

Maricopa County Fiscal Update



Office of Management and Budget

January 14, 2009

Revenue Free Fall



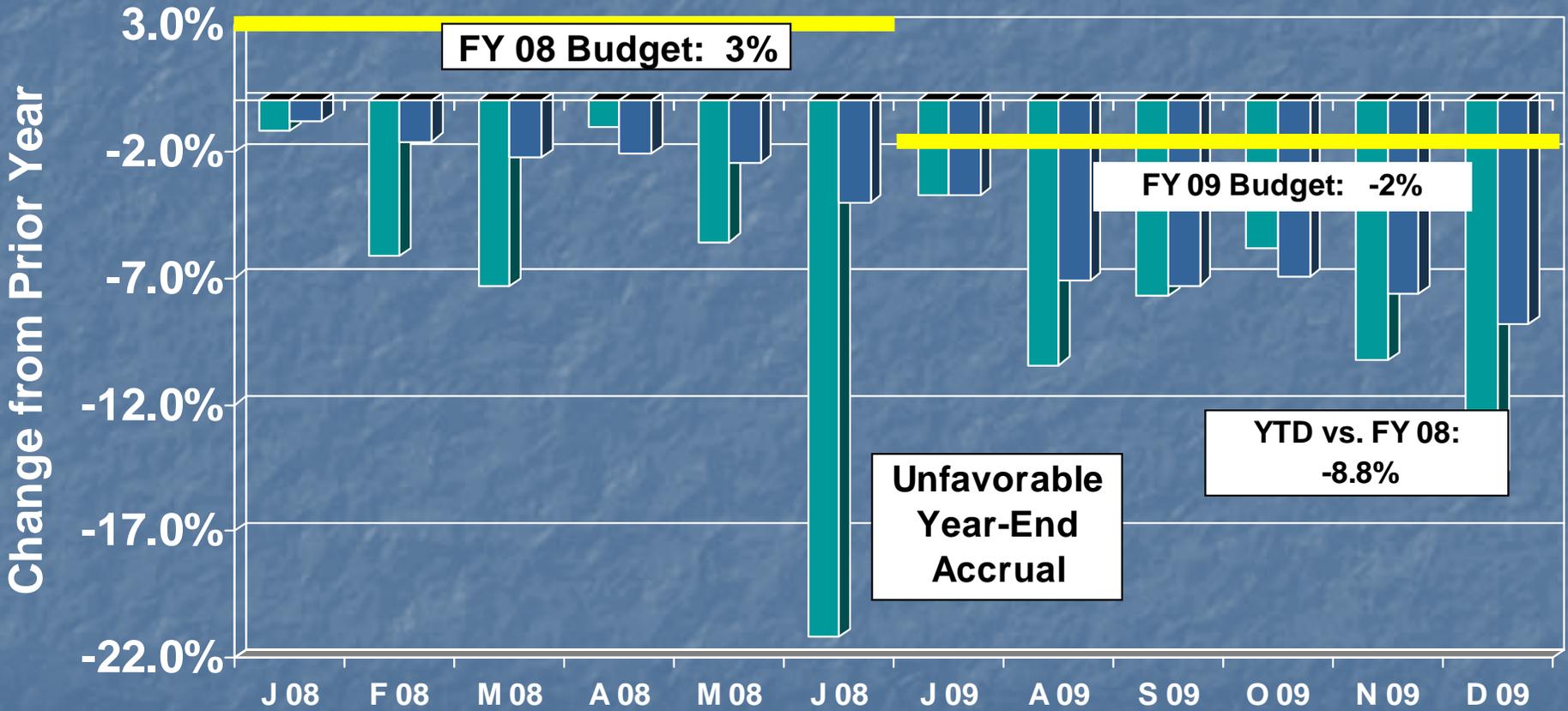
Lower Revenue Forecasts

	FY 08	FY 09			
	Actual	Adopted Budget	Oct. Forecast*	YTD Actual**	Jan. Forecast*
Sales	-4.0%	-2.0%	-8.2%	-8.8%	-9.9%
VLT	-2.9%	-2.0%	-10.0%	-8.3%	-13.0%
Jail	-5.0%	-2.0%	-8.6%	-10.7%	-11.0%

**Quarterly “worst case” by Elliott D. Pollack and Co.*

***December 2008*

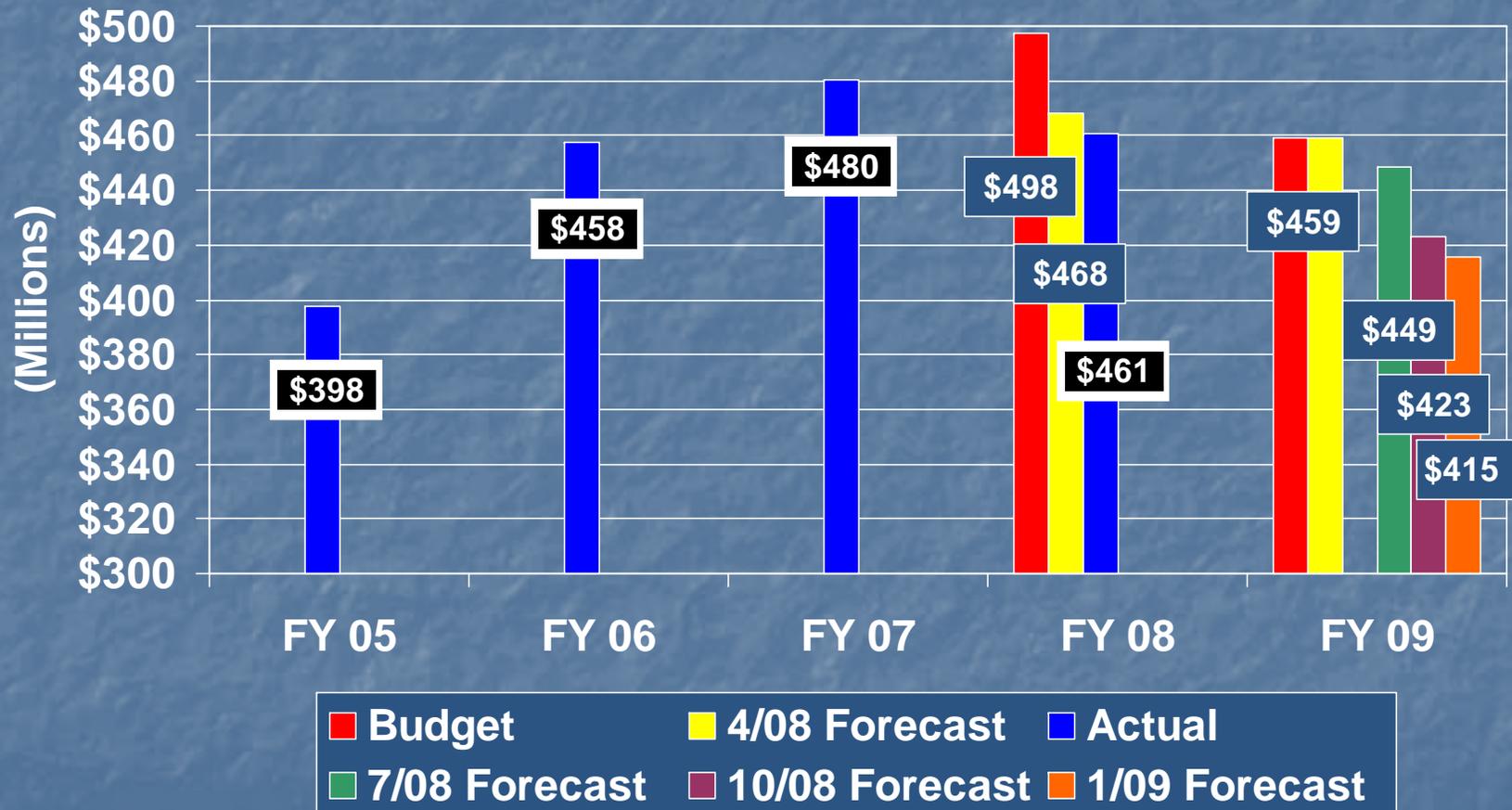
State Shared Sales Tax Change Over Prior Year – 12 Month Trend



*Revenues under budget
\$15.3 million YTD
through December*

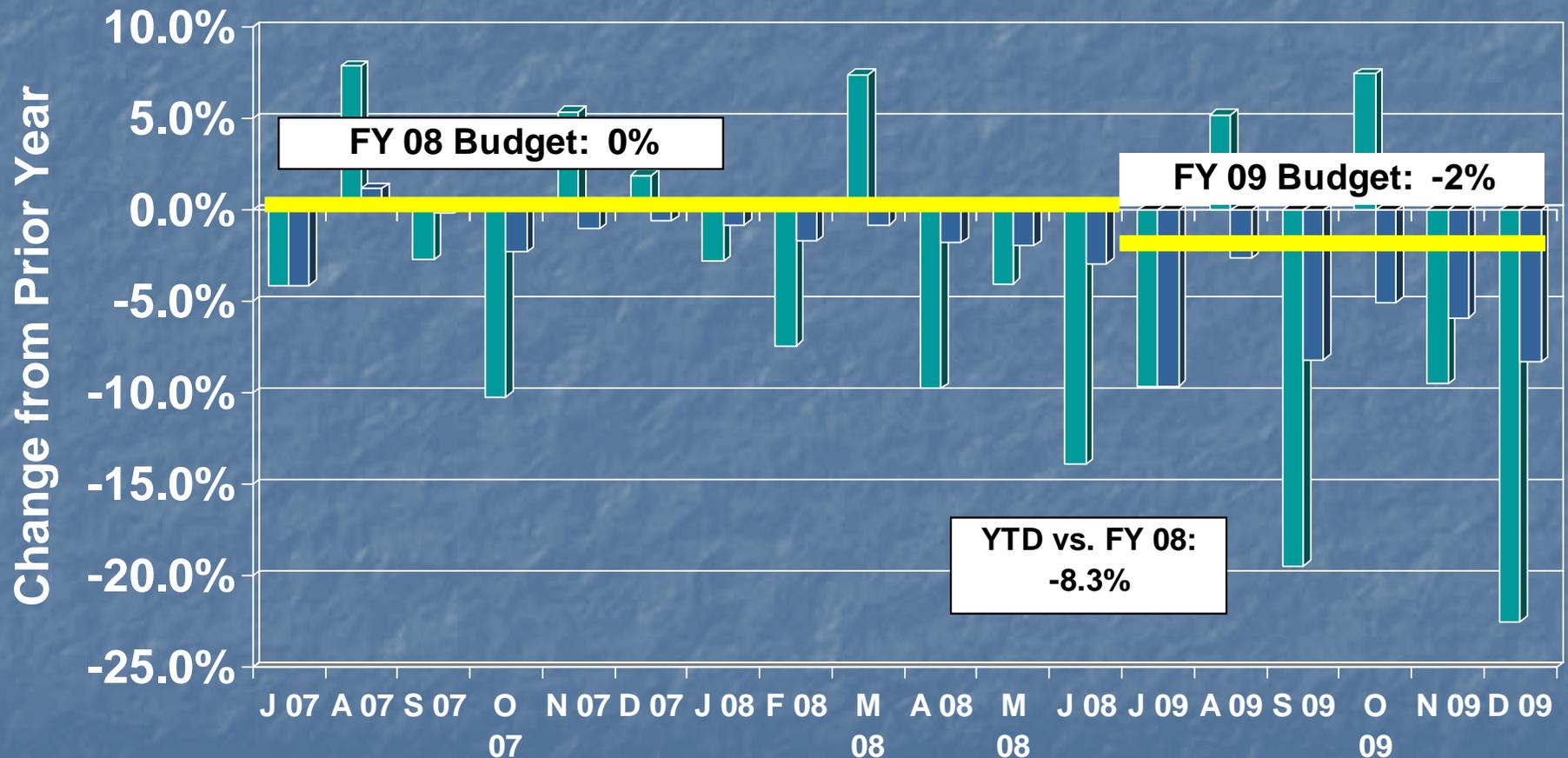
■ Month ■ YTD

Sales Tax FY 09 Forecasts



FY 09 total revenue now forecast to be \$44 million under budget for FY 09, \$8 million lower than October forecast.

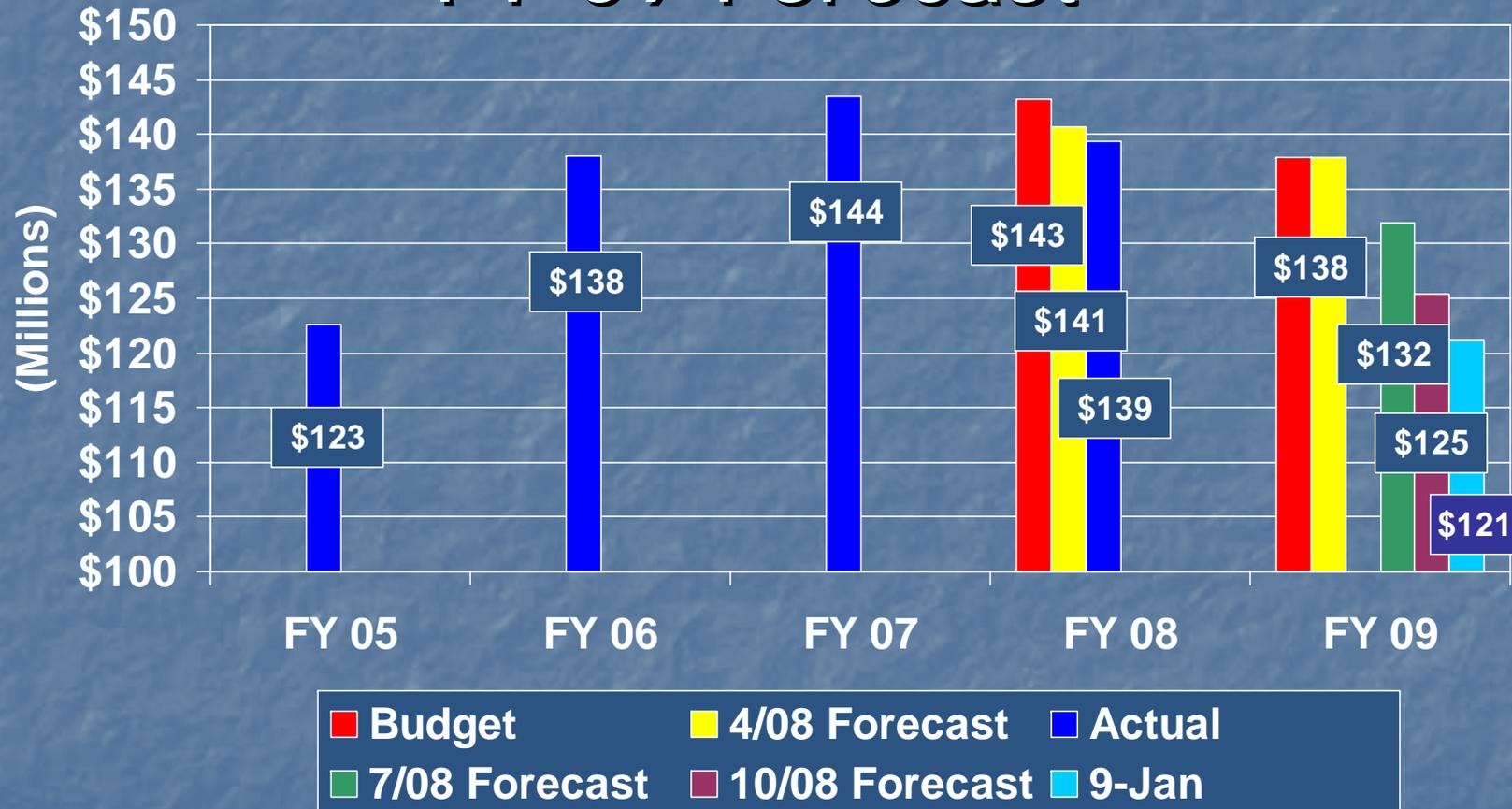
State Shared Vehicle License Tax Change Over Prior Year – 12 Month Trend



*Under budget \$4.3 million
YTD through December*

■ Month ■ YTD

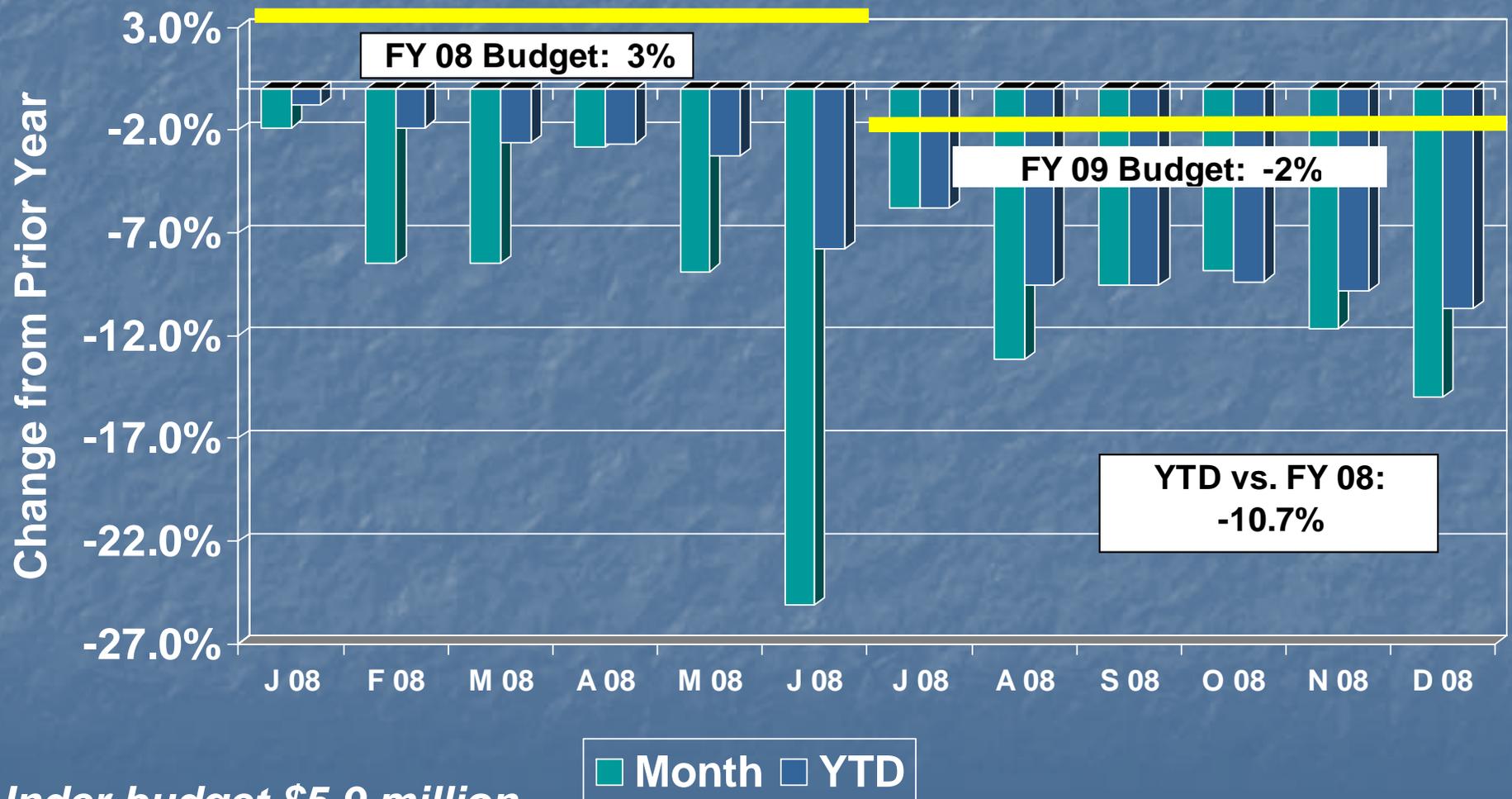
Vehicle License Tax FY 09 Forecast



FY 09 total revenue forecast to be \$17 million under budget for FY 09, \$4 million lower than October forecast

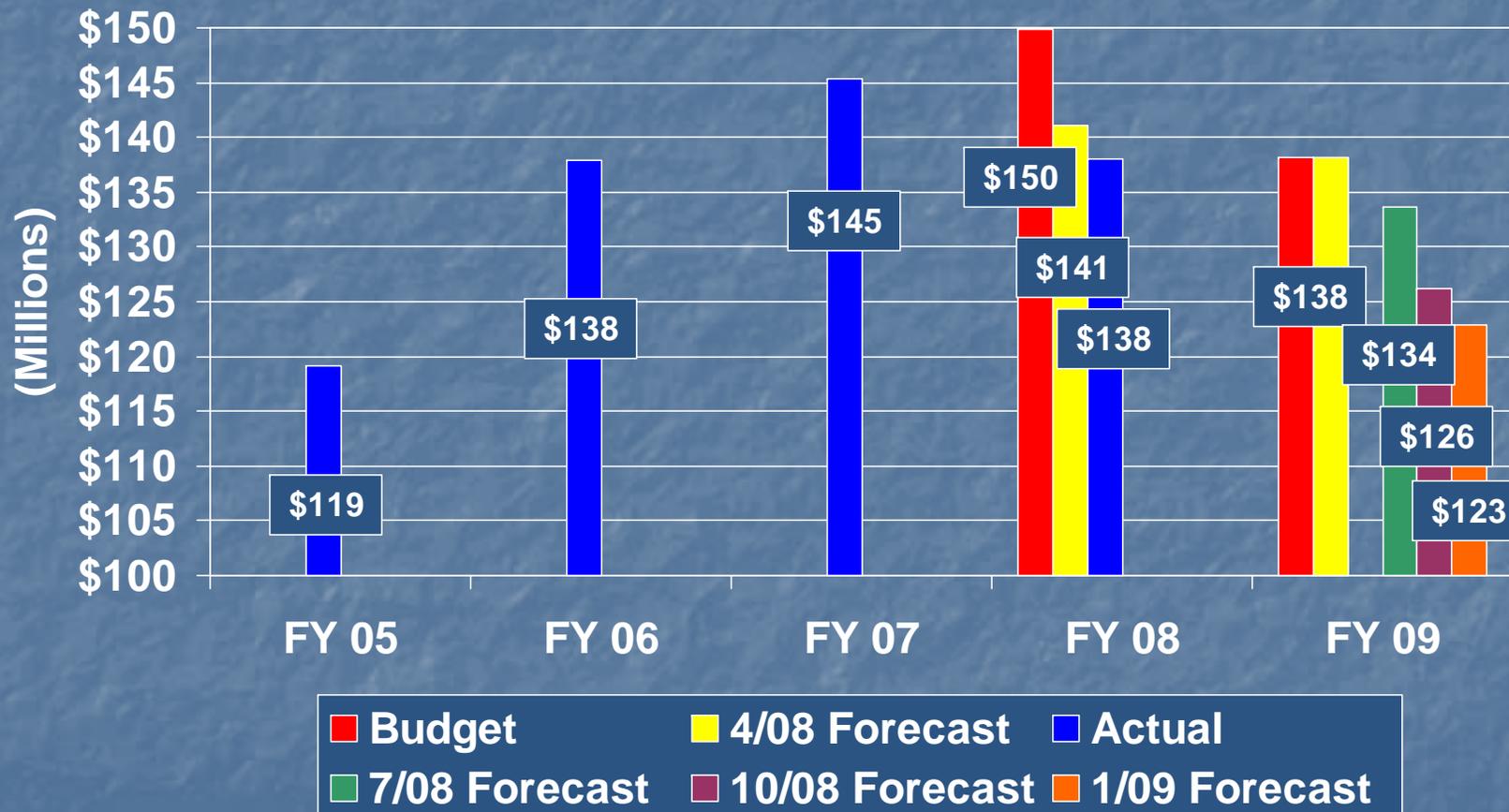
Jail Excise Tax

Change Over Prior Year – 12 Month Trend



*Under budget \$5.9 million
YTD through December*

Jail Excise Tax FY 09 Forecast



FY 09 total revenue forecast to be \$15 million under budget for FY 09, \$3 million lower than October forecast

Outlook: No Ray of Hope Yet

"The economy is going to spiral down for the next six months at least." (Elliott D. Pollack, Arizona Republic, 1/13/09)

"Phoenix's \$270 million in proposed budget cuts are the largest in city history." (Arizona Republic, 1/13/09)

"New York City announced last week that it would have to cut a jaw-dropping \$4.3 billion through fiscal 2010, a 7 percent reduction. A 7.5 percent property-tax hike also will help balance the budget." (Ariz. Republic, 1/13/09)

"We've never seen an economic environment like the one we've seen now, not since the Great Depression," (Philadelphia Mayor Michael Nutter, Ariz. Republic, 1/13/09)

"There is no question it (the recession) is severe and it will go into the record books as the worse since the depression, but that does not mean it is of the same magnitude." (Marshall Vest, Ariz. Republic, 1/13/09)

Future Property Tax Declines

- Due to two-year lag in property assessment cycle, limited values will still increase for FY 2009-10, and the maximum primary property tax levy will increase
- Full cash values will decline, which would require a rate increase to maintain Library and Flood levies at current levels
- According to the Assessor's Office, the majority of properties will see a reduction in limited values for FY 2010-11, and a primary rate increase could be required just to maintain flat revenue

Department Budget Balancing Options

- Due December 8
- All but five departments responded; two given extensions (Schools, Air Quality); three departments were not responsive
- OMB staff review in December
- Recommendations to be finalized and reviewed with departments in January
- Issues will be presented to the Board starting in early February
- If proposals from departments are not sufficient to balance the budget, OMB will need to develop its own recommendations

Thanks to Departments

- Superior Court, Adult and Juvenile Probation
- Clerk of the Court
- Justice Courts
- Assessor
- Recorder/Elections
- Constables
- Call Center
- Emergency Management
- Finance
- Human Services
- Internal Audit
- Correctional Health
- Medical Examiner
- Parks and Recreation

Thanks to Departments

- Workforce Management
- Public Fiduciary
- Enterprise Technology
- Research and Reporting
- Public Defense Services
- Materials Management
- Animal Care and Control
- Public Health
- Environmental Services
- Public Works

Non-Responsive Departments

- Sheriff
- County Attorney
- Treasurer

Departments that have cooperated in good faith with the budget-balancing process should not be penalized

Budget reductions will need to be applied to the non-participating departments in a fair and equitable manner in relation to the rest of the County

State Impacts



State Budget Problems – Ongoing Threat

- **State will reportedly be out of cash to meet obligations in February or March, will have to resort to short-term borrowing**
- FY 09 deficit now estimated at \$1.5 billion; FY 10 deficit potentially greater than the previous worst-case estimate of \$3.0 billion
- “Rainy day fund” depleted

County Concerns

- DOC Inmate Shift (Exec. proposal last year would have increased County jail population 23%)
- 100% ALTCS Growth
- Photo Radar – Impact on Judicial Productivity Credits
- More State “contributions”
- Uncertainty of payments from State (grants, other fund distributions)
 - Jail Enhancement Fund
 - Public Health grants

Everything is on the table

Conclusions

- Uncertain when economy, revenues will hit bottom
- FY 09 budget is once again out of structural balance
- FY 09 State contributions (\$28.8 m) in dispute, funding not resolved
- Balancing the FY 10 budget will be more difficult, and will require more drastic measures
- **No departments can be spared from budget reductions**



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