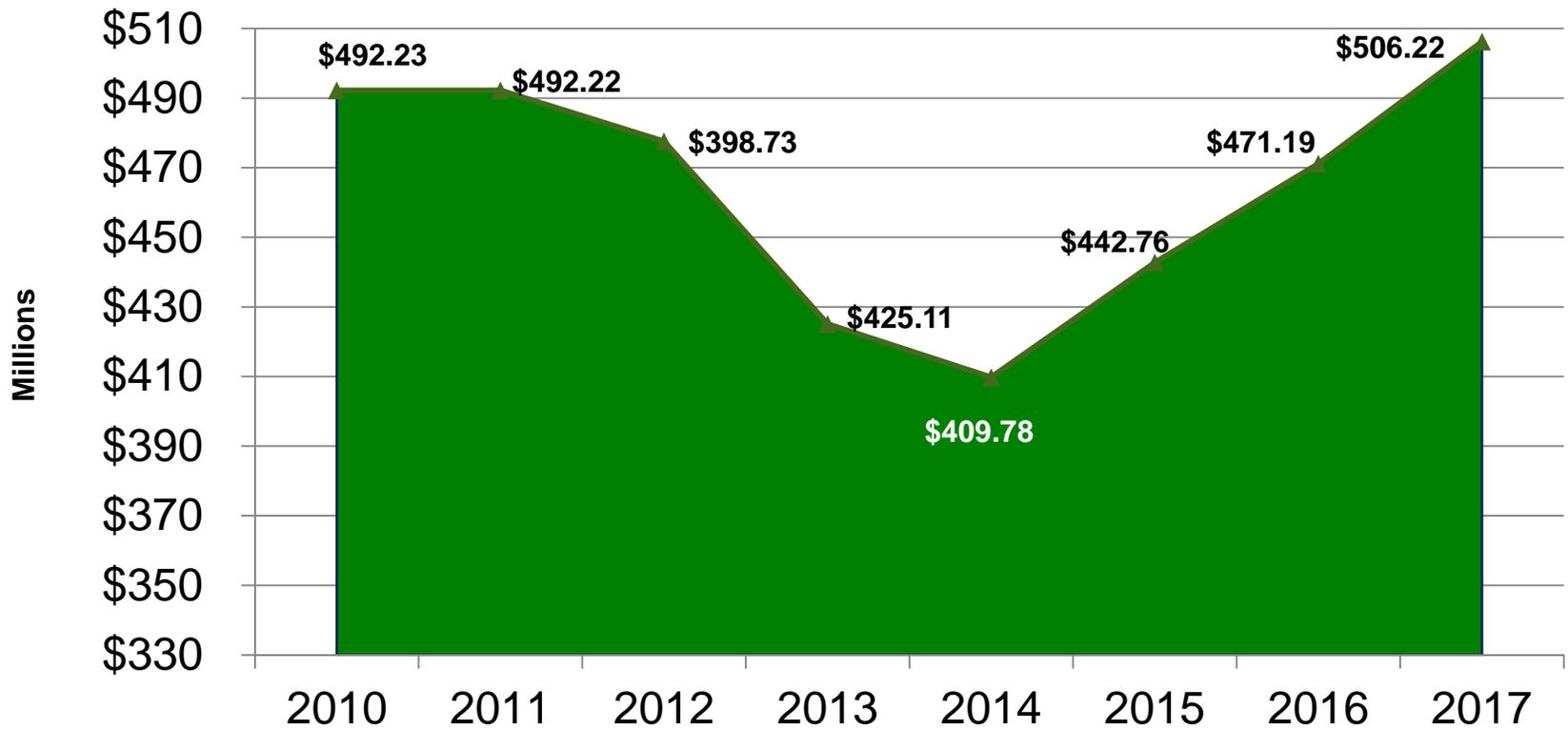


Property Taxes

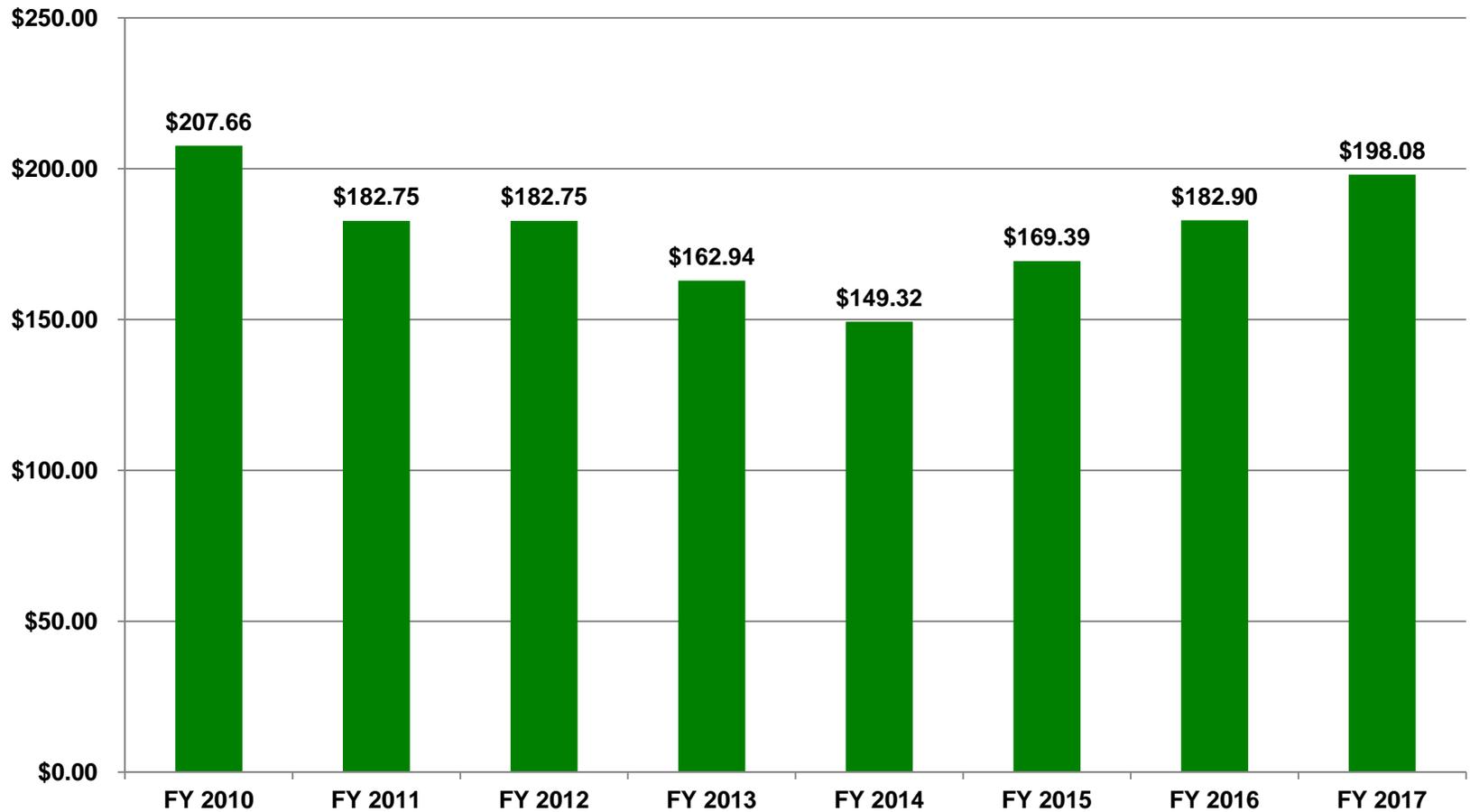


Property Tax

Primary Levy

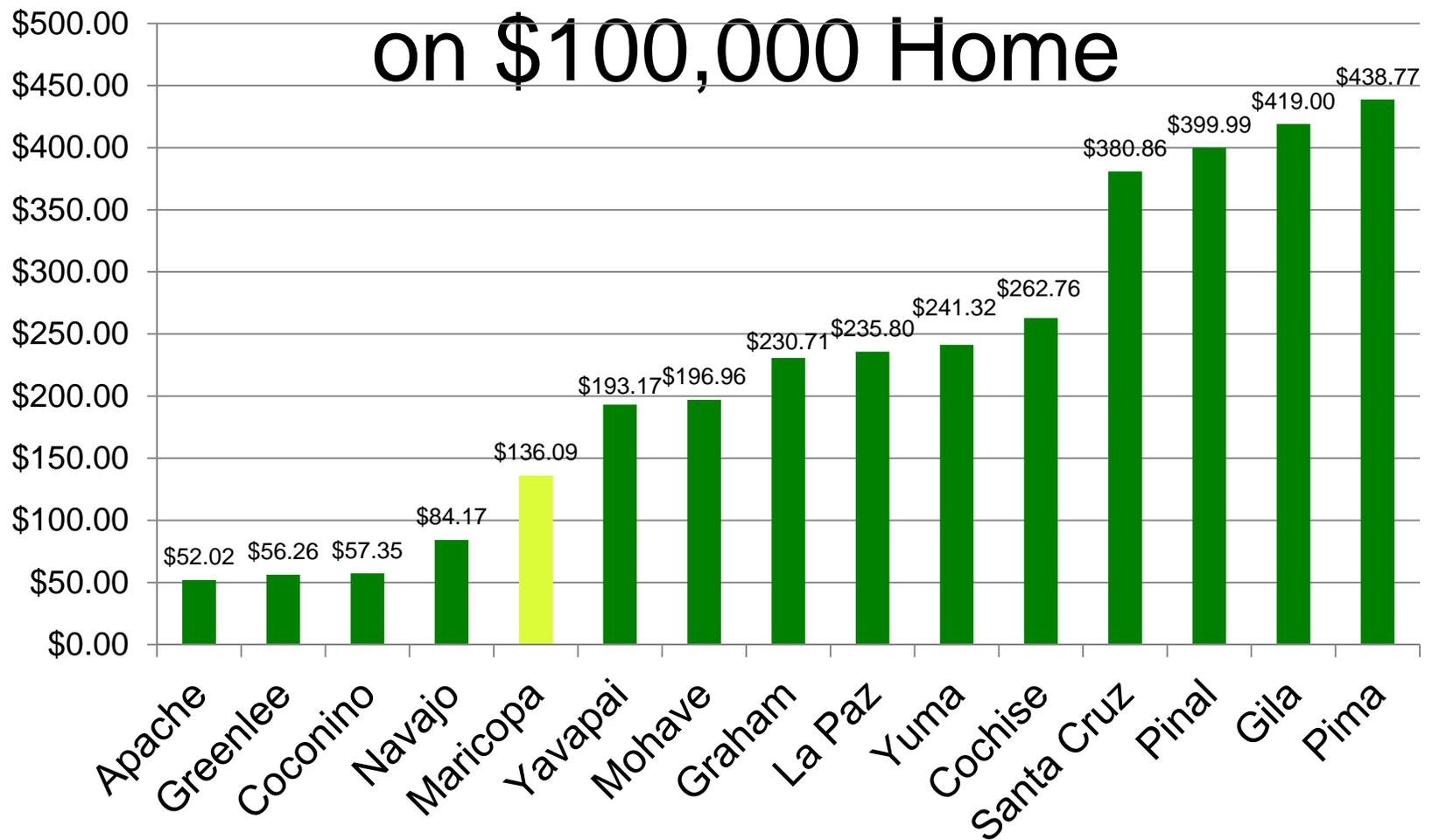


Combined County-Controlled Tax Bill History

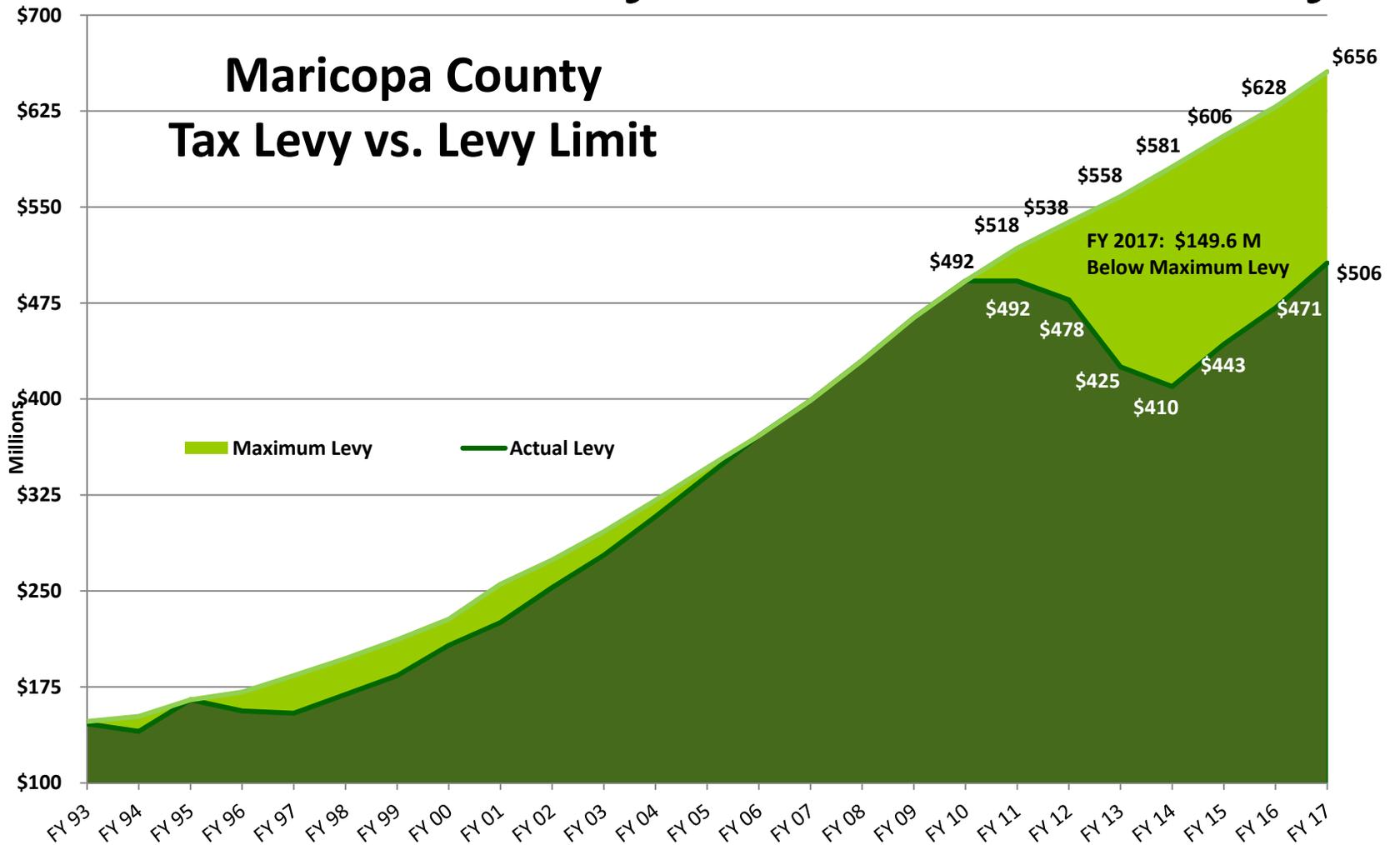


FY 2016

Primary Property Tax on \$100,000 Home

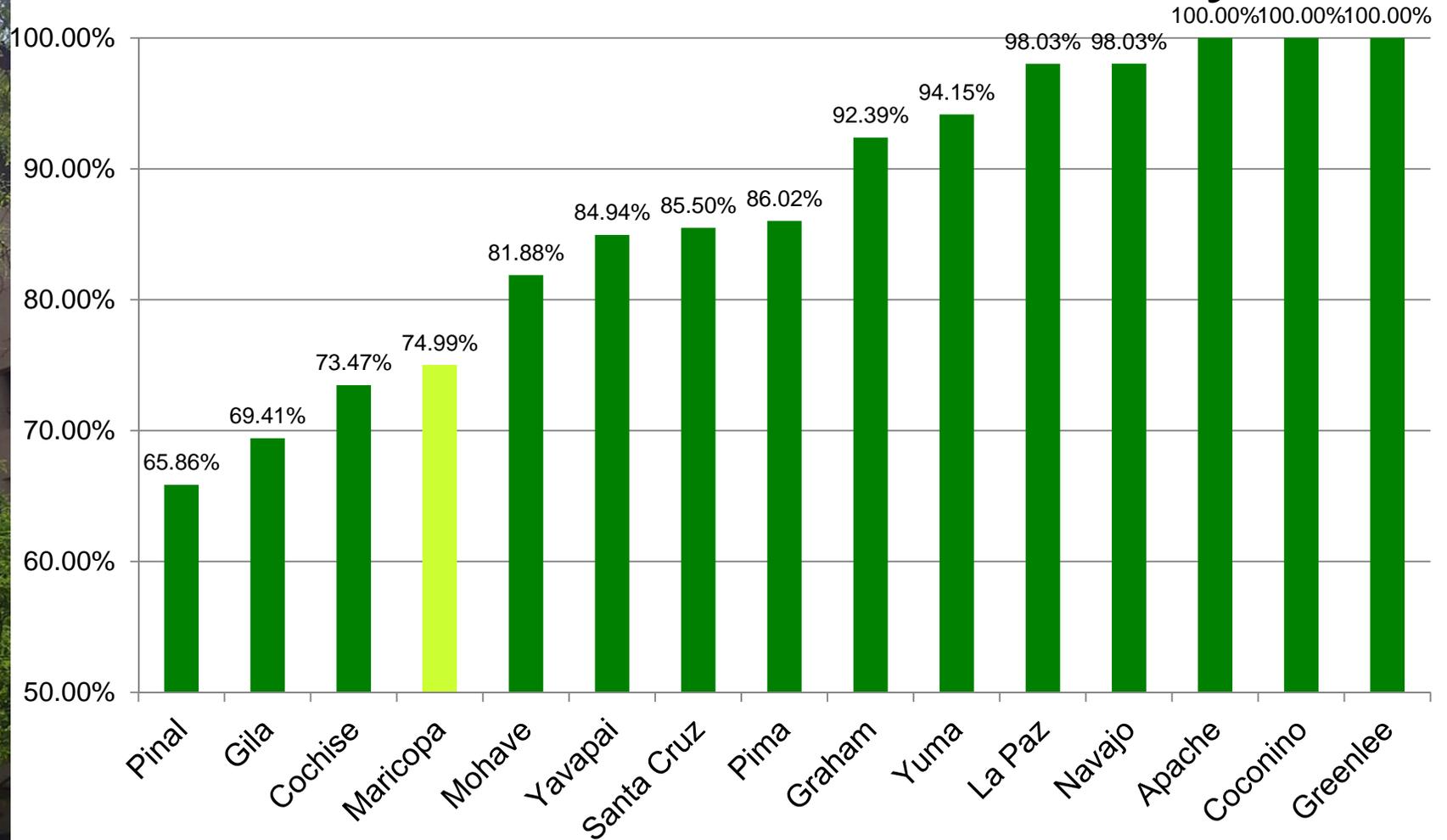


Maximum Levy vs. Actual Levy



FY 2016

Percent of Maximum Levy



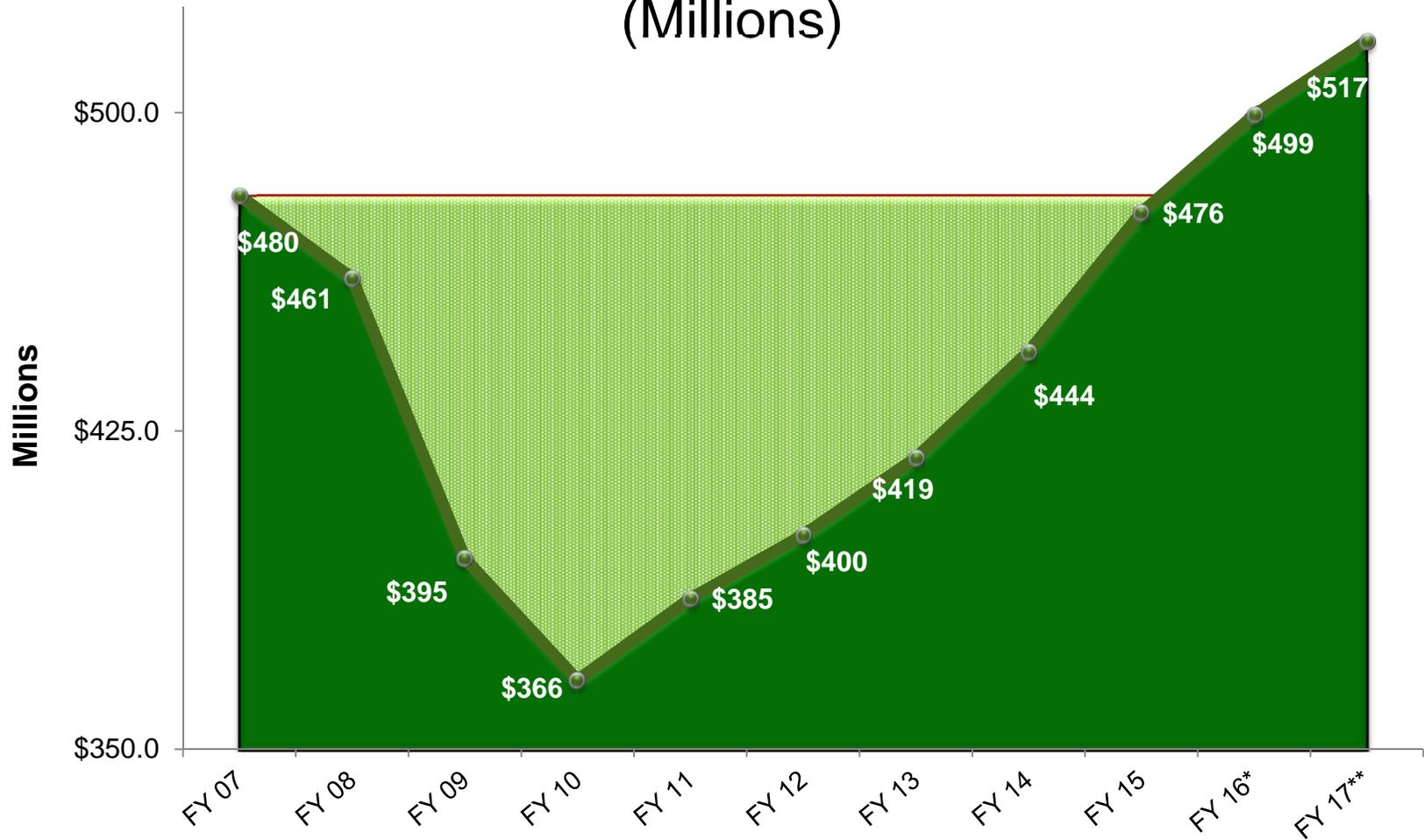
Other Revenue Trends

Living ^{with} Slower
Growth



State Shared Sales Tax

(Millions)

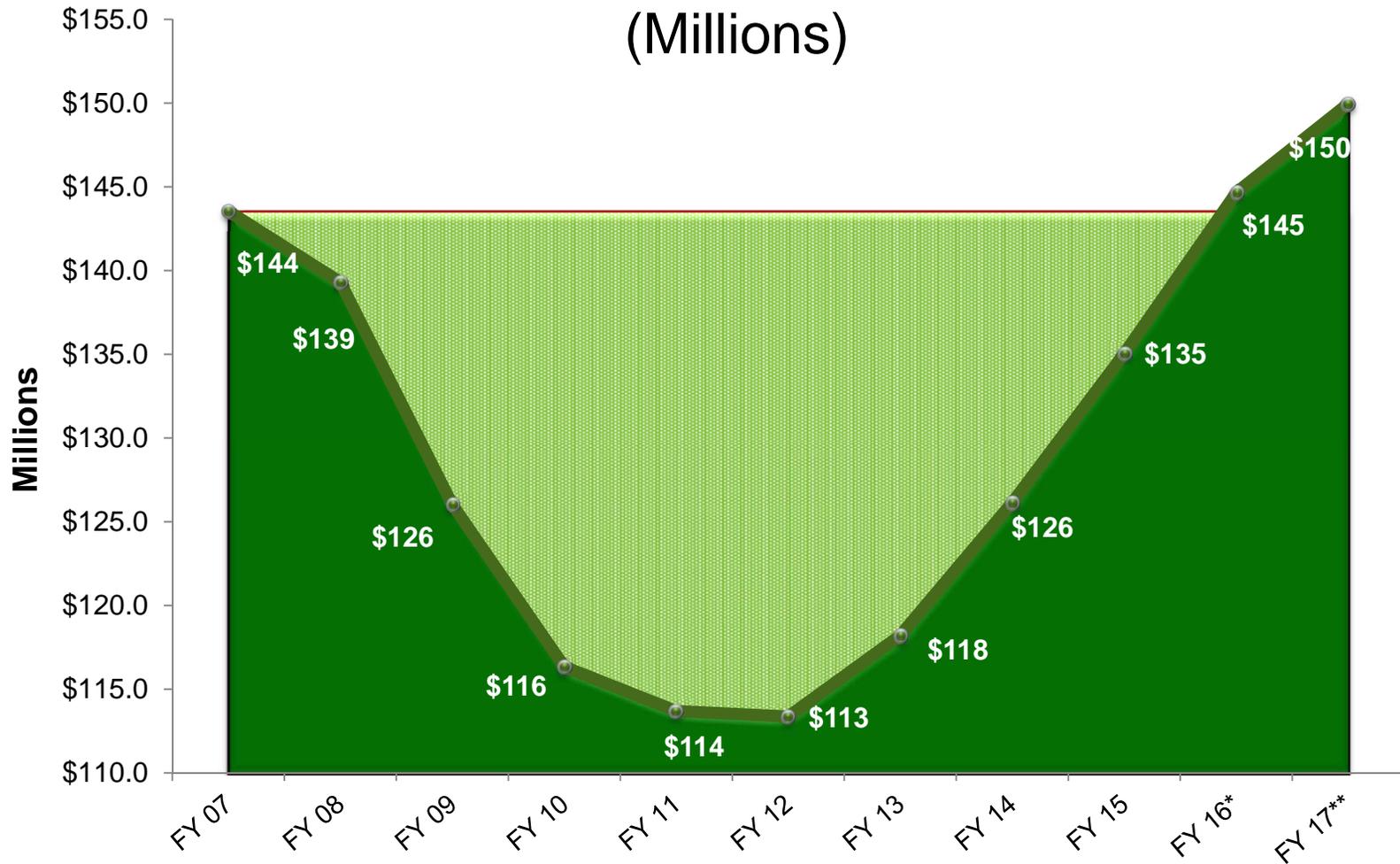


*Forecast

** Recommended Budget



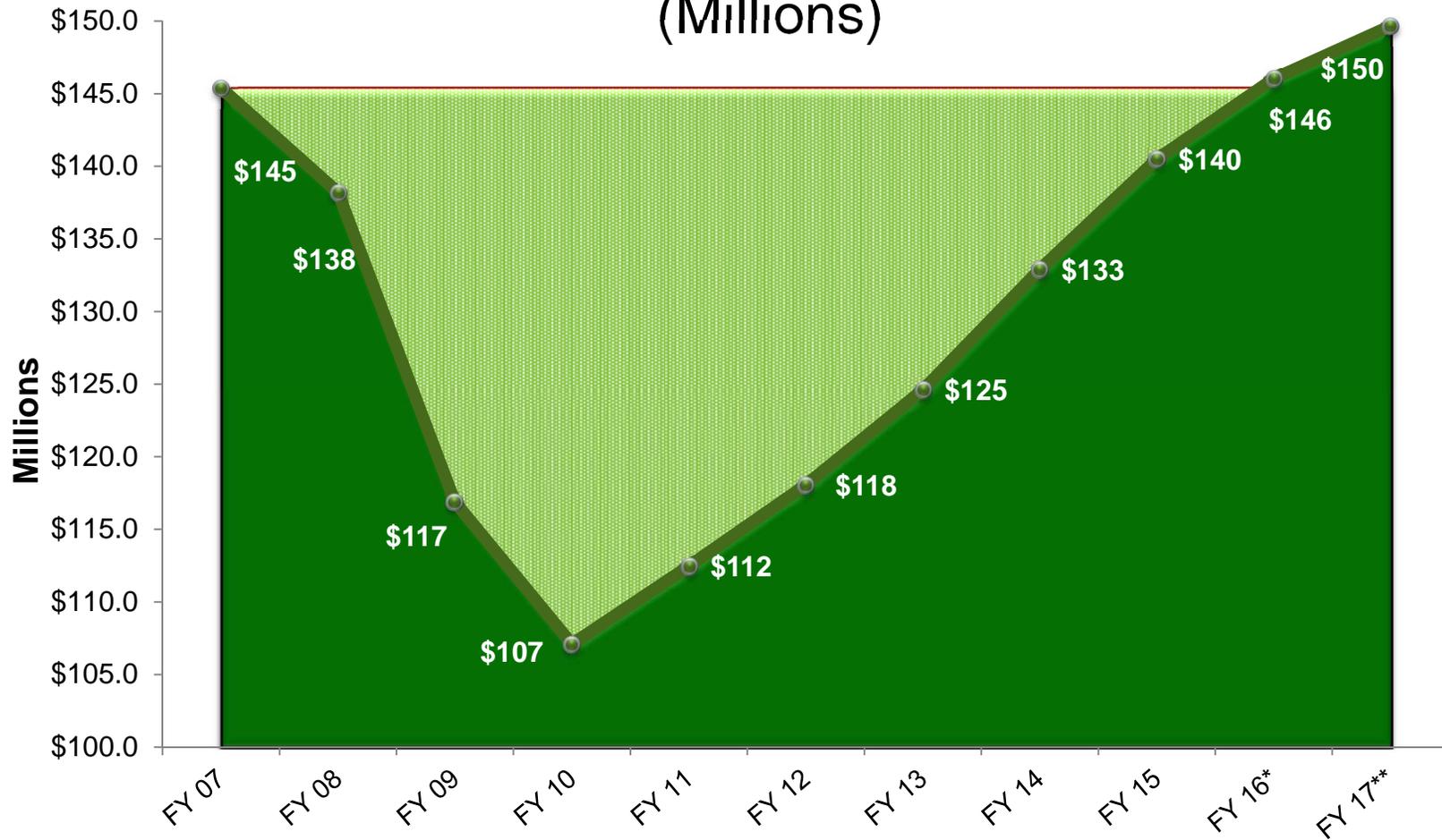
Vehicle License Tax (Millions)



*Forecast

** Recommended Budget

Jail Excise Tax (Millions)



*Forecast

** Recommended Budget



Department Budgets

Safe
Communities

Regional
Services

Government
Operations

Growth and
Economic
Development

Fiscal Strength
and
Responsibility

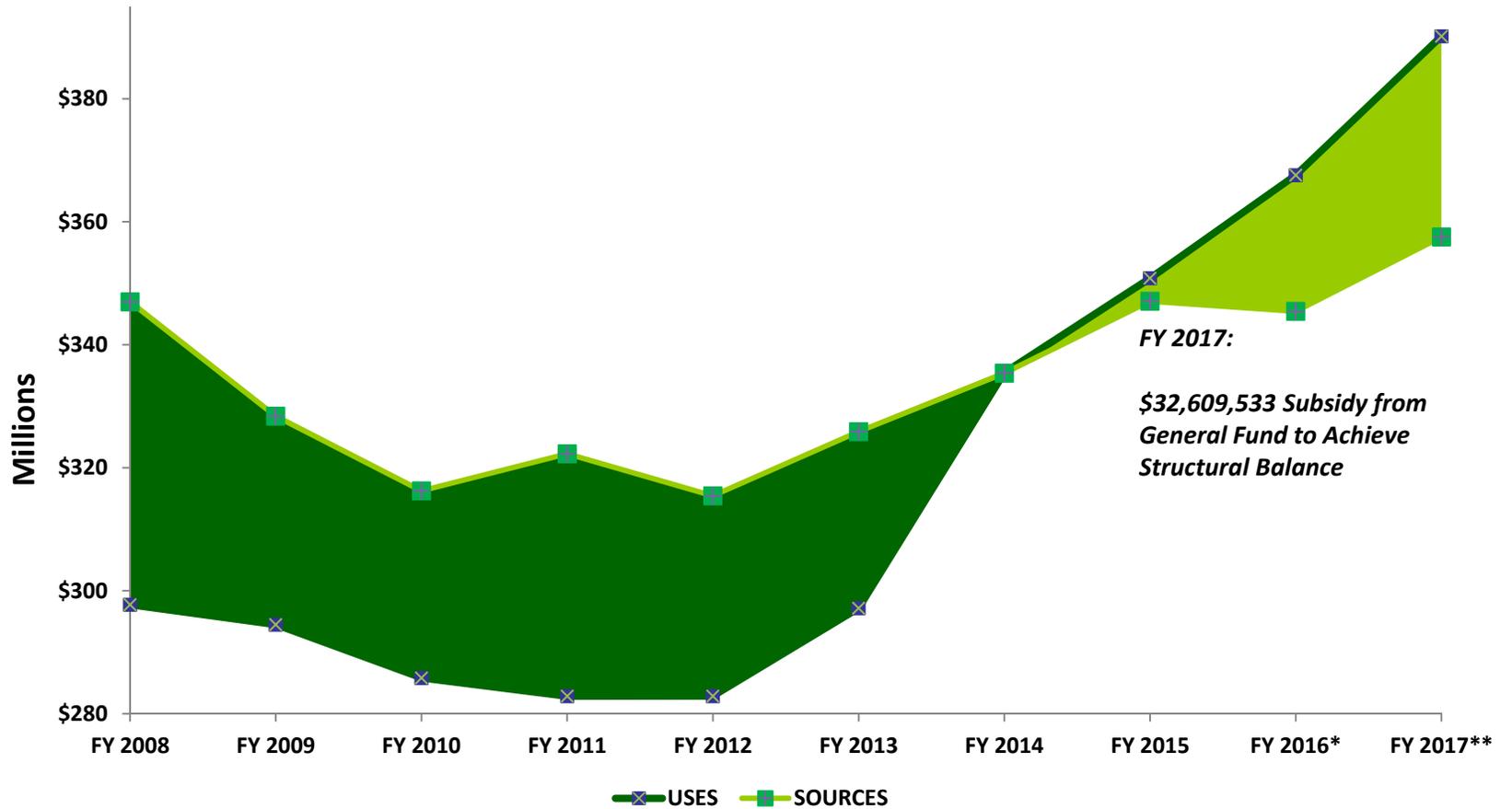


Justice System



Detention Fund

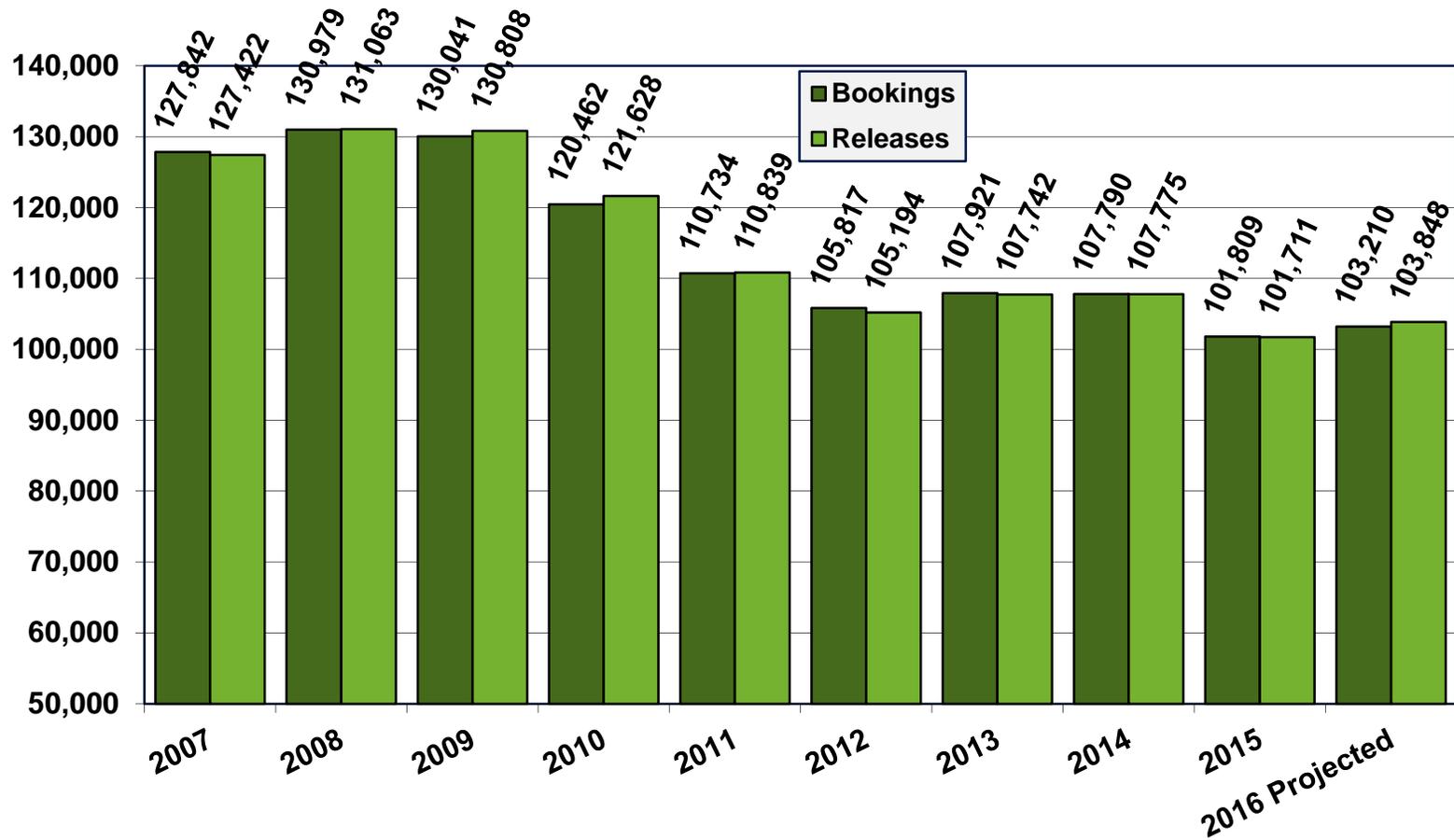
Operating Revenue and Expenditures



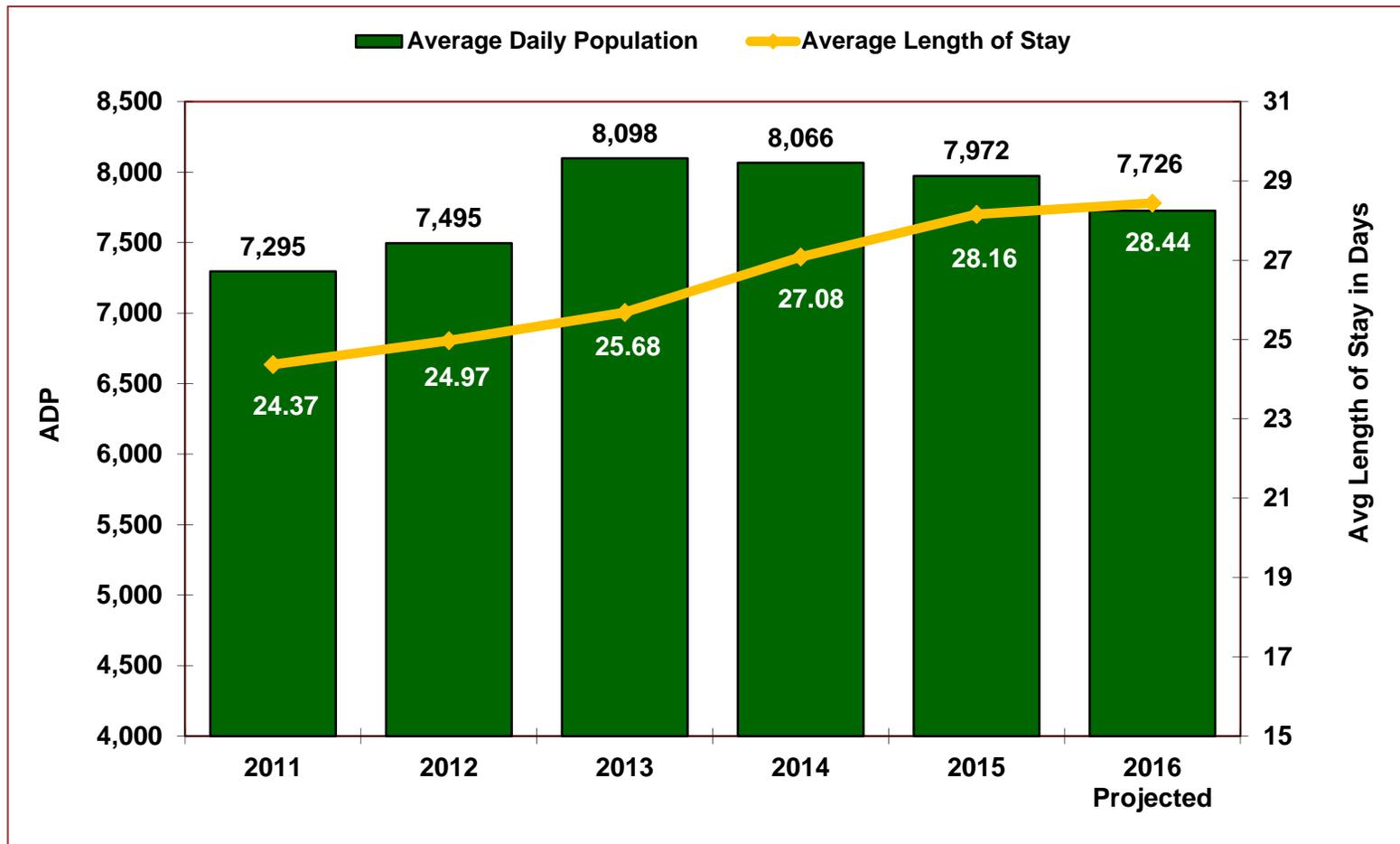
*Forecast **Recommended Budget



Jail Population



Jail Population



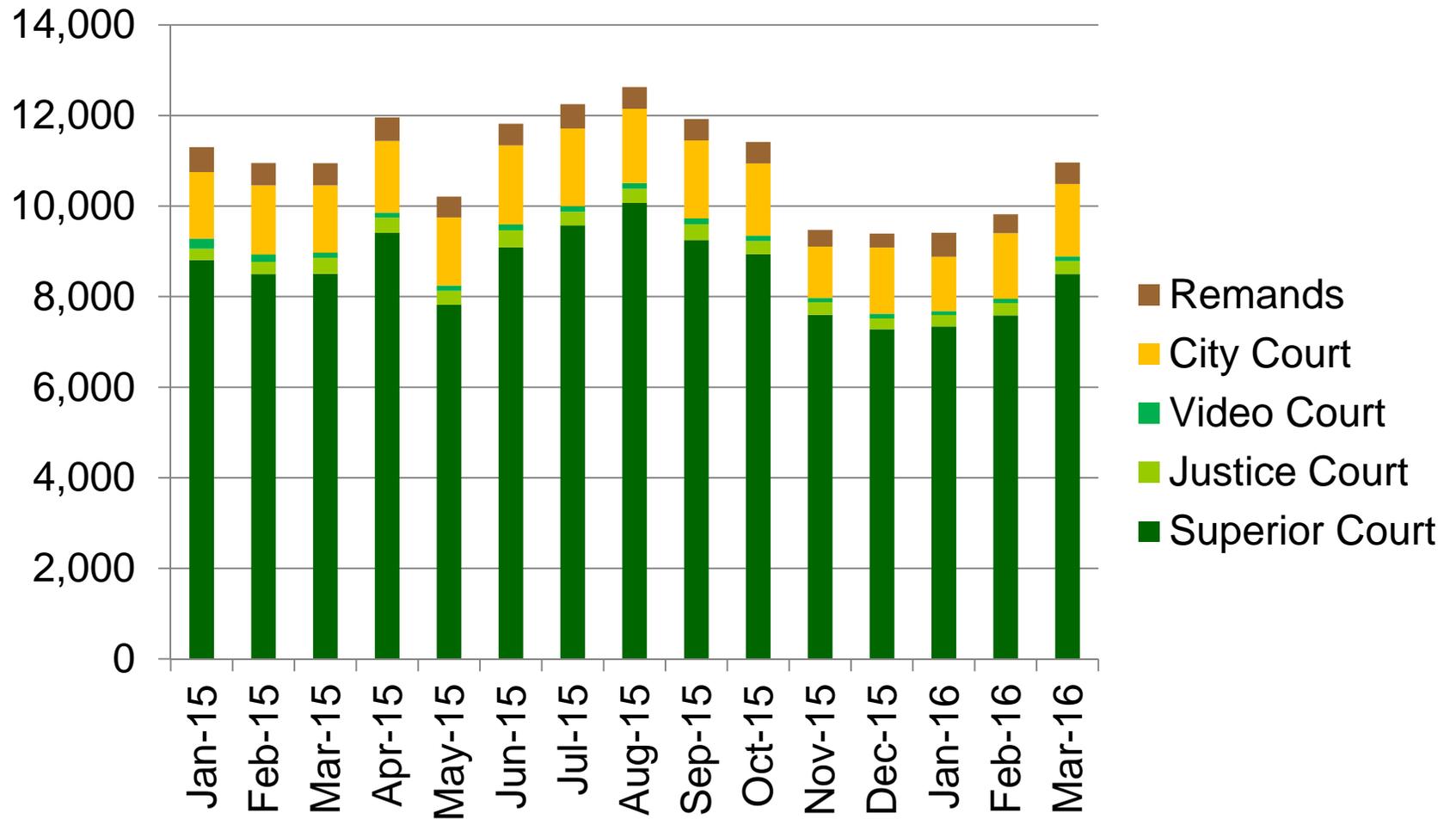
Sheriff's Office

The Detention Fund budget increased by \$6.1M

- Major changes:
 - Redistribution of administrative costs from the General Fund of \$3.3M
 - Reduced Staff by 6.0 FTE due to reduced transport needs as a result of new Video Court
- Revenue is declining \$4.3M as Cities and Towns book fewer inmates



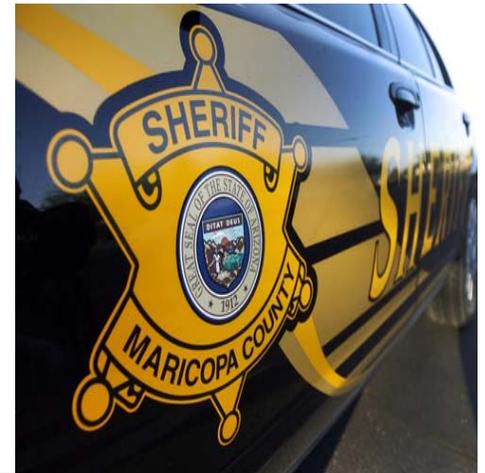
MCSO Inmate Transport



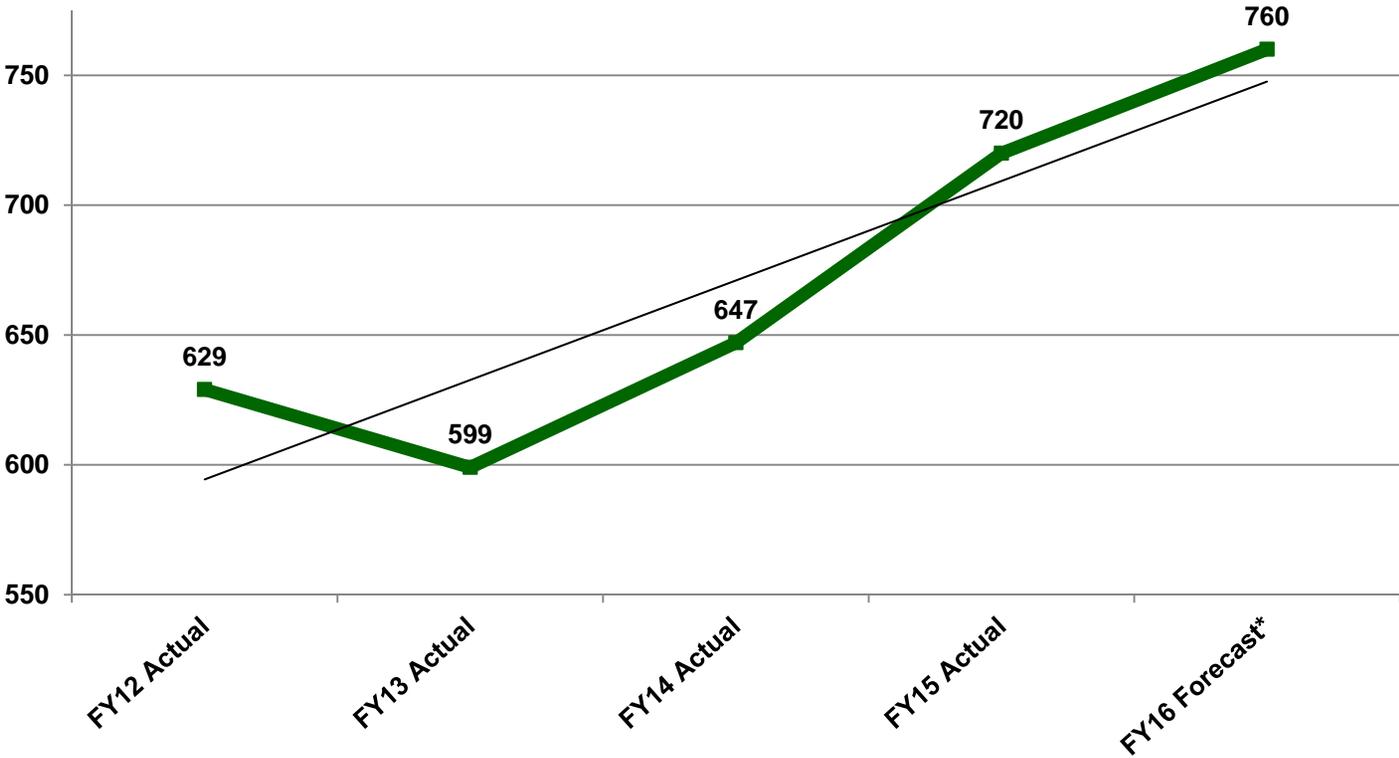
Sheriff's Office

The General Fund budget increased 0.6% and includes:

- Reallocation of Overtime from Melendres Budget
- Redistribution of administrative costs to the Detention Fund
- Reduction in Benefits costs associated with the DROP Program
- Reduction in Fuel offset increases in IT Repairs and Maintenance and Equipment Services costs



Adult Probation Seriously Mentally Ill Population End of Year Caseload



*OMB Forecast



Adult Probation

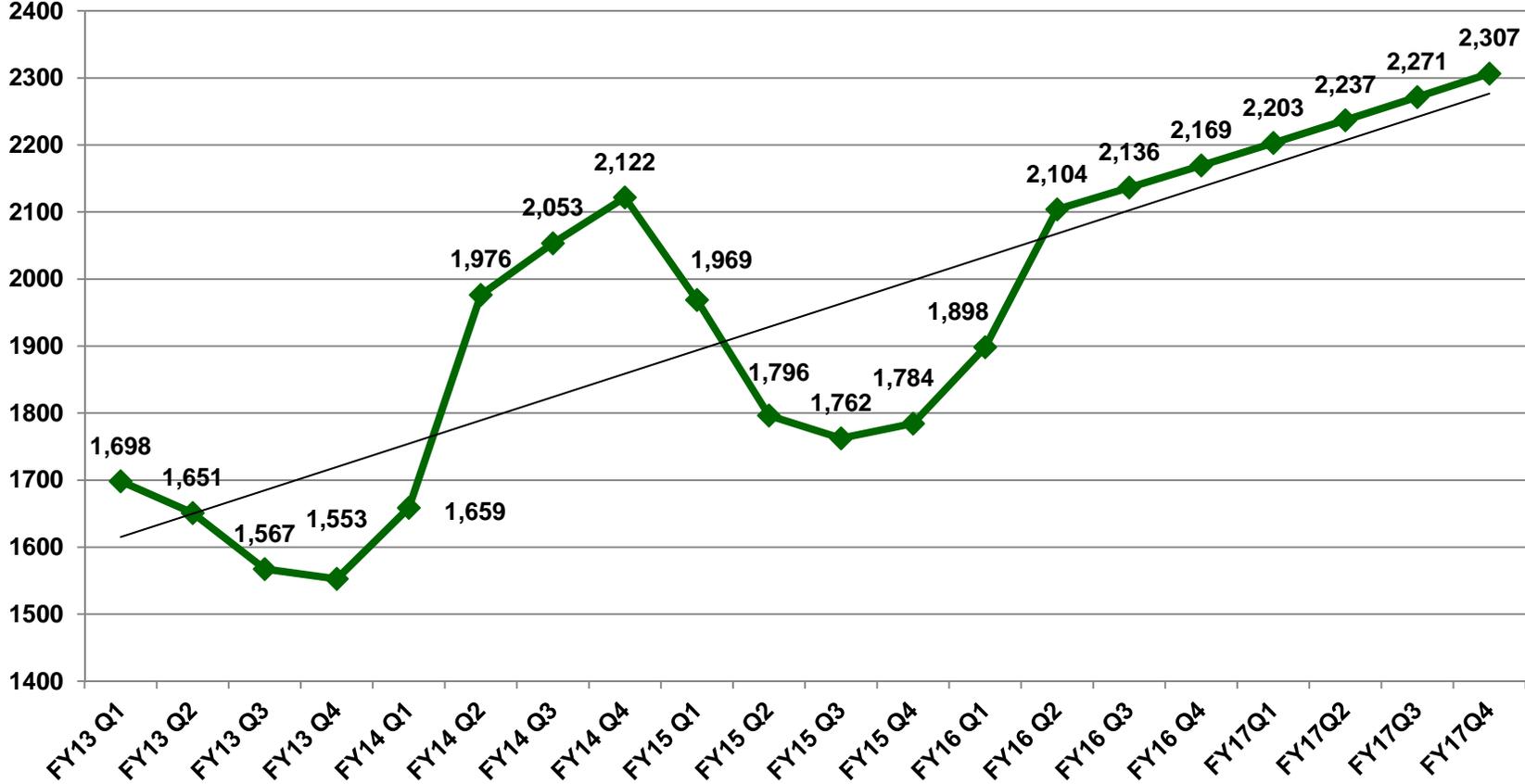
The General Fund operating budget is increasing overall due to:

- Staffing increases in the areas of:
 - Domestic Violence (2)
 - Sex Offender (2)
 - Seriously Mentally Ill (2)
 - Standard (1)
 - Interstate Compact (1)
- \$1M in contingency for phase in of 20 positions as needed
- \$6M in Non Departmental for facility upgrades/expansion at Black Canyon and Southport



Adult Probation Pretrial Defendant Monitoring Unit

Average Pretrial Supervision Population



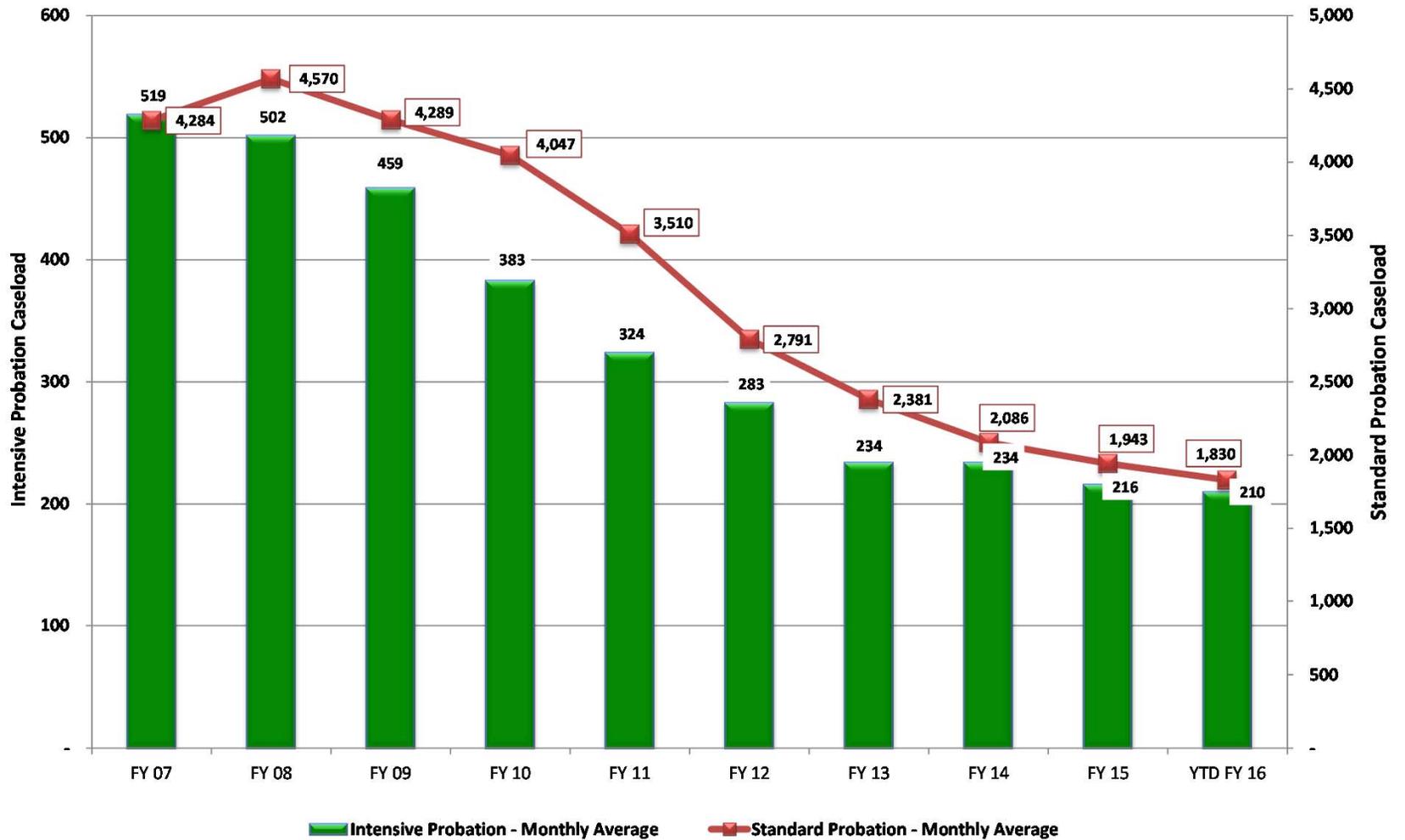
Adult Probation

The Detention Fund budget increased as a result of:

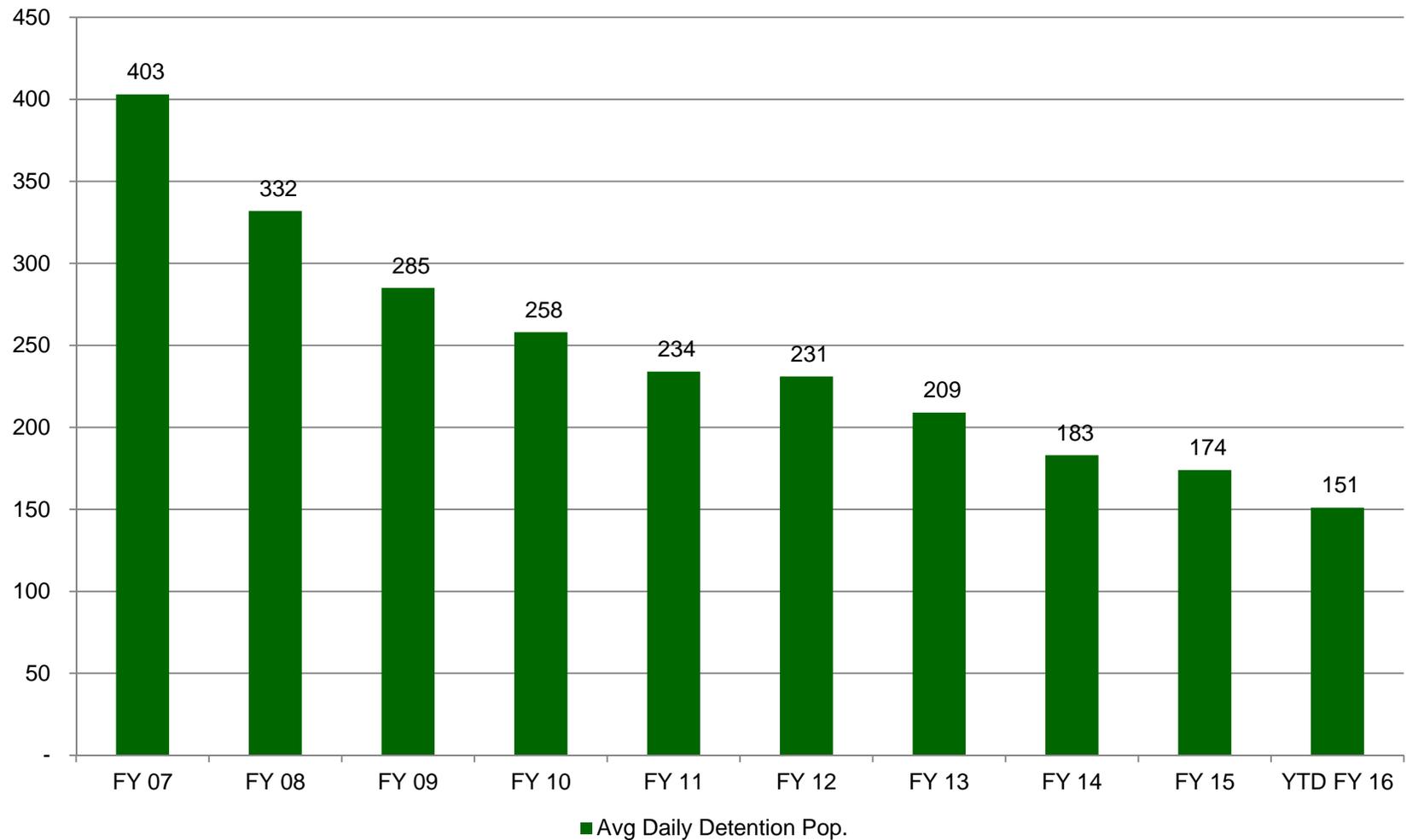
- Staffing increases in the areas of:
 - Pretrial Defendant Monitoring (4)
 - Prison Reentry (2)
 - DUI Court (1)
 - Drug Court (1)
 - Community Reintegration (5)
- \$1.4M in contingency for phase in of 12 positions as needed in FY 2017



Juvenile Probation Caseloads



Juvenile Detention



Juvenile Probation

FY 2016 highlights:

- Opening of Kitchens at the Durango and Southeast Detention Centers

The General Fund Budget decreased by 2.8%

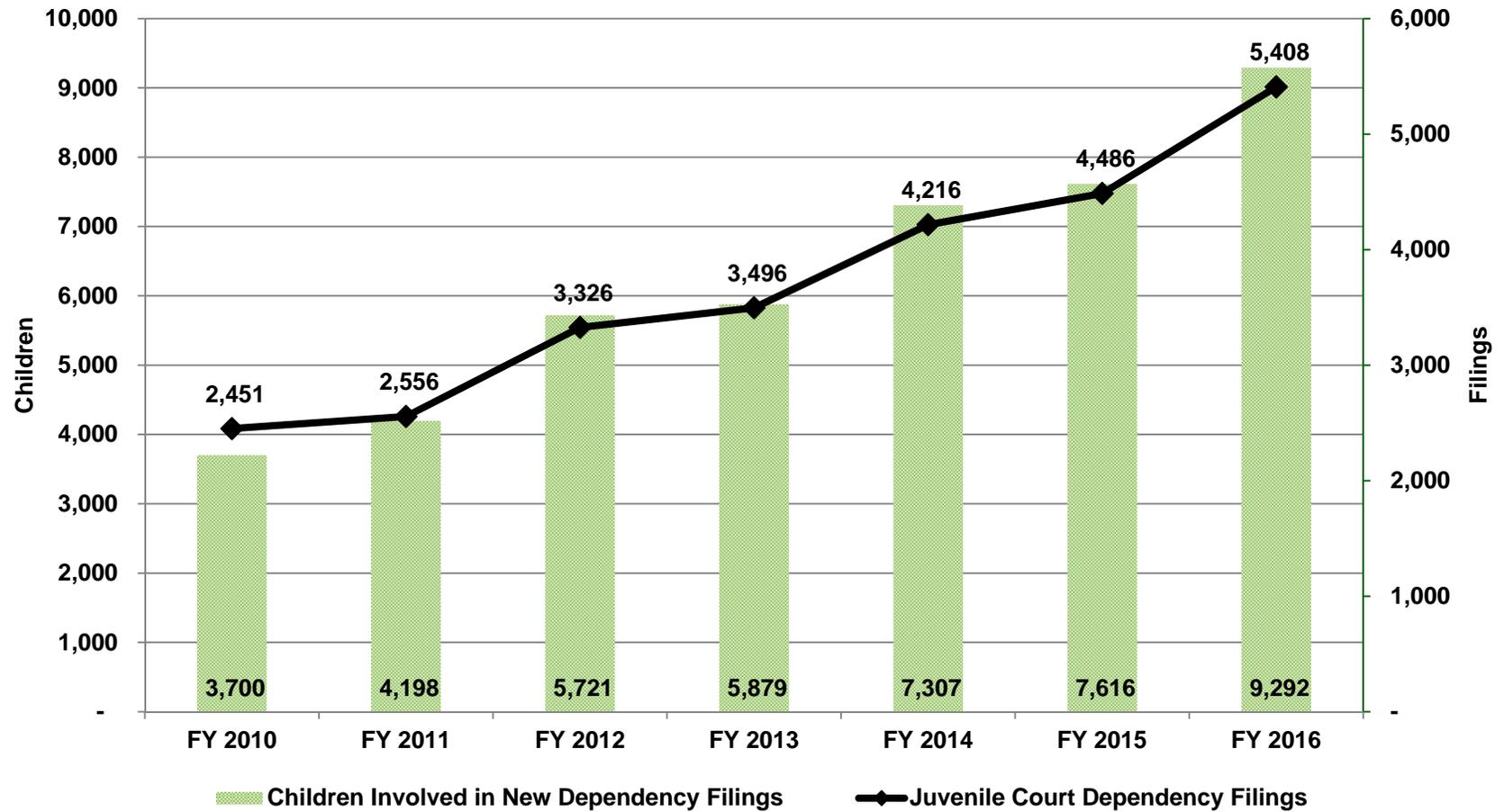
- Elimination of Vacant Positions: \$(150,018)
- Redistribution of administrative costs to the Detention Fund of \$(502,204)

The Detention Fund budget increased by \$611,523

- Elimination of Vacant Positions: \$(384,585)
- Redistribution of administrative costs from the General Fund of \$502,204



Superior Court Dependency Court Filings



Superior Court

The General Fund Operating Budget decreased 1.8%

- Increases for:
 - New Juvenile Court: 2 Positions
 - Disaster Recovery Operating Costs
- Offset by Decreases in:
 - Reallocation of Interpretation/Transcription/Translation Budget to Non Departmental



General Fund Non Recurring Funding for:

- Disaster Recovery Equipment: \$337,000
- eCourtroom Refresh: \$1,500,000
- Superior Court Case Management System: \$1,899,500
- Equipment for New Juvenile Court: \$3,000
- 9th Floor renovation at East Court Building: \$5M

Clerk of Superior Court

The General Fund Budget includes increases for:

- 2.5 FTE for New Juvenile Court

General Fund Non Recurring Non Project

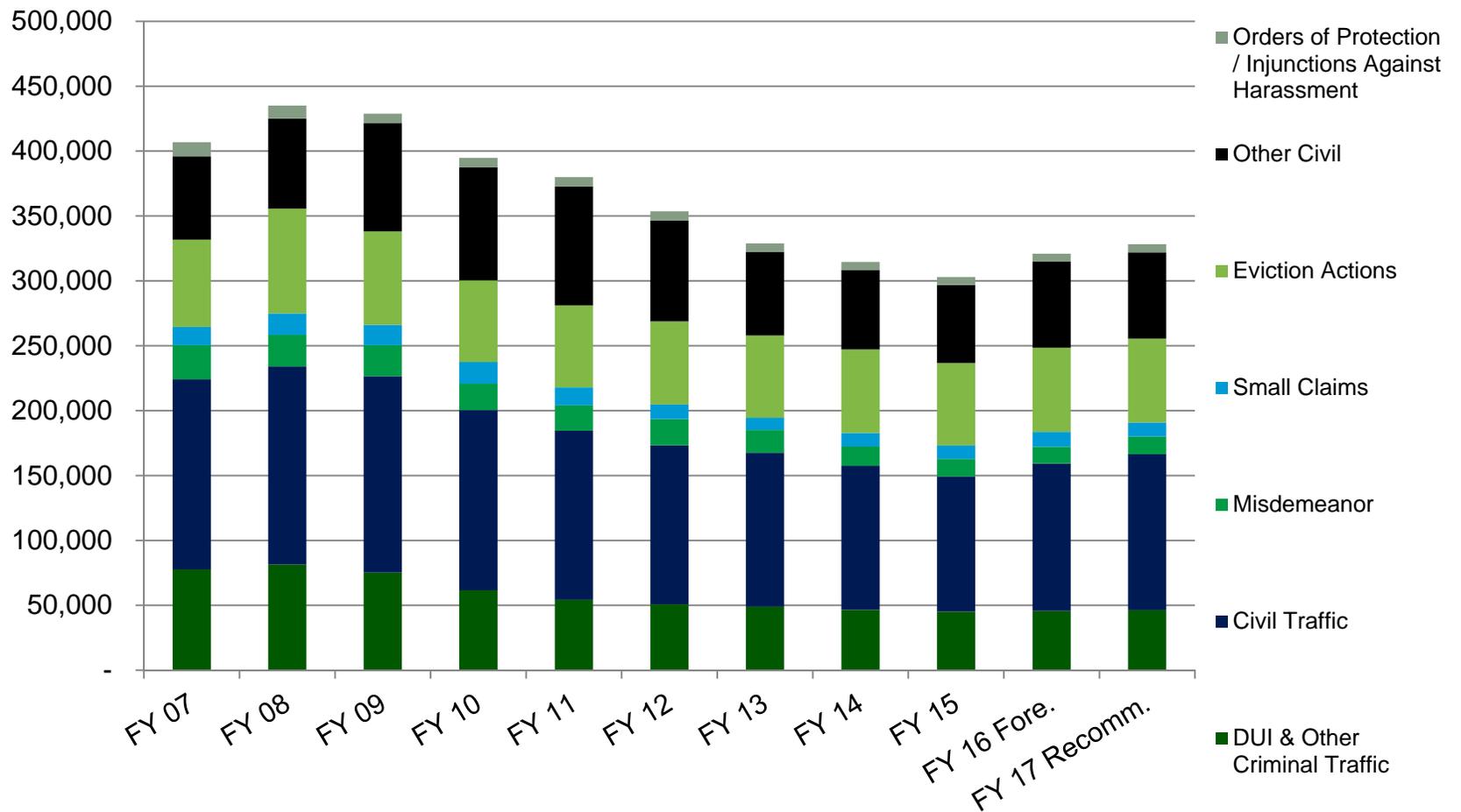
- RFR Project Carry Forward: \$1.56M
- \$1.5M in Contingency
 - Implementation expected to occur in January 2018

Special Revenue Funds:

- Use of Fund Balances to cover operating costs



Justice Court Filings



Justice Courts

- Added 4 New Positions
 - 2 Positions for Video Court
 - 2 Positions for Training
- Reallocated Rent from Operating Budget to Non Recurring
 - Southwest Justice Court scheduled to open Spring 2017

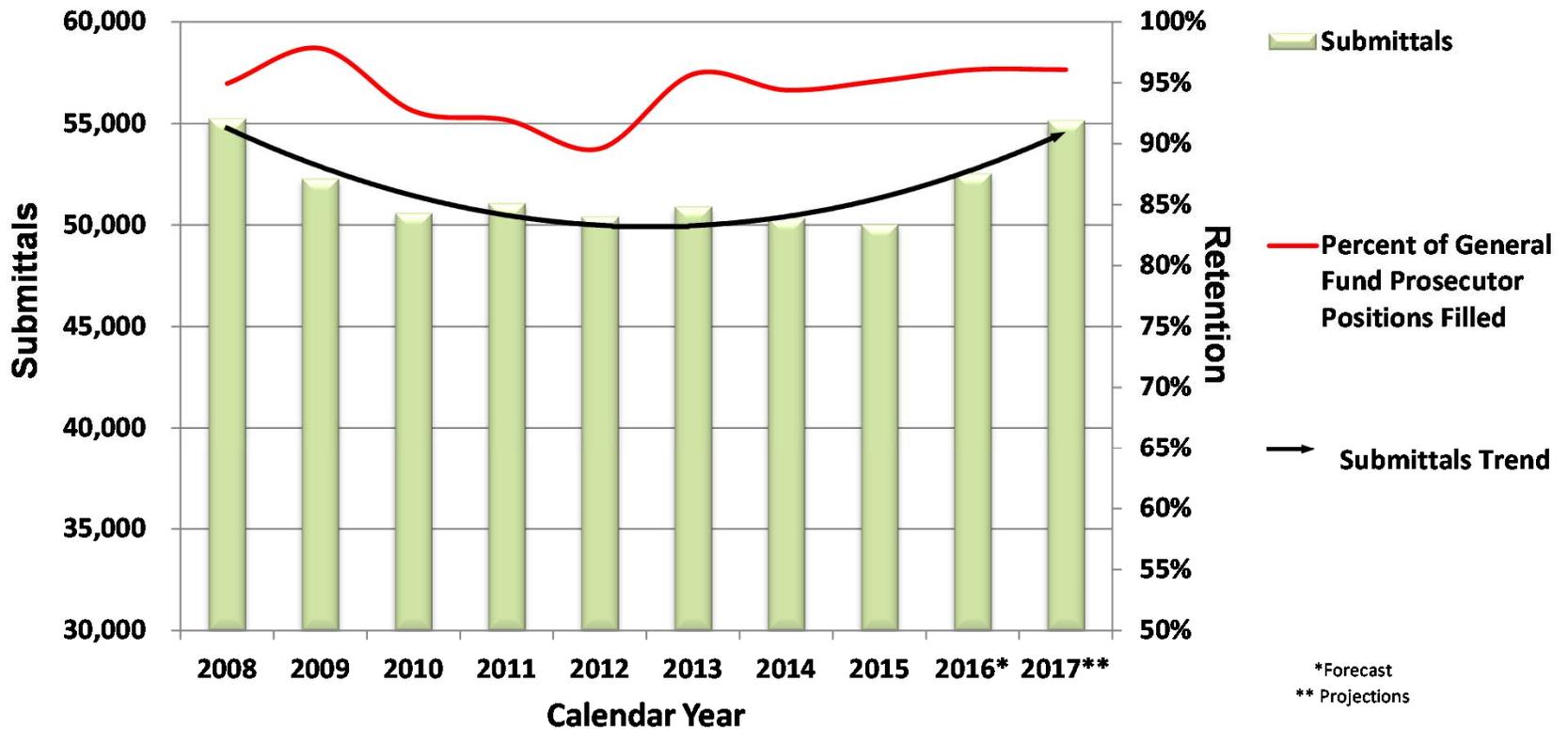


County Attorney

- Budget recommended at \$87.6M, an increase of \$2.09M, including funding for:
 - Multi-Disciplinary Response (Child Abuse, Sexual Assault & Strangulation Exams): \$1.019M
 - Victim & Witness Travel: \$288K
 - Annual IT Software Licensing Maintenance: \$235K
 - Law Clerk Program to Assist Prosecutors in Cost Effective Legal Research: \$501K

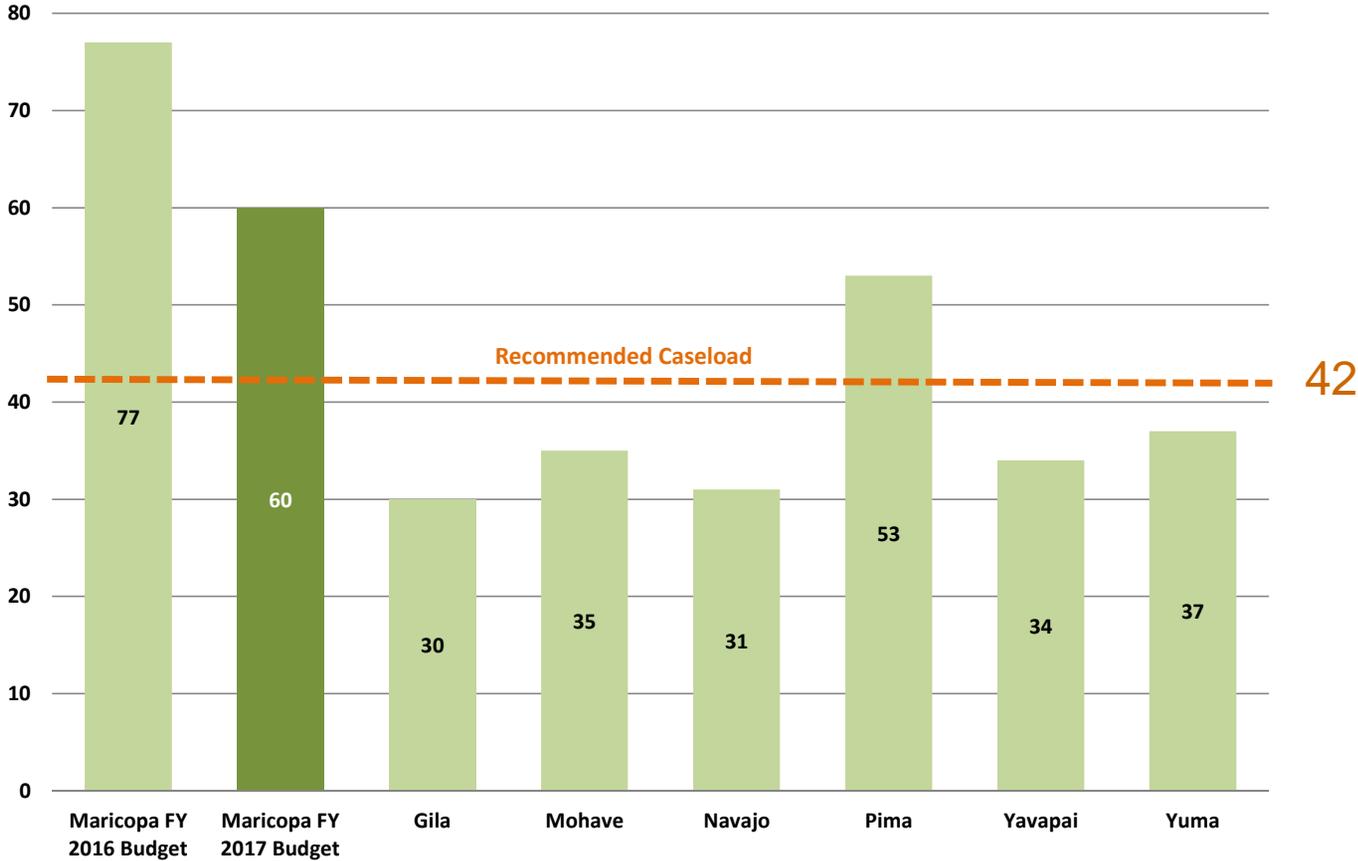
MCAO Criminal Caseload / Prosecutor Retention

Maricopa County Attorney's Office
Criminal Caseload Data / Prosecutor Retention

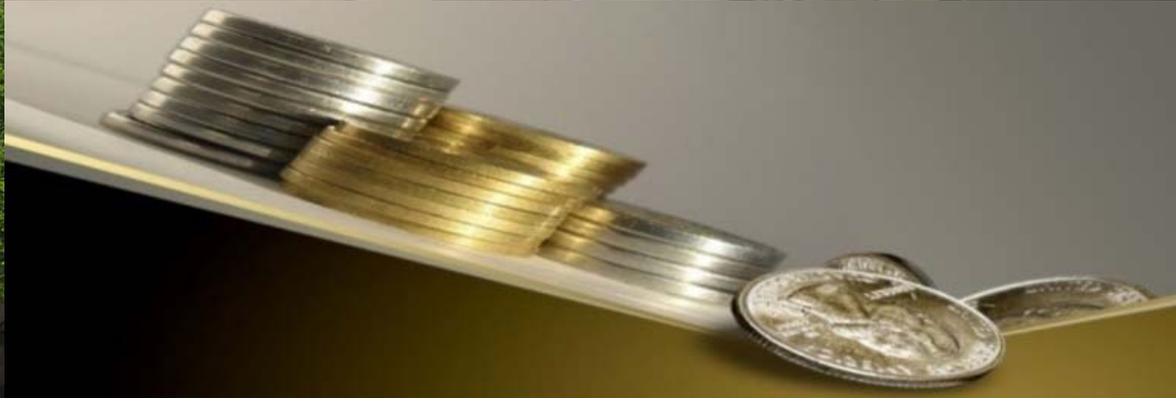


Public Fiduciary

Clients Per Fiduciary
Survey of Arizona Counties



General Government & Health Care Programs



Correctional Health Services

Detention Fund:

- NCCHC Facility of the Year
- Increases in registry and pharmaceutical costs offset increases to vacancy savings and a reallocation to Graves v. Arpaio budget, resulting in operating budget decrease of \$740,000
- Graves v. Arpaio increased \$1.4M primarily due to increased pharmaceutical costs



Mandated Health Care Programs

- \$2.5M increase in Arnold v Sarn mental health contribution
- \$1.2M increase in base Arizona Long Term Care System (ALTCS) contribution
- \$192K reduction in Arizona Health Care Cost Containment system (AHCCCS) contribution
- \$145K increase in the cost share for mandated payment to Arizona State Hospital for Sexually Violent Persons



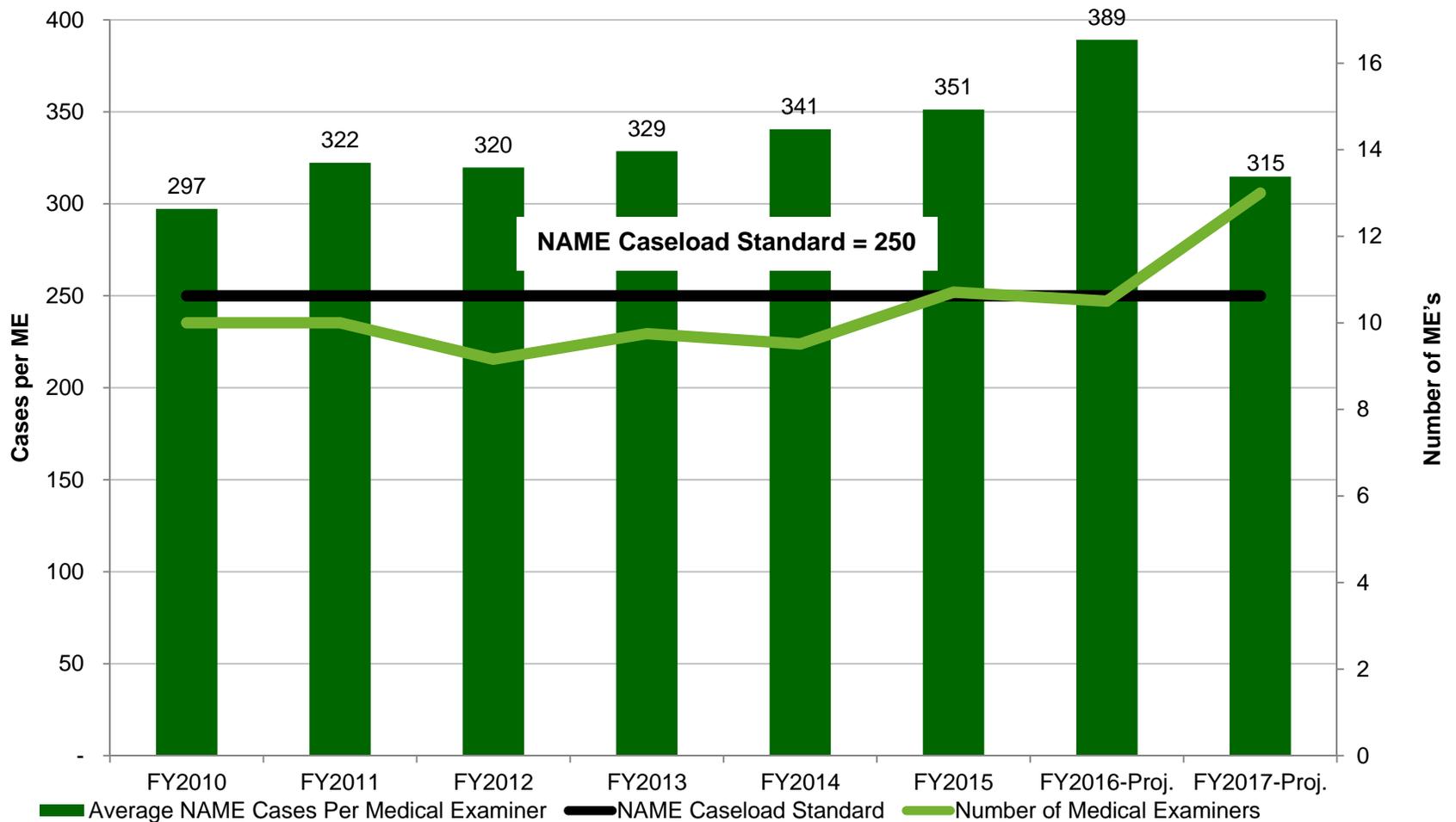
Education Service Agency

- General Fund Operating Budget remained flat from the adjusted baseline
- Maximized Special Revenue Funds
- Juvenile Transition Program:
 - Year 2 of Youth Education Engagement Services
 - Presentation on progress of pilot program in the fall of 2016



Office of the Medical Examiner

Medical Examiner Average Caseload



Office of the Medical Examiner

Seeking Accreditation from the National Association of Medical Examiners (NAME)

- Site visit occurred in Spring 2016
- Received deficiency for caseload over 325 per ME

Operating Budget includes:

- A 13th ME which will bring average caseload below 325
- 5.5 additional staff to meet accreditation requirements
- Transport and Biohazard Disposal Contracts

Non Recurring Funding:

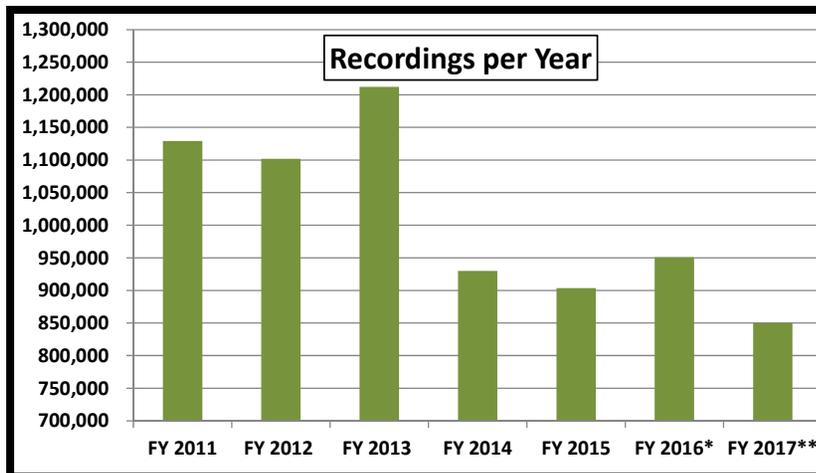
- Case Management System
- Records Management System

Assessor

- Budget recommended at \$23,770,283
- Cost-based Value Method Change for Tax Year 2018
 - The “Square Foot” method is the industry standard
 - Provides consistency nationally and internationally
 - Allows for better data transfer to the new CAMA system
- The CAMA Project is budgeted at \$7.6 Million with a FY 2018 completion goal

Recorder

- Budget recommended at \$2,322,447
- Three more Kiosks planned for by end of FY 2016: Sun Lakes, Wickenburg, and Gila Bend
- Goal of 14 kiosks by the end of FY 2017



* Forecast ** Tentative Budget



Elections

- ZBB Department Budget recommended at \$9,164,929
- Continued funding for the Primary & General Elections Cycle at \$12.1 Million
- Expecting 75% of ballots to be cast by mail



Treasurer

- Budget recommended at \$5,352,362, including funding for:
 - Two positions for Tax Services: \$125K
 - Bulk Mailing increased costs: \$68K
 - Increased training program costs: \$34K
 - Reduced personnel savings: \$20K
- Treasurer's Information System Upgrade Project will be budgeted at \$35.5 Million, \$18.7 Million for FY 2017
- \$2.5 Million in Elderly Assistance Funds Distributed, benefitting 10,162 parcels



Animal Care and Control

- Budget recommended based on historical actuals and current forecast:
- Shelter/License Fund:
 - Revenues of \$10,175,000
 - Expenditures of \$11,936,923
 - Fund not structurally balanced for FY 2017
- Animal Control Field Operations Fund:
 - Revenues of \$3,474,714
 - Expenditures of \$3,733,360
 - Fund not structurally balanced for FY 2017
- County Administration continuing to work with Animal Care and Control



Enterprise Technology

Fund 100 – Major Maintenance – Operating

- Content Management System Web: \$139.8K
- Phoenix IO Data Center Site Lease: \$139.9K
- Data Center Maintenance and Other Repairs: \$904.6K
- Cyber Security Tools and Software Services: \$958.6K

Fund 100 – Non Recurring

- Cyber Security Tools and Software Services: \$820.0K
- Major Maintenance – Cyber Security Tools: \$259.0K
- VMWare: \$1.33M

Parks & Recreation

- ZBB Department
- General Fund – Operating: \$309.5K
 - Entry Station/Nature Center Staffing
 - Hassayampa Staffing, Supplies & Services
- General Fund – Non Recurring: \$1.175M
 - Hassayampa River Preserve Enhancements
 - Vulture Mountain Recreation Area Day Use & Campground Design
- Total General Fund Increase of \$1.484M
- Other Special Revenue Funds – Non Recurring: \$1.02M
 - Priority One Vehicles Replacement (22 Vehicles & 2 Boats)

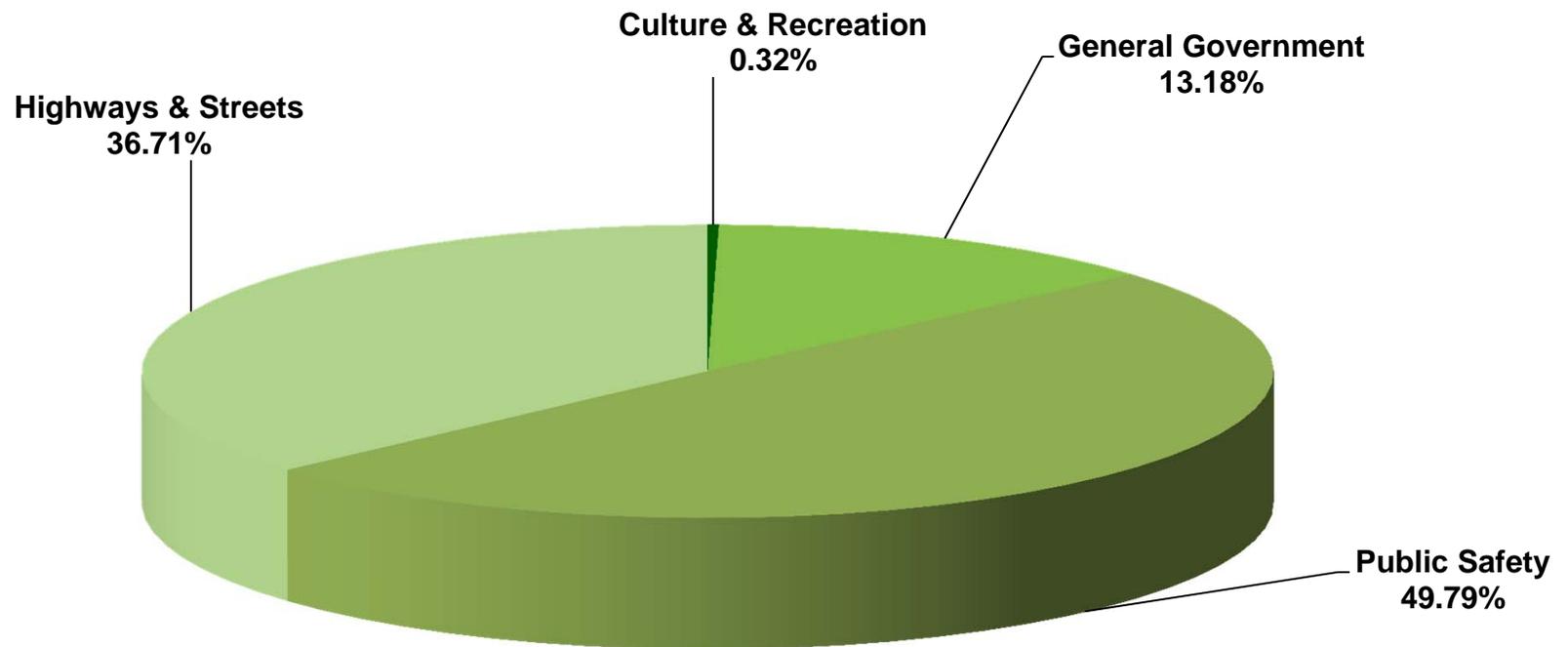


Capital Improvements



FY 2017 Use of Capital Funds

\$273,003,572



Courts Master Plan Update

- Courts Master Plan:
 - Study was completed in the summer of 2014
- Phase I:
 - Build out of 4 courtrooms on the East Court Building 9th floor, for a total of 12 courtrooms
 - Southwest Justice Courts Project will be completed in March 2017 (4 existing JP Courts + 1 expansion)

Jails Master Plan Update

- Jails Master Plan:
 - Study was completed in the summer of 2014
- Phase I:
 - Continued funding for a new \$185M ITR Jail in FY 2017 to replace the old Durango Jail
 - Will provide flexible open plan for intake and reduce transfers and relocations that add time and cost to processing; serves the needs of pre-sentencing

Madison Street Jail

Adaptive Reuse

- Demolition and conversion of detention cells into perimeter offices with administrative open office areas in the inner core, for a total of 278,775 square feet of office improvements
- Construction of a nearby parking garage
- Relocate County departments out of leased space into owned space
- Total Project cost: \$116M
- FY 2017: \$17.6M

CIP Projects Awaiting Funding

- Animal Care & Control – Southeast
- Adult Probation – Northport, Southeast, and Western Regional Center
- Emergency Operations Center
- Durango Campus Drainage Solution
- Durango Campus FCI Corrections
- Extended Cooling Loop at Durango
- Plaza Demolition/Remodel/Redesign/FAJD
- MASH Unit Relocation
- Security at Buckeye Hills
- K9 Kennels
- Superior Court – Western Regional Center
- Remote Site Network Refresh
- Procurement Build-out
- Vulture Mountain
- Juvenile Court Building Demolition
- Courts Master Plan
- Jails Master Plan
- Constituent Relationship Mgmt System
- OET 10-Yr Equipment Refresh
- MCSO Avondale Substation
- MCSO Blue Point Substation
- MCSO 1920 Building
- MCSO SWAT Major Crimes Building

Over \$1.095 Billion of Unfunded Projects



Conclusion & Achievements



FY 2017 Accomplishments

- Maintain General Fund reserve at 2 months of operating 
- Achieve Detention Fund 2 month reserve 
- Provide necessary funding for criminal justice issues 
- Four New Courtrooms for a total of 12 in ECB 
- Continue Detention Fund Structural Balance 
- Restore Full funding for Benefits increases 
- Expenditure Limitation Relief 
- Full funding for State shifts 
- Funding for Pay for Performance 
- Treasurer System will be included in FY 2017 Final Budget per BOS instruction 

Budget Calendar – Remaining Dates

May 16	Tentative Budget Adoption
May 20	ATRA Presentation
June 20	Final Budget Adoption
August 15	Property Tax Levy Adoption







Maricopa County Library District
where curiosity leads

Maricopa County FY 2017 Special Districts Tentative Budget

May 20, 2016

**Sandi Wilson, Deputy County Manager
Brian Hushek, Deputy Budget Director**



Flood Control District Highlights

- Overall expenditures of \$109,947,047
- Levy increased by \$8,951,444 to \$58,463,580
- FY 2017 CIP of \$77.4 Million
- Five-year CIP projected to be \$260 Million



Flood Control District Levy History

(millions)





Maricopa County Library District

where curiosity leads

Library District Highlights

- **Overall expenditures of \$26,274,950**
- **Levy increased by \$840,574 to \$20,091,335**
- **The Summer Reading Program continues to improve in numbers and with software enhancements**
- **The Library District received (4) NACO Awards for innovative learning programs**



Maricopa County Library District

where curiosity leads



Stadium District Highlights

- **ZBB Department**
- **Overall expenditures of \$10,639,898**
 - Includes \$4 Million for Phase VI concrete repairs
 - Includes \$55,000 for Roof Power Washing
- **Car Rental Surcharge increasing slightly (0.1%)**
- **Revenue Refunding Bonds, Series 2012**
 - \$3,405,000 payment, leaving balance of \$9,280,000 at the end of FY 2017



Photos by Jennifer Stewart/Arizona Diamondbacks



