

# Maricopa County FY 2013 Recommended Budget

May 21, 2012

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# Executive Summary



# Budget Guidelines

Approved by the Board of Supervisors  
December, 2011

- Structurally balanced, sustainable budget.
- Assume flat primary property tax rate.
- No increases for employee compensation; no requests for funding above base target amounts.
- Capital improvement projects that can be funded within existing resources and meet the Board's strategic goal related to addressing infrastructure needs.
- New information technology projects considered only if they have a return on investment of 3 years or less or are of a critical nature to County operations.



# Budget Agreements

- All Elected Officials and the Judicial Branch signed their Budget Agreements

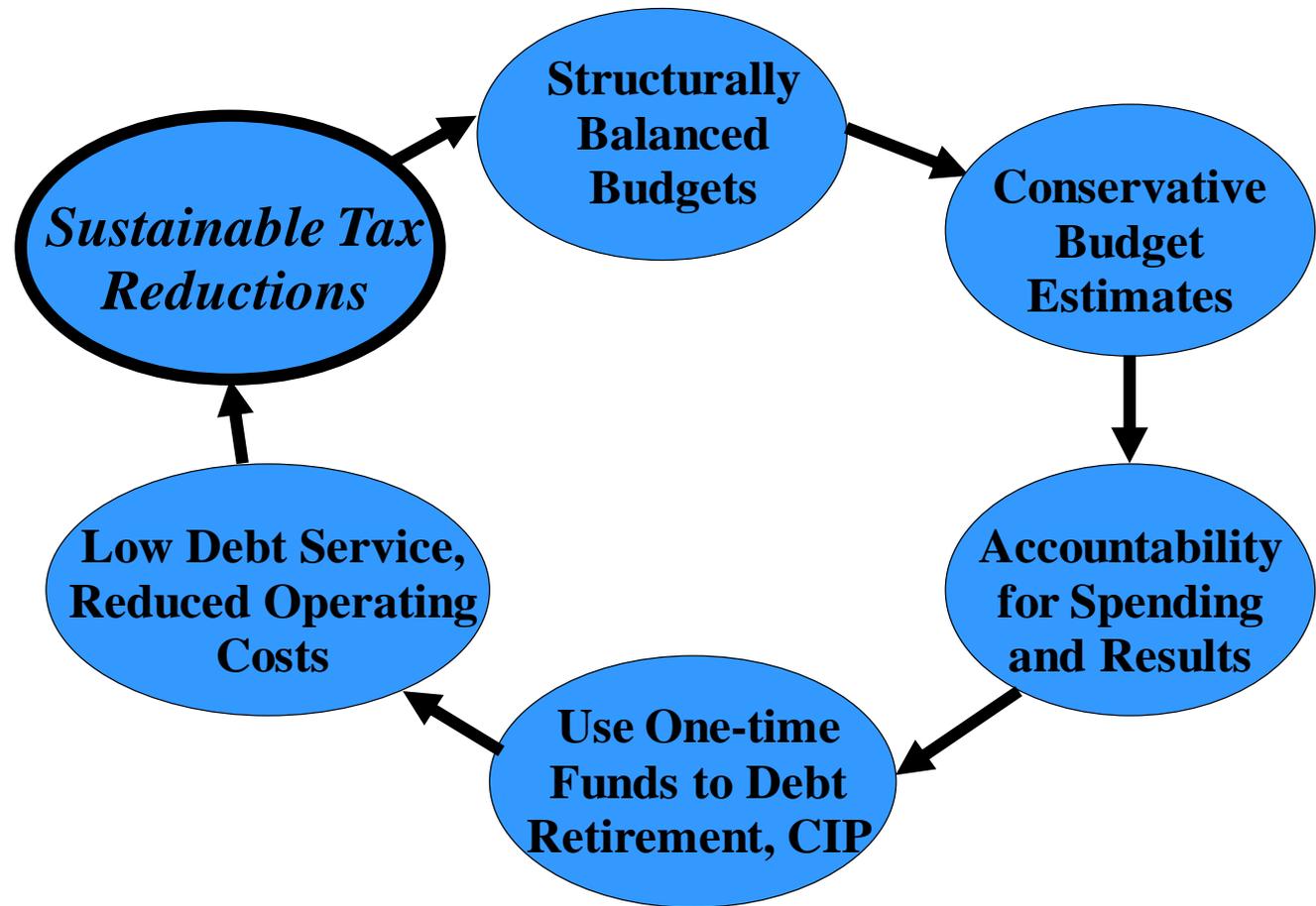


# Structurally Balanced Budget

*Definition:  
Reoccurring  
revenues meet or  
exceed reoccurring  
expenditures*

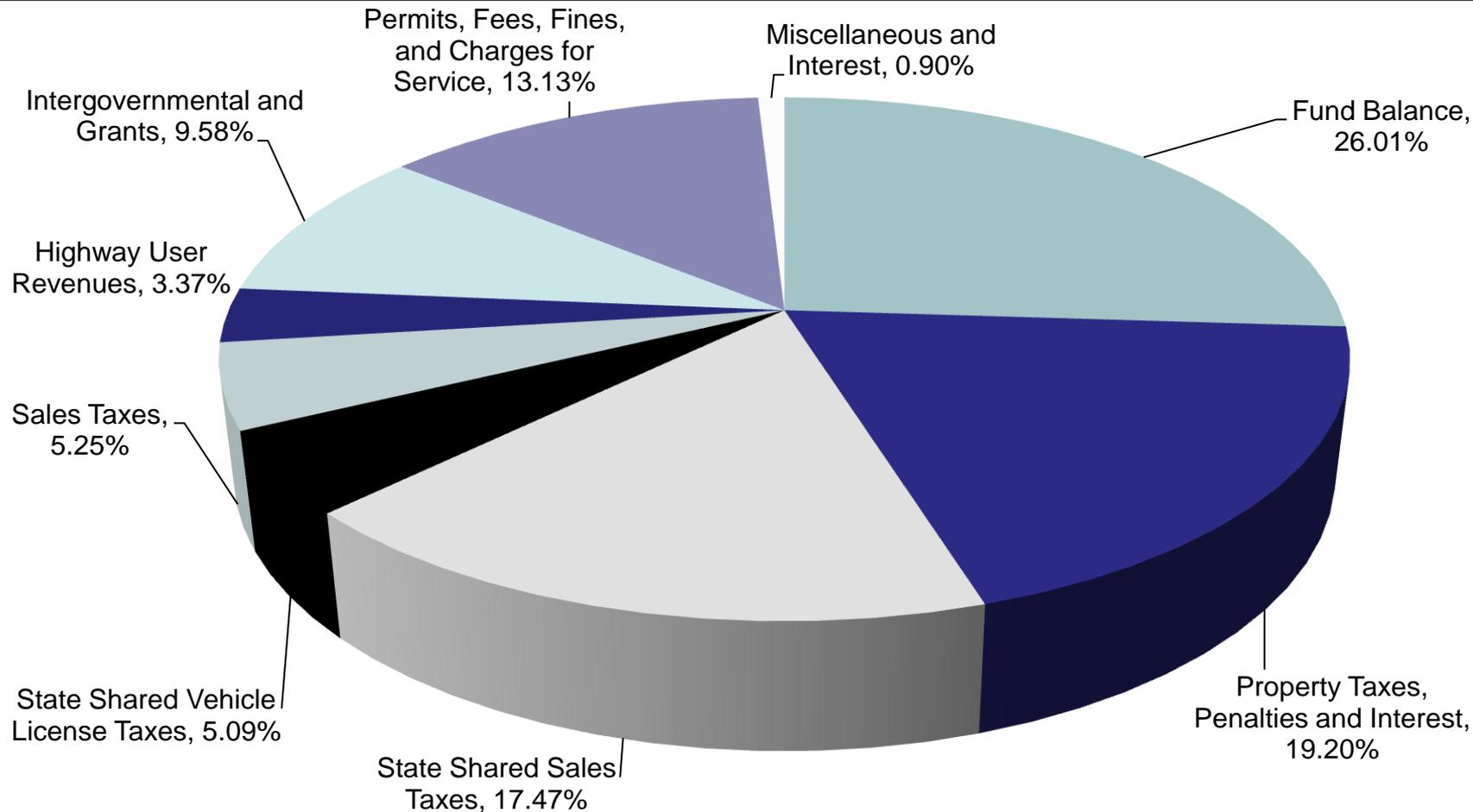


# Policies Support Fiscal Strength

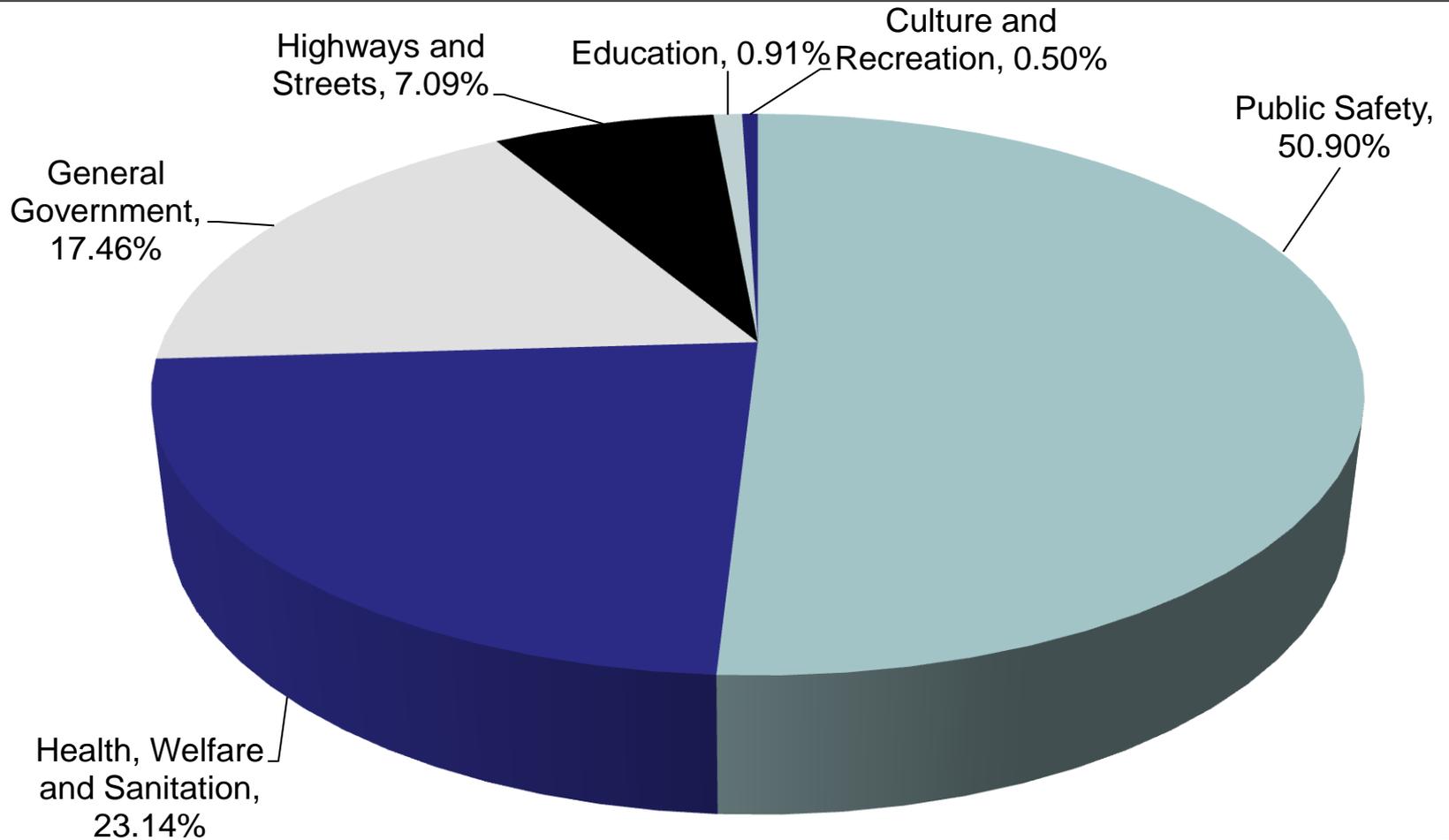


# FY 2013 Recommended Budget

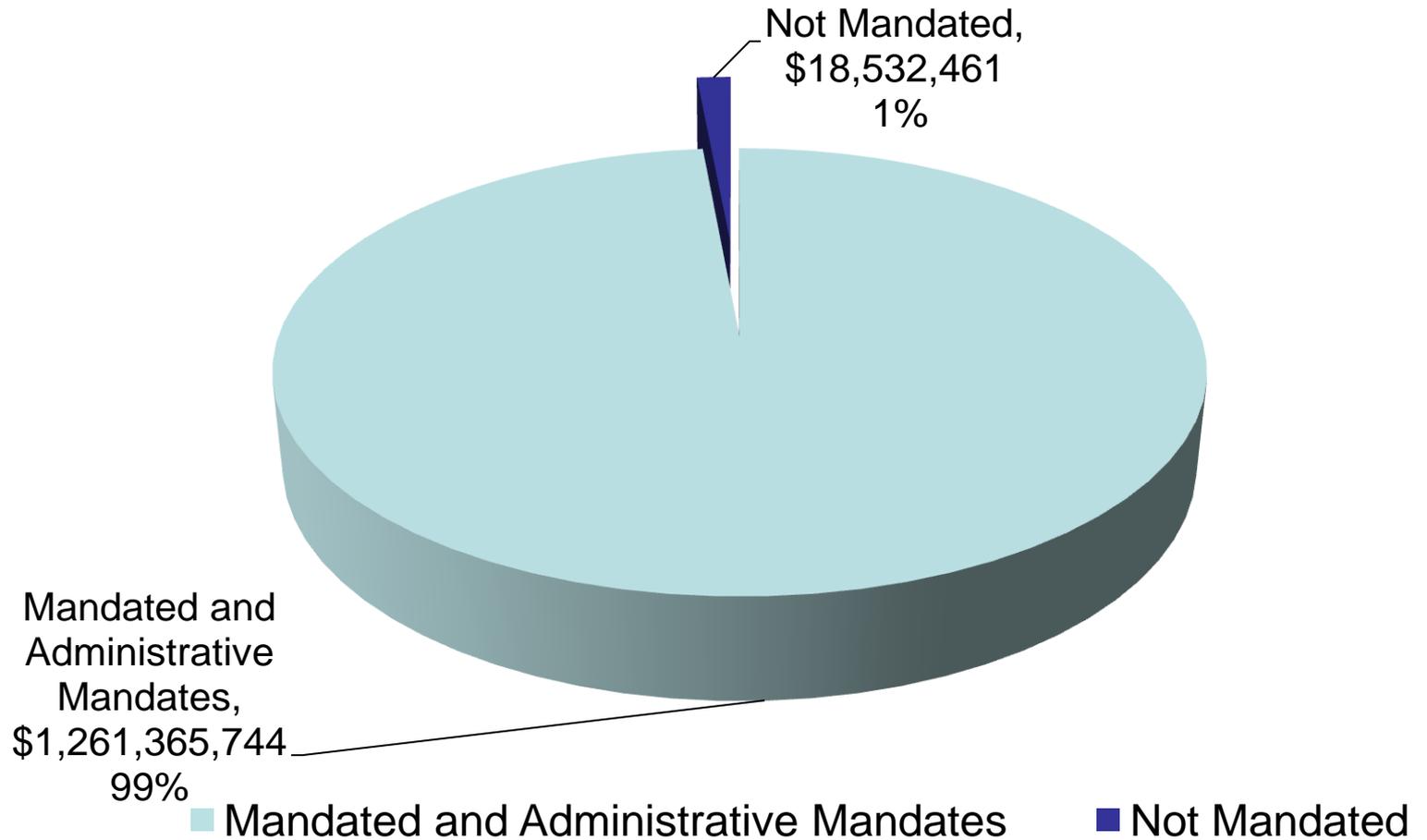
## Sources of Funds: \$2,312,626,774



# FY 2013 Recommended Budget Uses of Funds: \$2,312,626,774



# General Fund Mandated Services



# FY 2013 Net Variance to the FY 2012 Revised Budget

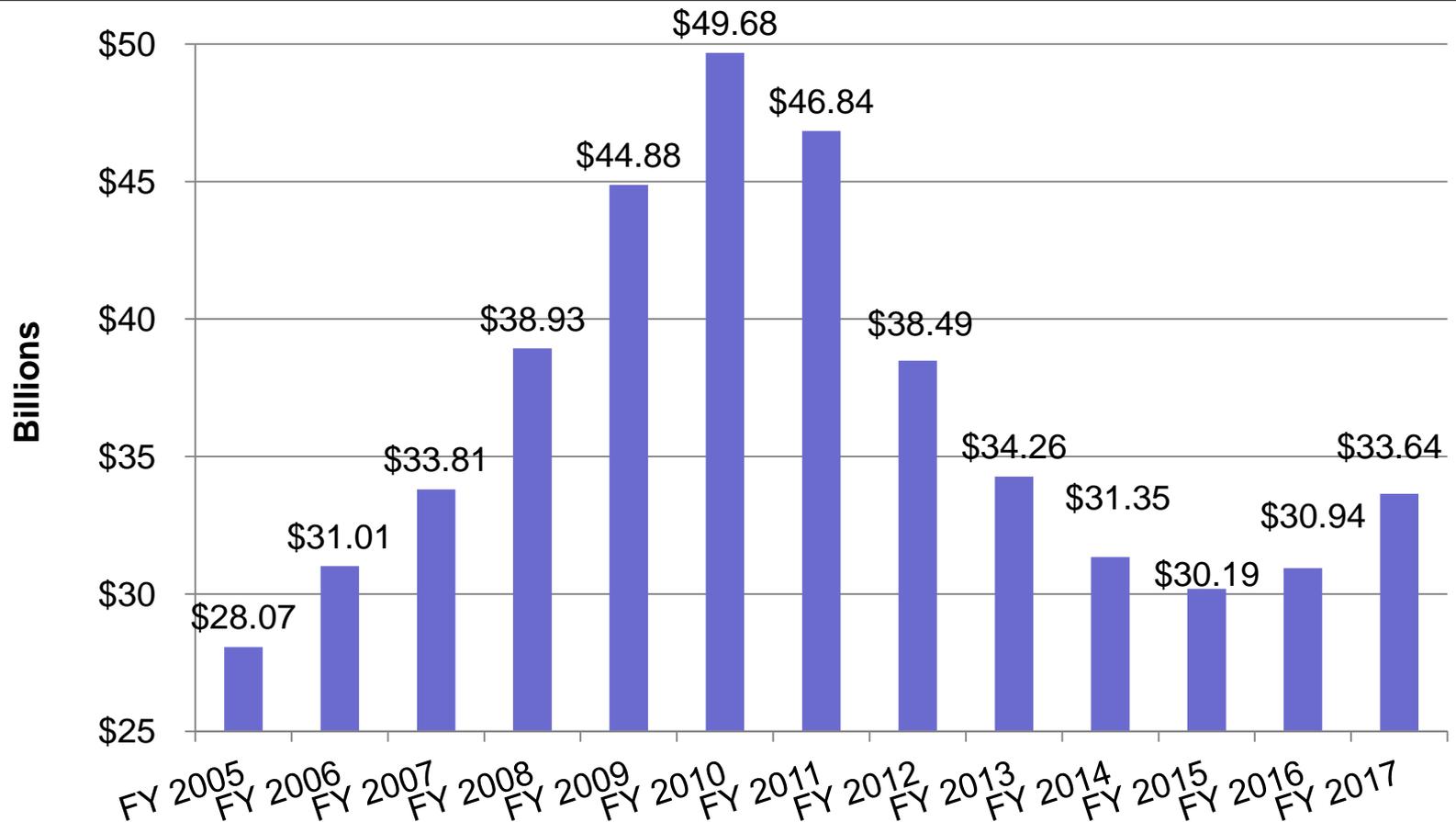
	(millions) <b>FY 2012 Revised</b>	<b>FY 2013 Recommended</b>	<b>(Increase)/ Decrease</b>
Total County	\$2,350.4	\$2,312.6	\$37.8
Total Operating	1,675.5	1,642.5	33.0
Total Non Recurring	674.9	670.1	4.8
Total General Fund	1,283.9	1,279.9	4.0
General Fund Operating	1,058.3	1,032.5	25.8



# Revenue Trends



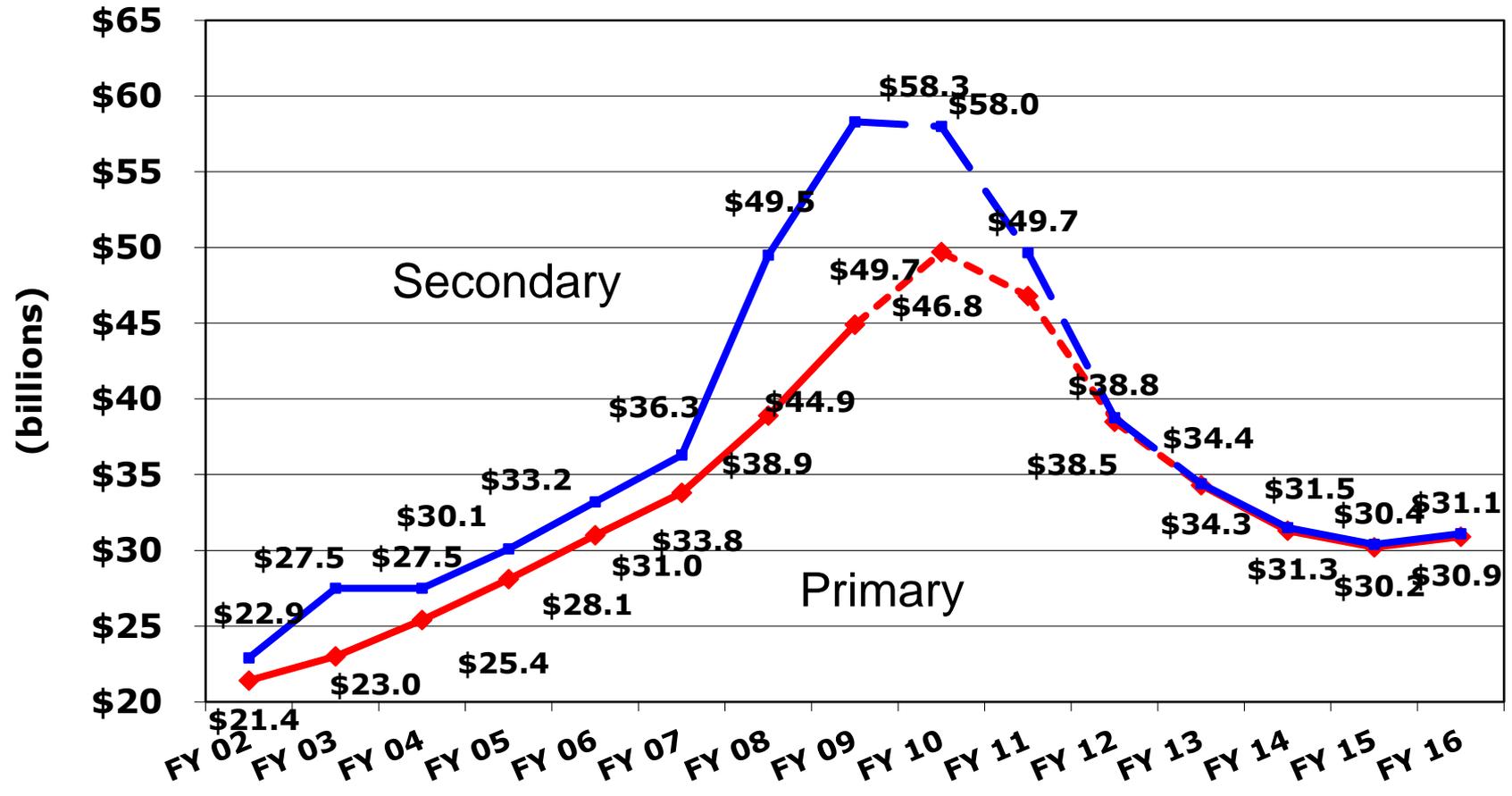
# Primary Net Assessed Value



April 2012 pessimistic forecast, Elliott D. Pollack and Company



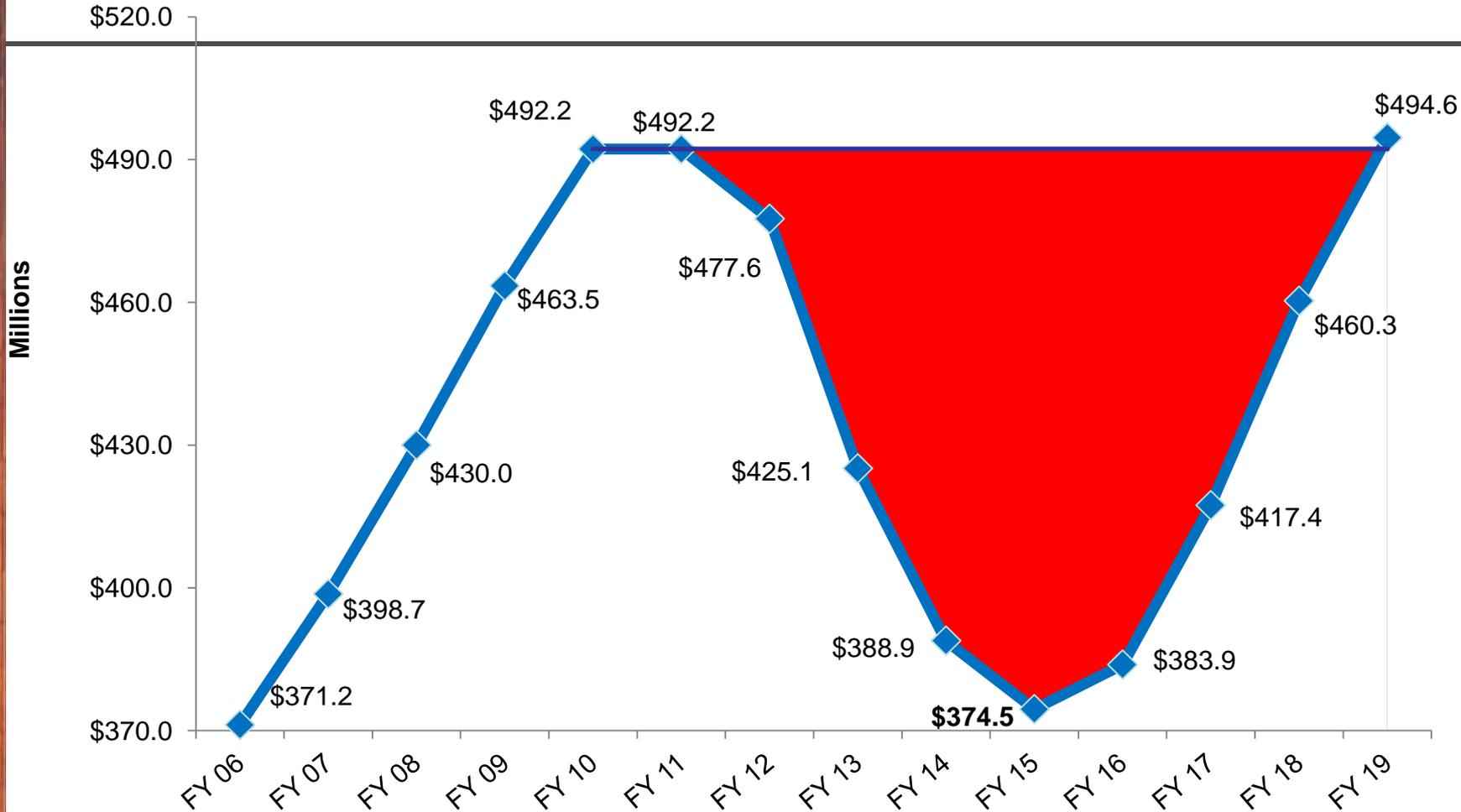
# Net Assessed Value



April 2012 pessimistic forecast, Elliott D. Pollack and Company



# Property Tax



April 2012 pessimistic forecast, Elliott D. Pollack and Company



# “Truth in Taxation” Notice

## Arizona Revised Statute 42-17107

### FY 2013 PRIMARY PROPERTY TAX LEVY vs. "TRUTH-IN-TAXATION" LEVY

FY 2013 "Truth-in-Taxation" Primary Levy	\$ 485,587,173	
"Truth-in-Taxation" Tax Rate (per \$100 Assessed Value)	1.4172	
FY 2013 Primary Levy	\$ 425,111,491	
Primary Tax Rate (per \$100 Assessed Value)	1.2407	
Amount Under/(Over) "Truth-in-Taxation" Levy	\$ 60,475,682	12.5%
	0.1765	
FY 2013 Median Residential Limited Property Value	\$ 111,000	
"Truth-in-Taxation" Tax Bill on Median-Valued Home	\$ 157.31	
Property Tax Bill on Median-Valued Home	137.72	
Tax Bill Savings/(Increase)	\$ 19.59	12.5%

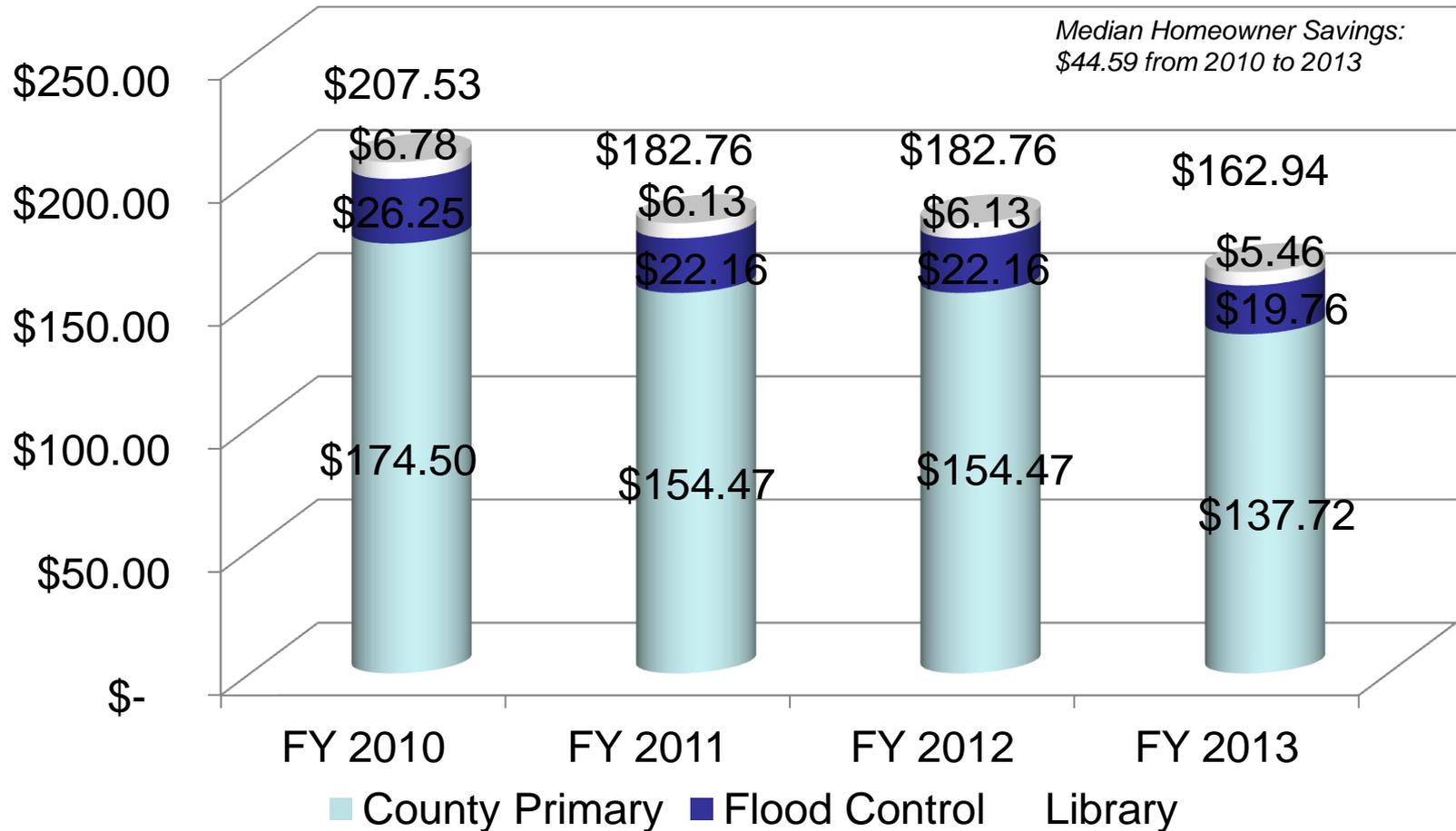


# Median Valued Home

PROPERTY TAX LEVY			
FY 2012 vs. FY 2013 TAX BILL IMPACT ON MEDIAN HOME			
FY 2012:			
Median Residential Limited Property Value	\$	124,500	
County Controlled Tax Rate (per \$100 Assessed Value)		1.4679	
Property Tax Bill	\$	182.76	
FY 2013:			
Median Residential Limited Property Value	\$	111,000	
County Controlled Tax Rate (per \$100 Assessed Value)		1.4679	
Property Tax Bill	\$	162.94	
Tax Bill Savings/(Increase)	\$	19.82	10.8%



# Median Valued Home Tax Bill



*Median Home Value:*

Primary: FY 2010 = \$176,100

FY 2011 = \$147,000

FY 2012 = \$124,500

FY 2013 = \$111,000

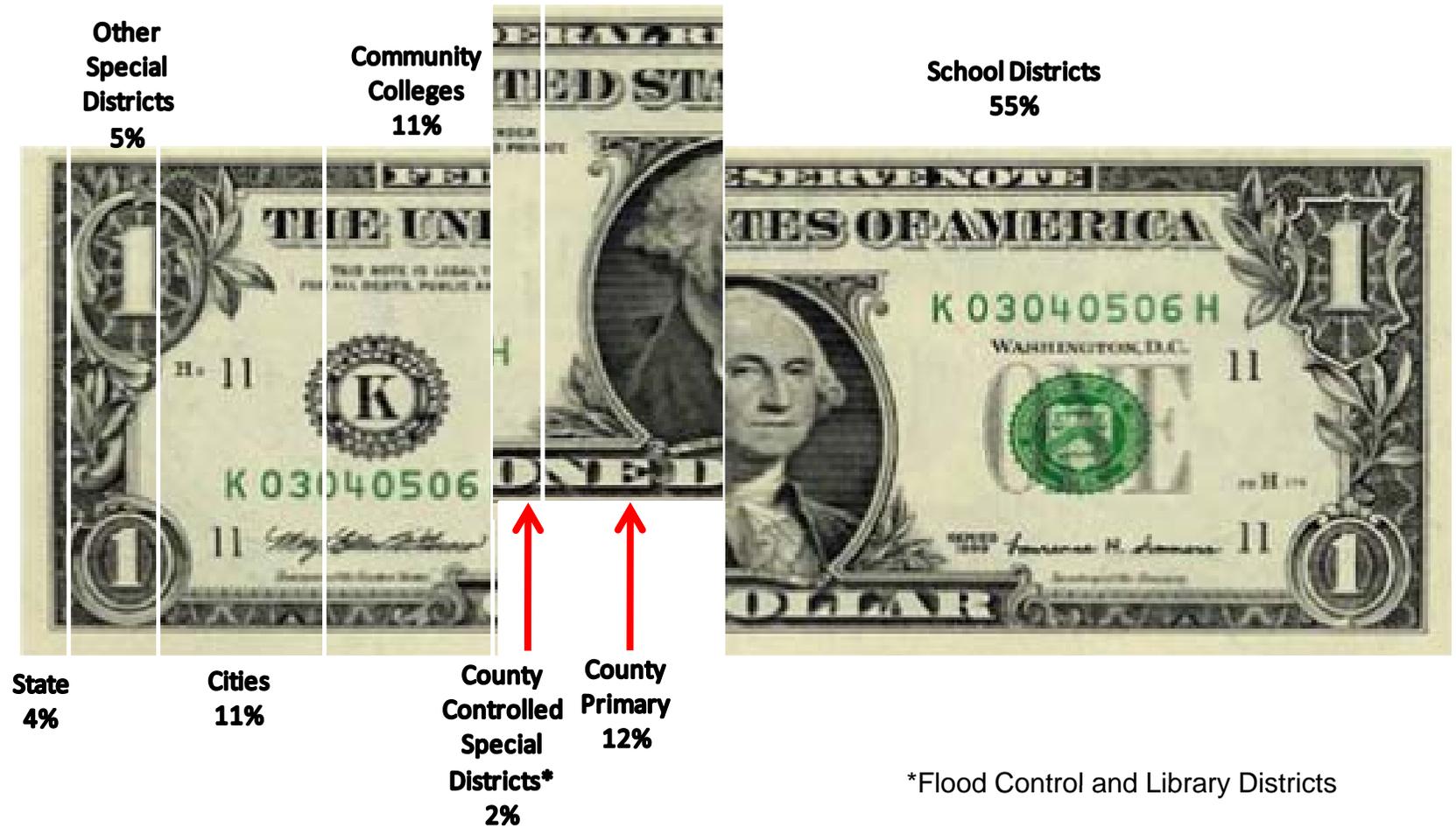
Secondary: FY 2010 = \$192,000

FY 2011 = \$148,800

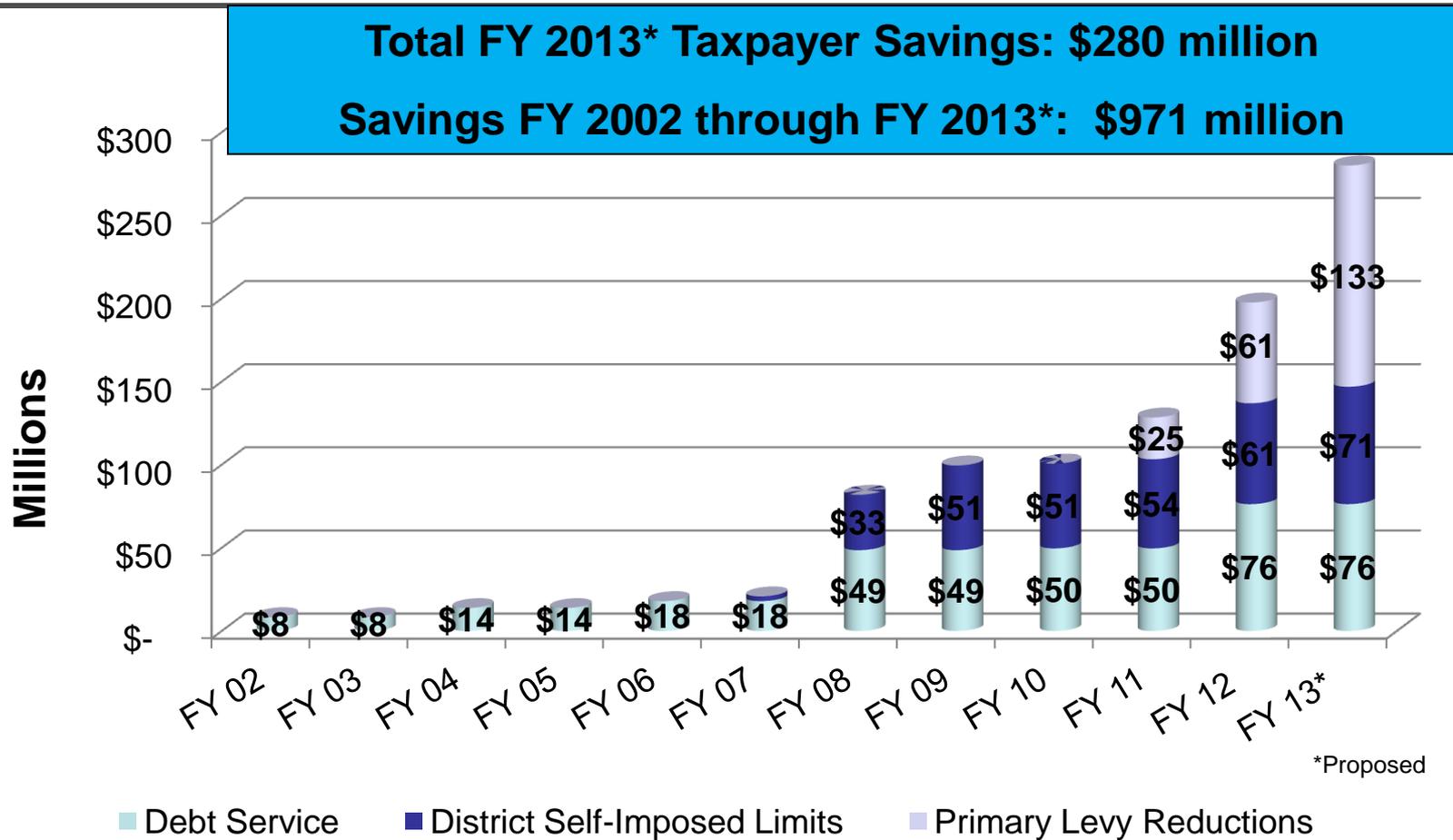
FY 2012 = \$124,500

FY 2013 = \$111,000

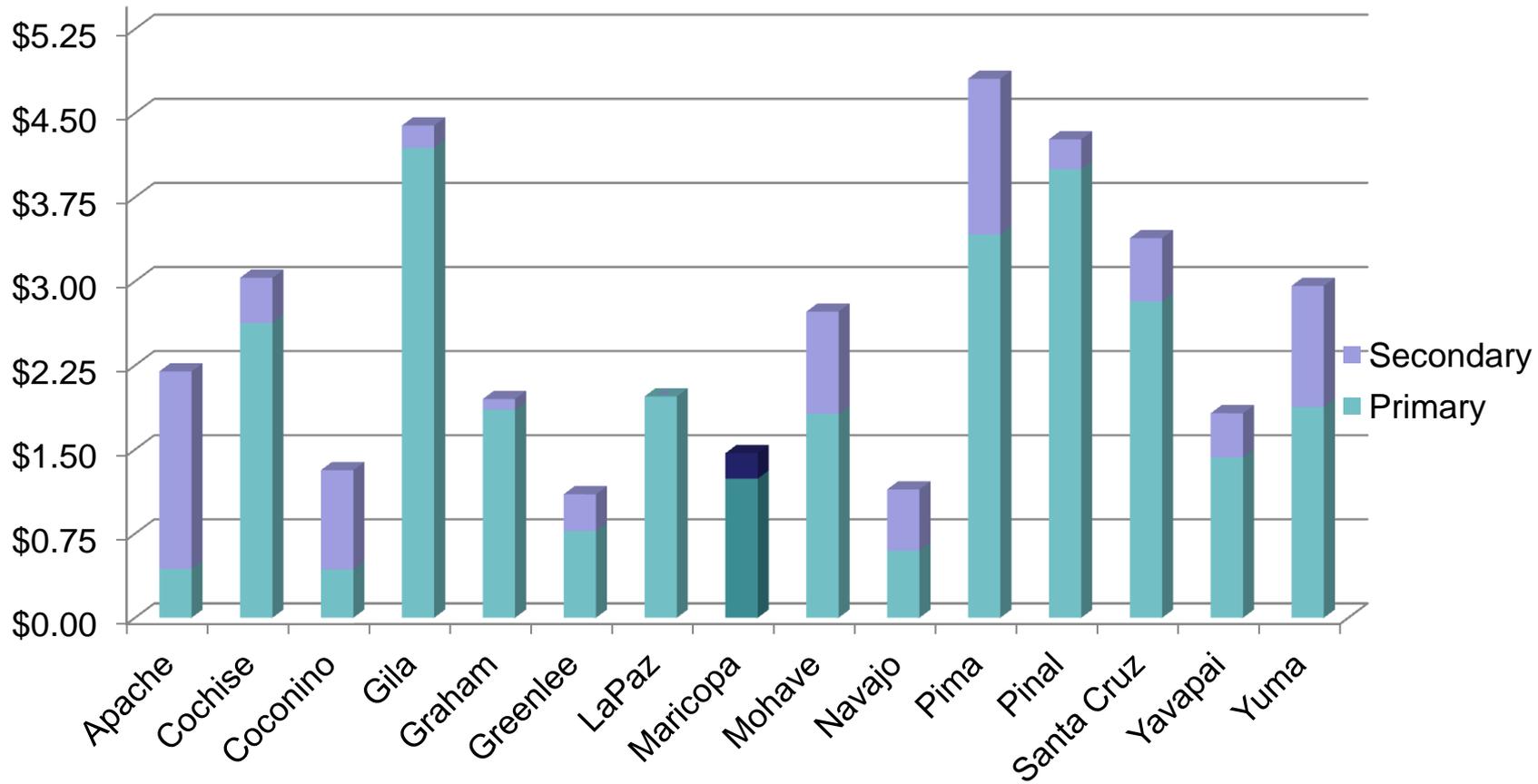
# FY 2012 County Controlled Property Taxes made up only 14% of Total Property Taxes



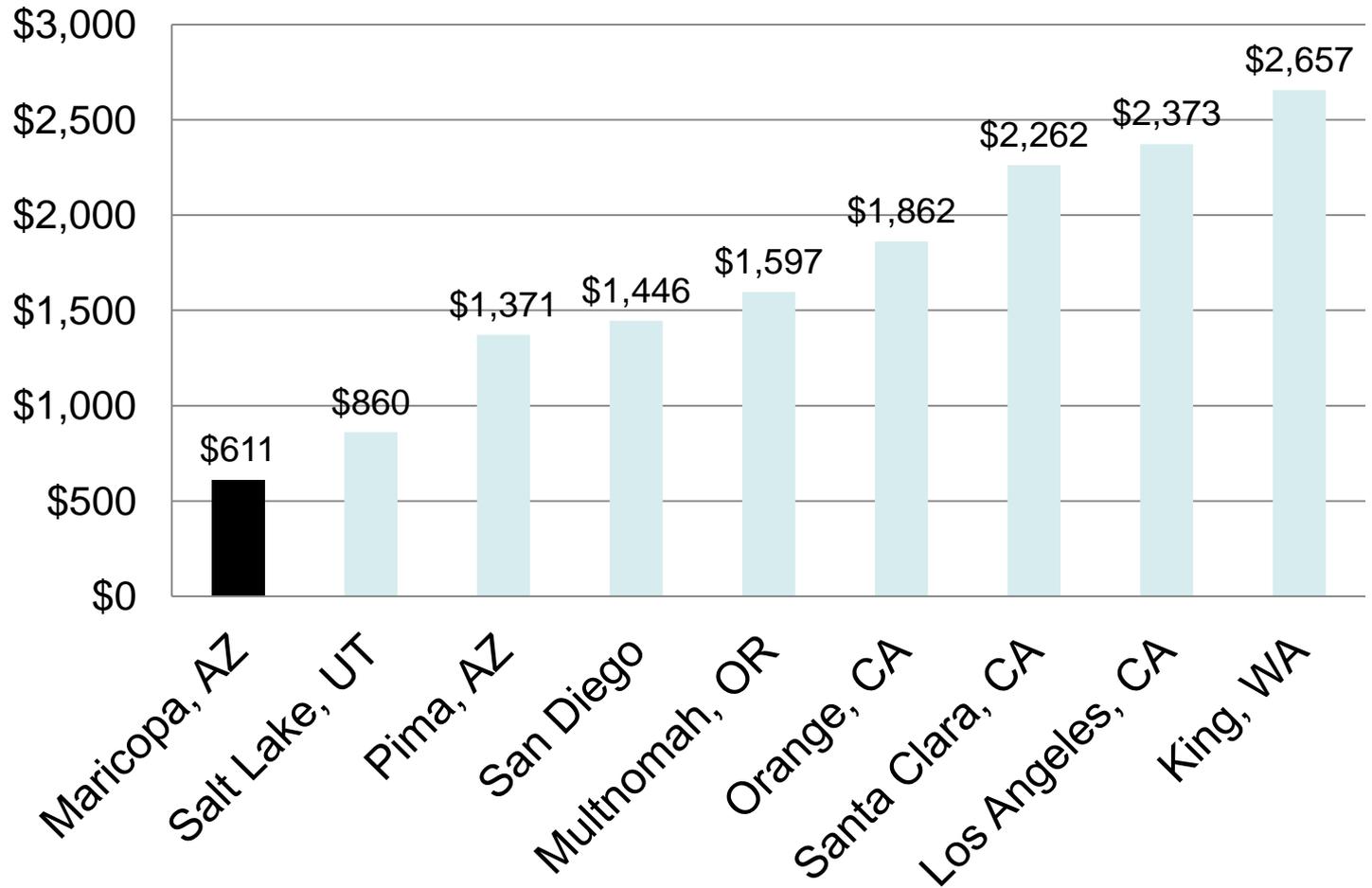
# County Policies Result in Accumulating Tax Bill Savings



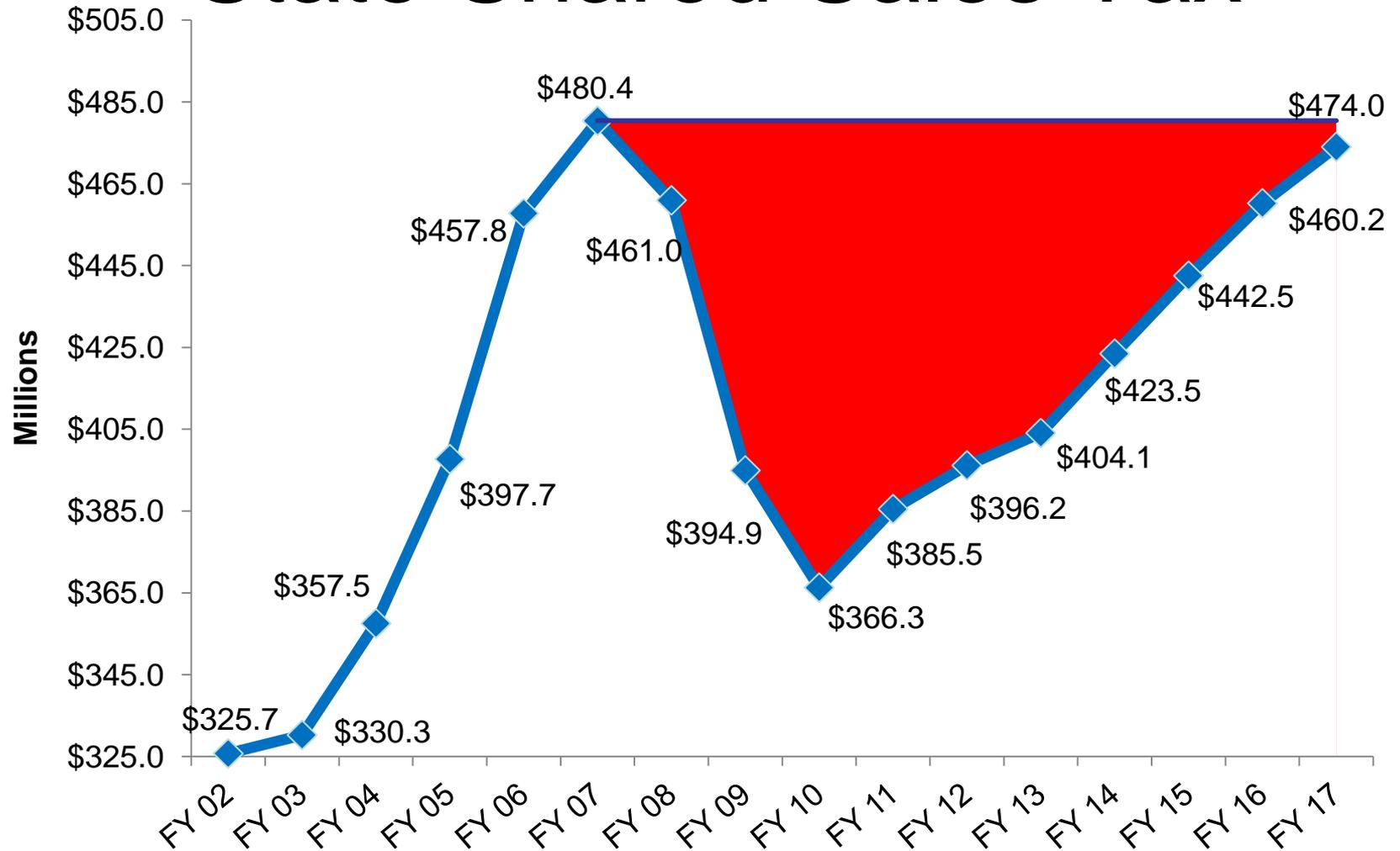
# FY 2012 Arizona County Tax Rates



# FY 2011-2012 Total Budget Per Capita



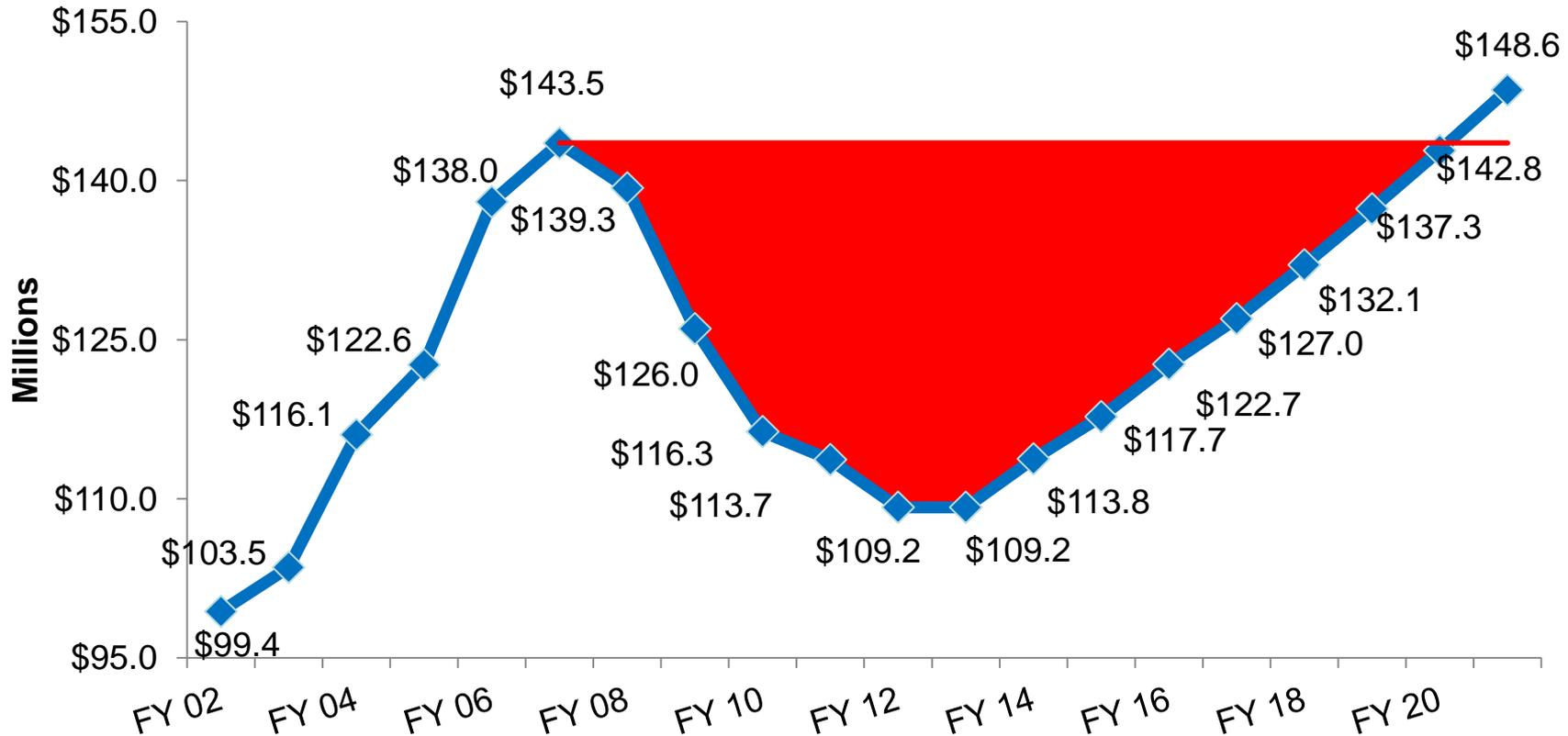
# State Shared Sales Tax



April 2012 pessimistic forecasted growth rate Elliott D. Pollack and Company



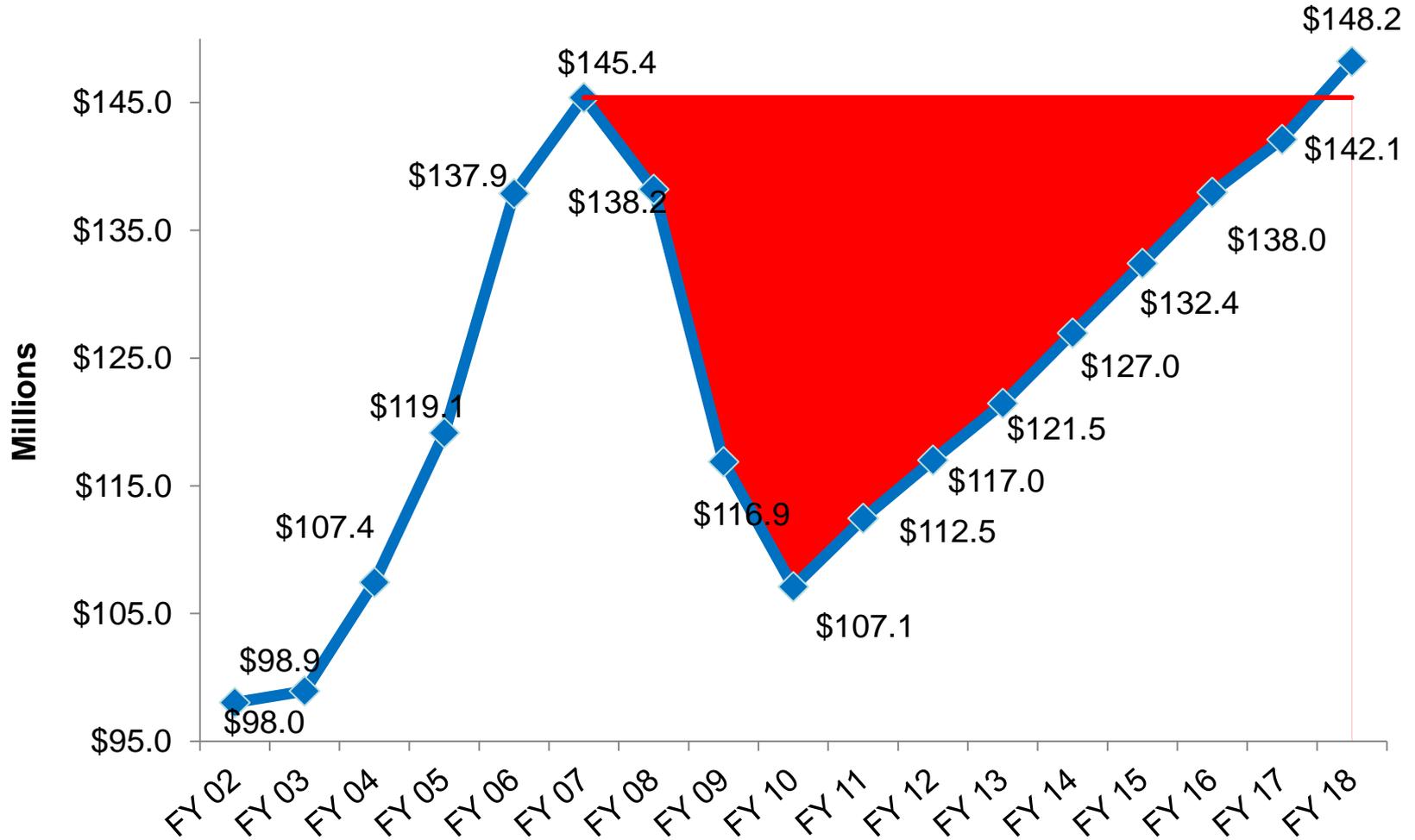
# Vehicle License Tax



April 2012 pessimistic forecast, Elliott D. Pollack and Company



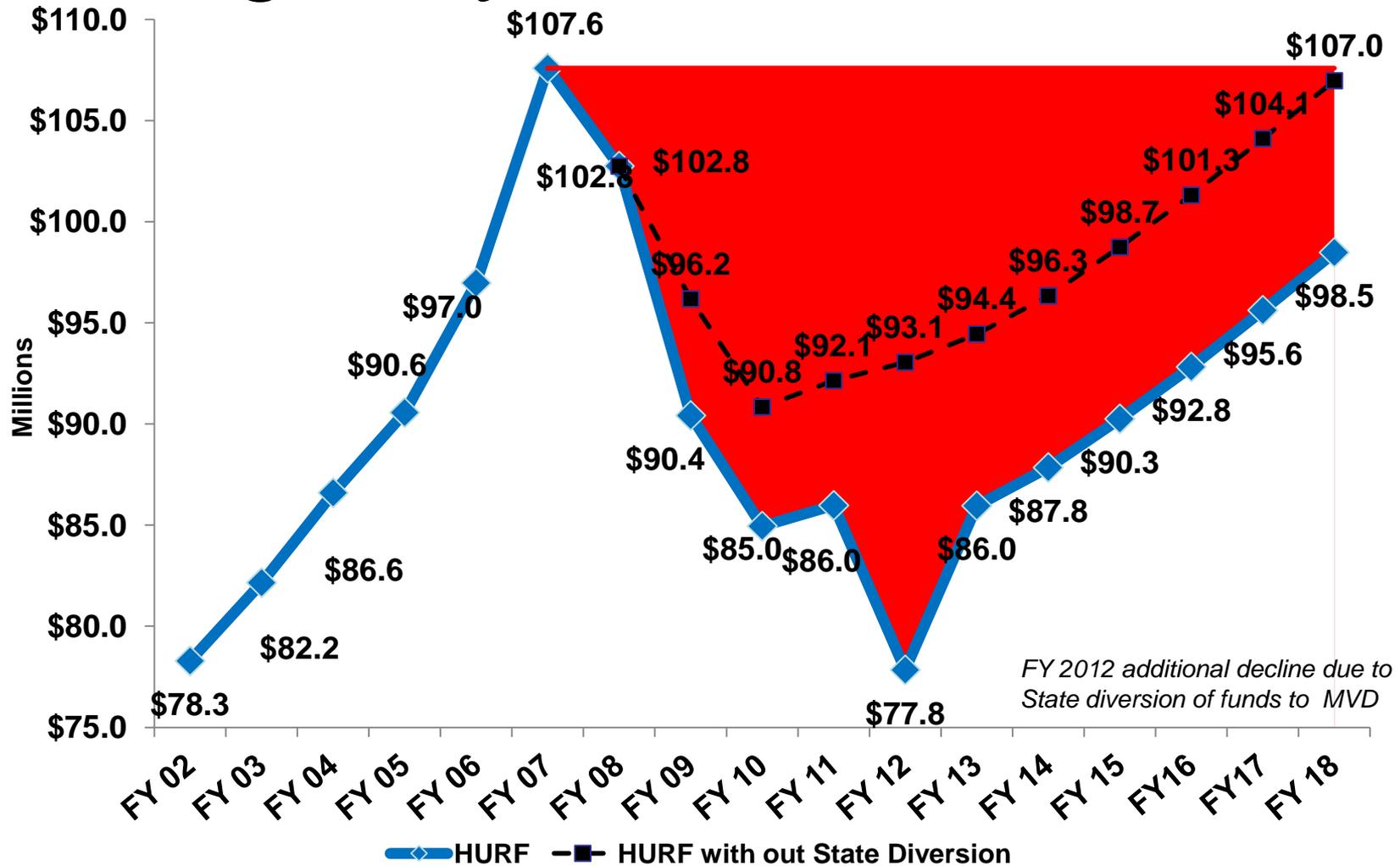
# Jail Excise Tax



April 2012 pessimistic forecast, Elliott D. Pollack and Company



# Highway User Revenues



April 2012 pessimistic forecast, Elliott D. Pollack and Company



# Revenue Summary

- Sales Tax growth slow due to second year of the formula change
- VLT growth at 0% for FY 2013
- Property Tax – FY 2014 preliminary valuation estimates show continued decline



# Economic Indicators



# Economy is likely to continue to grow, but growth will remain weak because of the following:

- Consumer spending modest, but up.
- Excess industrial capacity.
- Modest housing recovery in 2012. Large percent gain, small numerical gain.
- Limited commercial construction.
- Continued pressure on state and local government.
- Limited policy options on part of Federal government.



# How Arizona Ranks Among the States in Percentage Growth

Source: U.S. Bureau of Census; Bureau of Labor Statistics; Bureau of Economic Analysis

<u>DECADE</u>	<u>POPULATION</u>	<u>EMPLOYMENT</u>	<u>PERSONAL INCOME</u>
1950 - 1960	4 <sup>TH</sup>	3 <sup>RD</sup>	4 <sup>TH</sup>
1960 - 1970	3 <sup>RD</sup>	3 <sup>RD</sup>	4 <sup>TH</sup>
1970 - 1980	2 <sup>ND</sup>	3 <sup>RD</sup>	3 <sup>RD</sup>
1980 - 1990	3 <sup>RD</sup>	3 <sup>RD</sup>	5 <sup>TH</sup>
1990 - 2000	2 <sup>ND</sup>	2 <sup>ND</sup>	3 <sup>RD</sup>
2000 – 2006	3 <sup>rd</sup>	2 <sup>nd</sup>	3 <sup>RD</sup>
<b>2007—2010</b>	<b>44<sup>th</sup></b>	<b>49<sup>th</sup></b>	<b>46<sup>th</sup></b>

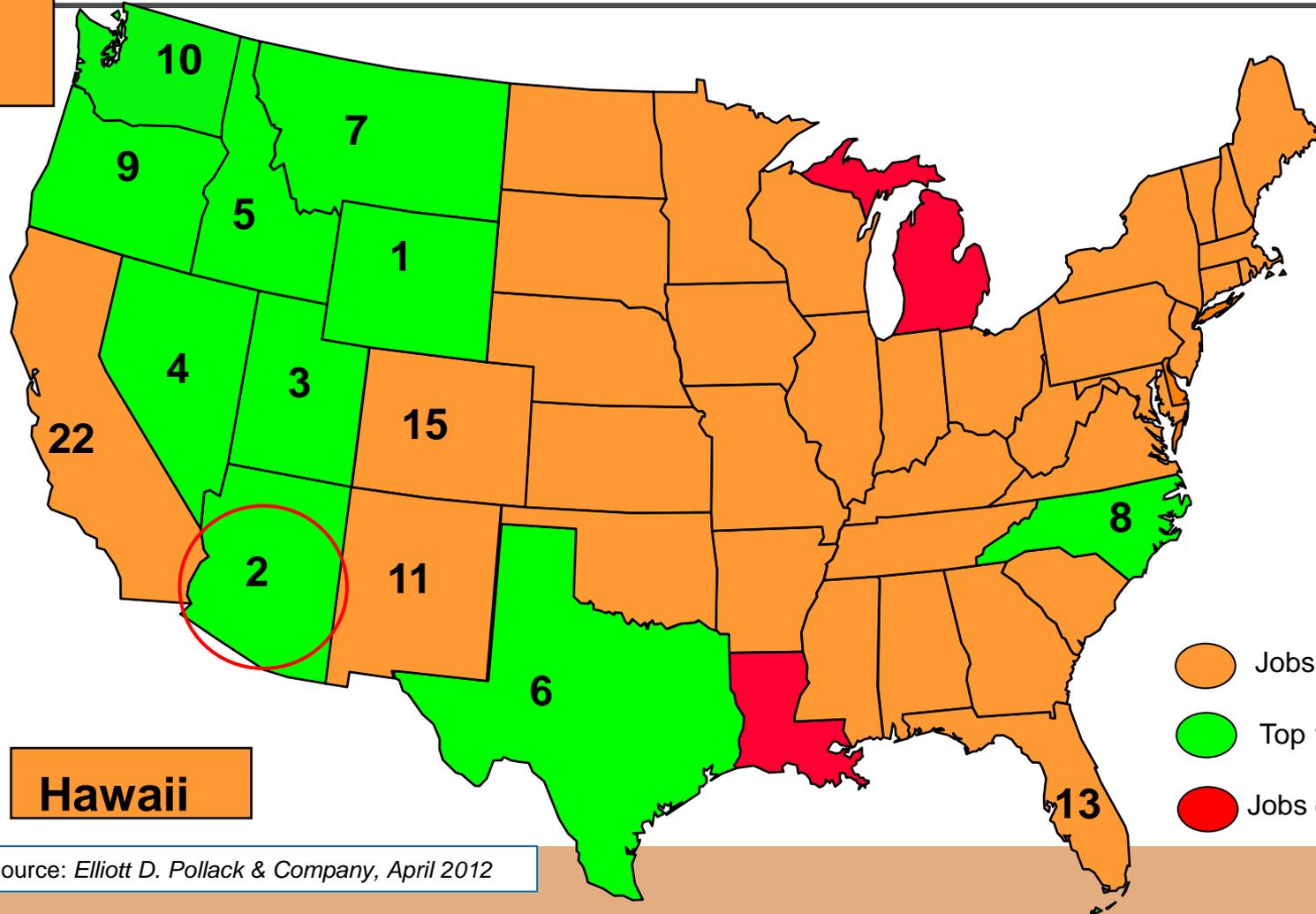
Source: Elliott D. Pollack & Company, April 2012



# Job Growth 2006

Source: US BLS

Alaska



Hawaii

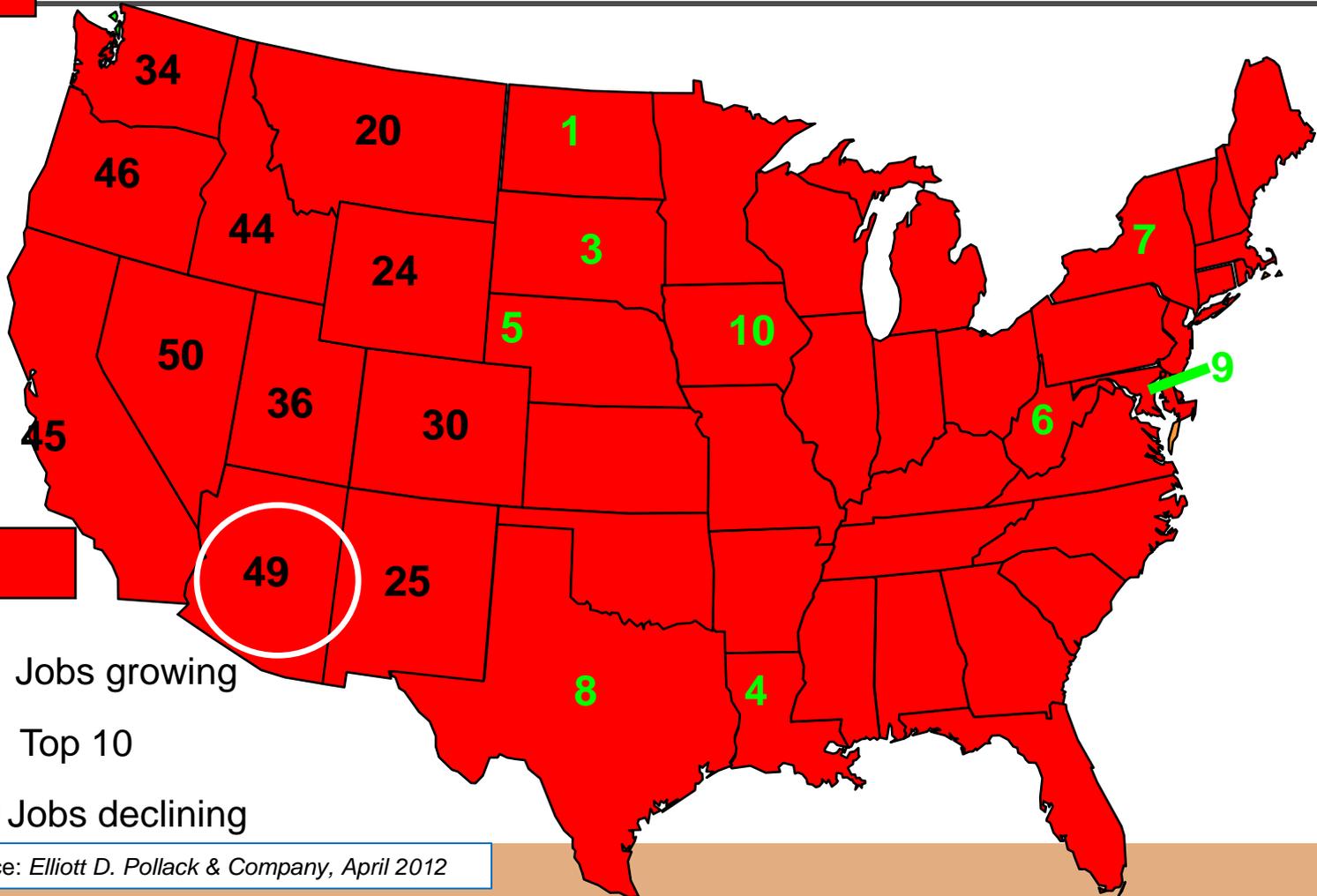
Source: Elliott D. Pollack & Company, April 2012



# Job Growth 2009

Source: US BLS

Alaska 2



Hawaii

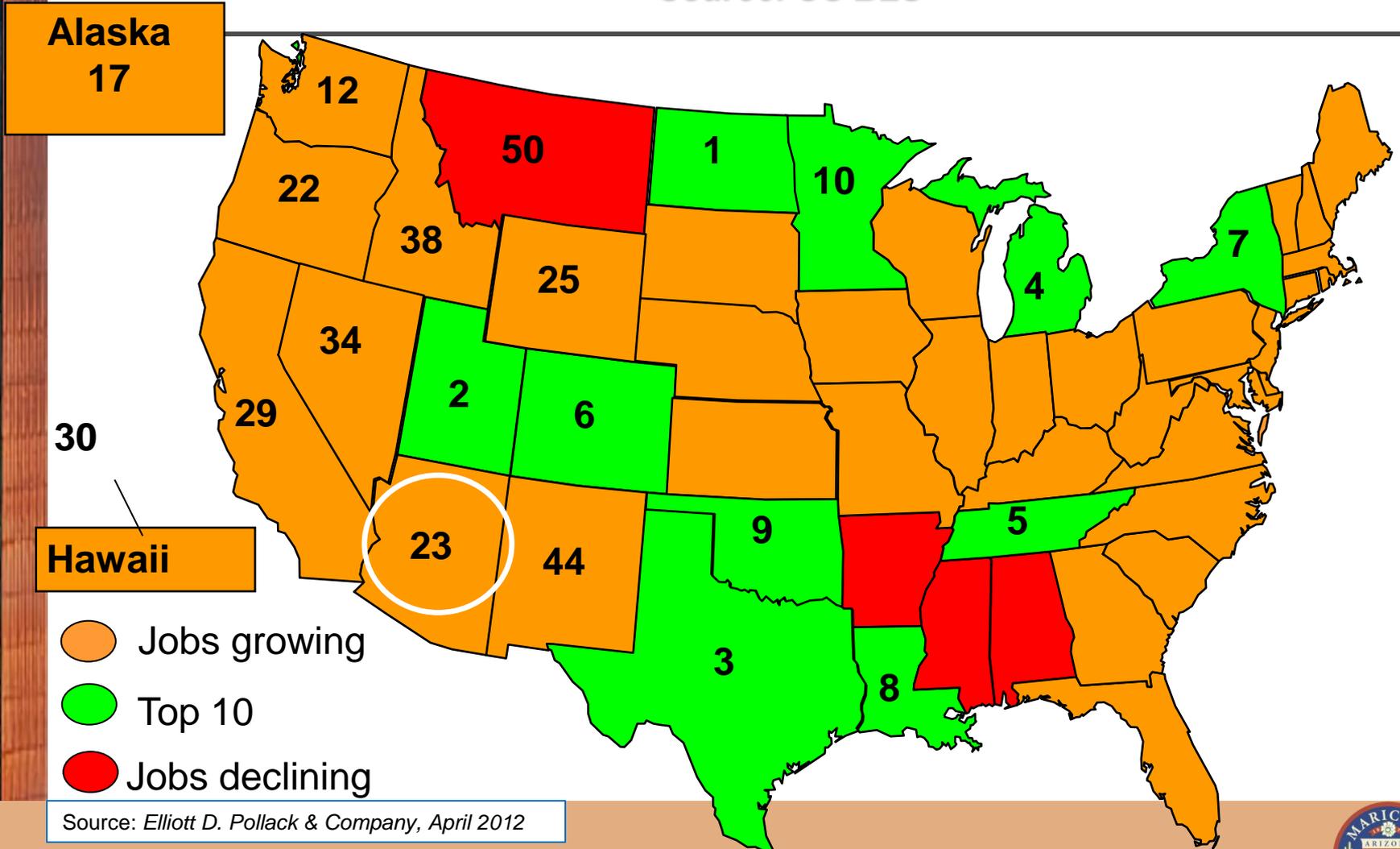
- Jobs growing
- Top 10
- Jobs declining

Source: Elliott D. Pollack & Company, April 2012



# Job Growth 2011

Source: US BLS



Source: Elliott D. Pollack & Company, April 2012

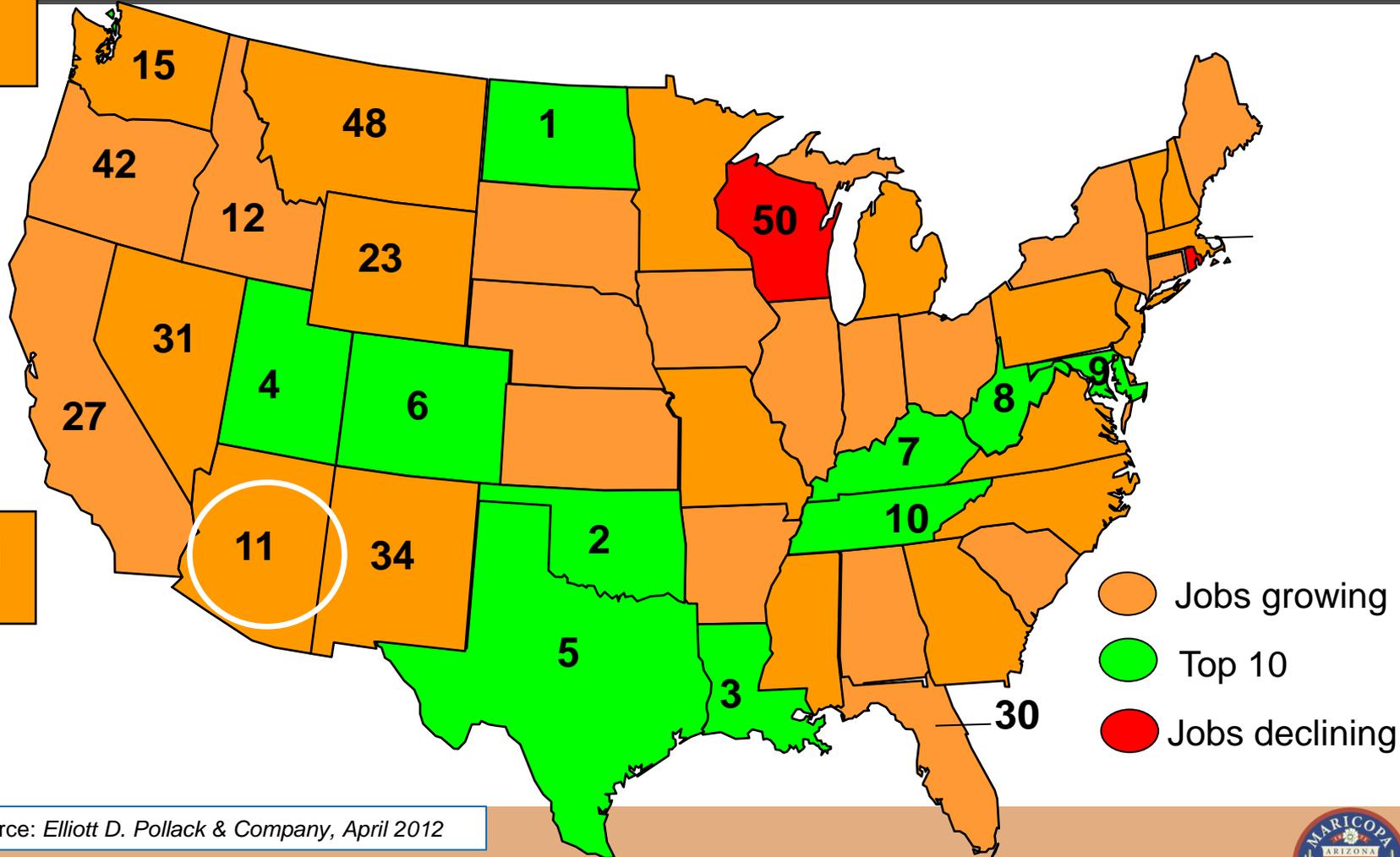


# Job Growth YTD Through March 2012

Source: US BLS

Alaska  
35

Hawaii  
30

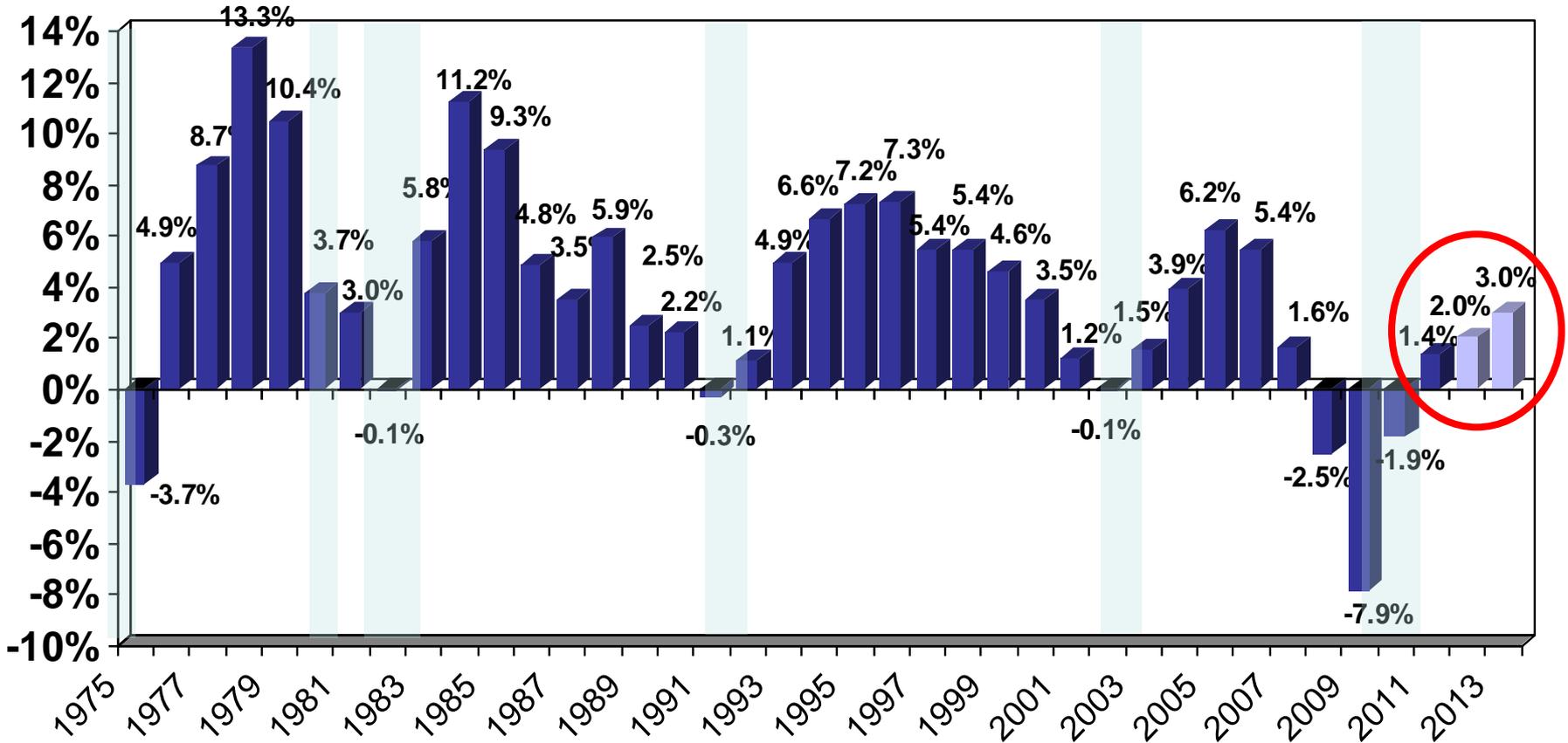


Source: Elliott D. Pollack & Company, April 2012



# Greater Phoenix Employment\* Annual Percent Change 1975–2013\*\*

Source: Department of Commerce, Research Administration



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

\*\* 2012 & 2013 forecast is from *Elliott D. Pollack & Co.*

Recession Periods



# **The Basic Story**

## **Arizona and Greater Phoenix**

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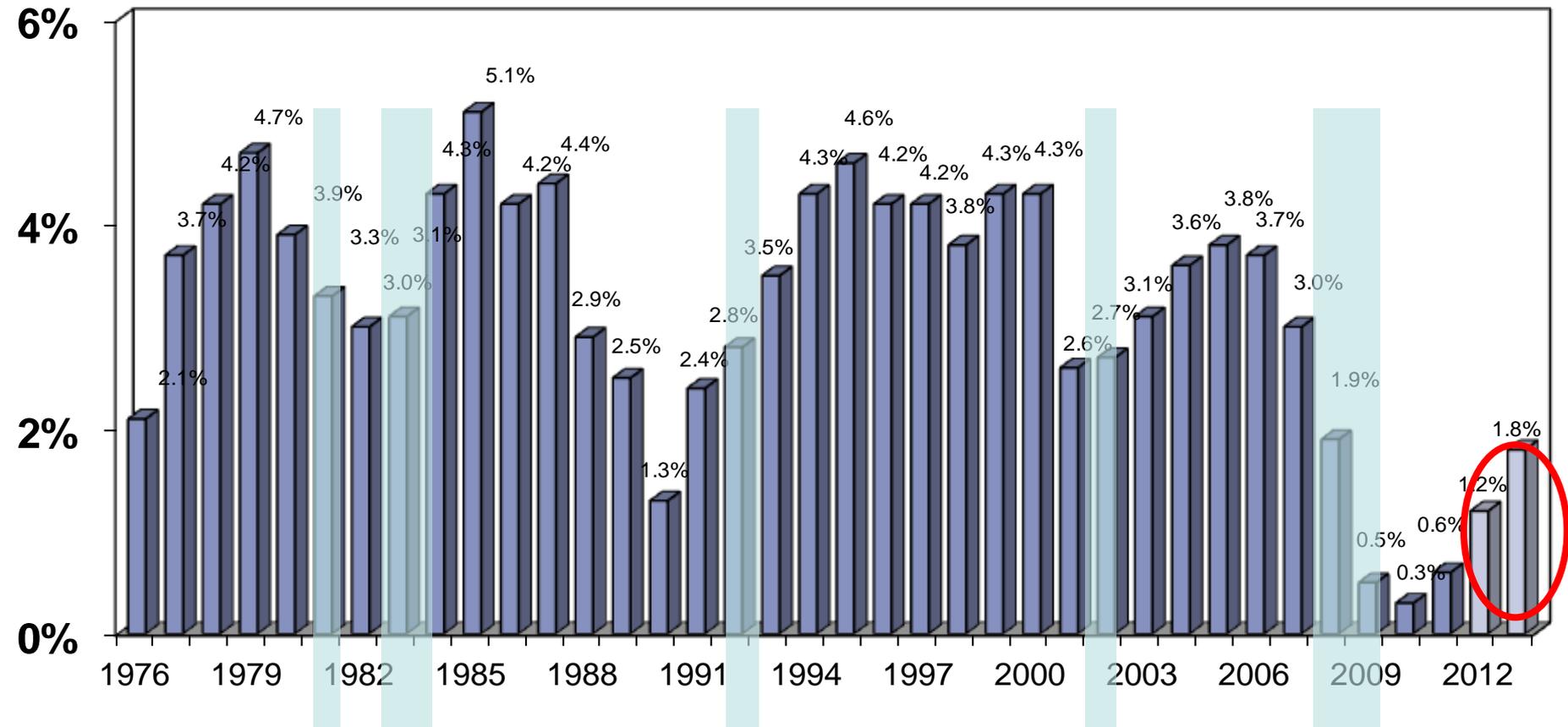
**... Since growth in population is an industry itself in Arizona, the slowdown resulted in the need for fewer doctors, fewer car salesmen, fewer real estate salesmen, fewer houses, etc.**

**The loss of those jobs on top of the usual cyclical effects created a significant job loss in the State.**



# Greater Phoenix Population Annual Percent Change 1976–2013\*

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



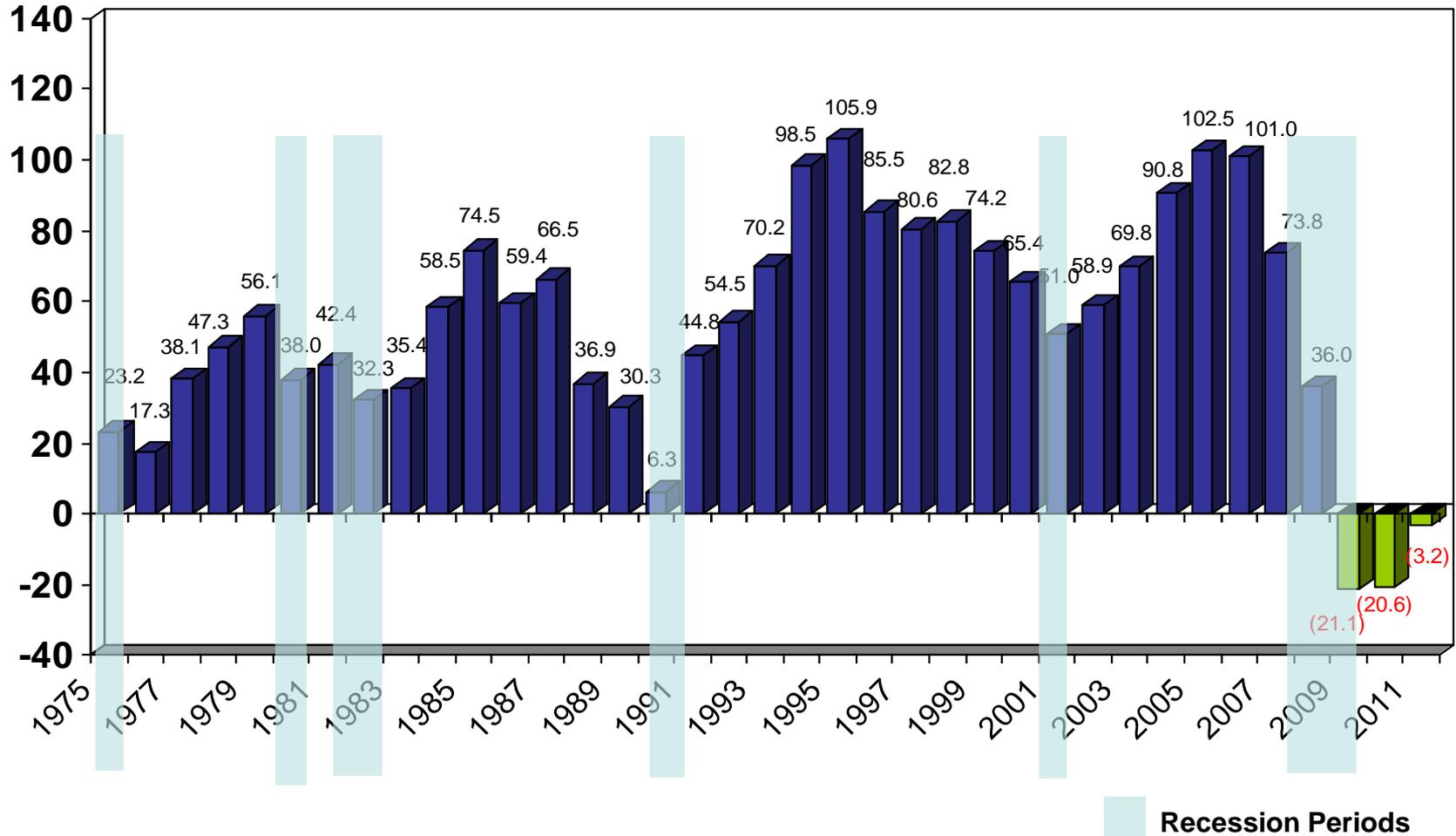
Recession Periods

\* 2012 & 2013 forecast is from Elliott D. Pollack & Co.



# Greater Phoenix Net Migration 1975–2011

Source: University of Arizona



\*Forecasts from U of A 2012 Q1



# Why are households not forming?

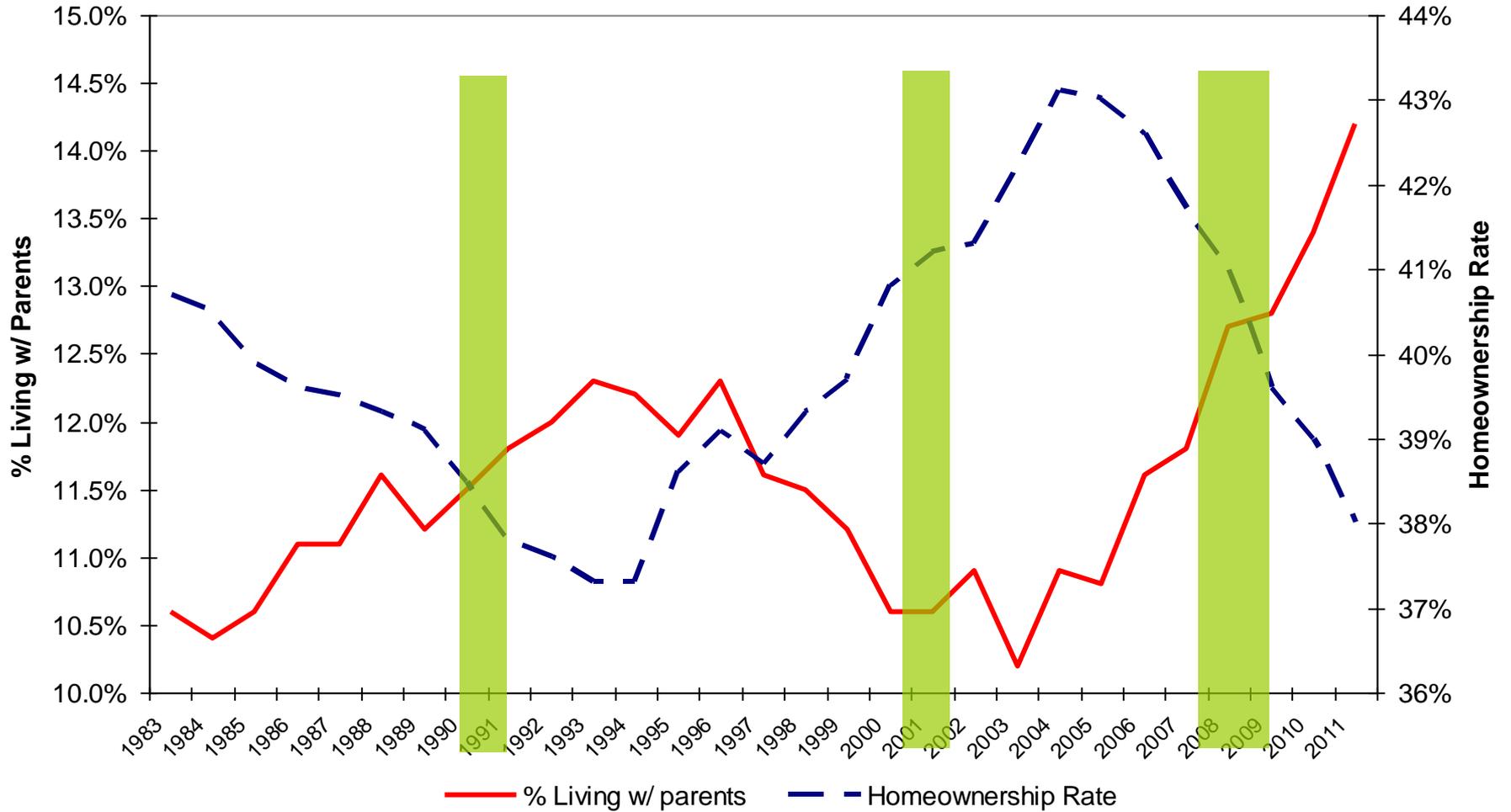
1. Lack of jobs,
2. Lack of jobs,
3. Lack of jobs,
4. Lack of jobs
5. Inability to sell home elsewhere and move to Arizona.



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

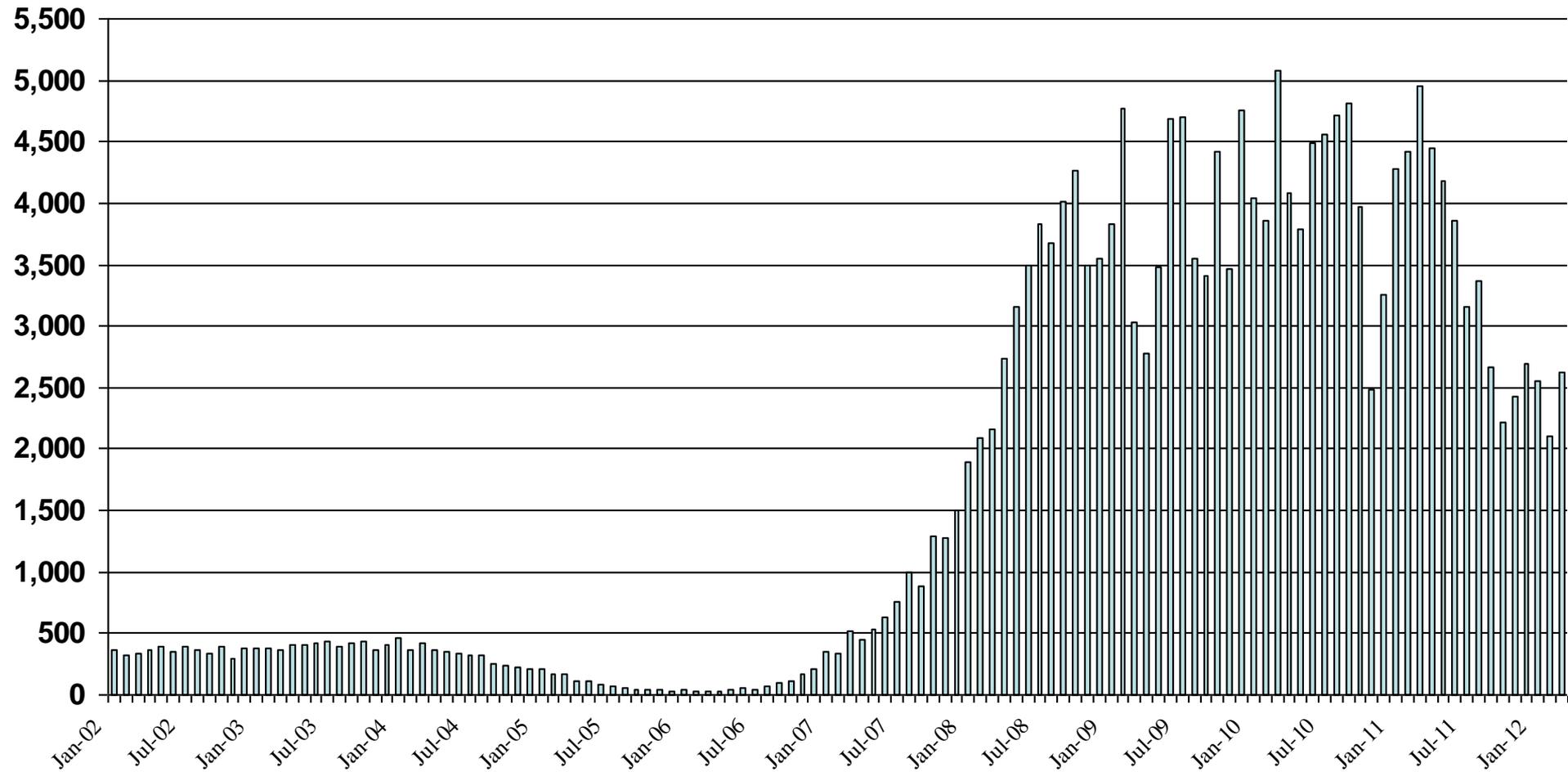
U.S.: 1983 – 2011

Source: US Census Bureau



# Maricopa County Foreclosures 2002 – 2012\*

Source: The Information Market



\*Filings through March 2012.

Source: Elliott D. Pollack & Company, April 2012



# Economic Indicators

ARE WE THERE YET?



# There is a BOOM for Arizona out there somewhere.



**But not in  
2012 or 2013.**



# Risks and Threats

- Property Assessed Valuations continue to decline.
- No funding for salary increase for the 5<sup>th</sup> year may result in significant turnover as the economy grows.
- VLT continues to have very slow or no growth.
- Risk Liabilities continue to loom



# Risks and Threats

- State temporary 1 cent sales tax will expire May 2013.
- Department of Justice issues with the Sheriff's Office.
- Jail Facilities & Technologies are aging and will need significant upgrades in coming years.
- Case filings and inmate populations are on the rise.



# MCSO Resolution



# MCSO Resolution Task Categories

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- 1.0 Audits
- 2.0 Financial Controls
- 3.0 IT Collaborative Activities
- 4.0 Operational Efficiency Reviews
- 5.0 Oversight Functions



# MCSO Resolution

## 1.0 Internal Audits

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- 6 of 10 Audits Scheduled to be Complete in FY 2012 are Complete
- 3 Audits are Currently Underway
  - Patrol IGA Review
  - MCSO Payroll Audit
  - Payroll System Audit



# MCSO Resolution

## 2.0 Financial Controls

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- 2.1 – Line Item Review
  - Procedure Moving Forward as Planned
  - Payroll Review Added
  - No Significant or Unresolved Issues Identified
- 2.2 – Journal Voucher Review
  - Procedure moving Forward as Planned
  - No Significant or Unresolved Issues Identified



# MCSO Resolution

## 3.0 IT Collaborative Activities

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- 3.1 – Full Review of IT Systems
  - Developed Detailed Project Task Outline
- 3.2 – Procurement of Technology Systems
  - Created Inter-departmental Agreement (IDA)
  - Review of New Technology (Current)
- 3.3 – Telecommunications Systems Review



# MCSO Resolution

## 4.0 Operational Efficiency Review

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- 4.1 – Vehicle Utilization
  - County-Wide Review of All Vehicle Use Policies
- 4.2 – Extradition/Travel Policy and Procedure
  - MCSO and County Policies In Place
- 4.3 – Aviation Operations Review
  - Policy in Draft
- 4.4 – Efficiency/Best Practices - Staffing Studies
  - Law Enforcement, Detention, HR/Finance and IT
  - Studies Are In Progress



# MCSO Resolution

## 4.0 Operational Efficiency Review

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- 4.5 – Cash Handling Procedures
  - Vendor Selected; Implementation Project Started
- 4.6 – Mandated vs. Non-Mandated Analysis
  - MCAO Legal Review 95% Complete
- 4.7 – Deployment of Time Clocks
  - Detention Clocks Installed. Go-Live Started May 15
  - Law Enforcement Plan Being Developed



# MCSO Resolution

## 5.0 Oversight Functions

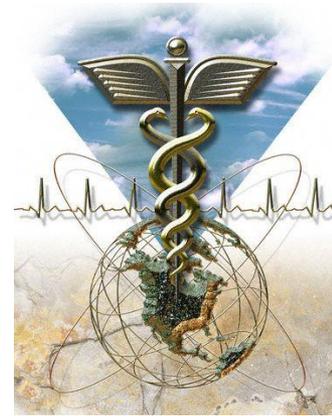
- 5.1 – Full Cost Recovery
  - OMB Review to Start in June 2012
- 5.2 - Subsequent Remedial Measures
  - Full Participation
- 5.3 –Volunteer Program Structures
  - Posse Policy is in Draft
- 5.4 – Full Strategic Business Plan Update
  - Completed in 1<sup>st</sup> Quarter FY 2012 – Closed
- 5.5 – Full Update of Reporting Structure and Staff Allocation
  - Done in Conjunction with Staffing Studies



# Department Budgets



# Health Care Programs

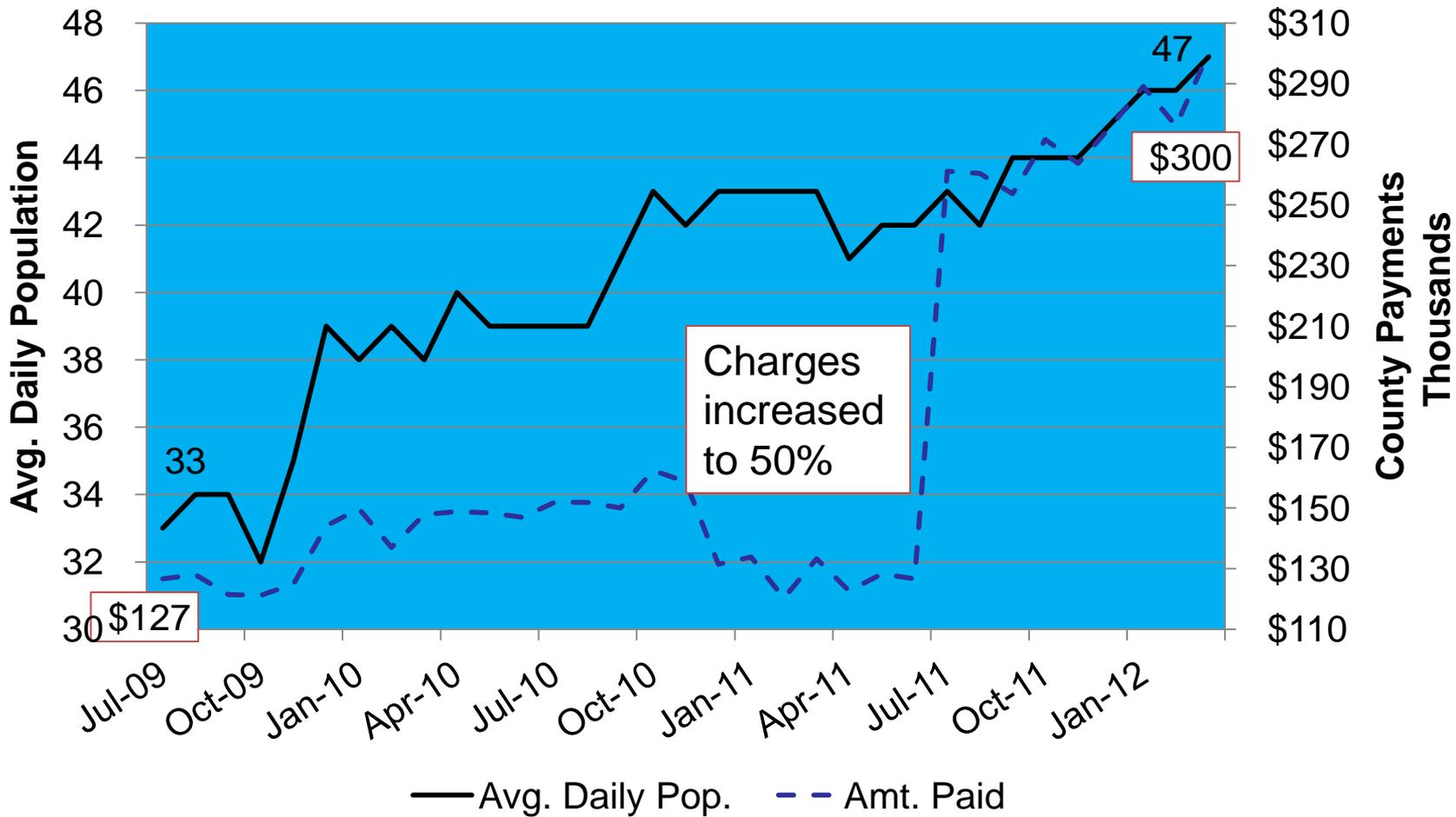


# Health Care Programs

- \$2 million increase in Arnold v Sarn mental health contribution
- \$6 million reduction in base ALTCS contribution
- \$350 thousand reduction in AHCCCS contribution
- \$1 million reduction in the cost share for mandated payment to ASH for Sexually Violent Persons due to a decline in patient population and reduced cost per patient



# Sexually Violent Persons Caseload and Costs



# Medical Examiner

- Additional Staff is being added to bring the caseloads from 1:350 to 1:250 per pathologist
  - 2 Medical Examiners
  - 1 Crime Scene Specialist
  - 1 Office Assistant Specialized
- Recommendation aligns with national standards



# Correctional Health Services

- NCCHC accreditation received on March 19, 2012
- \$784k for IT staff to provide project management and support for new electronic medical records system
- Reviewing potential need for additional RN staff in intake; will reduce booking time



# Justice System

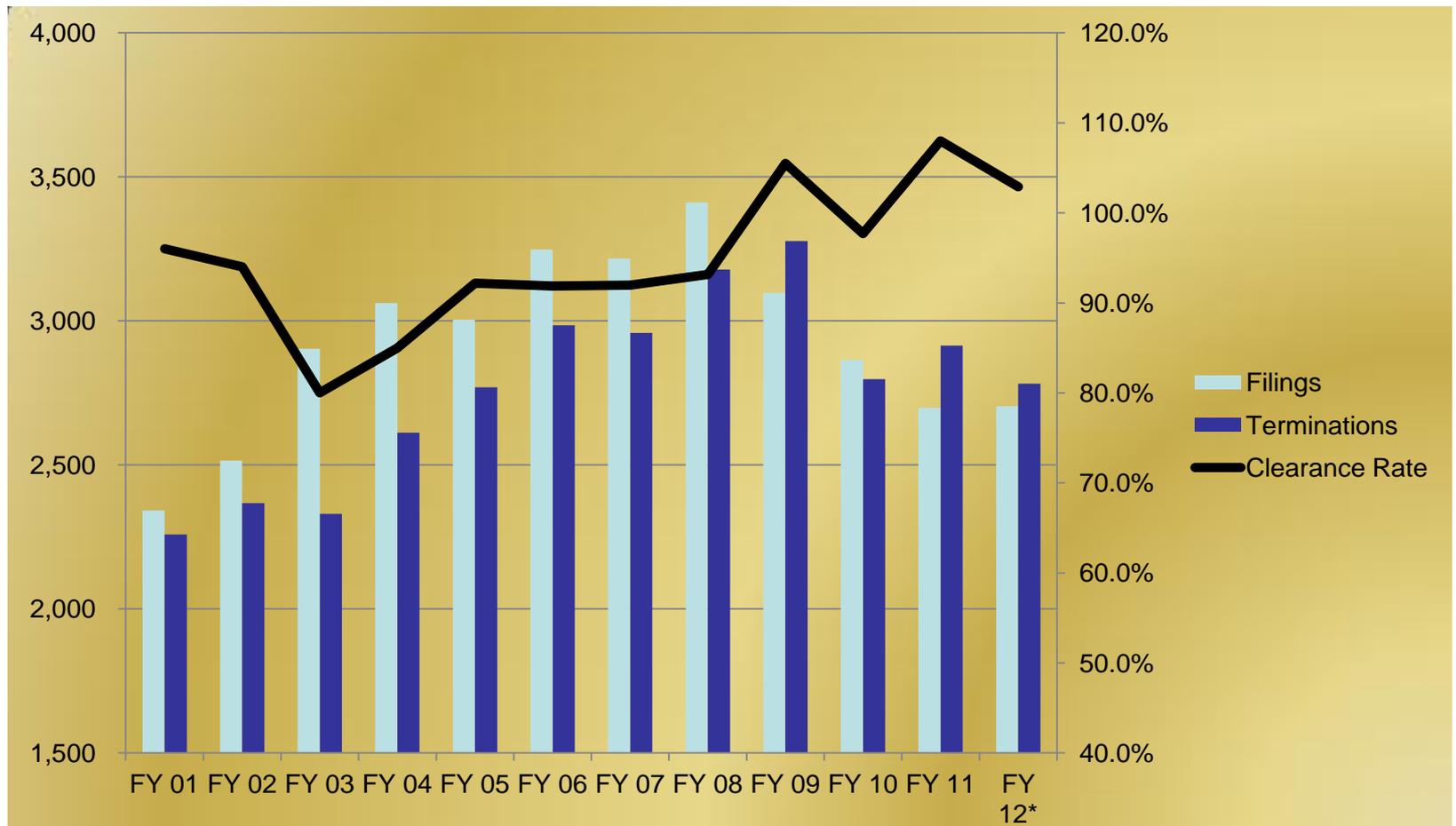


# Justice System Overview

- Filings, caseloads, and populations appear to have bottomed out last fiscal year in many areas
- Signs of slow growth in jail population and Superior Court case volumes
- Budgets are relatively flat; changes made to address changes in volume or critical issues



# Superior Court Average Monthly Case Data



# Superior Court Programs

- Cradles to Crayons
  - Program based on national model
  - Focuses on children ages 0-3 involved in the dependency system
  - Frequent court appearances for parents
  - Provides an array of social services to promote family reunification
  - Recommend funding project as 2 year pilot (\$2 million)
- Homeless Court
  - \$53k for Program Coordinator



# Public Defense System

- FY 2011 spending was within budget – first time in over a decade
- FY 2012 budget sufficient in all areas except capital post-conviction relief (contingency request pending)
- Good news: capital trial caseload continues to hover around 70; down from nearly 140 in 2008

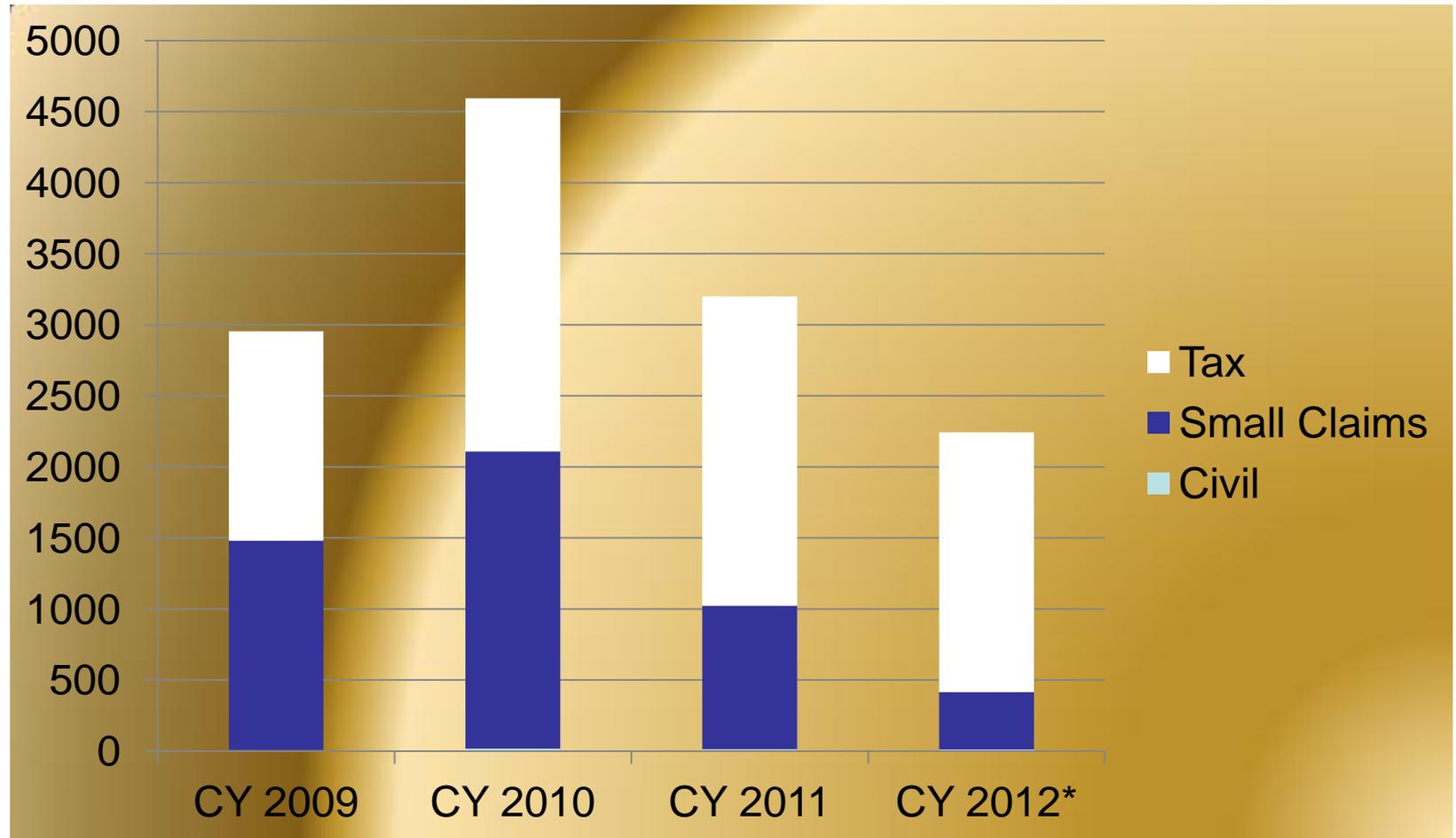


# County Attorney

- Merged Prosecution and Civil budgets
- Reduced personnel savings factor; should allow Office to do some additional hiring of key positions
- Carried forward funding for tax appeal staff to handle tail-end of filing increase



# Tax Appeal Caseload



# Adult Probation Pre-Trial Supervision

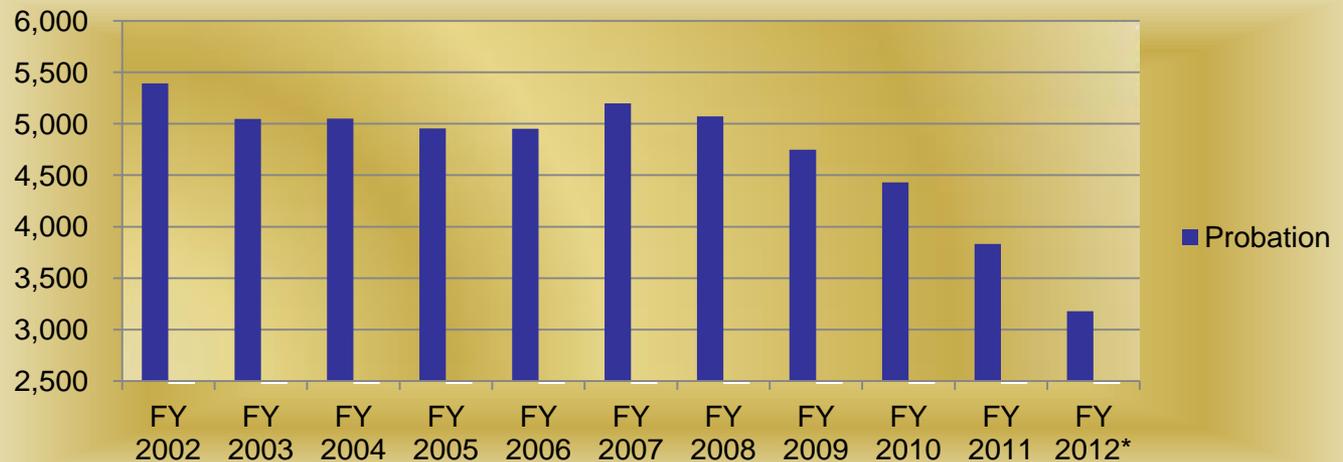
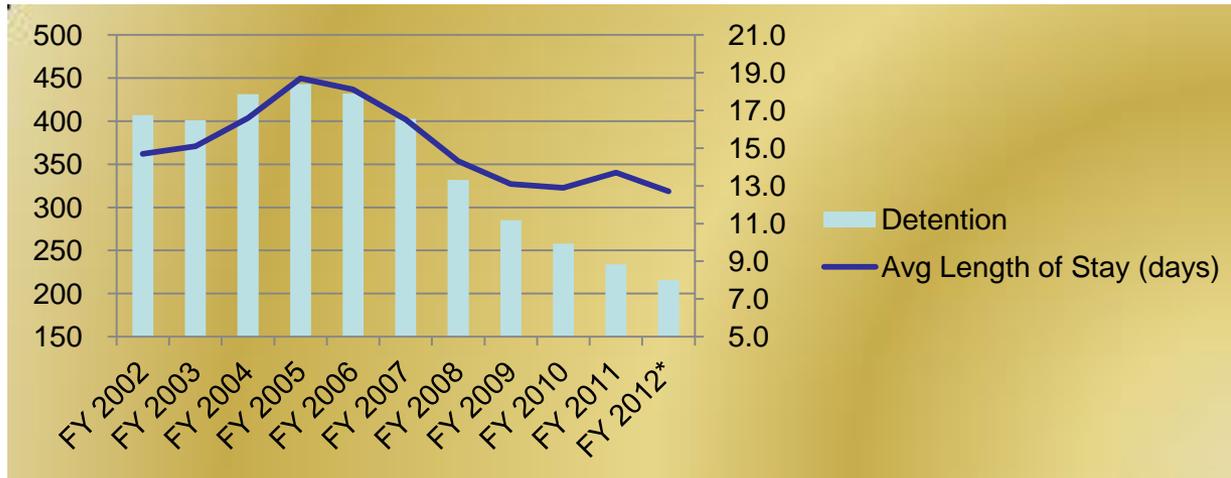


# Adult Probation

- Pre-trial supervision caseloads on the rise
  - Updated bail/bond matrix provides better assessment of risk – more defendants placed on pre-trial supervision
  - \$847k added to FY 2013 budget to support caseload increase (12 FTE)
- Pilot prison re-entry program successful
  - \$369k added to FY 2012 budget to support caseload increase (5 FTE)



# Juvenile Detention and Probation Caseloads



# Sheriff's Office – Law Enforcement

- Significant savings associated with shift of administrative costs to Detention Fund
- Additional funding for:
  - Fuel
  - Education and training
  - Reduction in personnel savings
- General Fund budget reduced by 3.9%

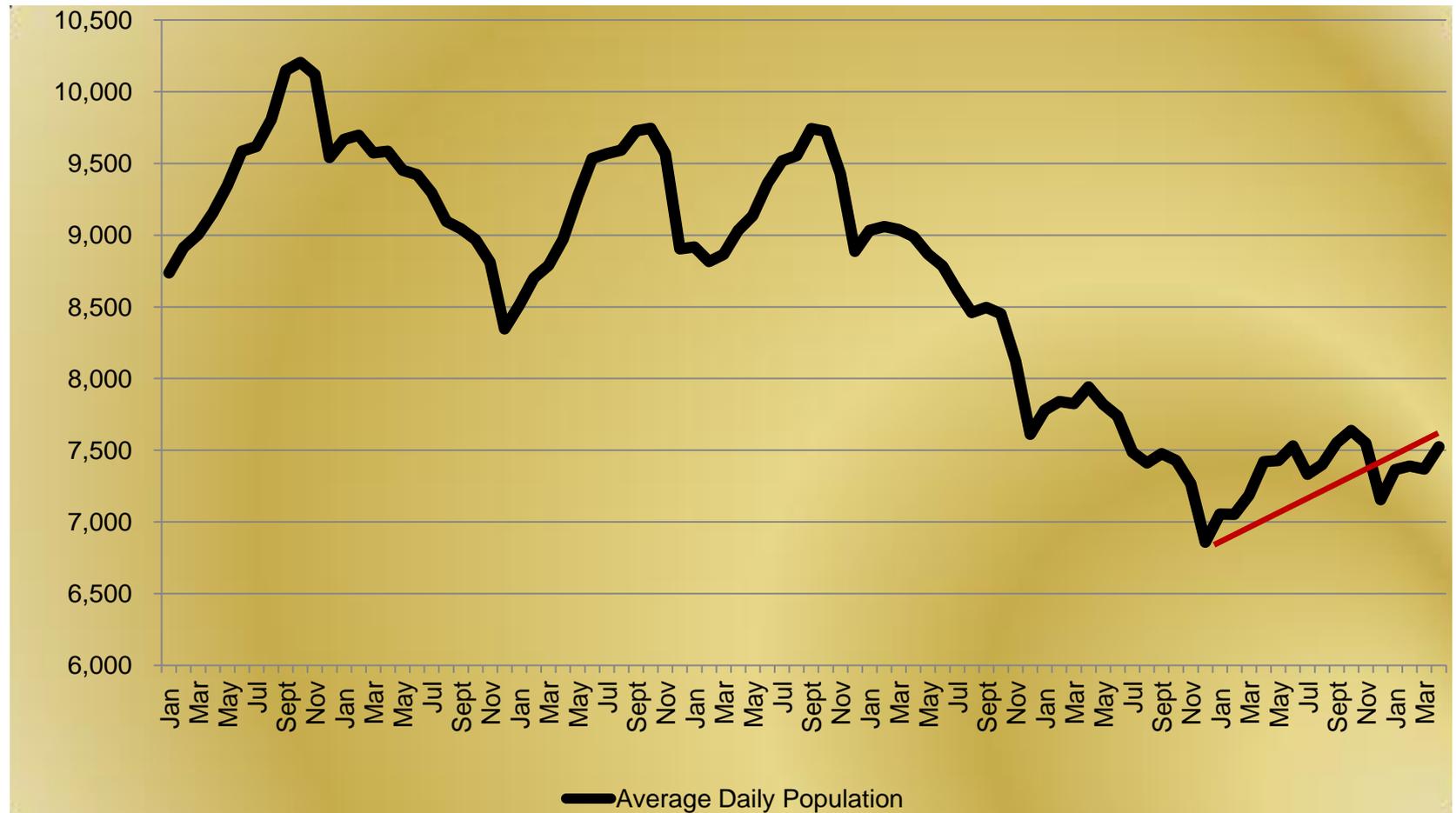


# Sheriff's Office - Detention

- Detention population hit low point in December, 2010
  - Gradual increase over last 18 months (9.7%)
- Detention Fund increase of 4.9%
  - Includes new funding for shift differential
  - Most of increase due to shift of administrative costs from the General Fund



# Maricopa County Adult Jail Population (2005-2012)



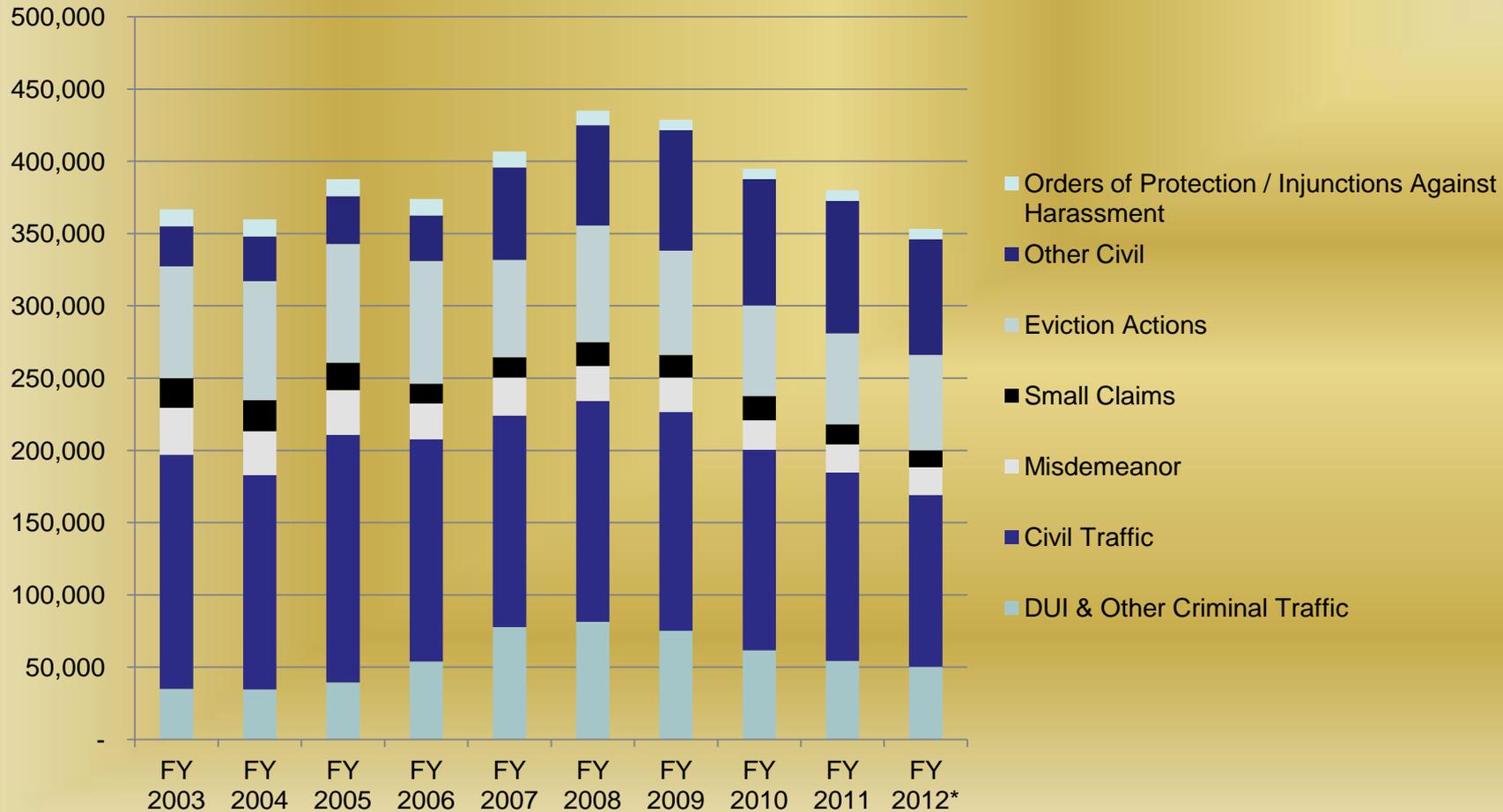
# Sheriff's Office – Contingencies

- General and Detention funds contingencies to cover potential costs associated with best practices/staffing studies or other issues
- Best practices studies nearing completion; initial observations include:
  - Improve and expand utilization of technology
  - Increase training and education
  - Internal policy and procedure changes



# Justice Court Filings

## (Average Monthly)



# Other Justice System Programs

- Community Reentry Services Program Expansion (Human Services)
  - Six month pilot expansion: \$683k (Detention Fund)
- Tents Transition Center and Reentry Program
  - \$6 million in non-recurring funds available (Inmate Services Fund)



# General Government



# Education Service Agency

- New funding for IT services (\$190k)
- Juvenile Transition Program (MCESA)
  - Two year pilot
  - \$2.79 million

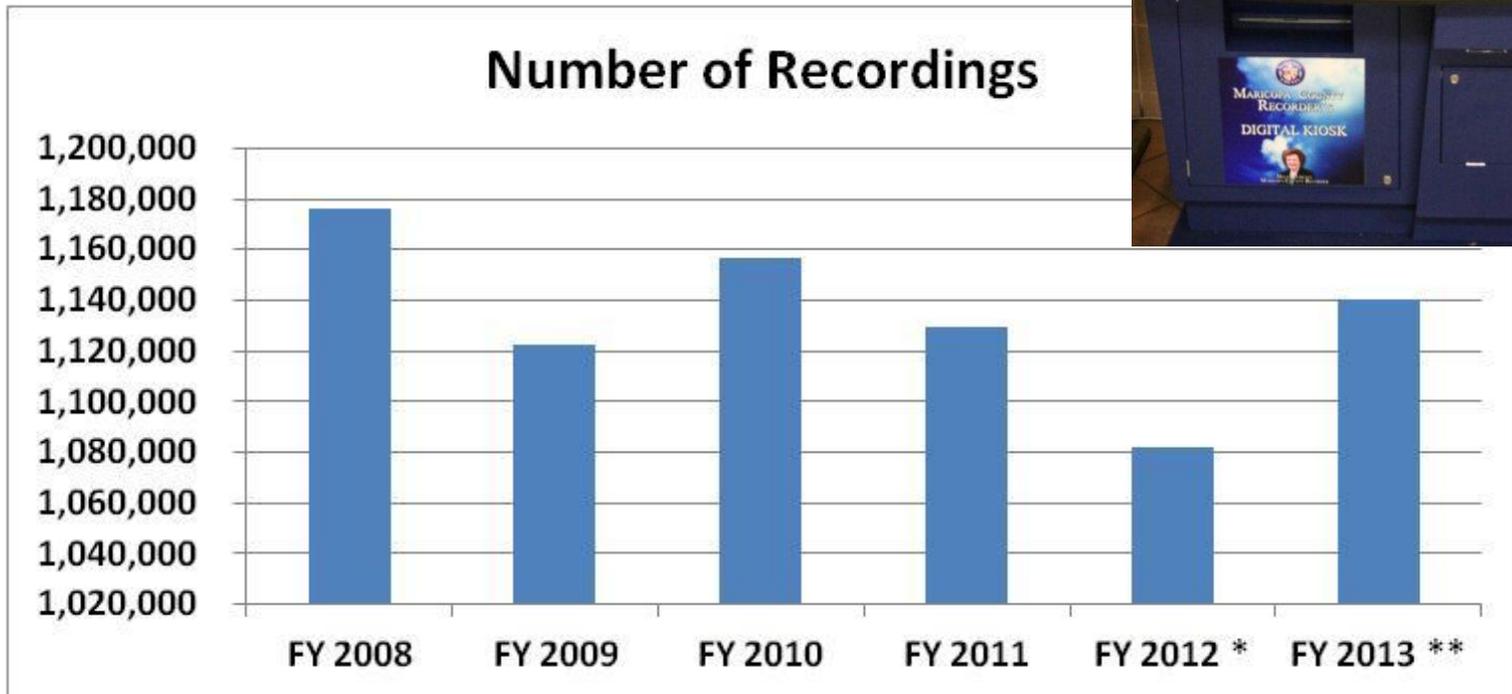
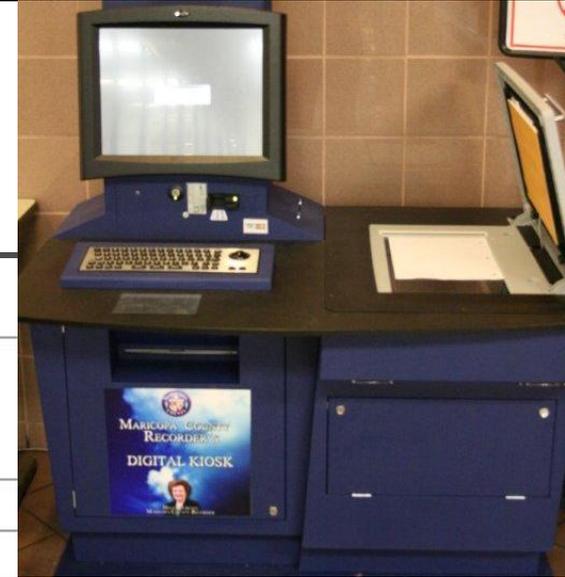


# Treasurer's New IT System

- Current system is near end of life
- FY 2013
  - Budget includes consultant funding
  - FY 2013 Goal is to plan for system's upgrade



# Recordings



\* Forecast \*\* Recommended Budget



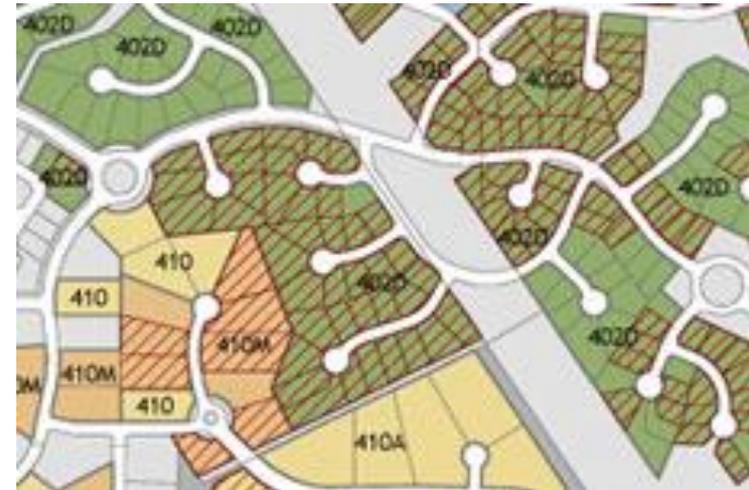
# Assessor



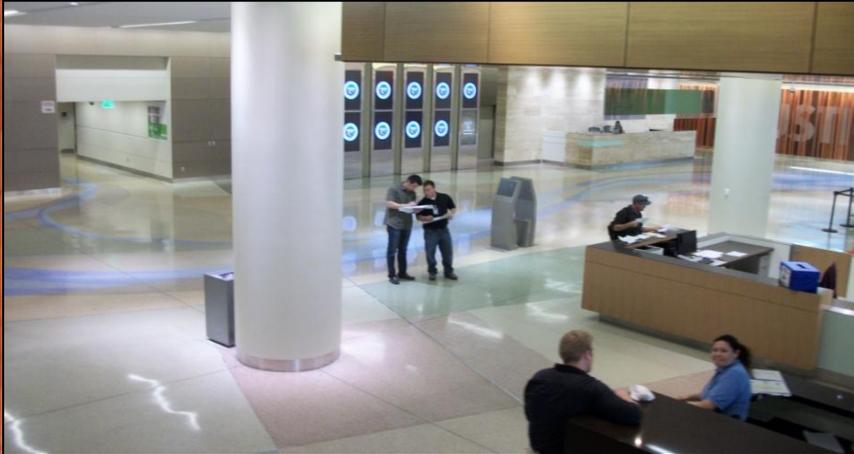
Computer - Assisted Mass Appraisal System consultant funded in FY 2013 to plan system upgrade



Santa Fe Depot Rededication 7/28/2011



# Capital Improvements

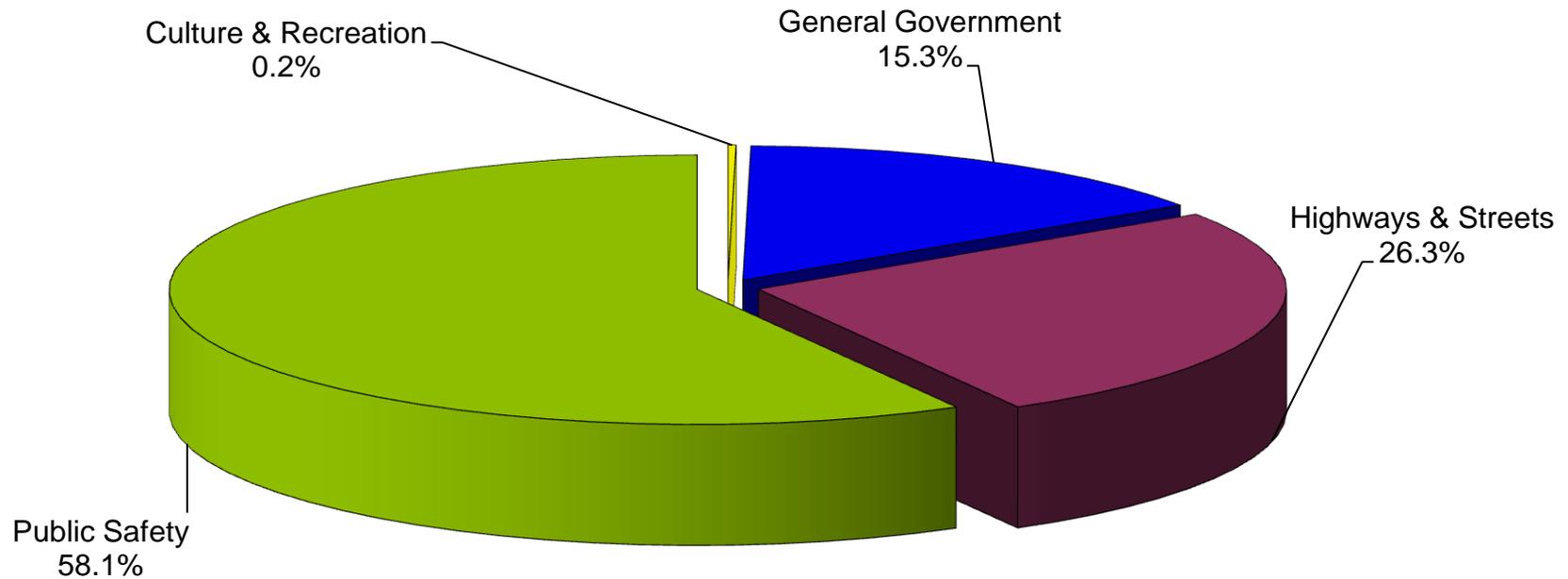


# Capital Improvement Philosophy

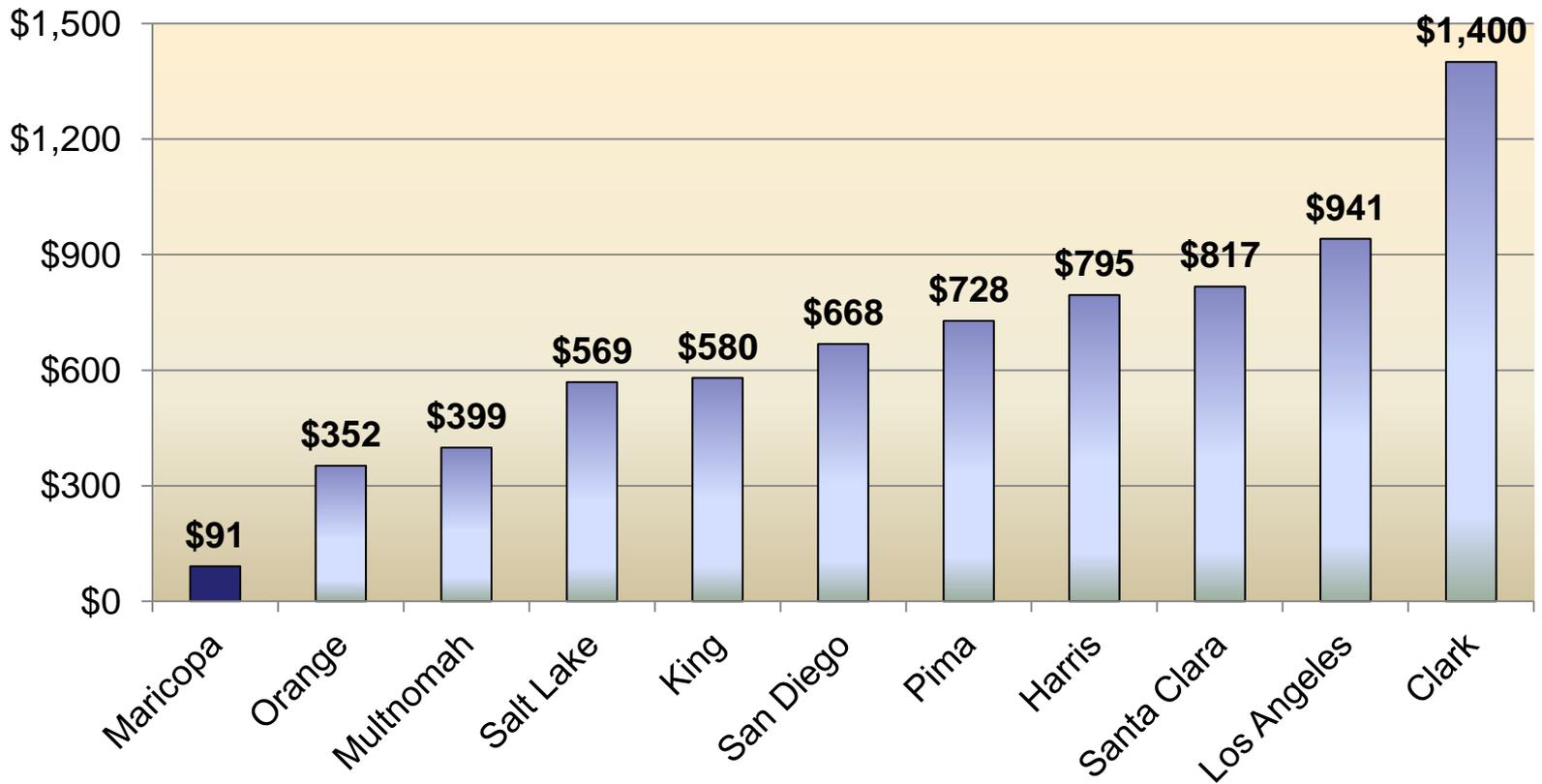
- Modified “pay as you go” policy, which began in FY 1999-00
- Use of cash or a combination of identified operational savings and lease reversions to pay the debt service
- County’s 1986 General Obligation (GO) bond debt was paid off in 2004
- Previously, the County issued debt because it was economically favorable and to deal with the expenditure limitation. The County is no longer using this approach
- Savings of \$76 Million in interest for FY 2013



# Uses of Capital Funds FY 2013 - \$395,361,327



# FY 2011 Long-Term Debt Per Person Comparison To National Benchmarks



Source: Maricopa County LTD for Governmental Activities "Note 14 – Long Term Liabilities", (Benchmark CAFRs & Internal Audit Analysis)



# FY 2012 Completed Projects

- South Court Tower \$334,951,682
- Sheriff's Crime Lab Relocation 4,376,638
- Old Courthouse Rehabilitation 2,373,811
- Chambers Swing Space 2,123,585



# FY 2012 Previously Approved CIP Projects

- Sheriff's HQ Building \$73,463,560
- Energy Conservation Projects 31,091,174
- Clerk of the Court Remodel 10,047,017
- Maricopa Regional Trail 5,996,937
- Southeast Facility Remodel 3,178,584
- Vulture Mountain Study 275,000



# Recommended New CIP Projects

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## General Fund

- Security Building Renovations \$5,965,858
- Grand Jury Relocation 3,802,283
- Sheriff's SWAT Vehicle Warehouse 2,877,086



# CIP Projects Awaiting Funding

- Additional DT Land Acquisitions
- APS Power to Buckeye Hills Range and Shoot house
- Central Court Floors 3, 5, 6
- Demolition of Madison Street Jail
- Durango Campus Drainage Issues
- ECB Tenant Improvements
- Emergency Operations Center
- Estrella Mountain Campground Design/Build
- New Building to Replace Leased Facilities
- NW Regional Court Replacement
- One W. Madison Improvements
- Plaza Demolition/Remodel/Redesign/FAJD
- Replacement Jail
- SE Consolidated Justice Courts
- SW Consolidated Justice Courts
- SW Regional Court Center
- Vulture Mountain

**Total: \$566+ Million**



# Sheriff's Headquarters Update

- Archaeology study completed
- First permit package submitted
- Broke ground on April 30<sup>th</sup>
- GMP contract signed 4/25/12 for NTE \$47.2 million
- Construction fence up and traffic re-routed
- Anticipated completion date: August 2013



# Tentative to Final Changes

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- Prioritize Project Reserve
  - Durango Jail Replacement and/or Major Maintenance
  - Southwest Justice Court Center
  - Cooperative Extension Infrastructure



# Technology Projects



# Technology Infrastructure Projects

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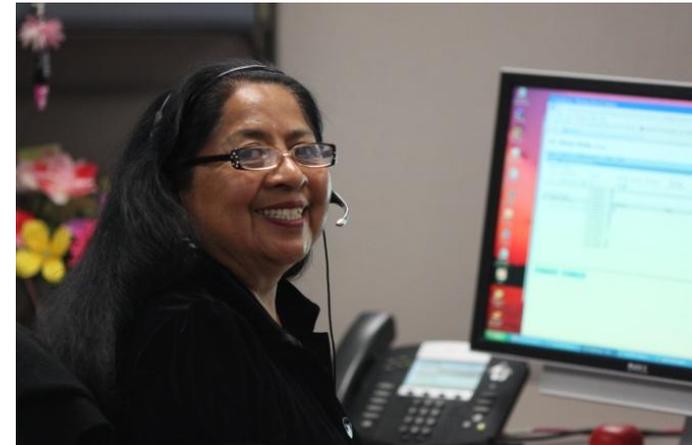
- Downtown Network Infrastructure Upgrade – Zone 2
- Downtown Network Infrastructure Upgrade – Zone 3 final work
- Durango Campus, Southeast Campus and Remote Sites – Zone 2 & Zone 3
- Zone H – Correctional Health
- Enterprise Data Center



# Recommended Continuing Technology Projects

11 Projects - \$275,128,084 (5 years)

- Telephone and Call Center Systems
- Radio System
- Infrastructure Upgrades
- Correctional Health EMR
- Sheriff's Office
- Facility/Space Management



# Transportation Capital Improvement Projects

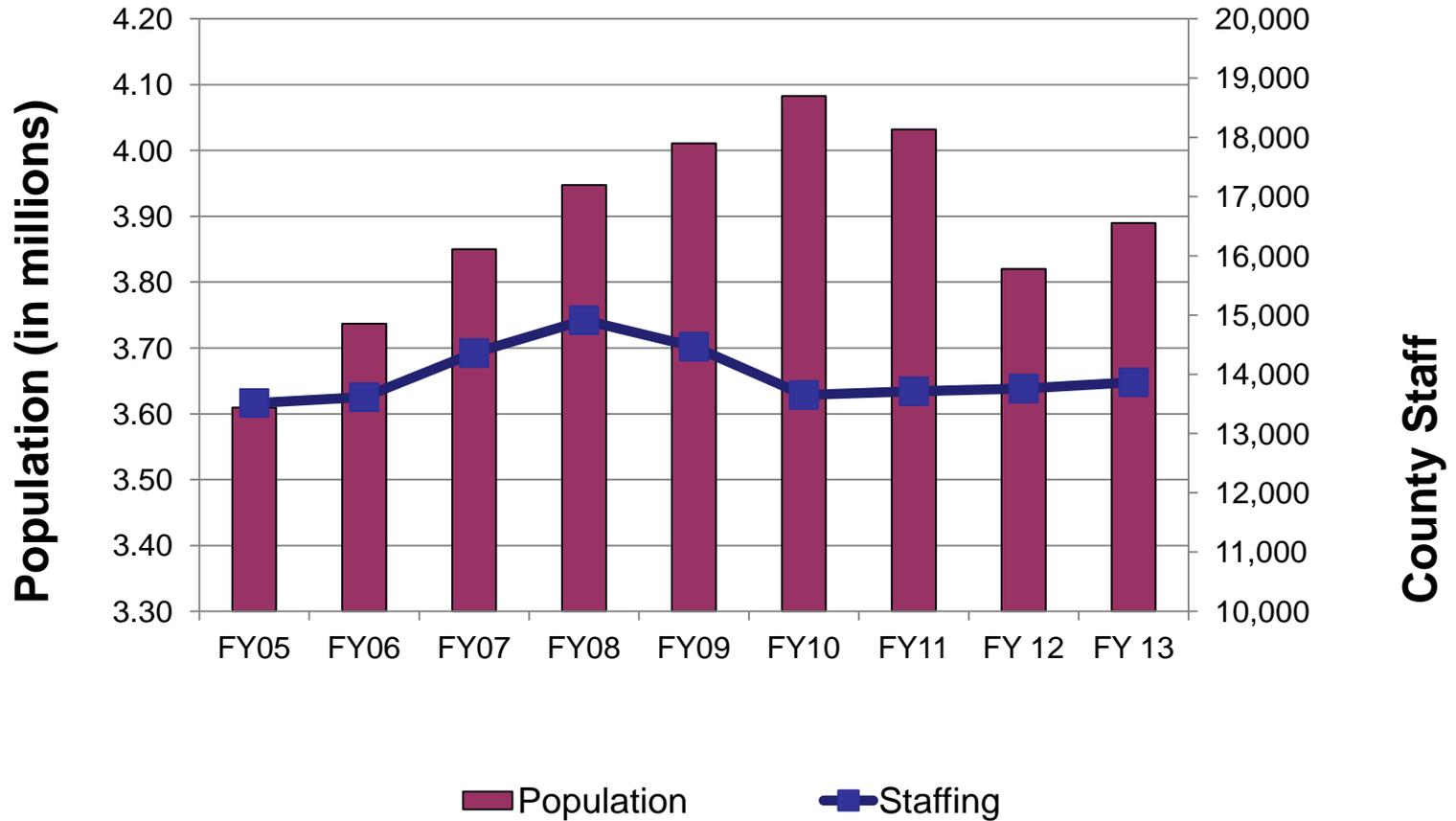
Transportation Improvement Projects	FY 2013	FY 2014	Five-Year CIP Program Total
	Recommended Budget	to FY 2017	
	\$ 103,932,010	\$ 686,474,194	\$ 790,406,204



# Employee Issues



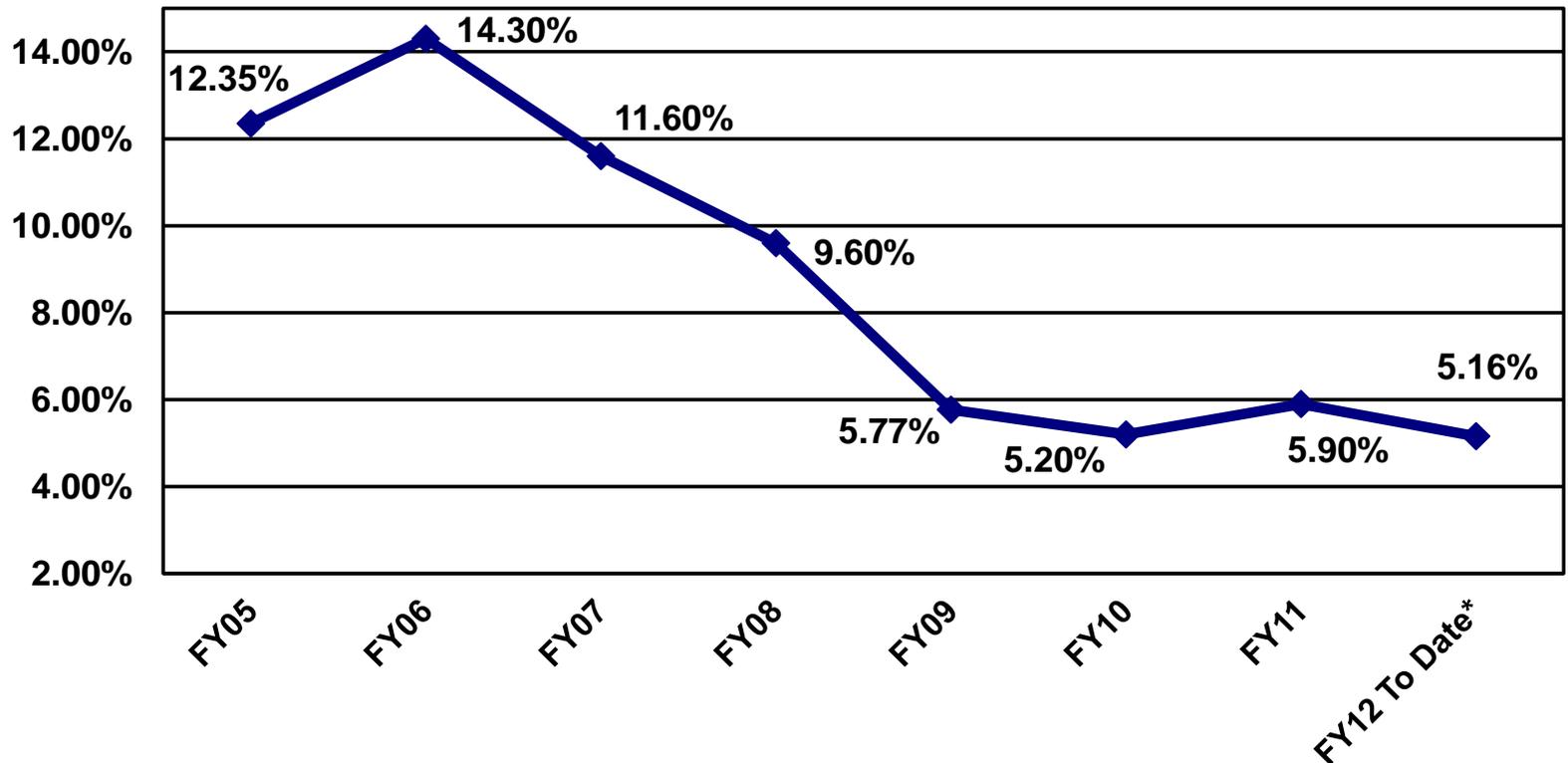
# Changes in County Population and County Staffing



County Staff



# Voluntary Turnover By Fiscal Year



\* FY To Date (9-Month Period: 07/01/2011 to 03/31/2012)



# Compensation

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- No funding for Pay for Performance
- Includes funding for continuation of Peak Performers Program
- Includes funding for continuation of Education Assistance Program
- Includes funding for Vacation Buy-Back Program
- Employee Benefits maintained without significant cost increase for employees
- ASRS Retirement contributions returned to a 50/50 employee/employer split



# Employee Benefits

- Medical and pharmacy plans consolidated
- Overall, employees will contribute \$1.3 million less to the Benefits Trust
- Individual employee experience will depend upon their enrollment



# Conclusion

- FY 2012-13 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

May 21	Tentative Budget Adoption
June 5	ATRA Presentation
June 13	District 5 Budget Hearing
June 18	Final Budget Adoption
August 20	Property Tax Levy Adoption



# Appreciation

*Thanks to the Board of Supervisors, other Elected Officials, Judicial Branch, Presiding Judge and the Appointed Officials for their cooperation. This budget could not have been balanced without your continued leadership and participation.*







# Maricopa County FY 2013 Special Districts Recommended Budget

May 21, 2012

Sandi Wilson, Deputy County Manager

Brian Hushek, Deputy Budget Director

Lee Ann Bohn, Deputy Budget Director

Cynthia Goelz, Budget Administrator

Photo by Bill Timmerman

# Flood Control District Highlights

- The property tax levy declined by \$7,816,594
- Overall expenditures of \$85.02 Million, a decrease of \$12,402,492
- FY 2013 CIP decreased to \$50.0 Million
- Five-year CIP projected to be \$221.0 Million



# Flood Control District CIP

Flood Control District Projects (61 Projects)	FY 2013 Recommended Budget	FY 2014 to FY 2017	Five-Year CIP Program Total
	\$ 50,000,000	\$ 171,000,000	\$ 221,000,000





# Library District Highlights

- Property tax levy is decreasing by \$2,145,042
- Overall expenditures of \$25.6M for FY 2013 is a \$89K decrease compared to \$25.7M in FY 2012
- Electronic resources and services growing to meet needs of the citizens including: books, music and in the future – movies
- Convert last 4 branches to the Deweyless system
- Summer Reading Program expansion
- Materials Assistance Program supporting additional access to library materials





# Stadium District Highlights

- FY 2013 expenditures: \$10.3 M
- Projects begun in FY 2012
  - Concrete repair
  - Concourse sound system
- Car Rental Surcharge revenue declining
  - Still requiring the use of fund balance to meet debt obligations
  - Bond series rating upgraded from “BBB-” to “BBB+”
  - No funding available for Arizona Sports and Tourism Authority in FY 2013

