

Fiscal Update

September 2, 2009

Office of Management and Budget

Economic Outlook

“Under a best case scenario it will still take another couple of years before the local economy begins to show meaningful signs of life.”

“Policymakers must be cautious when formulating the budget during the next two years.”

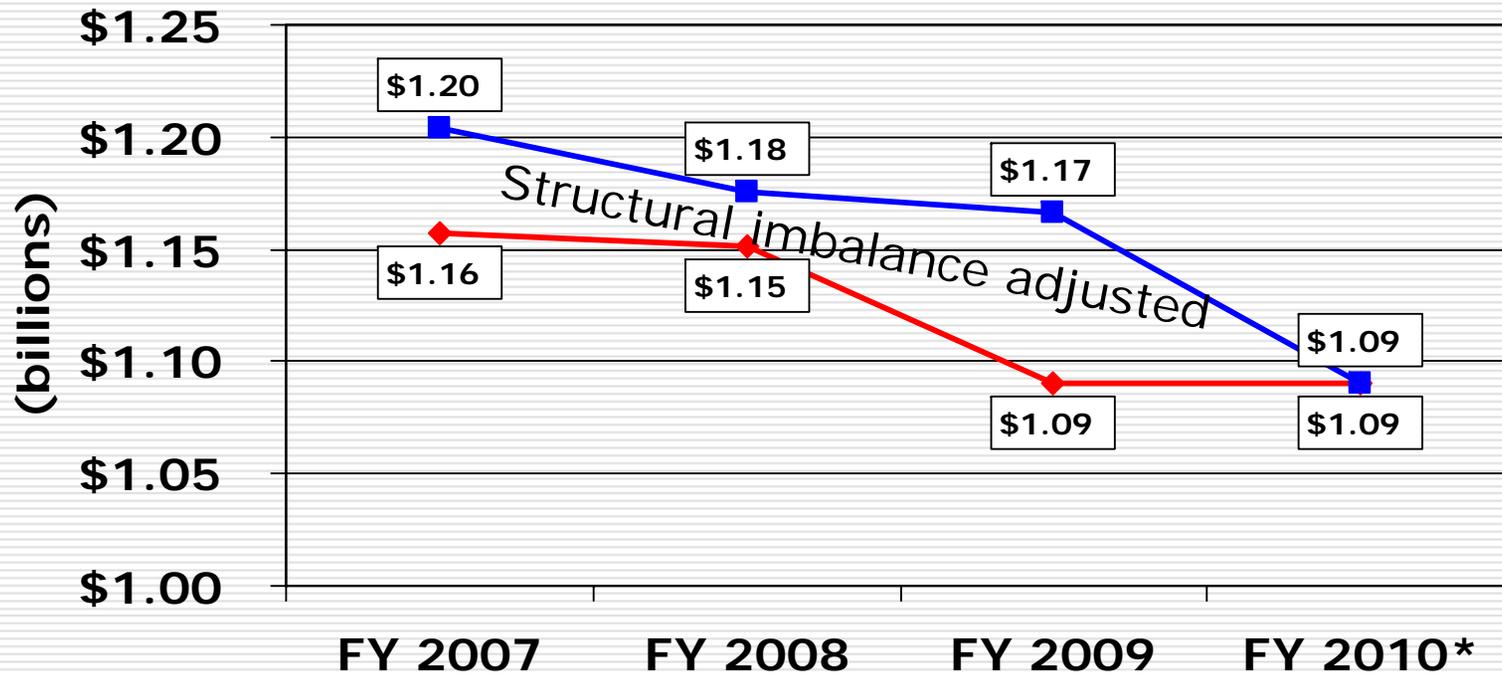
- *Elliott D. Pollack & Co., July 2009*

Structurally Balanced Budget



Definition: Ongoing revenues meet or exceed ongoing expenditures

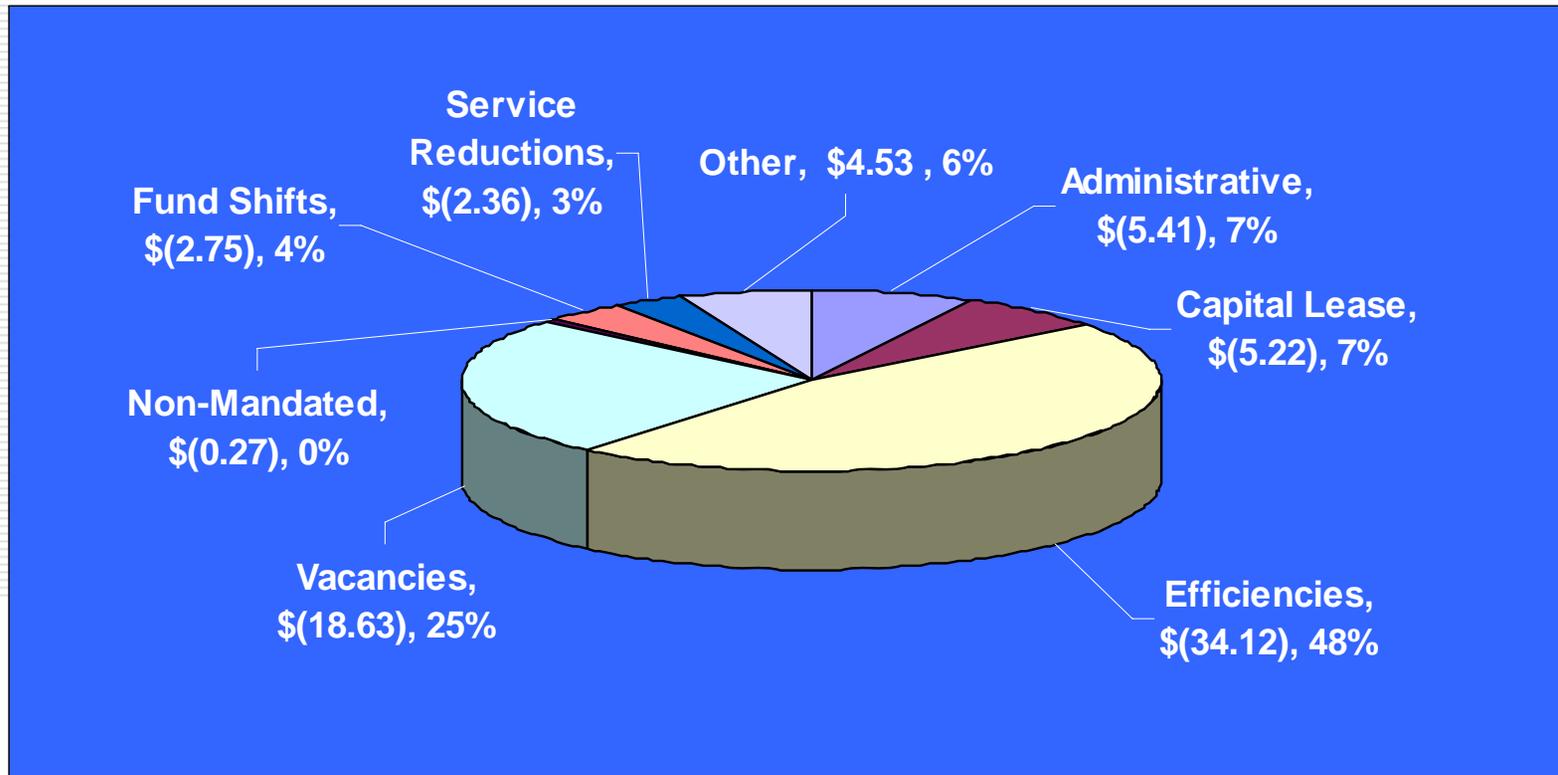
Trend in General Fund Operating Revenues and Budgeted Expenditures



◆ Actual Operating Revenues ■ Budgeted Operating Expenditures

*FY 2010 Budget

FY 2009-10 General Fund Expenditure Departmental Reductions (by type)



Amounts shown in millions

General Fund Departmental Budget Reductions (FY 2008 – FY 2010)

PARKS AND RECREATION	-60.8%
ENVIRONMENTAL SERVICES	-52.6%
ENTERPRISE TECHNOLOGY	-37.9%
EMERGENCY MANAGEMENT	-35.3%
ELECTIONS	-32.5%
ANIMAL CARE AND CONTROL	-28.6%
MANAGEMENT AND BUDGET	-27.0%
HUMAN SERVICES	-23.6%
COUNTY MANAGER**	-22.9%
JUVENILE PROBATION	-22.5%
CALL CENTER	-22.5%
CLERK OF THE BOARD OF SUPERVISORS	-22.3%
RECORDER	-20.6%
INTERNAL AUDIT	-19.8%

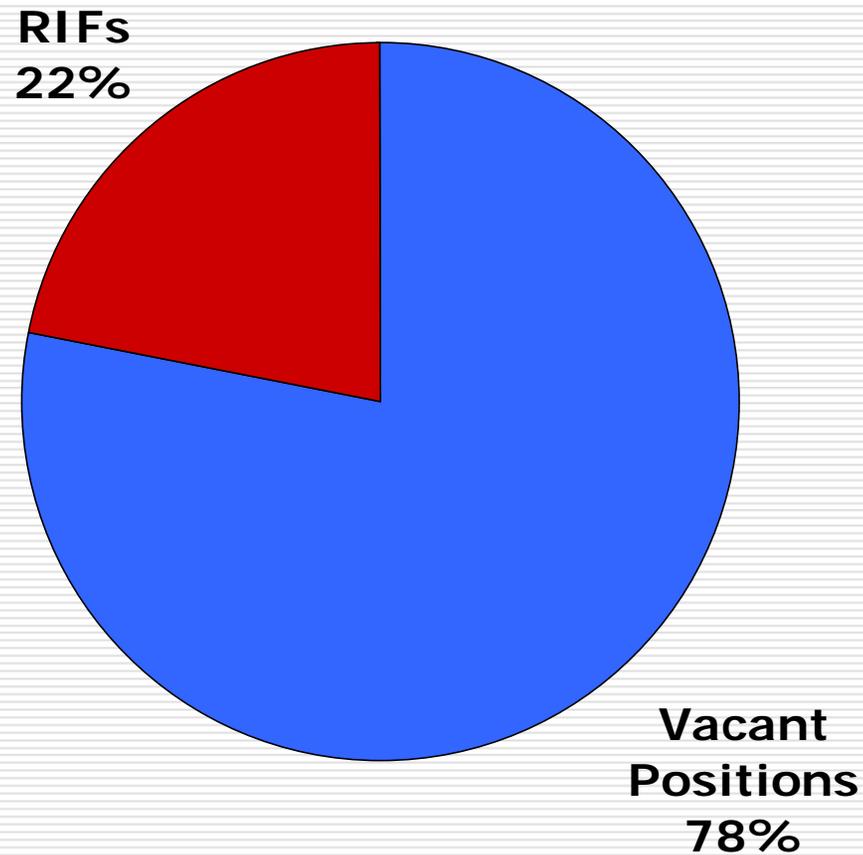
General Fund Departmental Budget Reductions (FY 2008 – FY 2010)

FACILITIES MANAGEMENT	-19.5%
COUNTY ATTORNEY CIVIL	-18.1%
FINANCE	-18.1%
SUPERINTENDENT OF SCHOOLS	-17.3%
WORKFORCE MGT AND DEVELOPMENT	-16.8%
MEDICAL EXAMINER	-16.4%
PUBLIC HEALTH	-16.2%
CORRECTIONAL HEALTH	-14.5%
SUPERIOR COURT	-14.1%
SHERIFF	-12.2%
CLERK OF THE SUPERIOR COURT	-12.1%
BOARD OF SUPERVISORS DIST 1	-11.6%
BOARD OF SUPERVISORS DIST 2	-11.6%
BOARD OF SUPERVISORS DIST 3	-11.6%

General Fund Departmental Budget Reductions (FY 2008 – FY 2010)

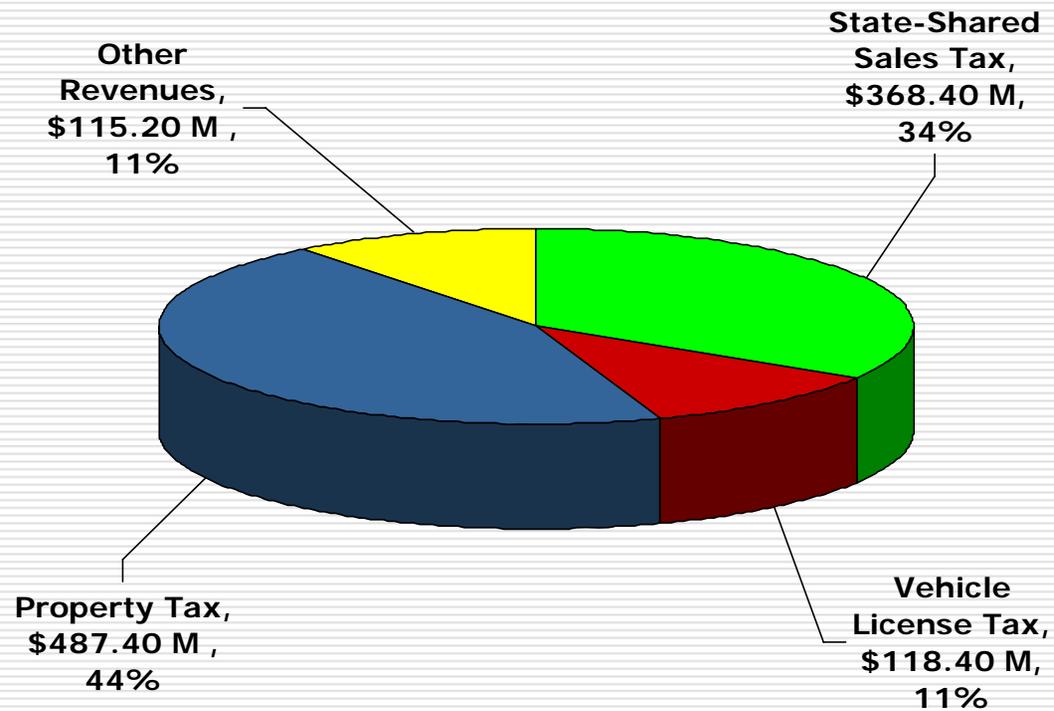
BOARD OF SUPERVISORS DIST 4	-11.6%
BOARD OF SUPERVISORS DIST 5	-11.6%
COUNTY ATTORNEY	-10.7%
ADULT PROBATION	-10.5%
ASSESSOR	-9.6%
PUBLIC FIDUCIARY	-8.0%
TREASURER	-6.4%
MATERIALS MANAGEMENT	-6.0%
PUBLIC DEFENSE SERVICES	-5.1%
CONSTABLES	1.1%
RESEARCH AND REPORTING	4.9%
JUSTICE COURTS	7.7%

Staffing Reductions (FY 2008 – FY 2010)

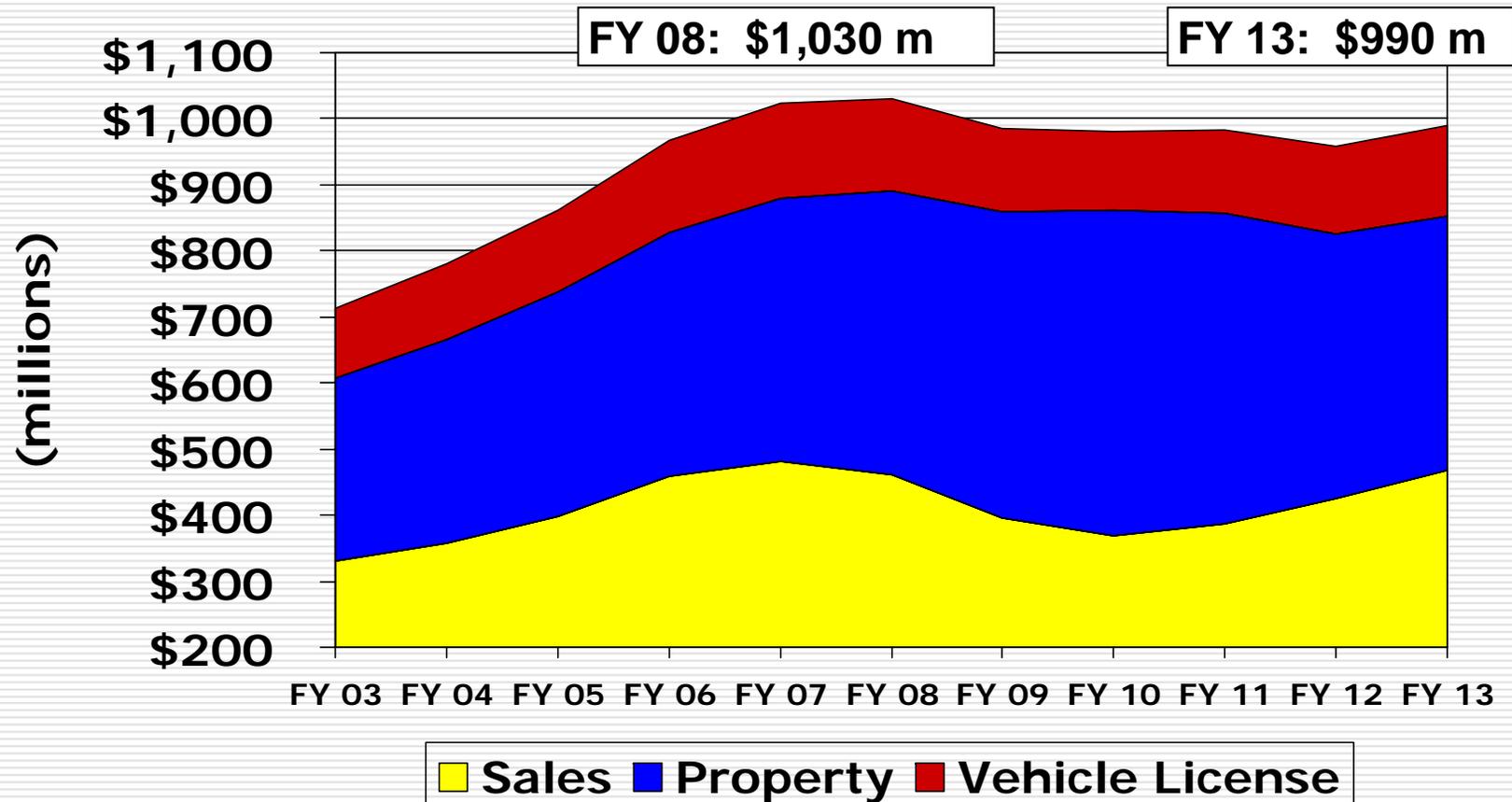


Total reduction of 1,441 FTEs, FY 2008 to FY 2010

General Fund Revenue Overview



General Fund – Trend in Combined Tax Revenues

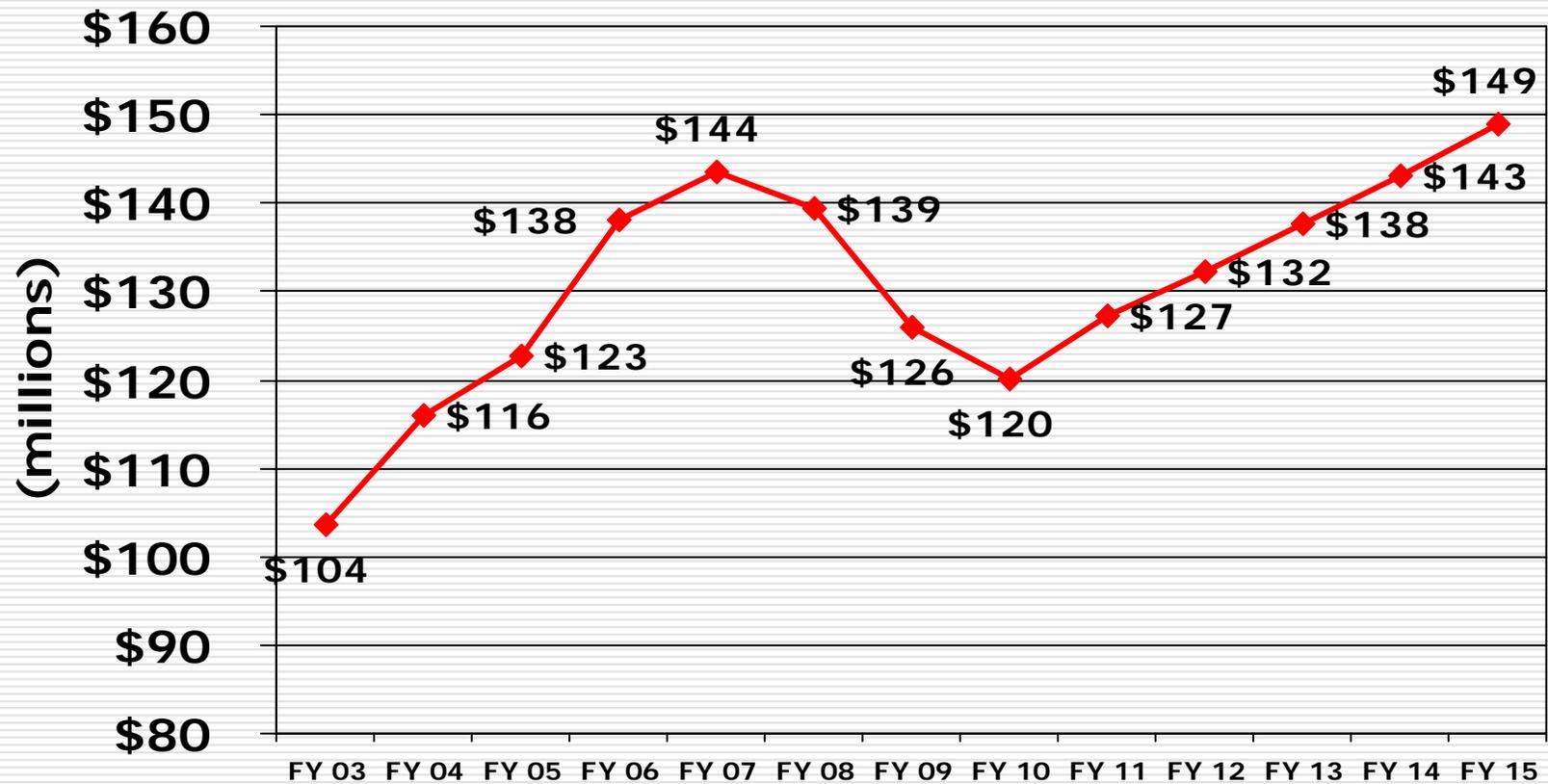


Sales Tax Trend



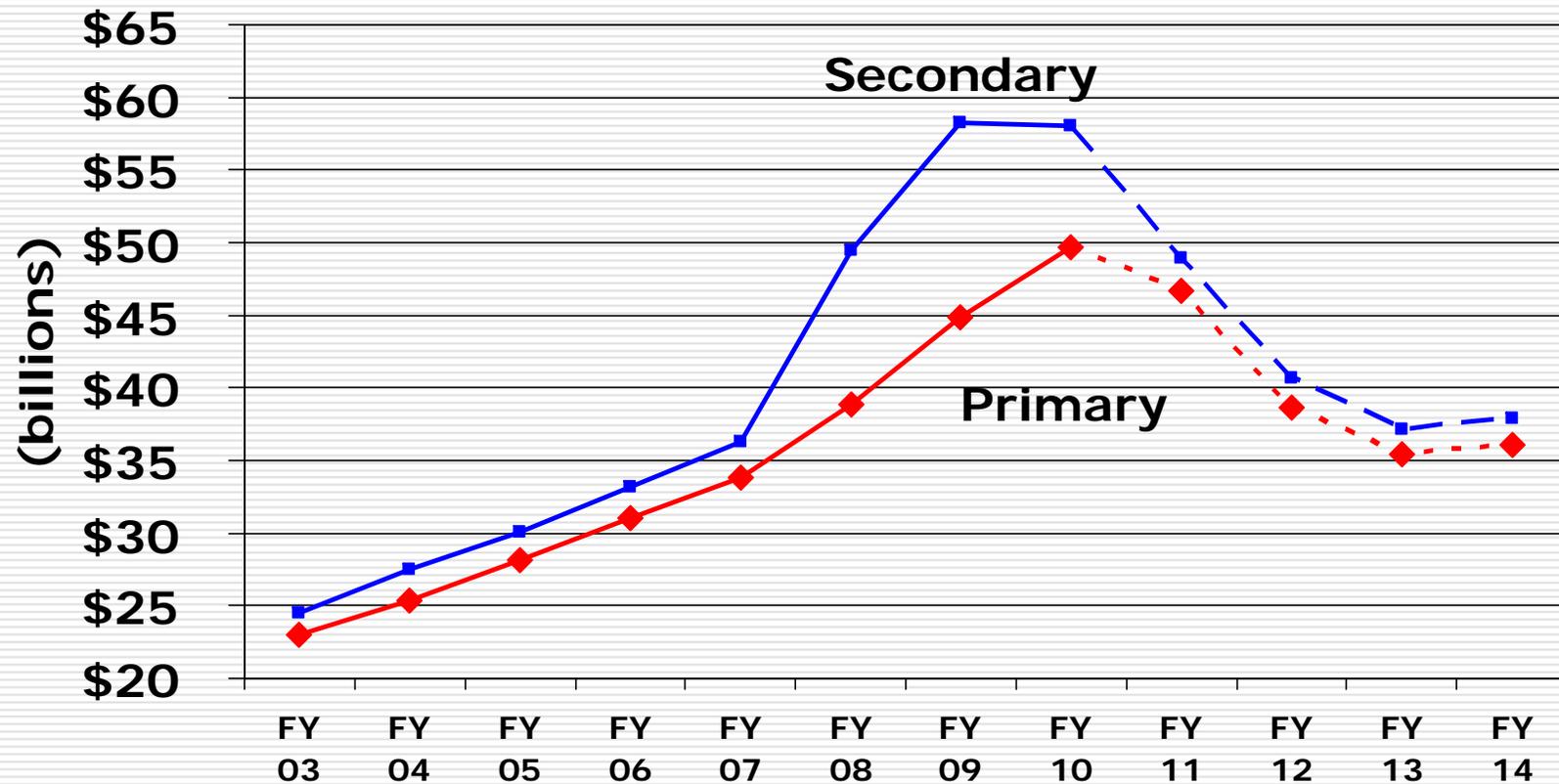
Forecasts – Elliott D. Pollack pessimistic scenario, July 2009

Vehicle License Tax Trend



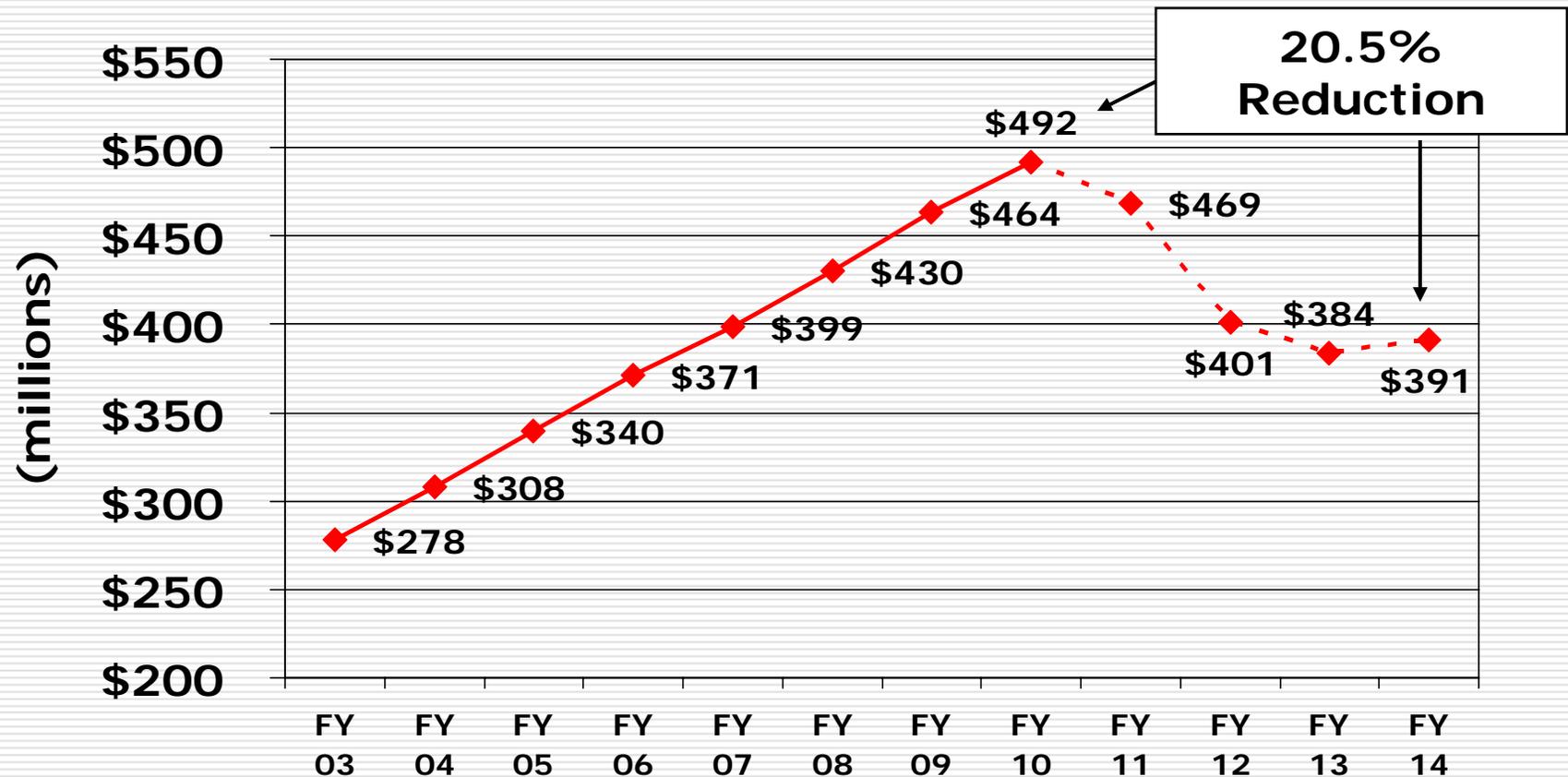
Forecasts – Elliott D. Pollack pessimistic scenario, July 2009

Total Net Assessed Value

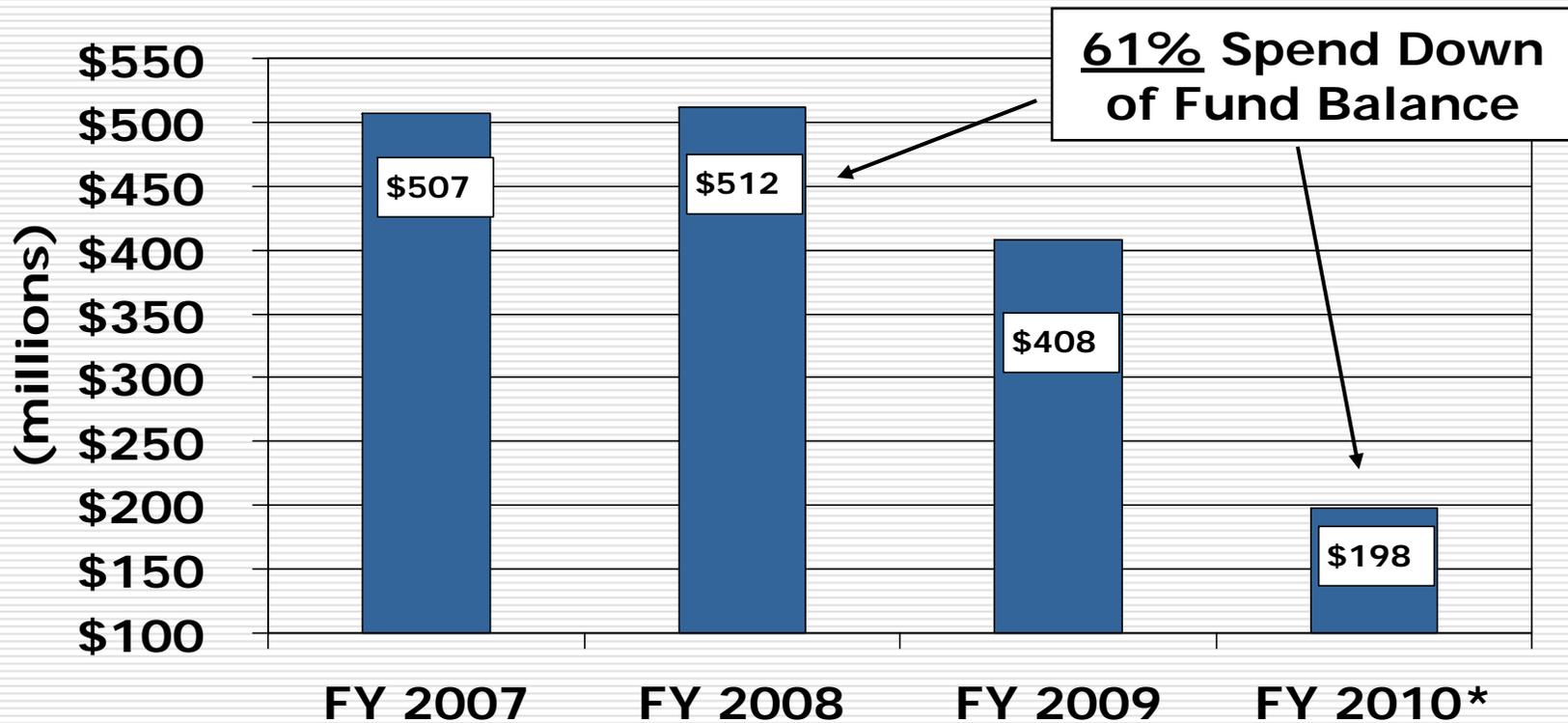


Forecasts – Elliott D. Pollack pessimistic scenario, July 2009

Primary Property Tax Levy (At FY 2010 Tax Rate)

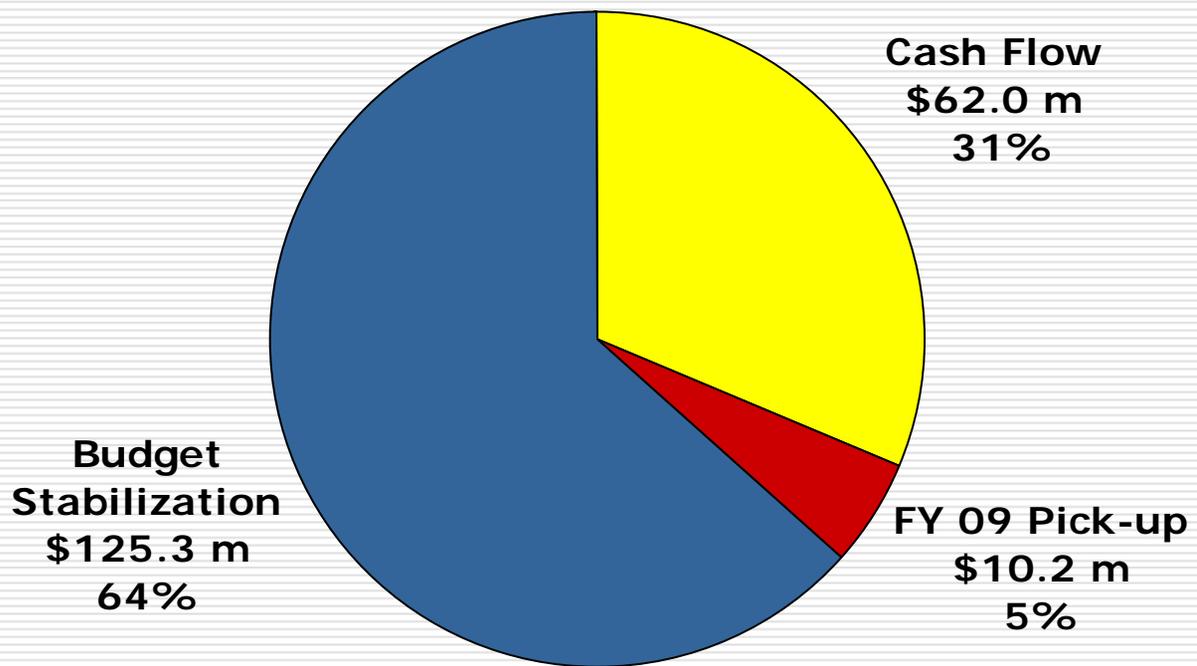


Trend in General Fund Unreserved Balance



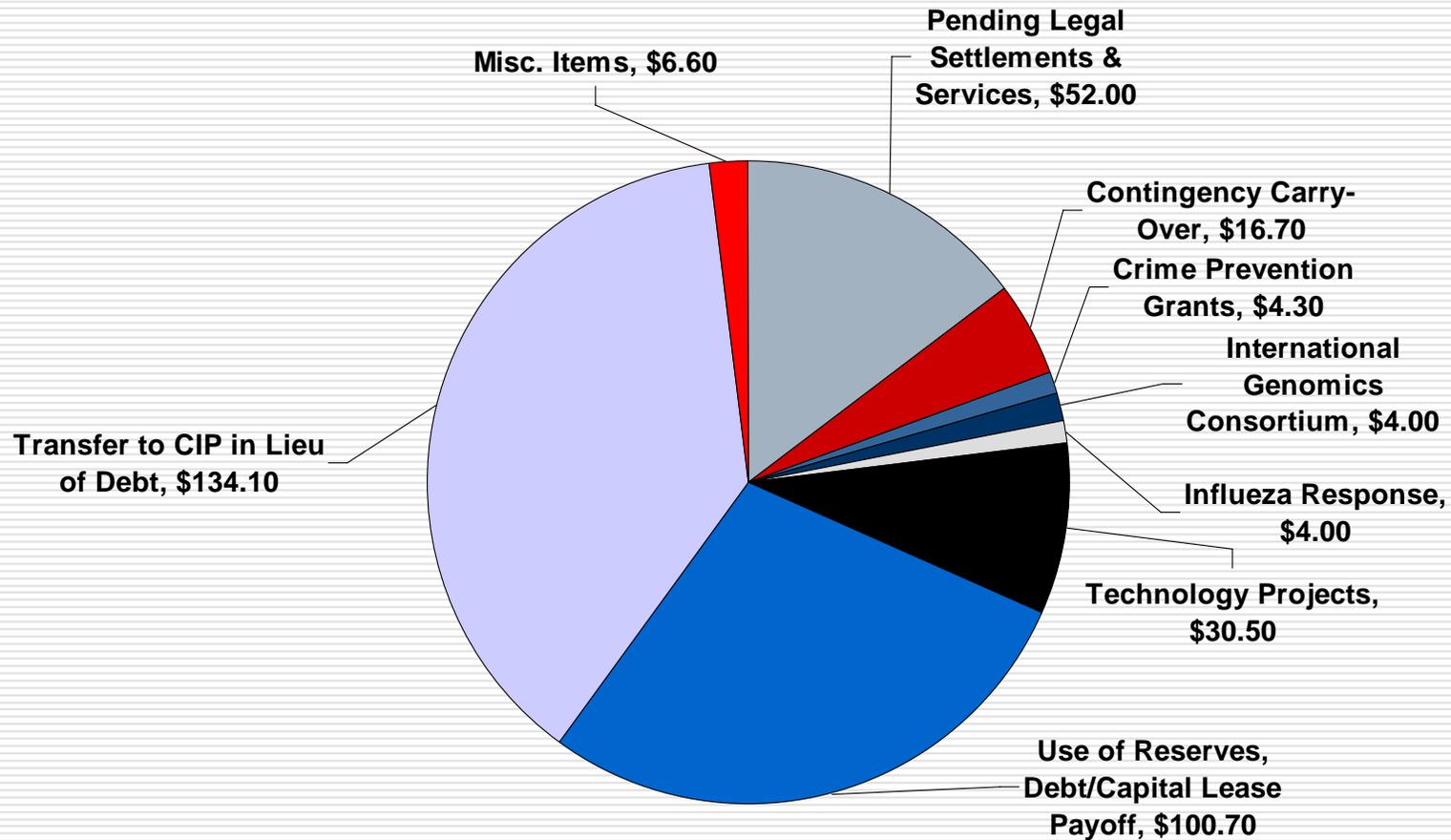
*FY 2010 Designated Fund Balance + \$10.2 million pick-up; excludes \$27.4 million deferred Detention Fund transfer

FY 2010 General Fund Balance Designations



Reserves amount to 17% (about two months) of operating revenues

How Fund Balance Used – FY 2009 and FY 2010 (millions)



\$168.9 expended in FY 2009; \$184.0 budgeted in FY 2010

Use of Reserves for Budget Balancing

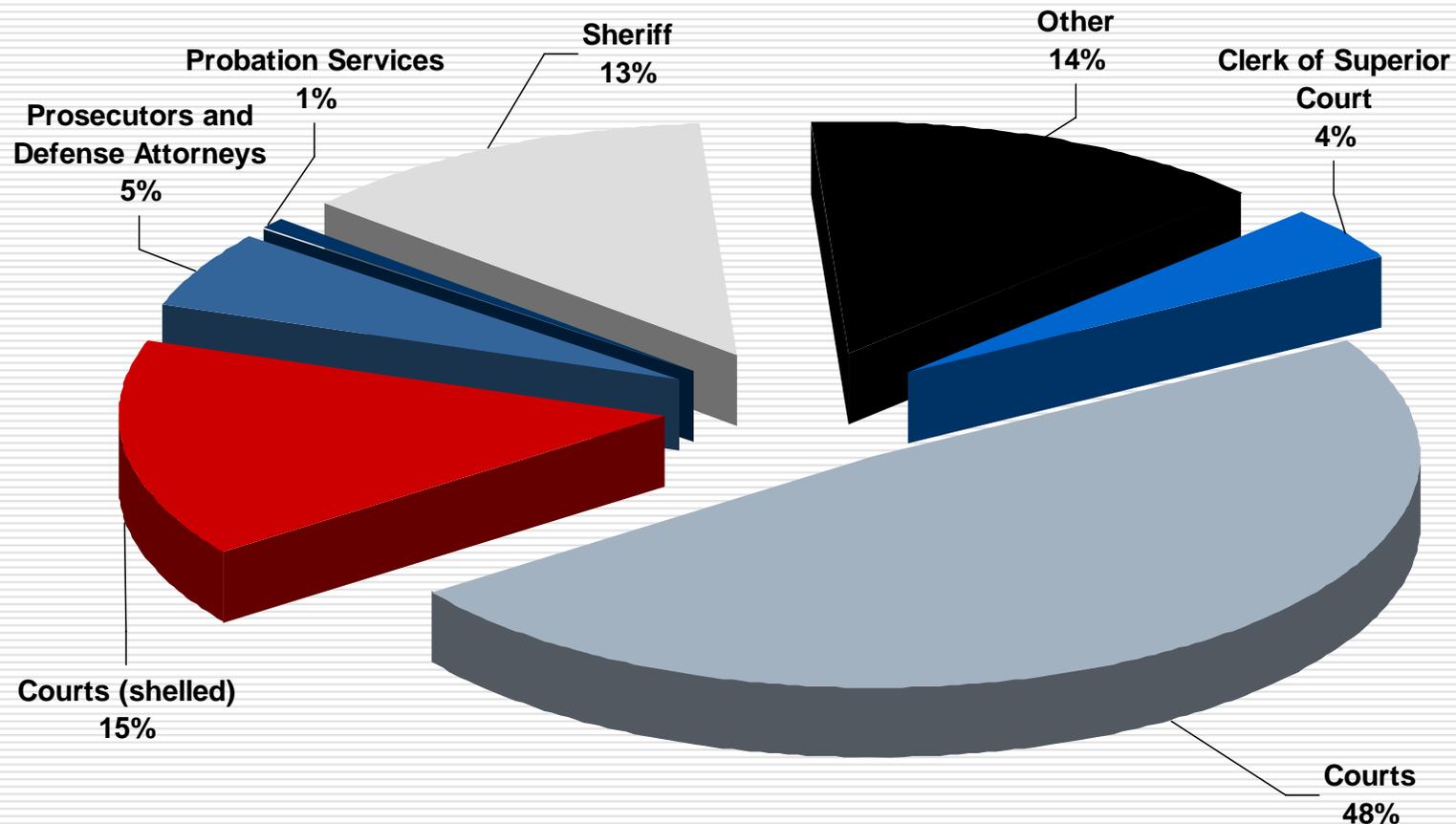
	Use of Fund Balance (millions)	Annual Operating Savings
<u>FY 2009:</u>		
Debt/Capital Lease Pay-Off	\$ 54.3	\$ 16.0
<u>FY 2010:</u>		
IT Capital Lease Pay-Off	\$ 24.0	\$ 12.4
Funding for CIP/Elim. Debt Service	21.0	5.4
Retirement Incentive Program	1.4	3.0
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	\$ 100.7	\$ 36.8

Downtown Court Tower

- Total Budget: \$339,559,000
 - Construction Budget: \$258.6 million



Court Tower Space Utilization



Other = Public Spaces, Building Services, Data Center

Space Utilization: Sheriff (13%)

- ❑ 159 modern holding cells, of which 78 cells are on LL1 (65,000 sf)
 - ❑ Capacity for 1,361 inmates
 - ❑ Significantly improved safety for Deputy Sheriffs and Detention Officers who guard inmates while they are in the Courthouse
 - Elevators
 - Improved inmate movement
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Why Build the Court Tower

- ❑ Last Downtown Court was built 30 years ago, when Maricopa County was a third of its current size.
 - ❑ The courts now handle 40,000 felonies a year and the caseload is growing at 6 percent a year.
 - ❑ This project is putting \$340 million into the economy and will create 1,600 jobs for Arizona workers - 1,200 in the construction trades, 300 professional and 100 service jobs
 - ❑ Operational efficiencies will be created
 - ❑ Consolidation of county courts into a central campus for criminal, civil and family trial functions
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Why Build the Court Tower

- ❑ Takes advantage of deflated market prices for building products, especially steel and copper
 - ❑ Favorable bidding climate for best construction price and reduced fees
 - ❑ A more efficient justice system. The new courthouse is designed to be high volume and efficient, incorporating the latest in technology and "best practices."
 - Flexible building design with community courtrooms rather than each judge having an assigned one
 - All judges chambers together sharing facilities
 - LEED Silver Certification (or better) means lower operating costs, increased morale, and productivity
 - ❑ By following a pay-as-you-go philosophy and not borrowing for this project, county-controlled property taxes are kept low
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Cash vs. Borrowing Savings

- ❑ Using cash vs. a 20 year bond debt results in savings of \$191 million in debt service payments
 - ❑ Avoids assessing secondary debt service property taxes that would cost the average taxpayer \$9 annually
 - ❑ By using cash, the average property owner would save \$180 over 20 years
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Moving Forward

- ❑ Stabilize – continue to use fund balance responsibly
 - ❑ Slim down services if revenue declines continue
 - ❑ Forecast continuously – adjust course as necessary to maintain structural balance
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Recommendations

- ❑ If it appears likely that revenues will meet budget for the current fiscal year, consider rescinding the hiring and capital freezes
 - ❑ Review all budget policies with Board of Supervisors to make adjustments as required
 - ❑ Benchmark Maricopa County budgeting practices against other Arizona counties, as well as comparable jurisdictions in other states
 - ❑ Monthly roundtable discussion with financial managers of elected officials to review fiscal status and answer questions
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