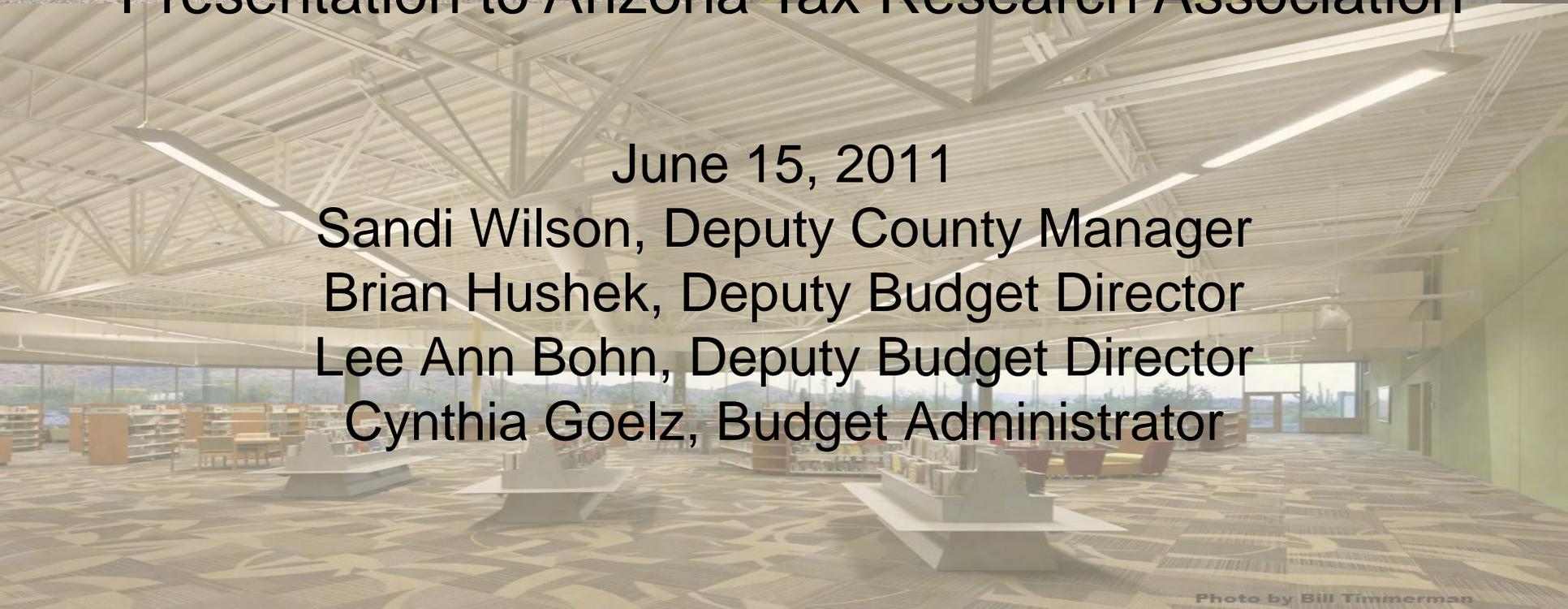




# Maricopa County FY 2012 Special Districts Recommended Budget

Presentation to Arizona Tax Research Association

June 15, 2011



Sandi Wilson, Deputy County Manager  
Brian Hushek, Deputy Budget Director  
Lee Ann Bohn, Deputy Budget Director  
Cynthia Goelz, Budget Administrator

# Flood Control District Highlights

- The property tax levy declined by \$5,587,917
- Overall expenditures of \$96.91 Million, a decrease of \$1,044,673
- FY 2012 CIP decreased to \$60.0 Million
- Five-year CIP projected to be \$258.0 Million



# Flood Control District CIP

Flood Control District Projects (70 Projects)	FY 2012	FY 2013	Five-Year CIP Program Total
	Recommended Budget	to FY 2016	
	\$ 60,000,000	\$ 198,000,000	\$ 258,000,000





# Library District Highlights

- Property tax levy is decreasing by \$1,358,663
- Overall expenditures of \$24.5M for FY 2012 is a \$3.7M decrease compared to \$28.2M in FY 2011
- New Library Openings:
  - White Tank Branch (Fall 2010)
- Expansion of Polaris Integrated Automated Library System to Glendale Public Libraries
- Convert last 7 branches to the Deweyless system
- Continued growth in downloading services to Library users





# Stadium District Highlights

- FY 2012 expenditures: \$8.4 M
- Projects completed in FY 2011
  - Party Suite Renovation (\$1 M)
  - Roof Coating (\$1 M)
  - Line Up Board Replacement (\$1 M)
  - Solar Shade Structure
    - \$0 – Partnership with APS and Diamondbacks
- Car Rental Surcharge revenue declining
  - Requiring the use of fund balance to meet debt obligations
  - Bond series rating downgraded from “BBB+” to “BBB-“
  - No funding available for Arizona Sports and Tourism Authority in FY 2012





# Maricopa County FY 2012 Recommended Budget

Presentation to Arizona Tax Research Association

June 15, 2011

Sandi Wilson, Deputy County Manager  
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# Executive Summary



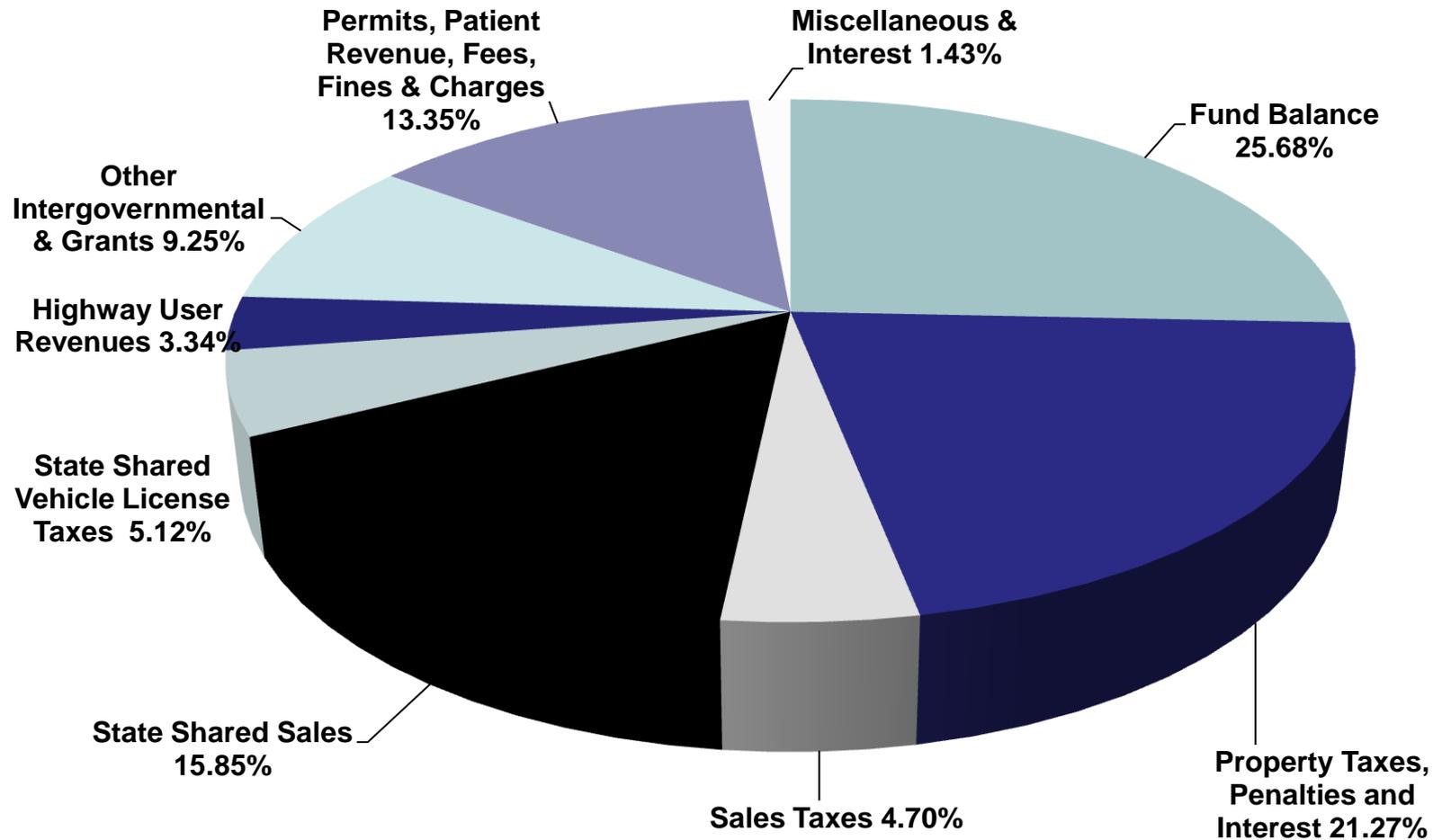
# Structurally Balanced Budget



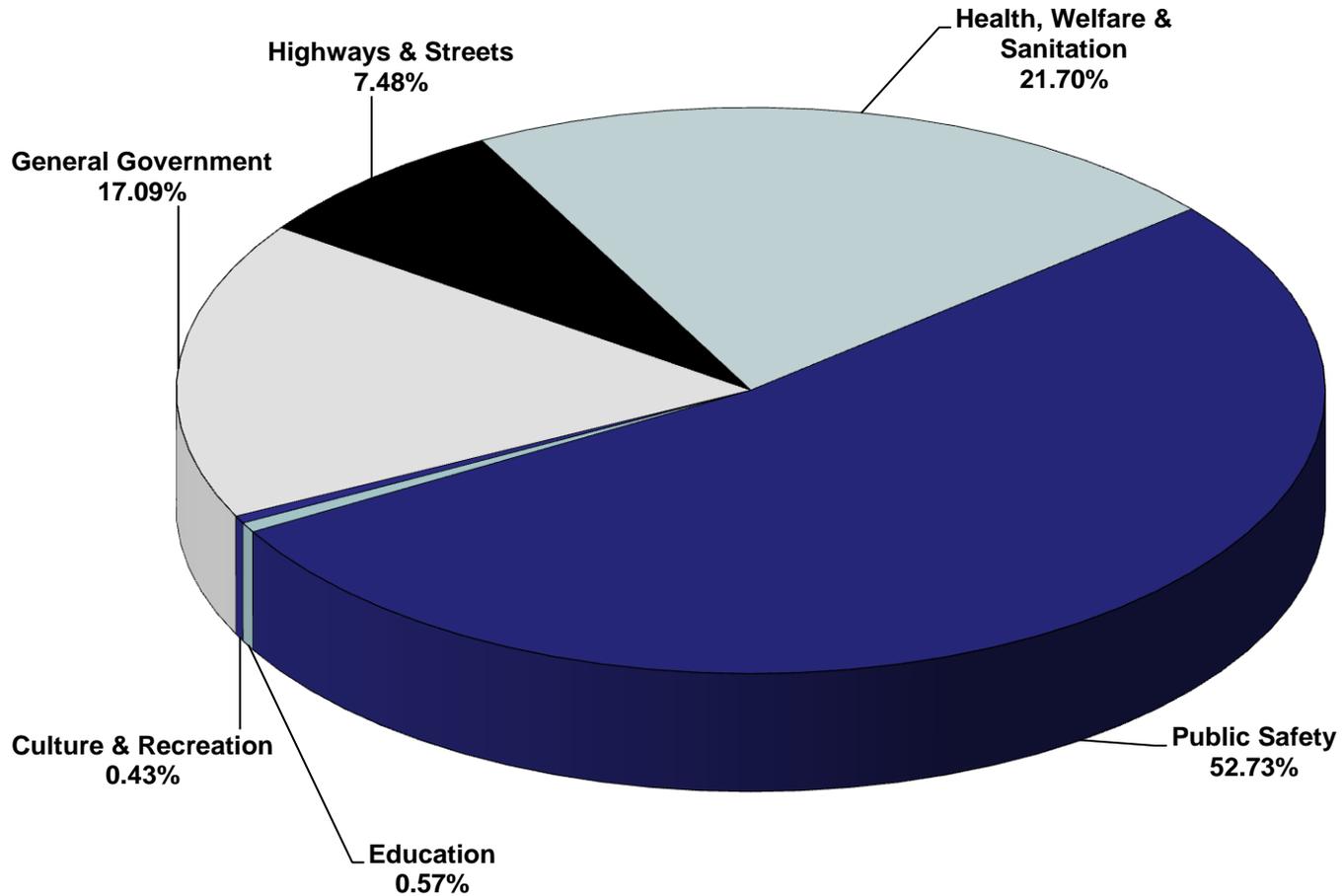
*Definition:  
Reoccurring  
revenues meet or  
exceed reoccurring  
expenditures*

# FY 2012 Recommended Budget

## Sources of Funds: \$2,332,616,122



# FY 2012 Recommended Budget Uses of Funds: \$2,332,616,122



# FY 2012 Net Variance to the FY 2011 Revised Budget

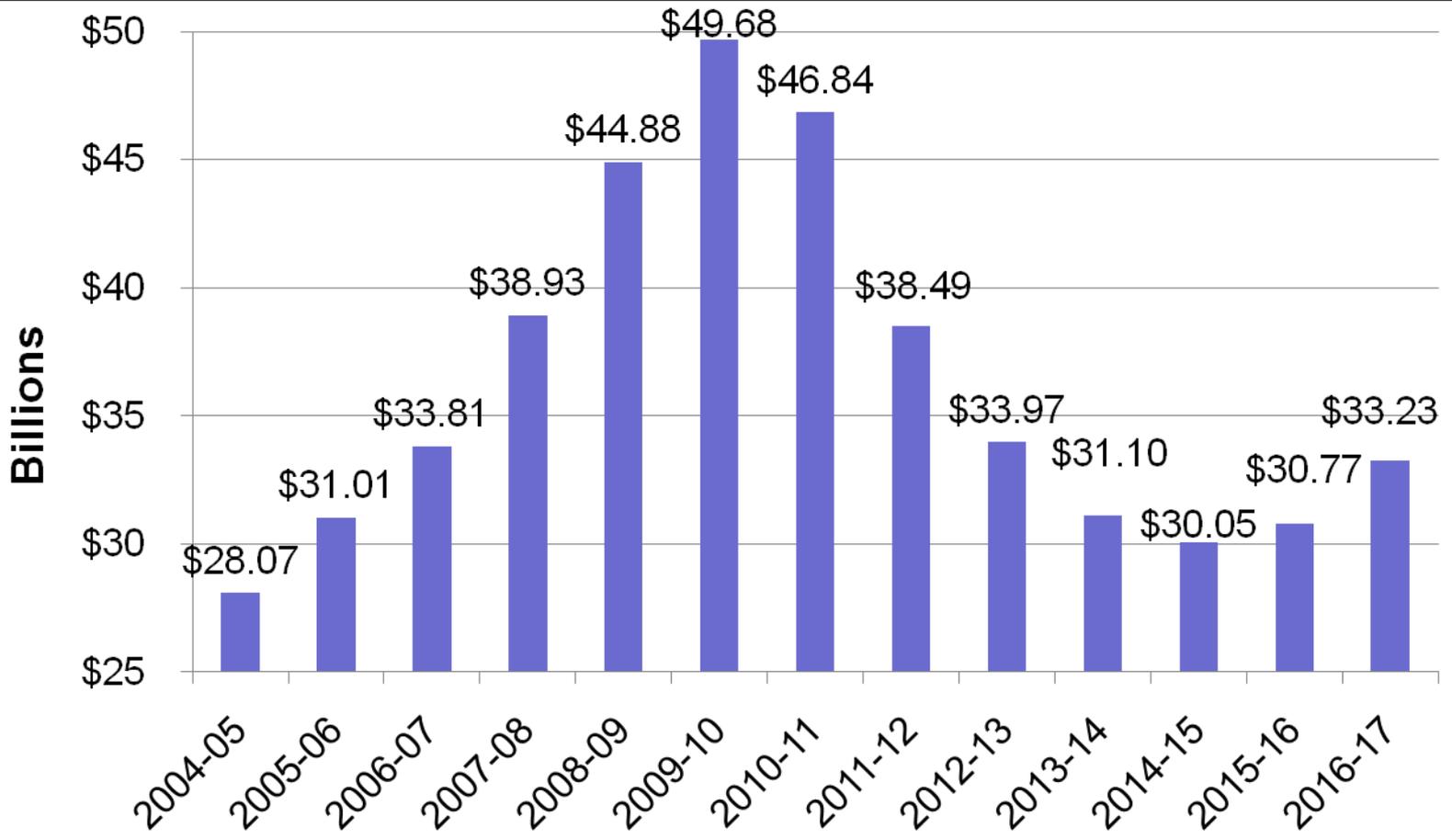
	(millions)		
	FY 2011 Revised	FY 2012 Recommended	(Increase)/ Decrease
Total County	\$2,300.9	\$2,332.6	\$(31.7)
Total Operating	1,701.3	1,662.6	38.7
Total Non Recurring	599.6	670.0	(70.4)
Total General Fund	1,375.2	1,283.9	91.3
General Fund Operating	1,075.6	1,058.5	17.1



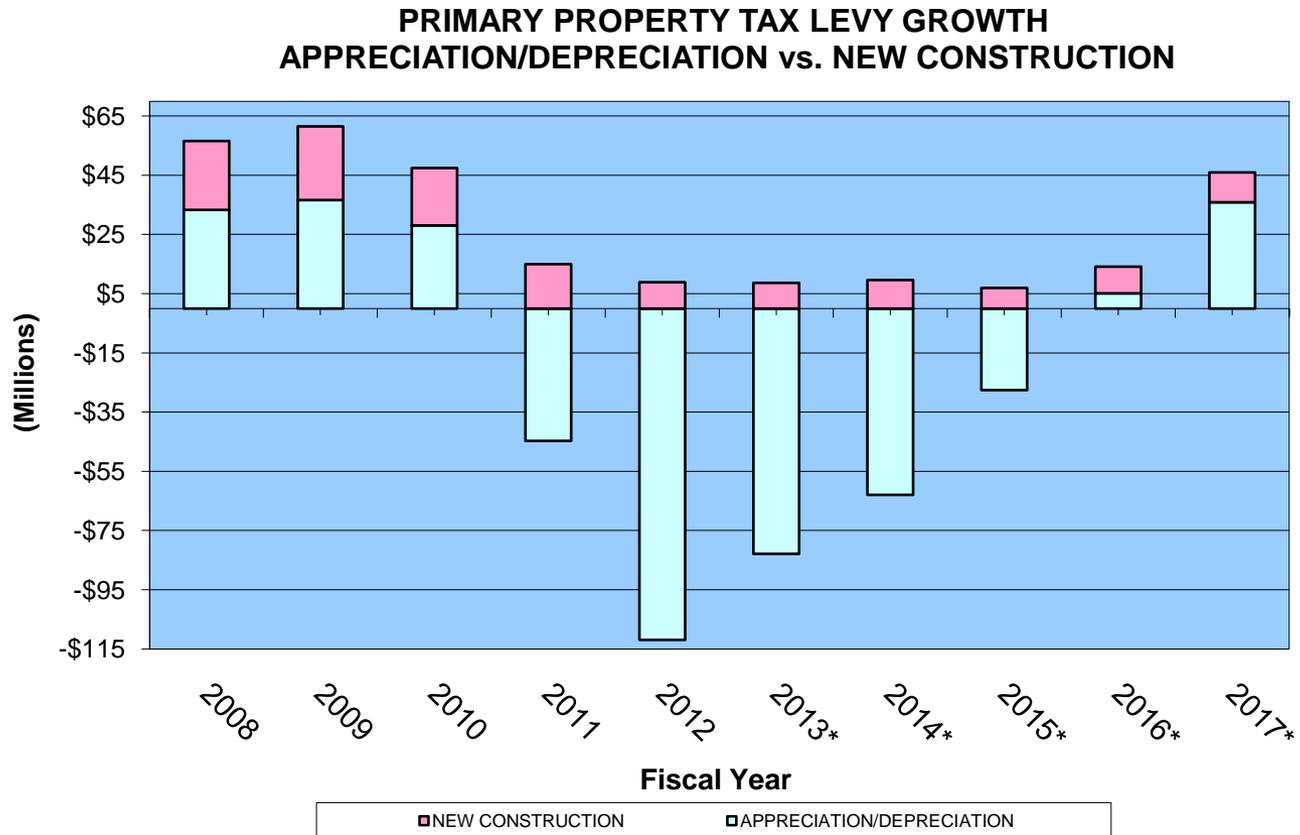
# Revenue Trends



# Net Assessed Value



# Declining Property Tax Values



\*Source Elliott D. Pollack & Co.



# “Truth in Taxation” Notice

## Arizona Revised Statute 42-17107



FY 2012 PRIMARY PROPERTY TAX LEVY vs. "TRUTH-IN-TAXATION" LEVY			
FY 2012 "Truth-in-Taxation" Primary Levy	\$ 501,513,553		
"Truth-in-Taxation" Tax Rate (per \$100 Assessed Value)	1.3029		
FY 2012 Primary Levy	\$ 477,571,468		
Primary Tax Rate (per \$100 Assessed Value)	1.2407		
Amount Under/(Over) "Truth-in-Taxation" Levy	\$ 23,942,085	4.8%	
	0.0622		
FY 2012 Median Residential Limited Property Value	\$ 124,500		
"Truth-in-Taxation" Tax Bill on Median-Valued Home	\$ 162.21		
Property Tax Bill on Median-Valued Home	154.47		
Tax Bill Savings/(Increase)	\$ 7.74	4.8%	

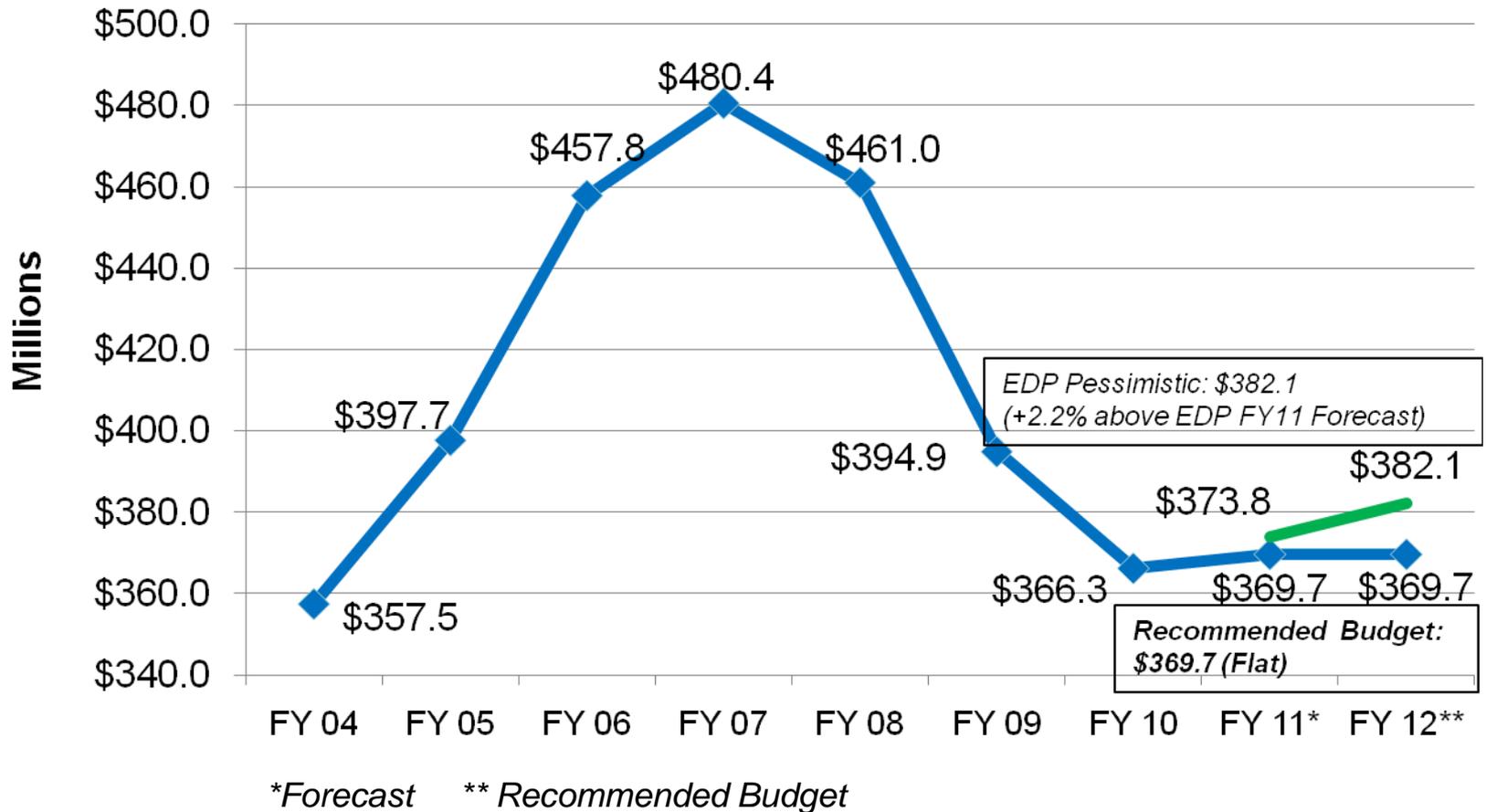


# Sales Tax Revenues

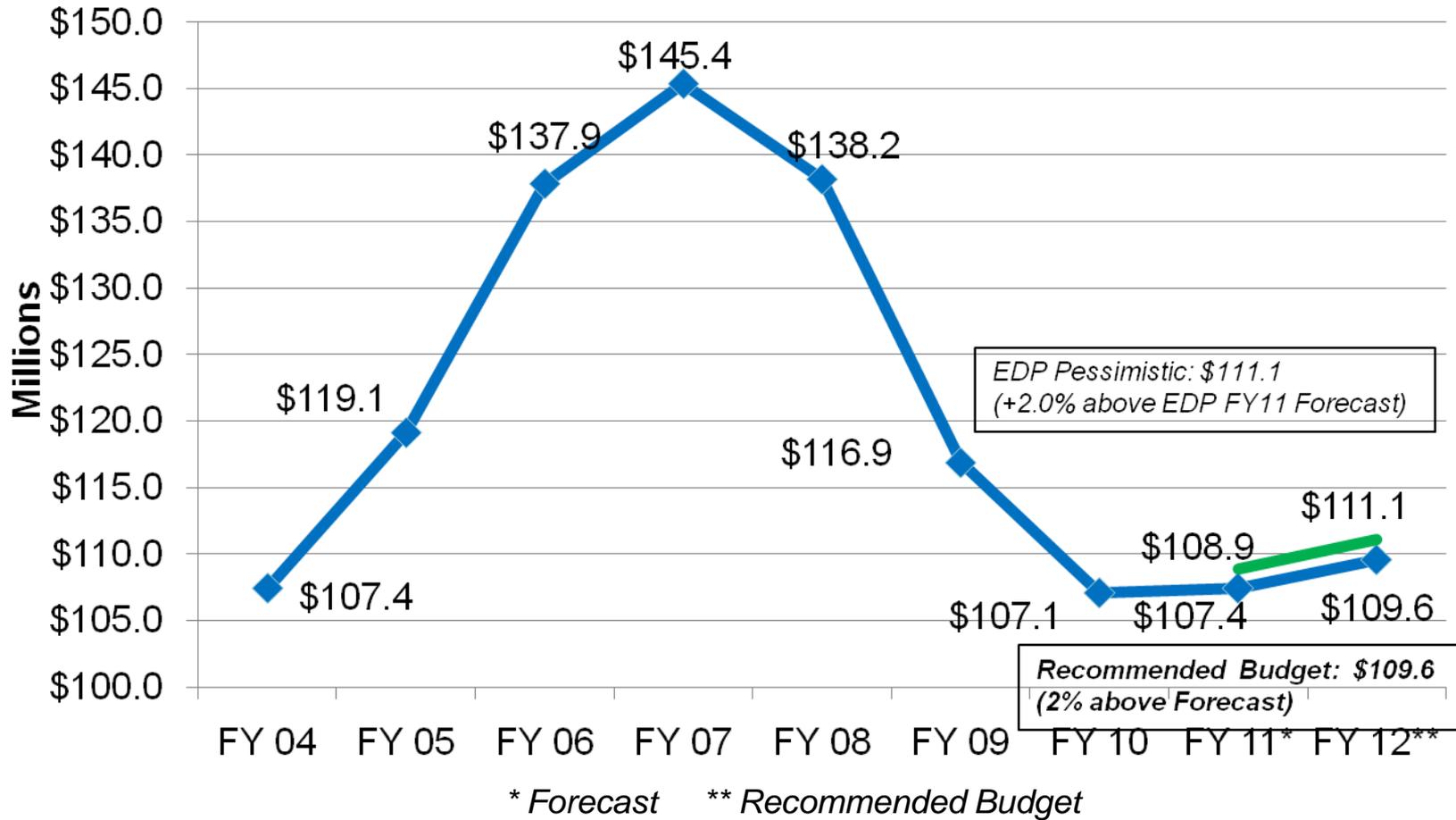
- The impact from population and employment revisions resulted in a downward revision in the tax revenue categories.
- Maricopa County's share of Net Assessed Value in the State directly affects the formula for State shared sales tax.
- Maricopa County's share of State population also dropped with 2010 Census and will have in impact on future distributions from the State.



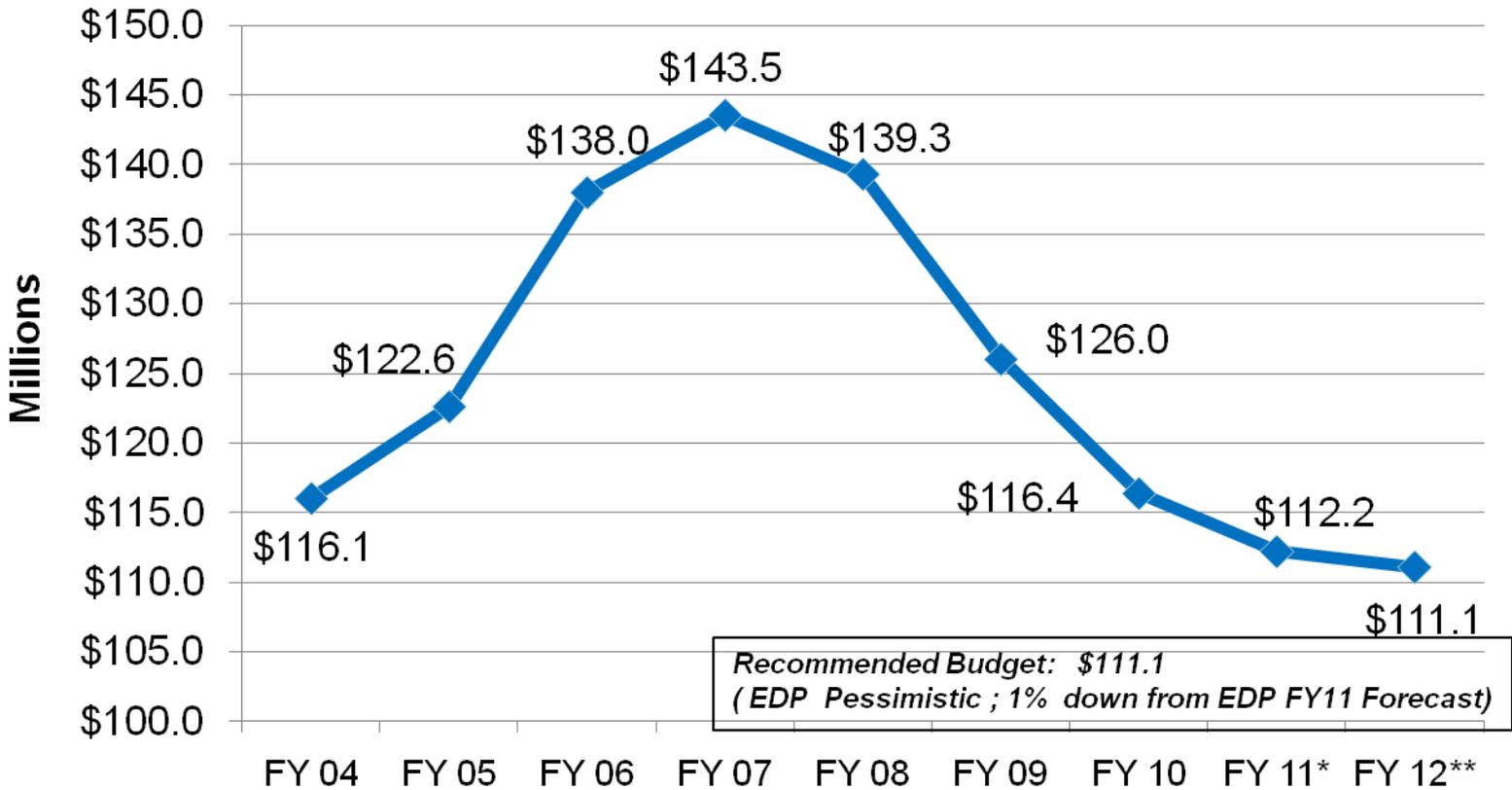
# State Shared Sales Tax



# Jail Excise Tax



# Vehicle License Tax

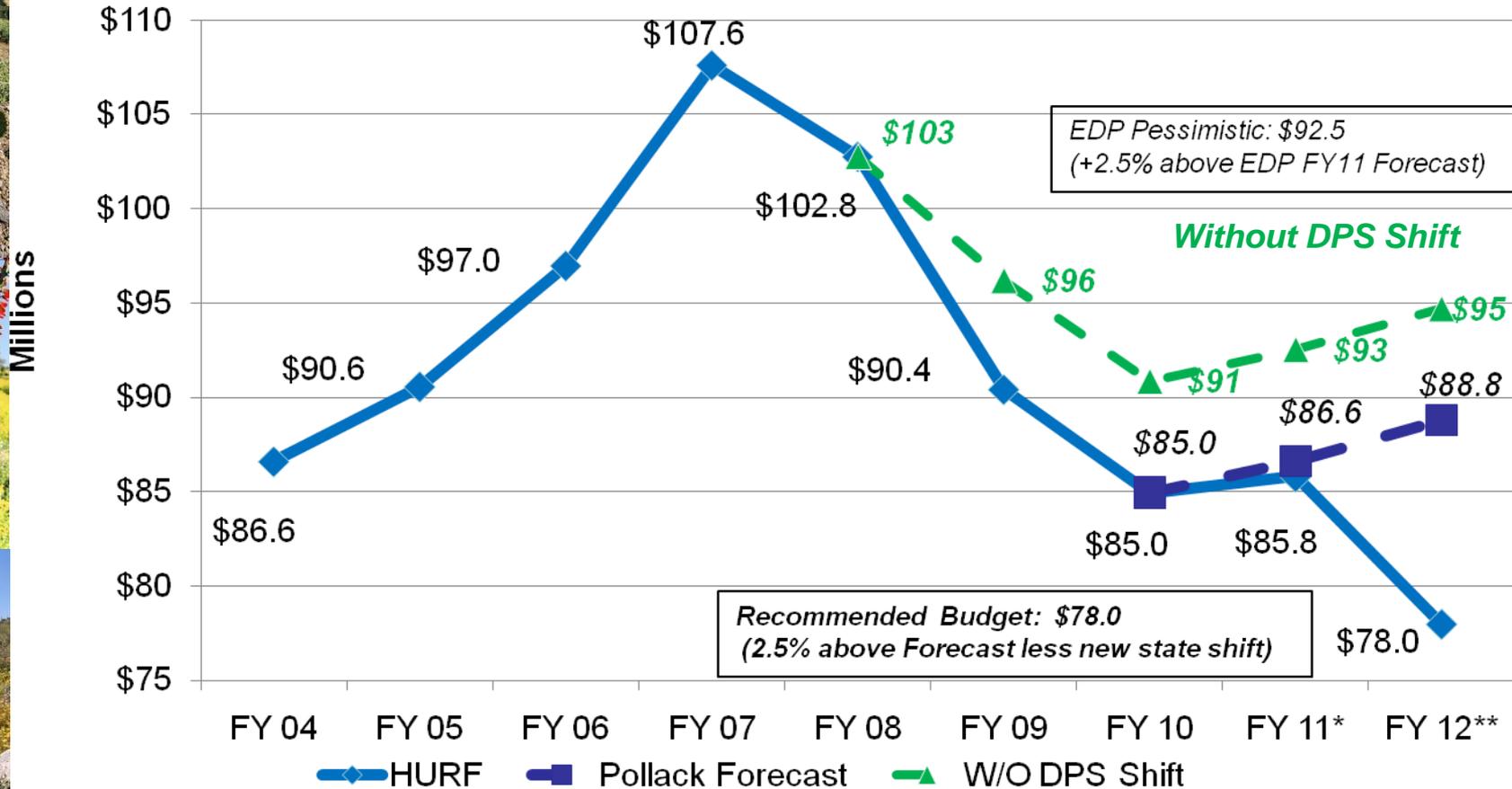


\* Pollack Forecast

\*\* Recommended Budget



# Highway User Revenue



\*Forecast \*\* Recommended Budget



# Revenue Summary

- Additional caution is warranted for the coming fiscal year in terms of budgeting.
- The next quarter will provide critical information about the health of revenue collections for the coming fiscal year as a whole.



# Risks and Threats



# Justice System Technology Risks

- Zone 2 network infrastructure improvement is slowly proceeding with Court approval
- Zone H network infrastructure is being implemented – especially for EMRS
- End of life telephone and radio systems
- Infrastructure at Durango, Southeast Regional and other remote campuses needs to be replaced



# State of Arizona Budgetary Threats



# Maricopa County Forced Funding of State Deficit: \$174.8 million\*

(Millions)

	FY 08	FY 09	FY 10	FY 11	FY 12	TOTALS
Mandated Contribution	\$ 5.501	\$24.168	\$19.015	\$28.600	\$26.385	\$ 103.668
Sweep ALTCS Refunds	-	11.079	-	-	-	11.079
HURF Diversion to DPS	-	5.890	5.299	5.345	8.551	25.085
HURF Diversion to MVD	-	-	-	-	6.662	6.662
Reduce, Eliminate Lottery Revenue	-	-	0.250	0.250	0.250	0.749
SVP Payments	-	-	2.000	2.500	5.000	9.500
100% Superior Court Judges Salaries	-	-	-	9.013	9.013	18.026
	<b>\$ 5.501</b>	<b>\$41.137</b>	<b>\$26.564</b>	<b>\$45.708</b>	<b>\$55.860</b>	<b>\$ 174.769</b>

\*Not included: Impact of Inmate Shift (under analysis)



# Inmate Shift

- Annual operating costs could exceed \$30 million
- Unknowns:
  - Infrastructure costs
  - State per diem rate
  - What will happen on July 1, 2012
- Sheriff, not Board, is decision-maker



# Economic Indicators





# Outlook: Elliott D. Pollack and Co.

“A significant employment revision occurred this past quarter that identified our region was NOT growing jobs beginning last summer, but in fact was losing jobs through the end of the calendar year. This was not anticipated since upward revisions usually occur during an economic recovery. The bottom line: the economic recovery in the region didn’t begin last year as previously thought, and the recovery is likely to be weaker than expected during the current year. Instead of being ranked #8 in the country in the last month of 2010, the state actually ranked as low as #46 (in job creation).”

*Elliott D. Pollack and Co., April 2011*



# Economic & Demographic Trends

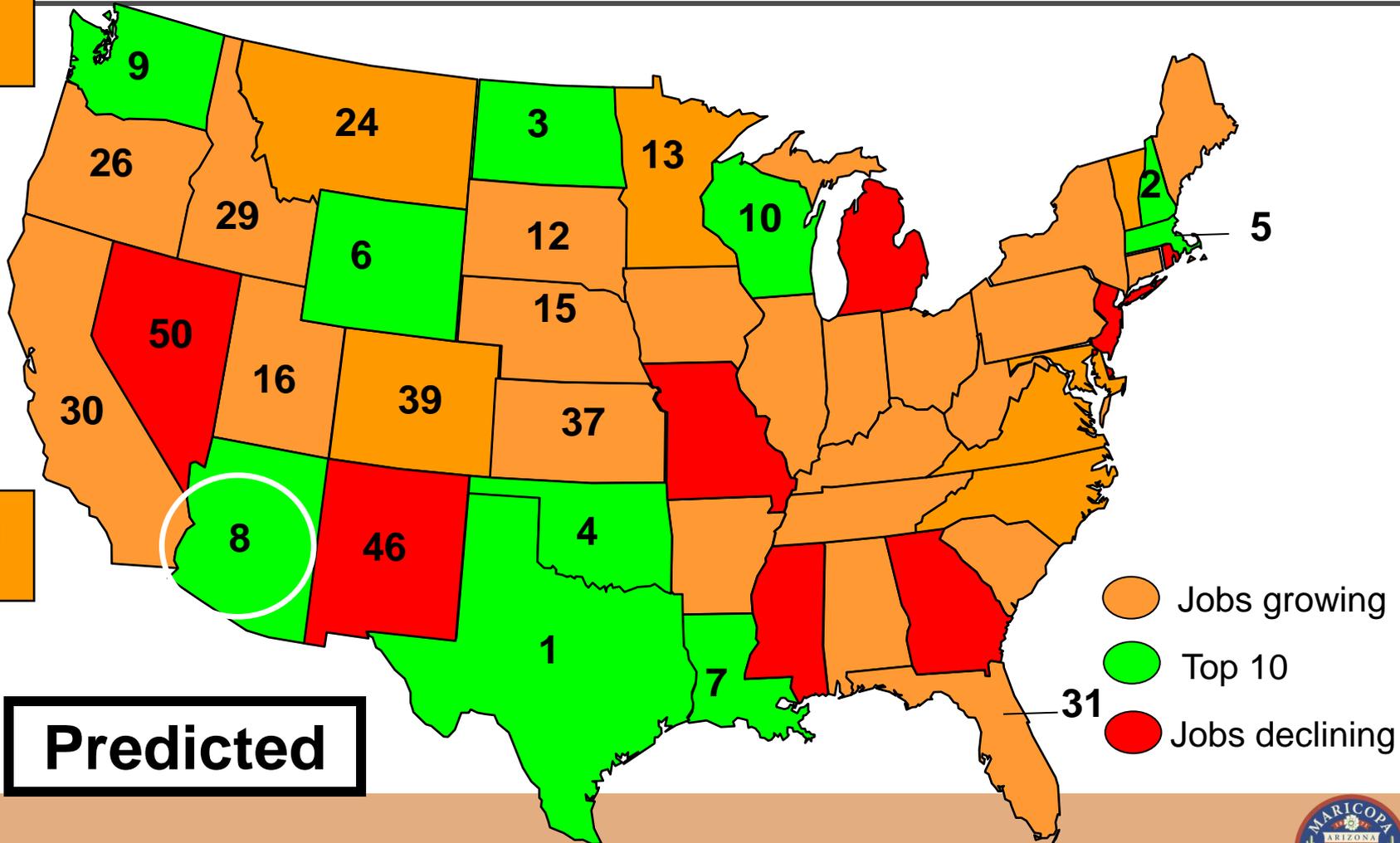
- The economic fundamentals have not really changed.
- The long term economic outlook remains favorable.
- For the U.S., a solid cyclical recovery is underway.
- Recovery in Arizona will be slow.
- Continued drop in real estate values until FY 2015



# Job Growth Update: Arizona Ranked 8th December 2010 v December 2009

Alaska  
36

Hawaii  
32



**Predicted**



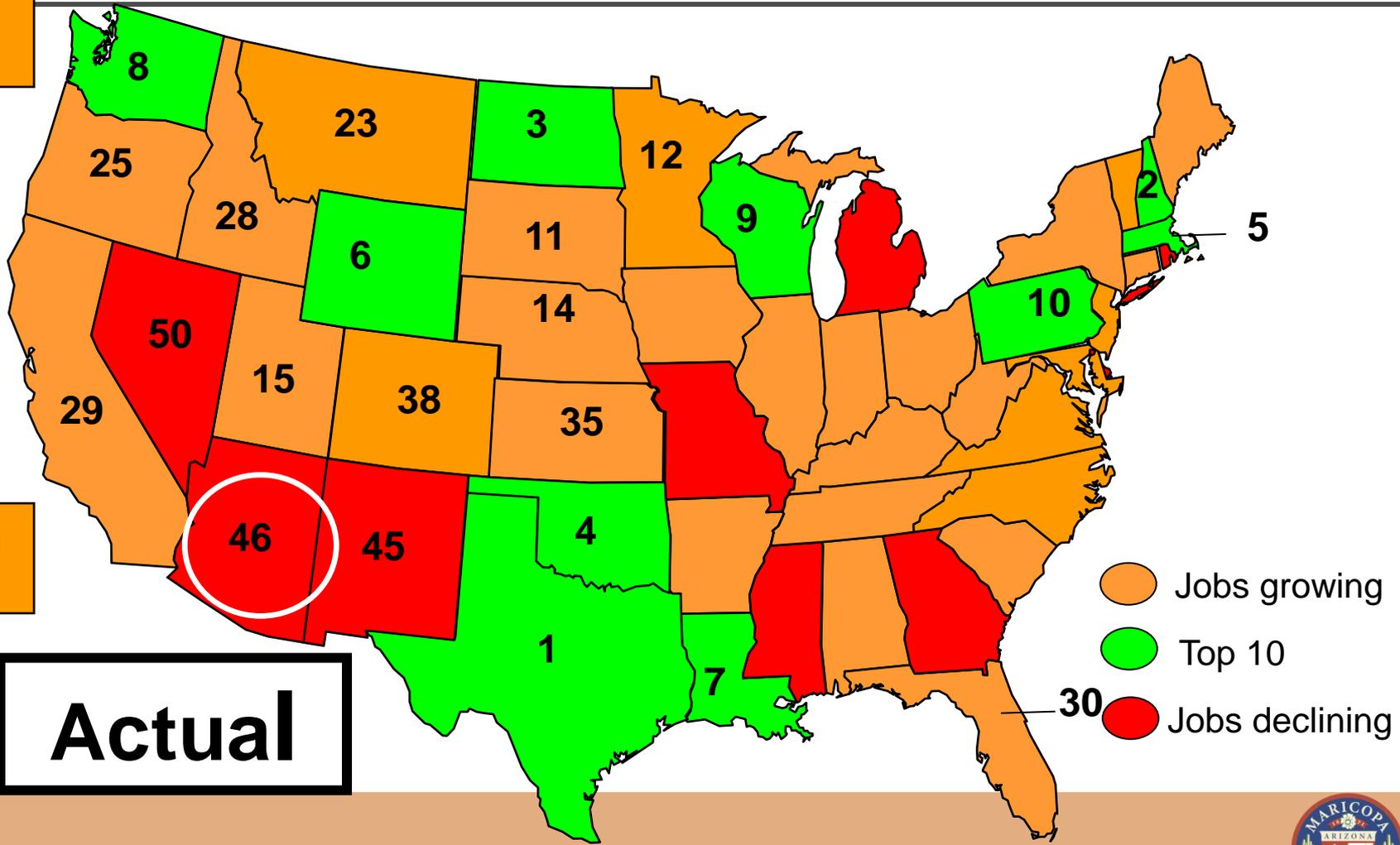
# Job Growth Update: Arizona Ranked 46th December 2010 v December 2009



**Alaska**  
36



**Hawaii**  
31



**Actual**



# Phoenix-Mesa Employment\*

## Sectors in Decline

Information	-1.8%
Financial Activities	-0.8%
Government	-2.0%
Other Services	-6.1%
Construction	-5.6%
Manufacturing	-1.5%

## Sectors Improving

Education & Health Services	4.2%
Prof. & Bus. Services	0.7%
Transp. & Utilities	4.5%
Leisure & Hospitality	2.0%

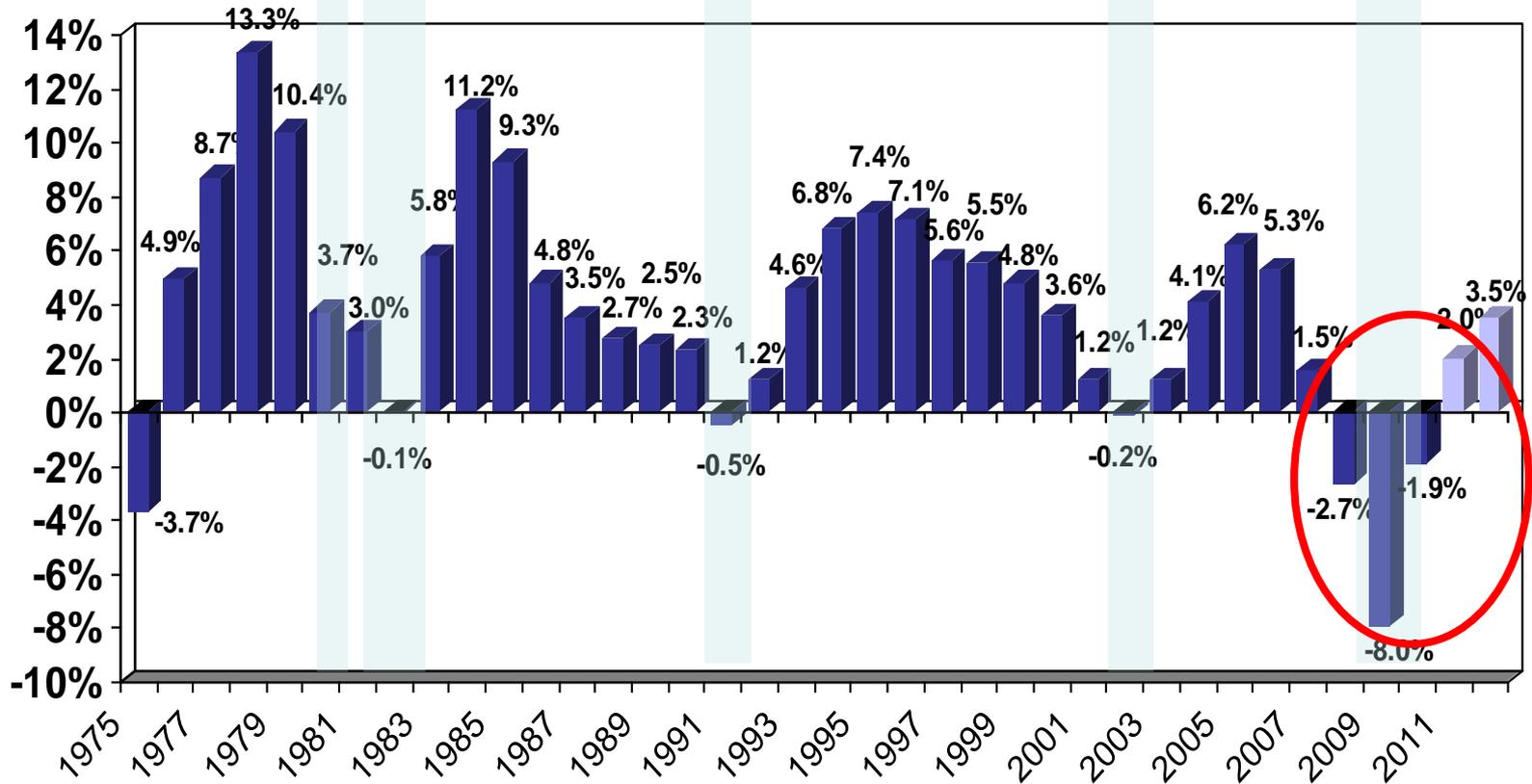
\*December 2010/December 2009

Source: Elliot D Pollack and Co., March 2011  
Arizona Department of Commerce, Research Administration



# Maricopa County Employment\* Annual Percent Change 1975–2012\*\*

Source: Department of Commerce, Research Administration



\*Non-agricultural wage & salary employment. Changed from SIC to NAICS reporting in 1990.

\*\* 2011 & 2012 forecast is from *Elliott D. Pollack & Co.*

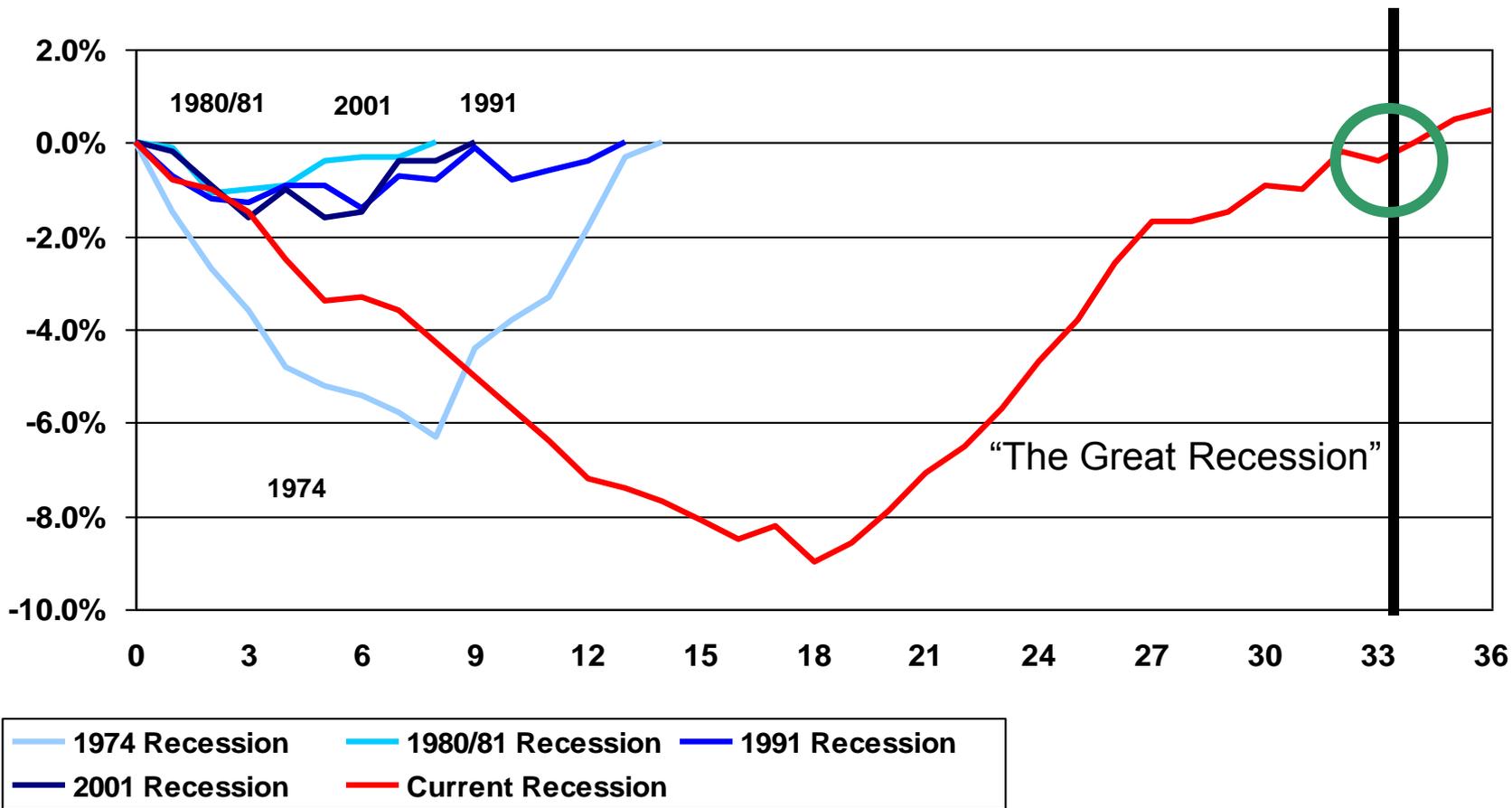
*Elliott D. Pollack and Co., April 2011*

**Recession Periods**



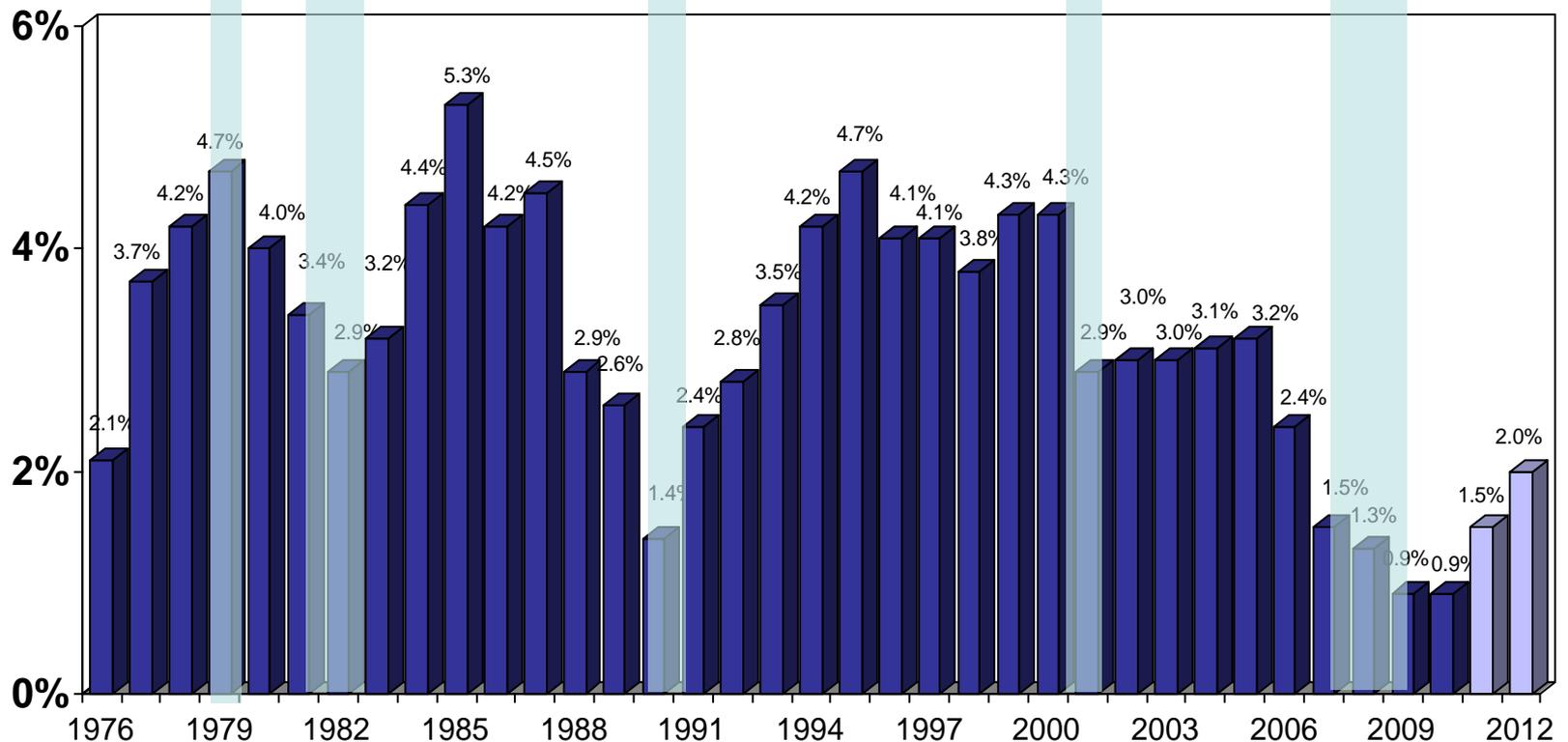
# Greater Phoenix Y/Y Job Losses - Recent Recessions

Duration in Months – BLS - February



# Maricopa County Population Annual Percent Change 1976–2012\*

Source: Arizona State University & Department of Commerce, Research Administration



2008 and 2009 are estimates put out by ADES and may be subject to substantial revision.

\*2000-2010 estimates based on 2010 Census release

\*\* 2011 & 2012 forecast is from *Elliott D. Pollack & Co.*

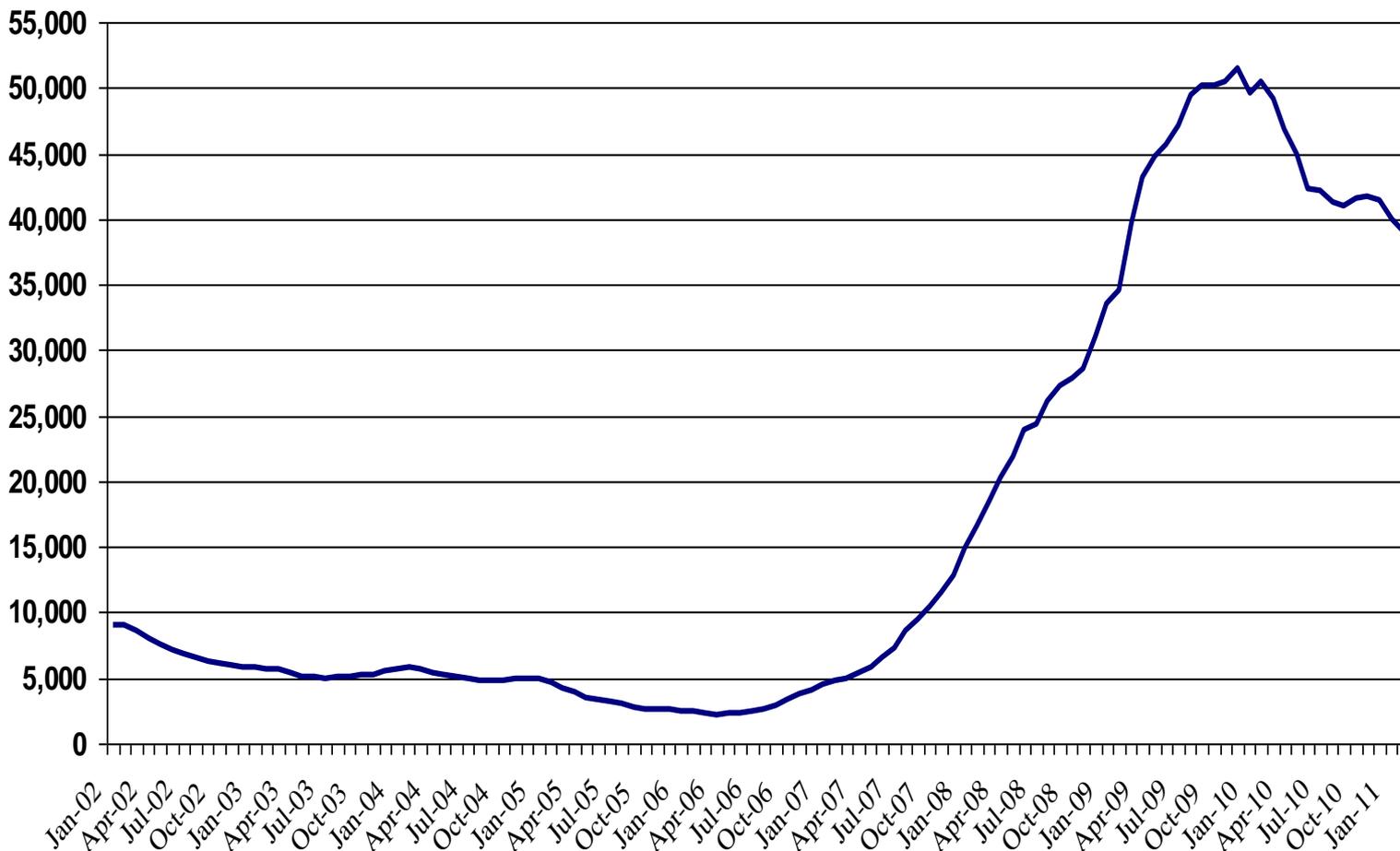
**Recession Periods**



# Foreclosures Still High

Maricopa County 2002 – 2011

Source: The Information Market



\*Properties in foreclosure process data through February 2011.

Elliott D. Pollack and Co., April 2011



# Housing Market Summary

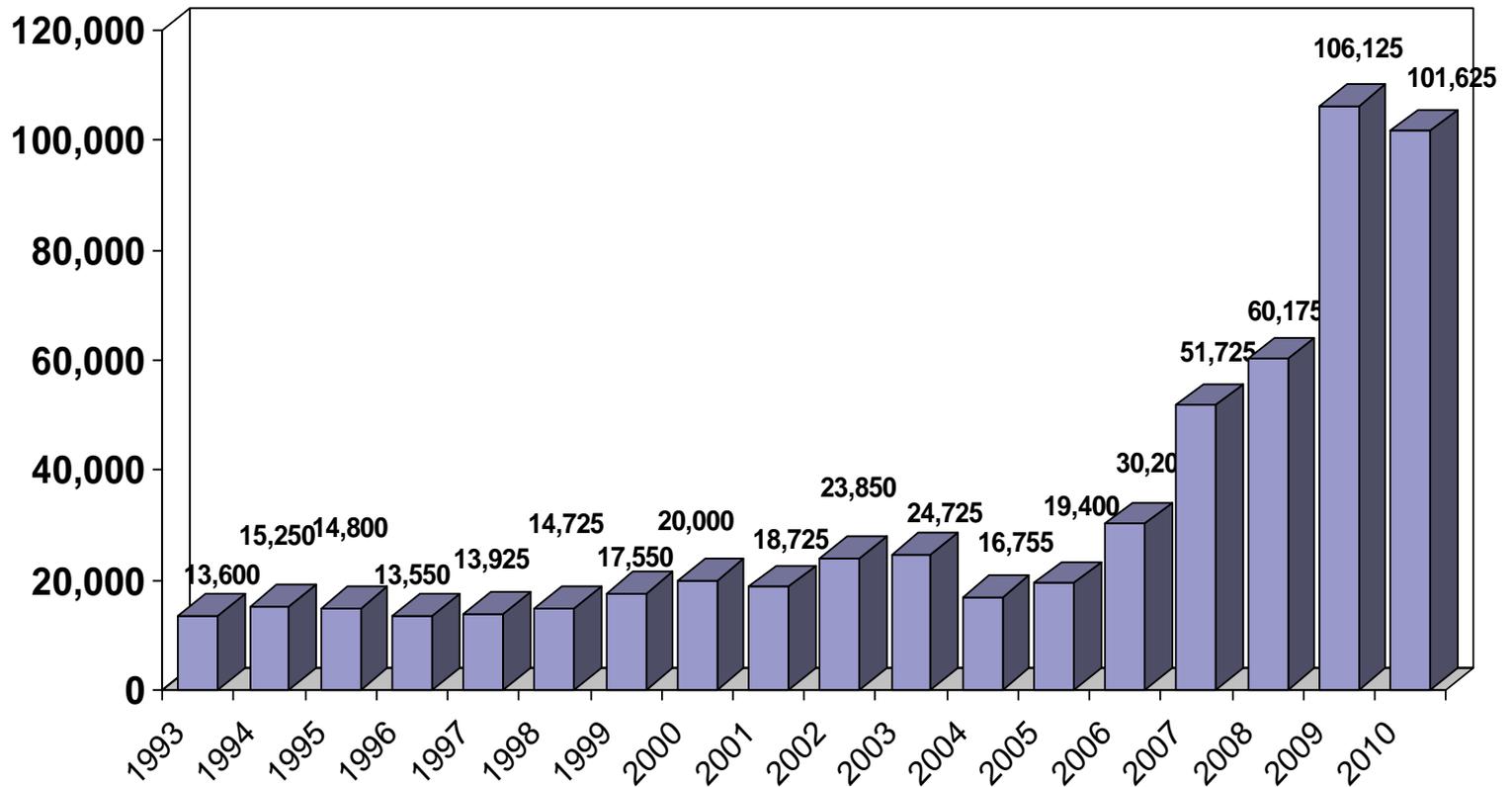
Housing market may have bottomed, but chances of a significant recovery are slim

- Too many vacant homes
- Not enough new households

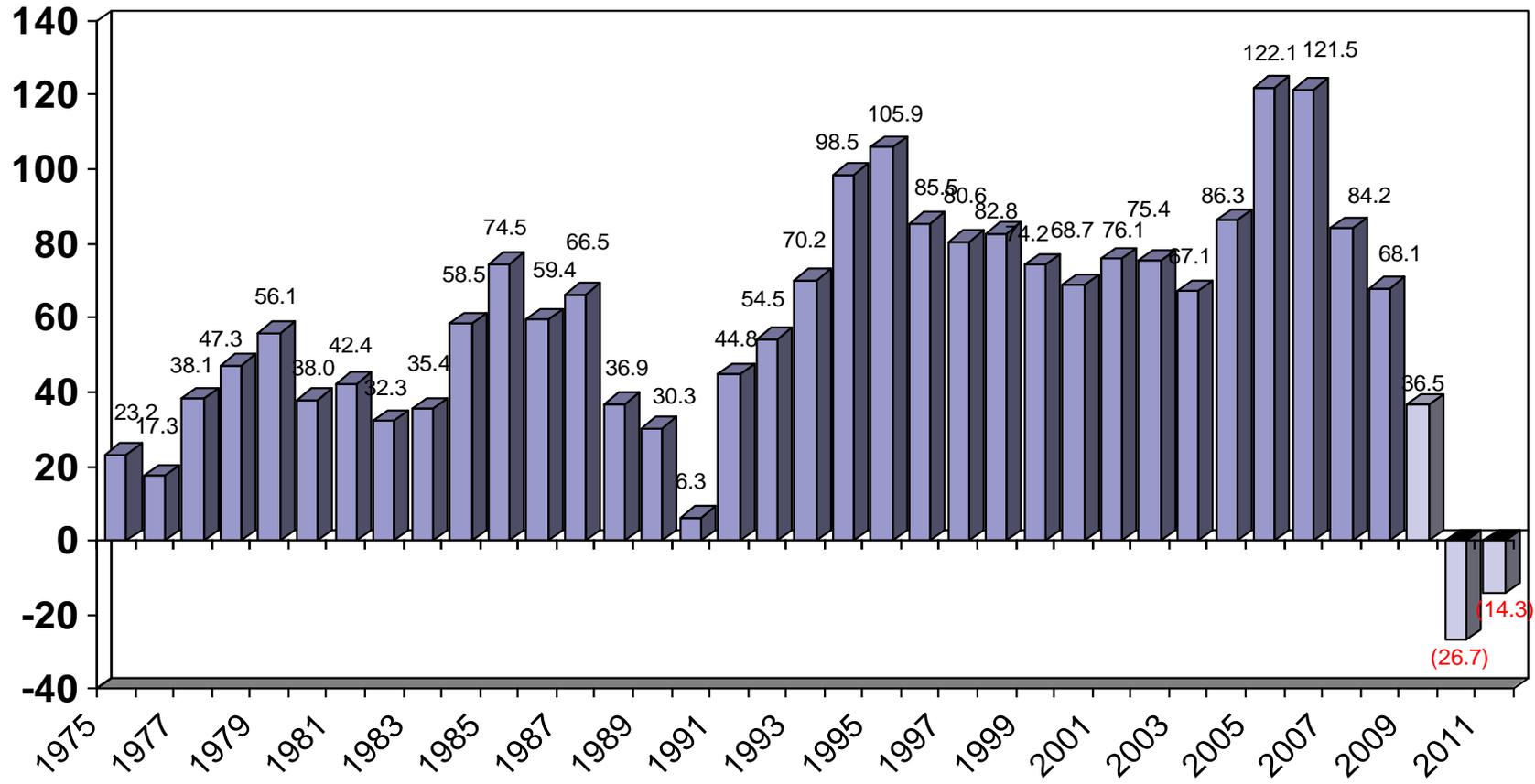


# Single-Family Vacant Units Maricopa County 1993–2011

Source: PMHS



# Greater Phoenix Net Migration 1975–2011

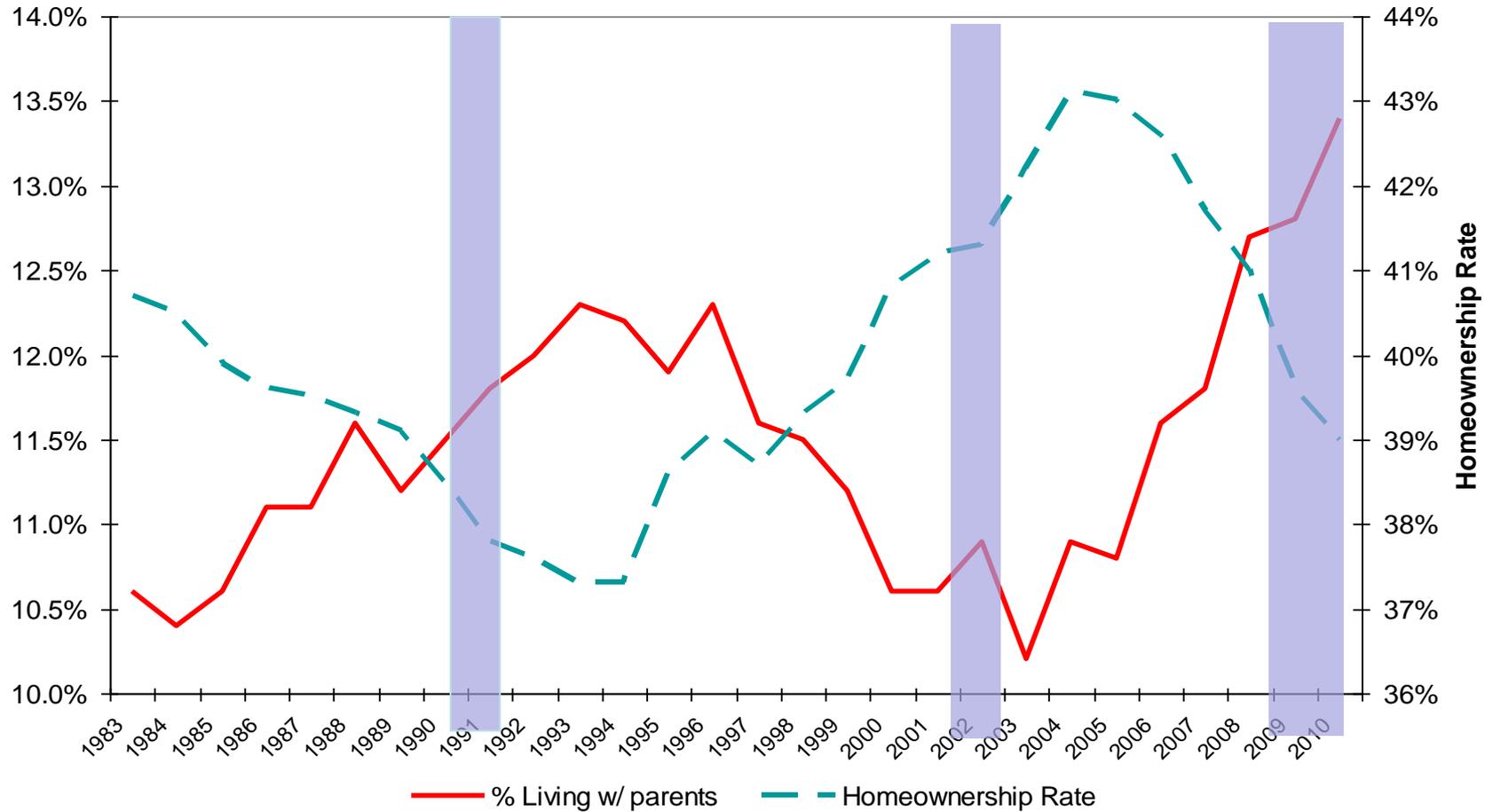


Source: University of Arizona

Elliott D. Pollack and Co., April 2011



# Percent of 25-34 Year Olds Living With Parents vs. Homeownership Rate, Under 35 Years Old 1983 – 2010



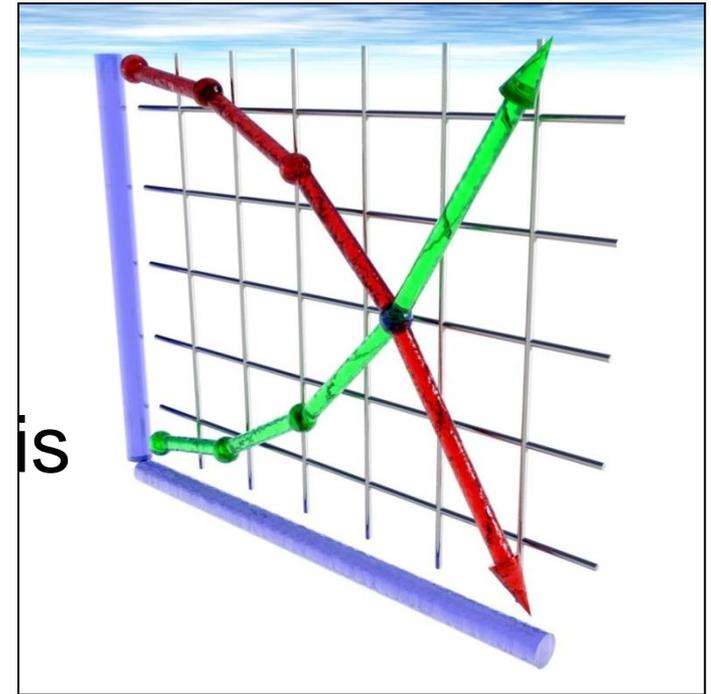
Source: U.S. Census Bureau

Elliott D. Pollack and Co., April 2011



# What has to happen for the boom to occur in Arizona?

- A national recovery
- Credit markets return to some level of normalcy
- Excess supply of housing & commercial is absorbed
- Housing prices rise



Source: Elliot D. Pollack and Co.



# Outlook Summary

<u>Subject</u>	<u>Good News</u>	<u>Bad News</u>
National economy	Recovering	How rapid?
Housing	At or past bottom	Still many negatives. No quick fix for population flows.
Commercial real estate	At or near bottom	Recovery will be slow and take a long time.
State government	Sales tax revenues no longer falling	Revenue growth too slow to fix problem soon.
Retail sales	Past bottom; pent up demand	Consumers still restructuring balance sheet. Credit markets tough.



# Department Budgets



# Justice System



# Justice System Overview

- Filings, caseloads, and populations continuing downward trend
- Declining need for detention staff in jails offset by increasing demands for healthcare for inmates
  - Standards continue to increase

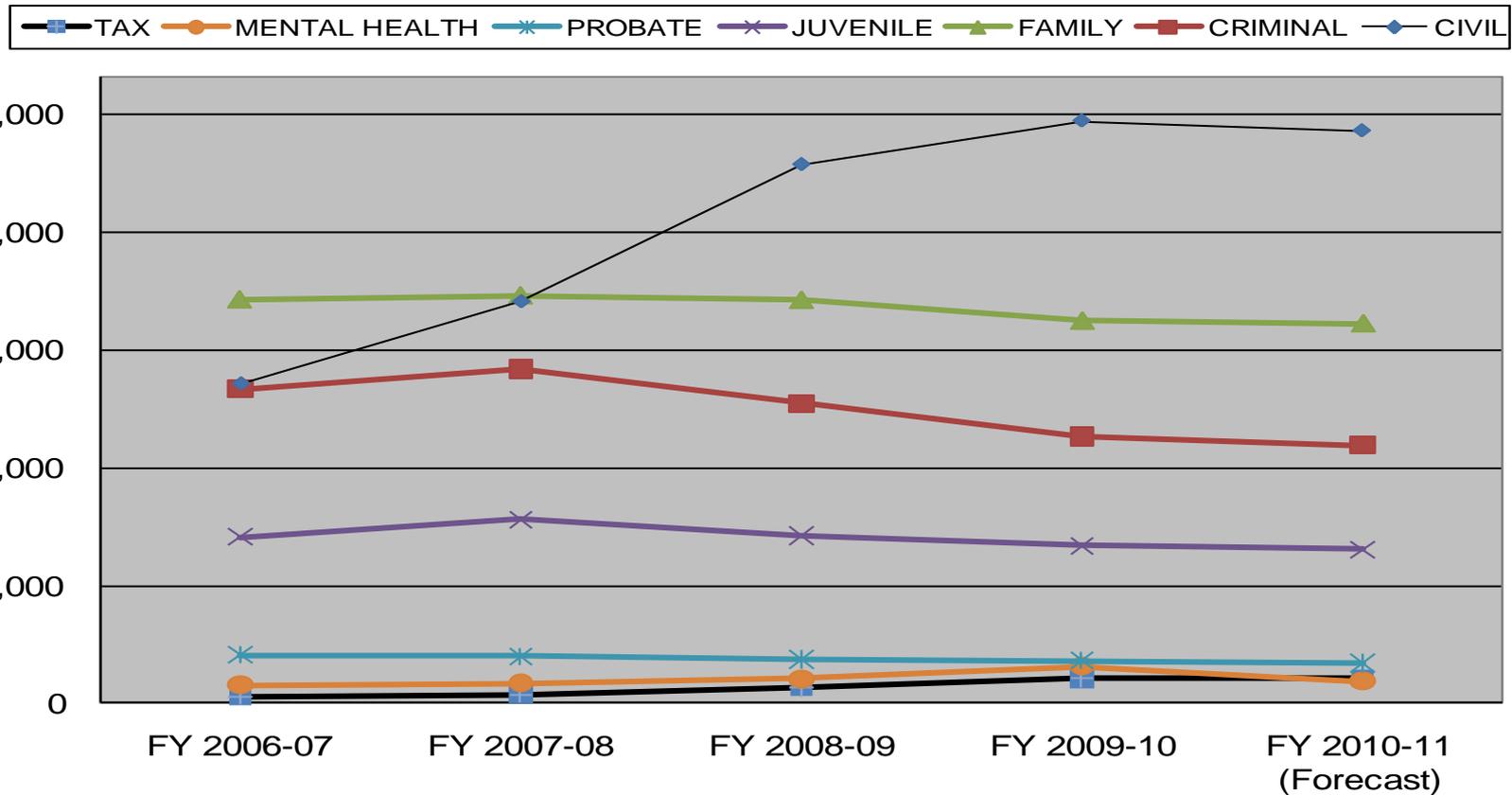


# Superior Court

- Fewer cases and fewer trials
  - Filings down 8%
  - Terminations up only 2%
  - Active pending inventory down 13% year-over-year
  - Trials completed down substantially (19.0%)
- Capital case backlog largely addressed
  - 66 active cases down from nearly 140 two years ago
- Focus on Probate – Six positions restored
  - Year-to-year increase in hearings (30%) & dockets (5%)
  - Stronger oversight requirements as of July 2011
- Budget agreement signed



# Superior Court Cases Filed



Data Source: Superior Court Annual Statistical Report - Fiscal Year 2010  
 \*FY 2011 Forecast: Based on filings thru February 2010 and straight-line average for remaining months



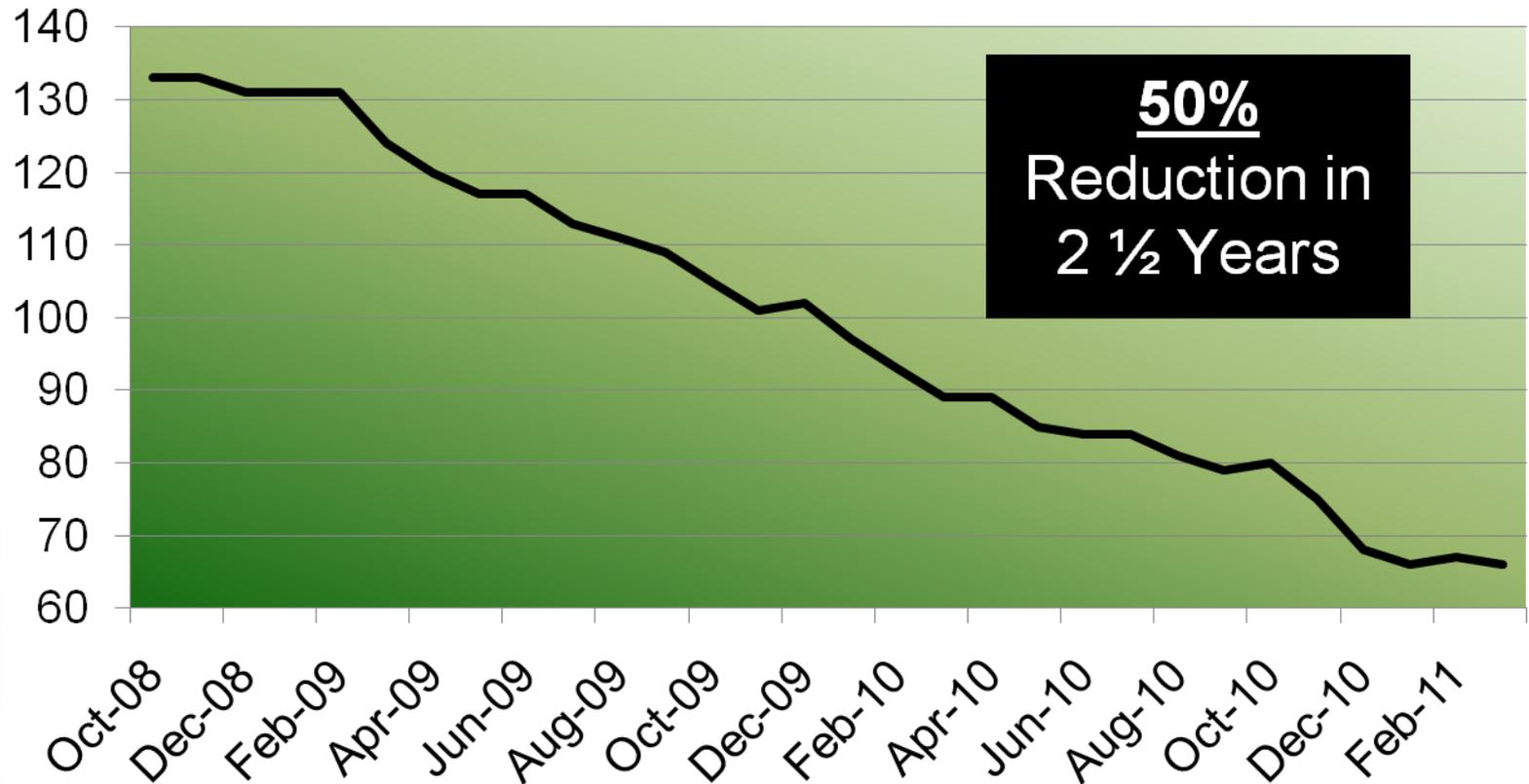
# Public Defense System

- FY 2011 spending is within budget – first time in over a decade
- Capital case funding model developed and implemented in FY 2011 appears to be working
- Dependency cases are up 94% over the past three years; funding is shifted within the existing budget



# Capital Cases

## Pending Capital Case Inventory



# County Attorney Prosecution and Civil Division

- Prosecution
  - FY 2011 budget recommendation is relatively flat
  - No major changes
- Civil Division
  - Consolidated General and Special Litigation departments into re-unified Civil Division
  - Provided non-recurring funds for additional tax appeal staff to handle filing increase
- Budget agreements signed



# Adult Probation Caseloads

Type of Supervision	FY 2010	FY 2011	% Change
Pretrial	546	564	3%
Pretrial (Intensive)	883	813	-8%
Pretrial (Electronic)	237	195	-18%
Standard	30,250	30,482	1%
Intensive	817	797	-2%
<b>Total</b>	<b>32,733</b>	<b>32,851</b>	<b>0.4%</b>

*FY 2012 recommended budget shifts \$5.1M from General Fund to Detention Fund for Pre-Trial Services*



# Juvenile Probation Caseloads and Detention Population

Type	FY 2010	FY 2011	% Change
Average Daily Detention Population	258	226	-12.4%
Average Length of Stay	12.9	13.3	3.1%
Standard Probation	4,047	3,666	-9.4%
Intensive Probation	383	341	-11.0%

*FY 2012 recommended operating budget is 0.4% and 5.0% less than FY 2011 in General and Detention funds, respectively*



# Sheriff's Office



# Sheriff's Office - Detention

- FY 2012 budget reduces
  - Detention staff by 26 FTE
  - Overtime by \$500k
- FY 2012 reductions
  - \$2.4 M for indirect costs
  - \$4.5 M for law enforcement positions
- Budget cut by \$8.4 M (4.7%)
- \$2.0 M in additional Inmate Services Funds to develop programs to promote inmate welfare



# Outstanding Detention Issues

- Inmate shift (July 2012)
  - 60% increase in sentenced population
  - 16% increase in overall population
- Detention staffing study
  - Are current staffing levels sufficient and correctly allocated?
  - Staffing for inmate shift
  - Potential efficiencies



# Sheriff's Office – Law Enforcement

- FY 2012 budget reduces
  - Patrol staff by 2 FTE
  - Temporary pay by \$100k
  - Other various areas by \$565k
- FY 2012 budget increases
  - \$2.4 M for indirect costs
  - \$4.5 M for law enforcement positions (53.9 FTE)
- Budget grew by \$6.9 M (10.2%)
- Patrol staffing study
- Budget Agreement signed



# Repayment of Jail Enhancement & Detention Funds

	Detention Fund	Inmate Svcs Fund	Total
Misspending	\$(84,748,933)	\$(14,743,225)	\$(99,492,158)
Maint. Of Effort Credit	73,610,988	-	73,610,988
General Fund*	11,137,945	14,743,225	25,881,170
Remaining Balance	\$ -	\$ -	\$ -

\* General Fund payment to be made out of funds reserved for mandated State contribution.



# Payment Methodology for State Mandated Contribution

	Amount
<b>Total State Payment</b>	<b>\$26,384,500</b>
<i>Inmate Svcs Fund Balance</i>	<i>21,000,000</i>
<i>Jail Enhancement Fund Balance</i>	<i>2,000,000</i>
<i>Remaining General Fund Obligation</i>	<i>3,384,500</i>

*Any fund may be used to make State Mandated Contribution*

*Payments to be made from Inmate Services and Jail Enhancement funds that would otherwise not have been appropriated*



# Auditor General

- “Our Office concurs with the legal opinion the County has received regarding using the change in the GDP Price Deflator to calculate the required Maintenance of Effort to the Detention Operations Fund beginning in FY 2007.”



# Proposed Corrective Actions

- Sweep funds to pay State
- Line item review
- Journal voucher review
- Additional audits
- Staffing studies
- Timeclocks (ADP)



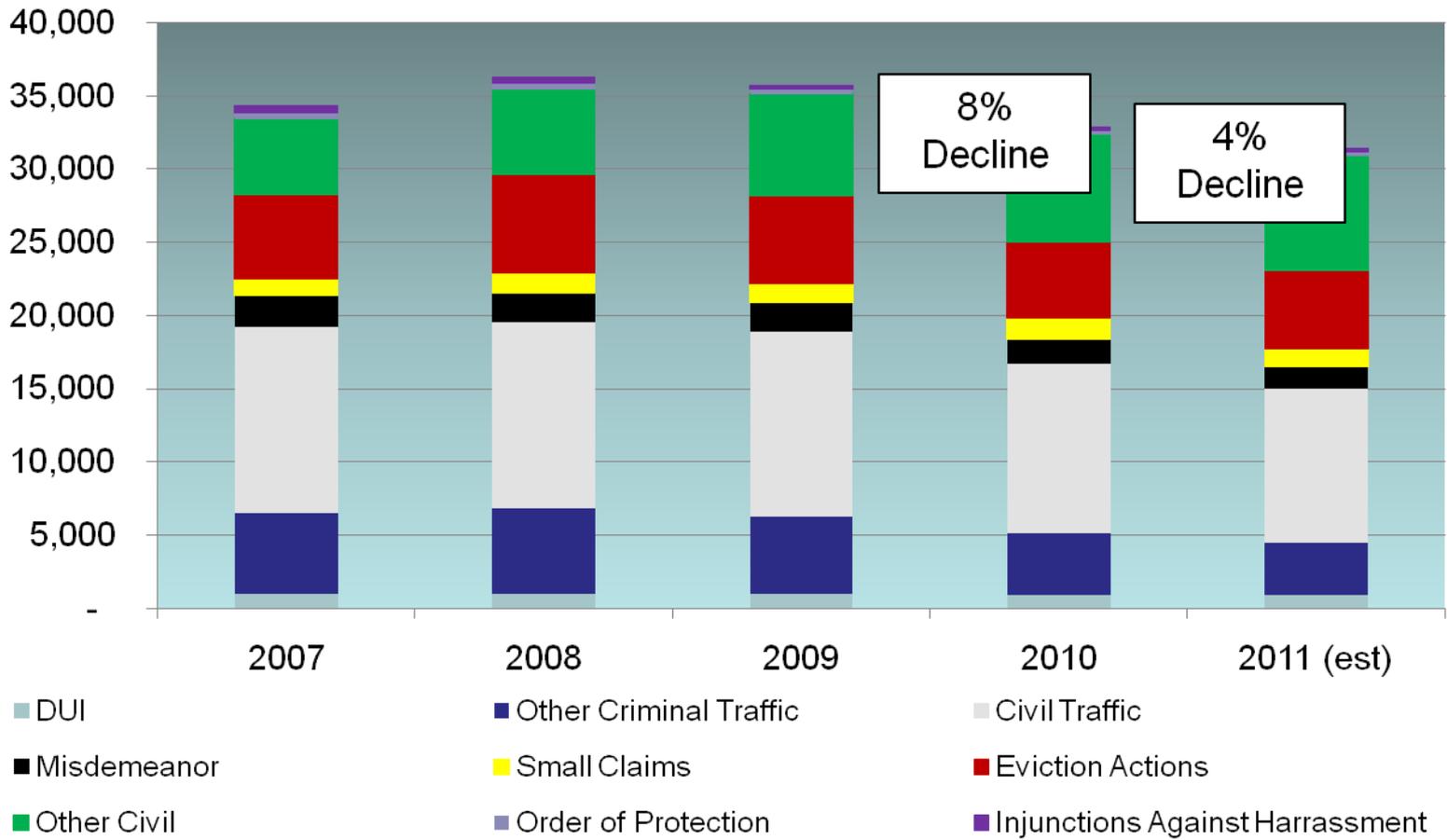
# Sheriff's Office – Journal Voucher Review

- For FY 2011, Board directed OMB to review all Sheriff journal vouchers
- Review has been prospective
- Most address technical corrections in payroll
- Very few issues; MCSO finance staff have been cooperative



# Justice Court Filings

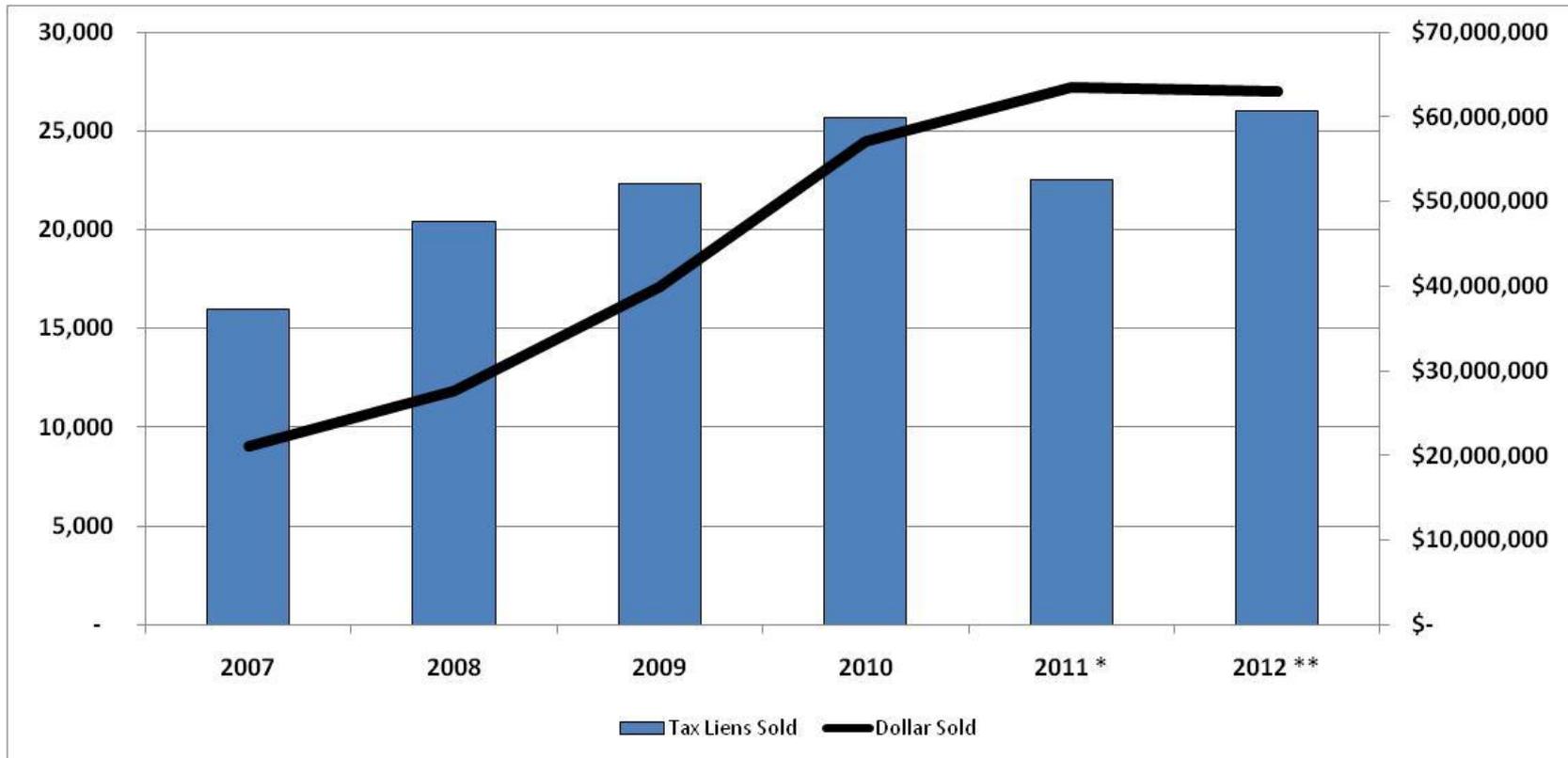
## (Average Monthly)



# General Government



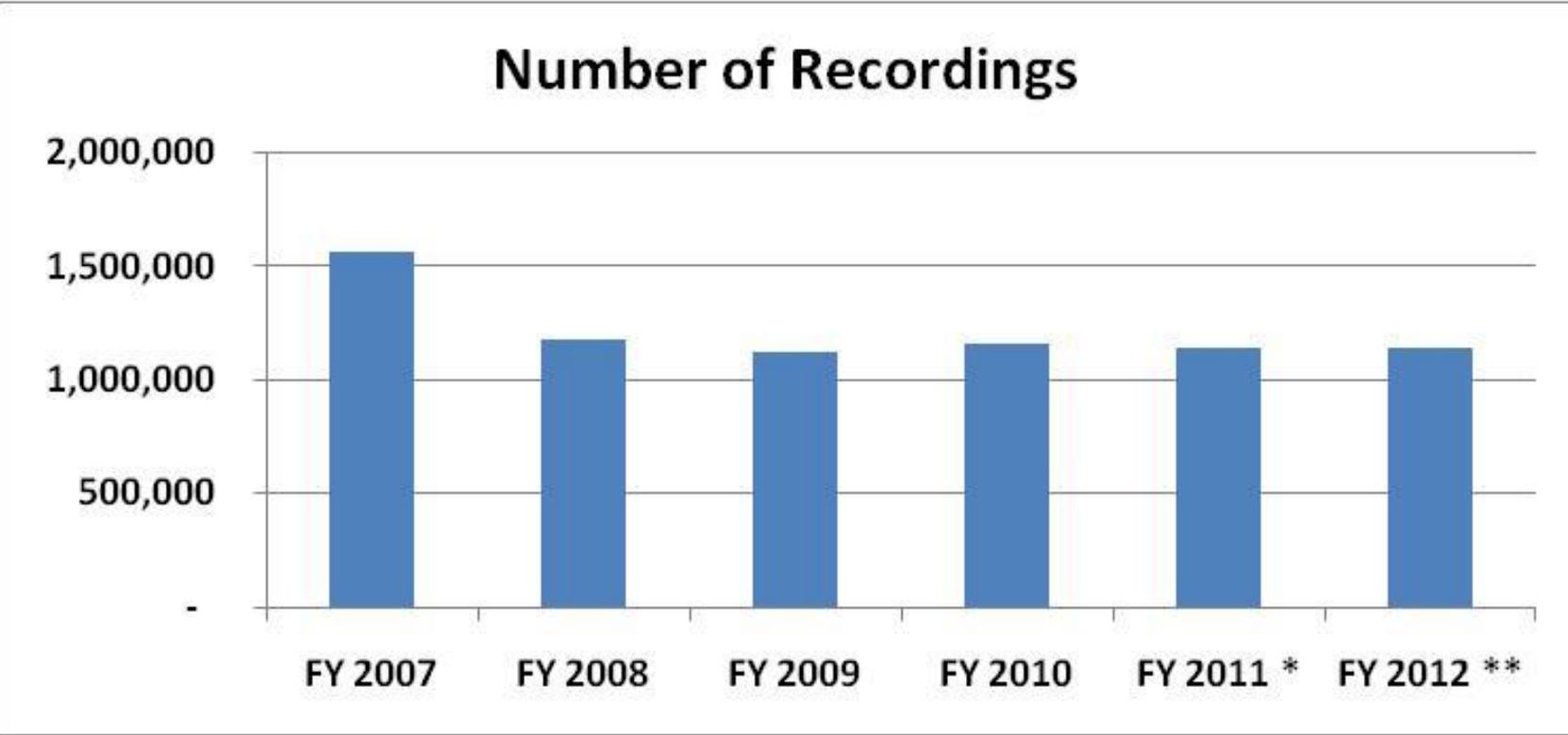
# Tax Lien Sales



\* Forecast \*\* Recommended Budget



# Recordings



\* Forecast \*\* Recommended Budget



# Assessor Consolidation



\$511,795 in  
Lease Savings  
Annually



# Education Service Agency

## Rewarding Excellence in Instruction and Leadership (REIL) Grant

### Goals:

- Ensures students graduate college and are career-ready
- Implements a fiscally sustainable performance based compensation system
- Develops comprehensive program of performance evaluation and support

### Impact:

6 districts – 52 Schools – 174  
Principals – 3,380 Teachers and  
52,294 Students

- Potential unfunded liabilities for the General Fund

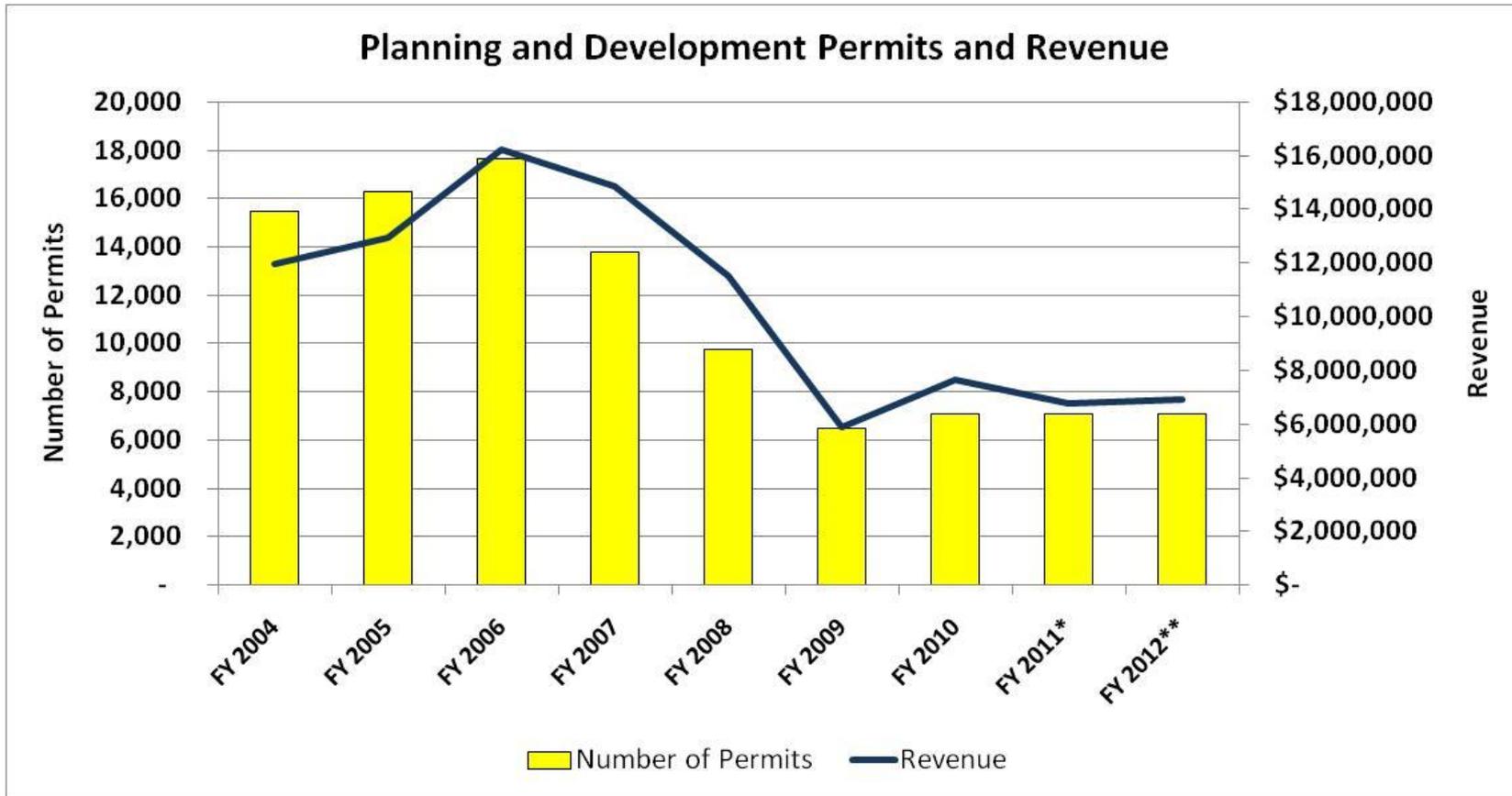


# Regional Development Trends



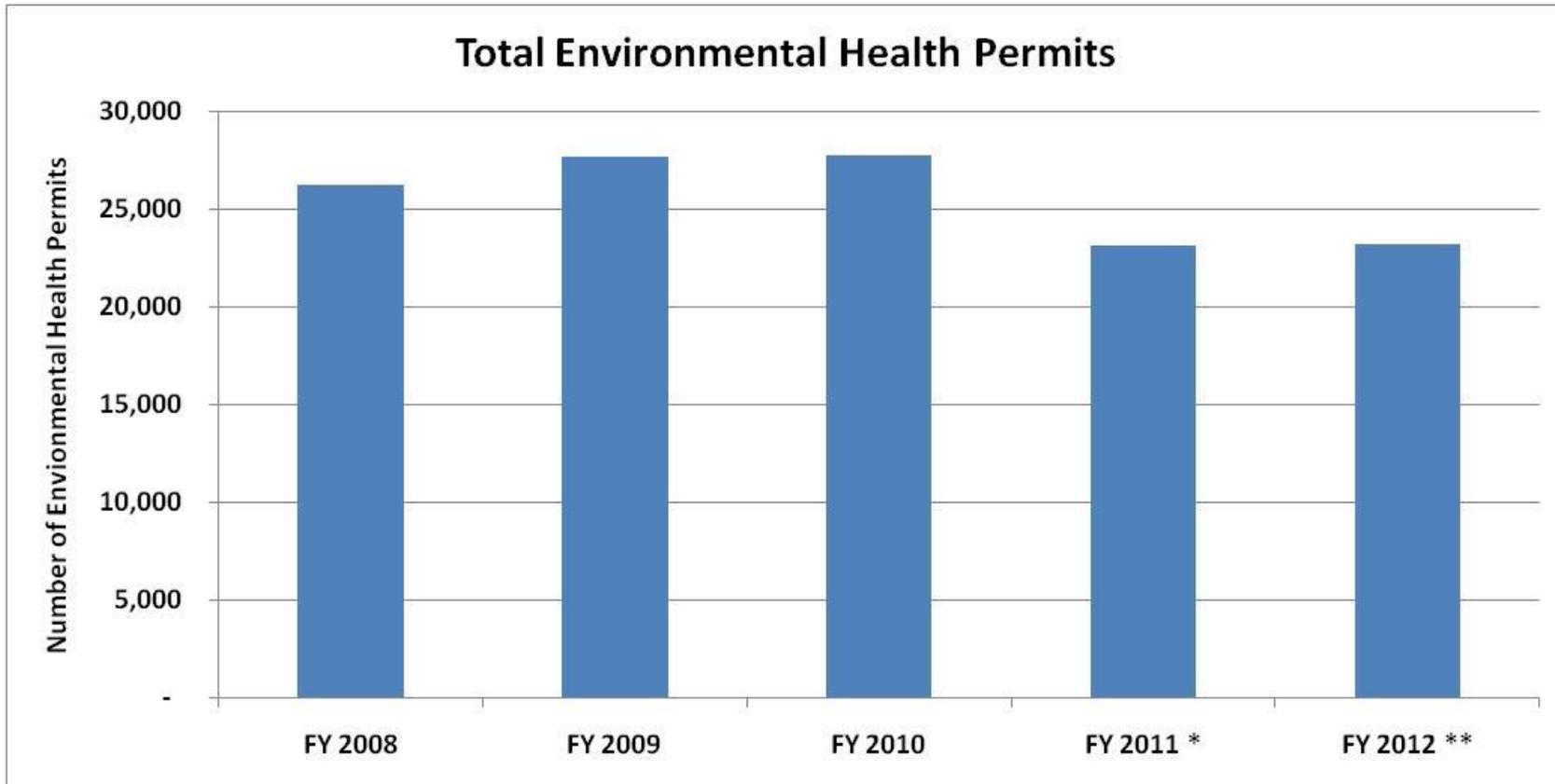
# Planning & Development

## Number of Permits Plan Reviews



\* Forecast \*\* Recommended Budget

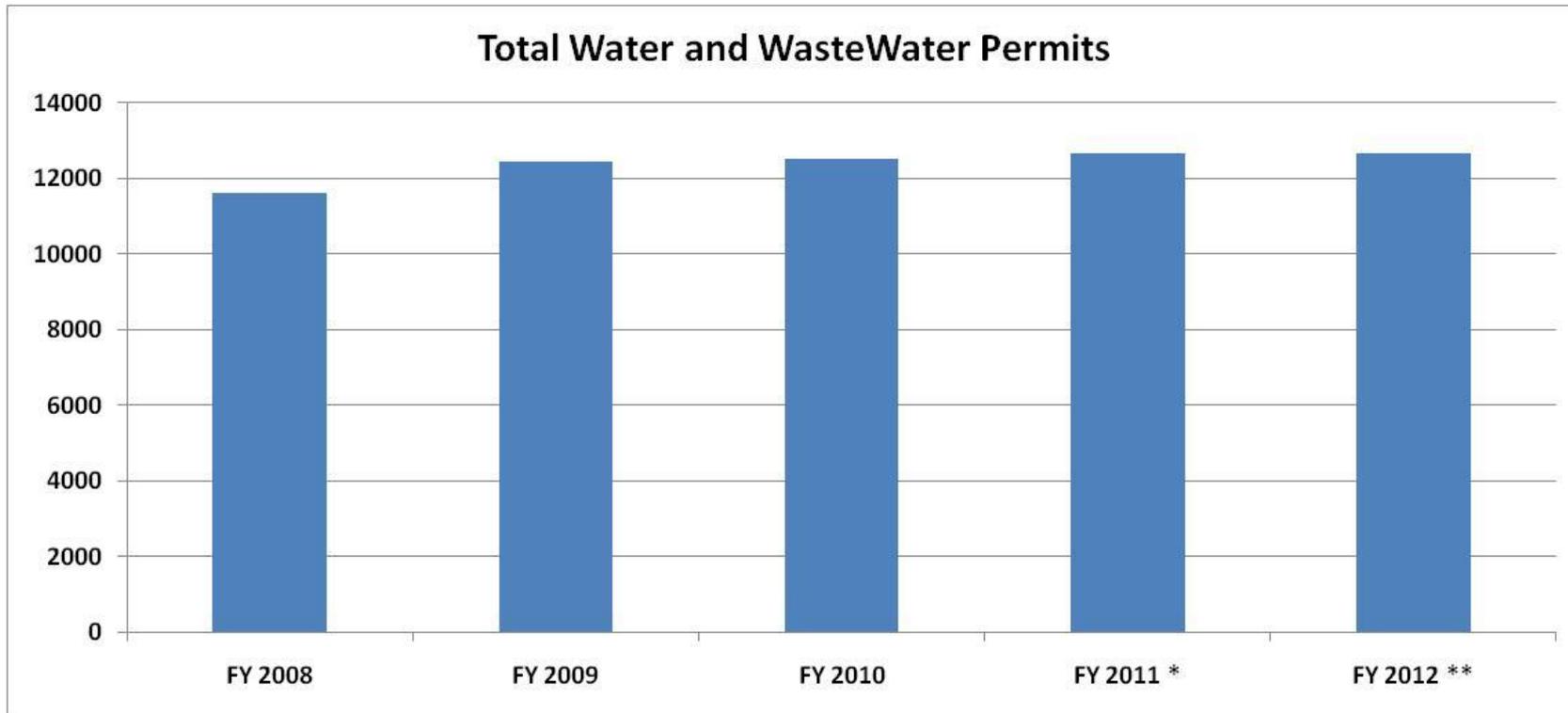
# Restaurant/Food Permits



\* Forecast \*\* Recommended Budget



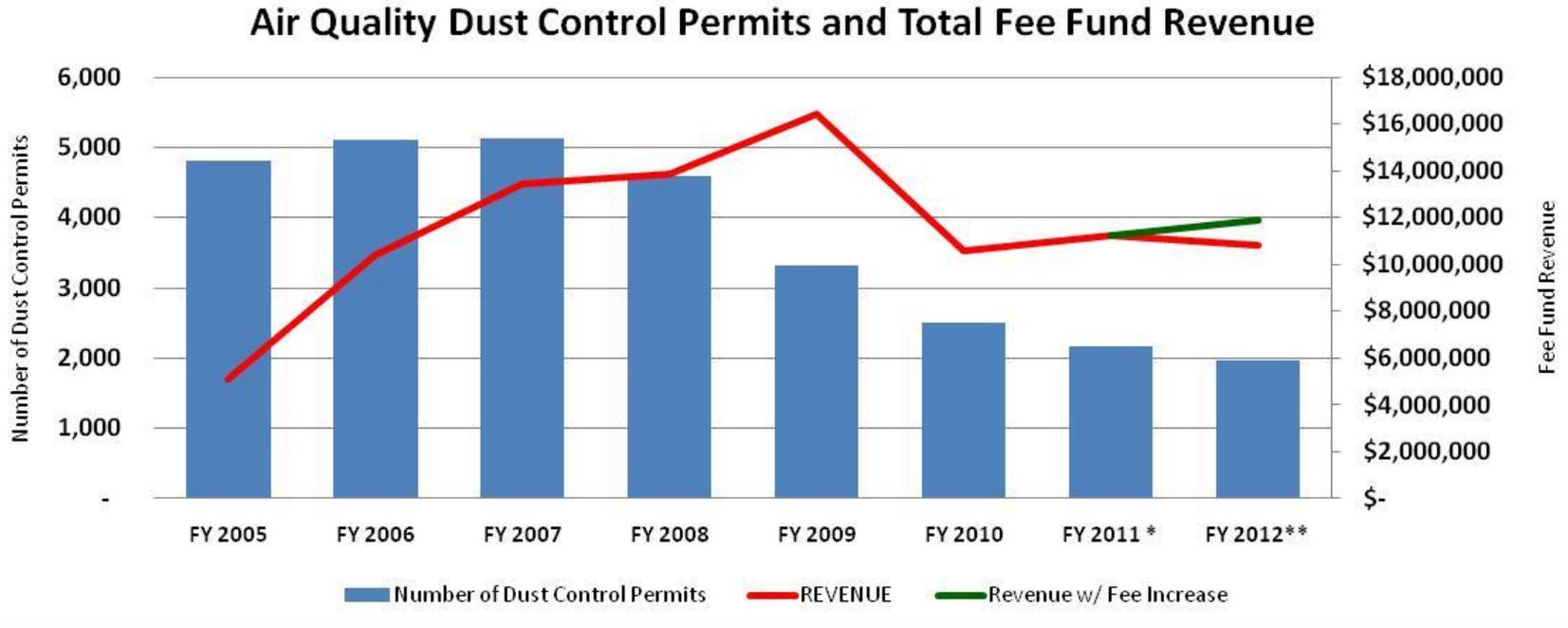
# Water & Wastewater Permits



\* Forecast \*\* Recommended Budget



# Air Quality Revenue (w/ & w/o Fee Increase)



**\*Forecast    \*\*Recommended Budget**



# Capital Improvements



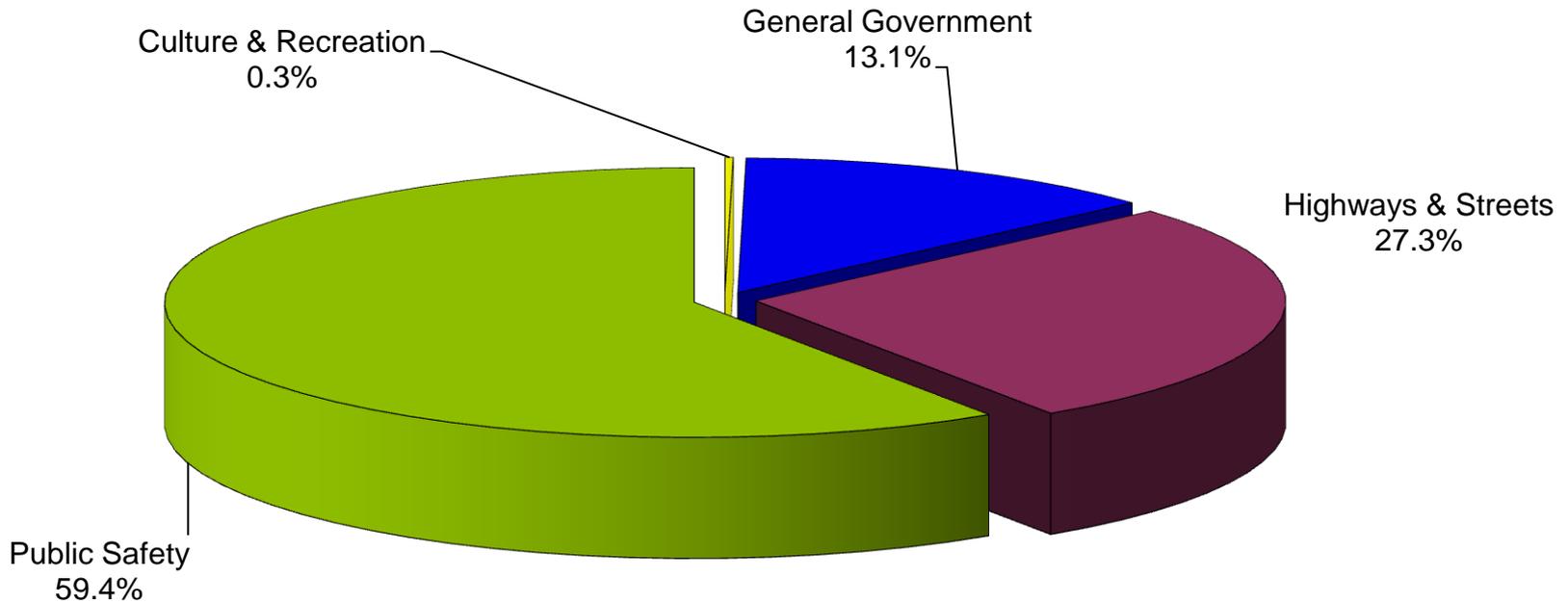


# Capital Improvement Philosophy

- Modified “pay as you go” policy, which began in FY 1999-00
- Use of cash or a combination of identified operational savings and lease reversions to pay the debt service
- County’s 1986 General Obligation (GO) bond debt was paid off in 2004
- Previously, the County issued debt because it was economically favorable and to deal with the expenditure limitation. The County is no longer using this approach
- Savings of \$76.8 Million



# Uses of Capital Funds FY 2012 - \$423,985,494



# FY 2010 Long-term Debt per Person Comparison to National Benchmarks

## Long Term Debt Per Person Is Low Compared to Benchmarks



SOURCE: Maricopa County LTD for Governmental Activities "Note 13— Long Term Liabilities", Benchmark CAFRs & Internal Audit Analysis



# Previously Approved CIP Projects

- Criminal Court Tower \$340,358,953
- Energy Conservation Projects 25,831,158
- Maricopa Regional Trail 5,996,937
- Sheriff's Crime Lab Relocation 4,615,851
- Southeast Facility 3,178,584
- Chambers Swing Space 2,819,079
- Vulture Mountain Study 150,000



# Completed Projects

- Santa Fe Depot Refurbishing
- West Court Floors 2, 3, and 4
- Fifth Avenue Remediation
- Security Building Renovations
- White Tank Nature Center & Library



# Recommended New CIP Projects

## General Fund

- Clerk of Court Remodel \$ 8,229,359
- Old Courthouse Rehabilitation 2,373,811
- Sheriff's Executive Building 64,000,000

## Detention Fund

- Sheriff's Executive Building \$16,000,000
- Project Reserve 52,139,825



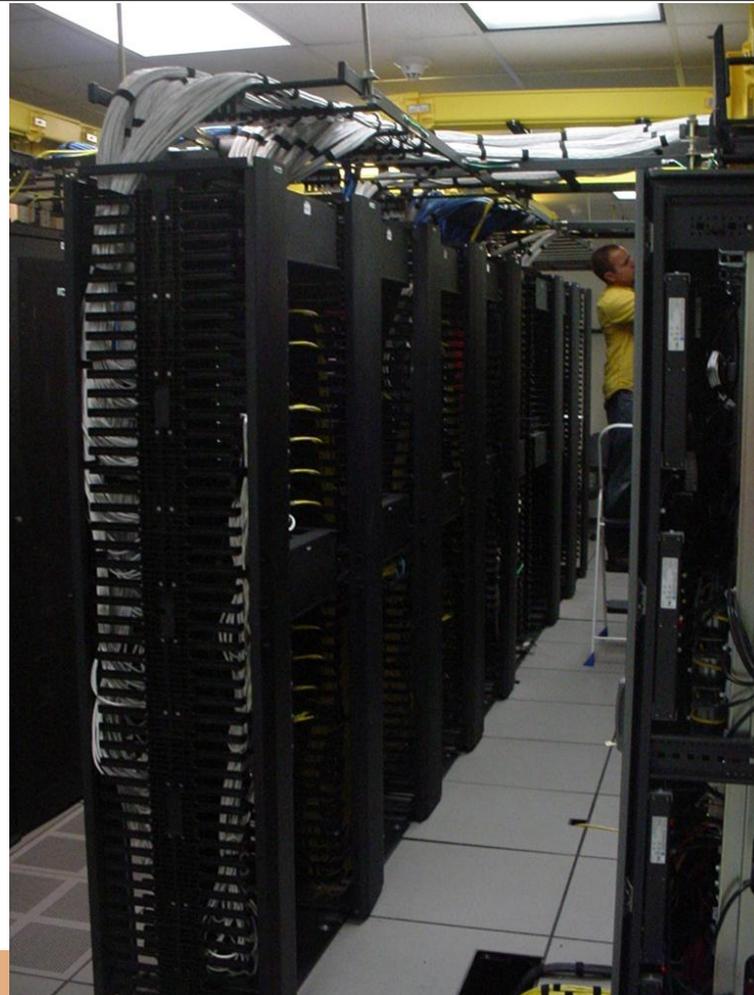
# CIP Projects Not Funded

- Additional DT Land Acquisitions
- CCB Lobby Expansion
- CCB to ECB Public Corridor
- ECB Inmate Tunnel
- Emergency Operations Center
- Estrella Mountain Campground
- First Avenue Jail Demo
- Grand Jury Relocation
- Madison Street Jail Demo
- MASH Unit Relocation
- New Bldg to Replace Leased Facilities
- Plaza Hardscape and Landscape
- Plaza Substructure/Slab/Life Safety
- Property Adj. to Cooperative Extension
- SE Regional Court Center
- Security Bldg First Floor Buildout
- SW Regional Court Center
- Vulture Mountain
- White Tank Dump Station

**Total: \$332.5+ Million**



# Technology Projects



# Technology Infrastructure Projects

- Downtown Network Infrastructure Upgrade – Zone 2 & Power Refresh
- Durango Campus, Southeast Campus and Remote Sites – Zone 3 & Zone 2
- Zone H – Correctional Health



# Recommended Technology Projects

12 Projects - \$235,586,323 (5 years)

Telephone and Call Center Systems

Radio System

Infrastructure Upgrades

Court Security Integration

Correctional Health

Sheriff's Office

Facility/Space Management



# Transportation Capital Improvement Projects

Transportation Improvement Projects	FY 2012 Recommended Budget	FY 2013 to FY 2016	Five-Year CIP Program Total
	\$ 115,550,123	\$ 350,445,668	\$ 465,995,791



# Employee Issues



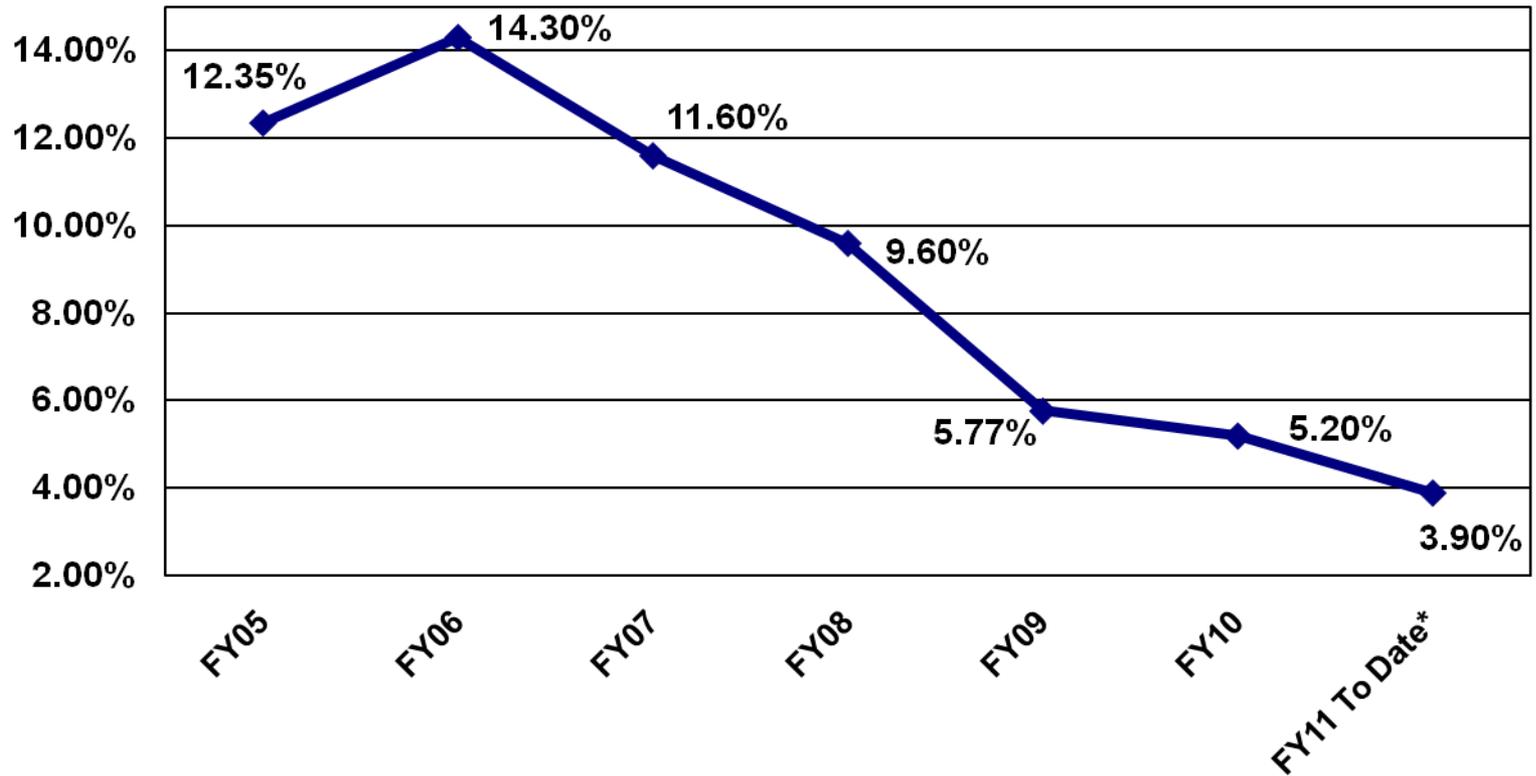
# Changes in County Population and County Staffing



County Staff



# Voluntary Turnover By Fiscal Year



\* FY To Date (9-Month Period: 07/01/2010 to 03/31/2011)



# Compensation

- No funding for Pay for Performance
- Includes funding for continuation of Peak Performers Program
- Includes increased funding for Education Assistance Program
- Employee Benefits maintained without significant cost increase for employees
- Employees will be required to contribute a higher percentage to the retirement systems



# Conclusion

- FY 2011-12 recommended budget is fiscally sound.
- Overall, this budget continues to do more with less.
- Caution is prudent with the current economic conditions.



# Budget Calendar – Remaining Dates

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



