



Maricopa County

Department of Finance

Tom Manos

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Date: October 22, 2008
To: David Smith, County Manager
From: Tom Manos, Chief Financial Officer 
Subject: FY 08-09 Executive Summary – September 2008

Attached is the General Fund and Detention Fund financial activity through September 30, 2008. The Executive Summary includes the beginning fund balance (unaudited), adopted revenues and expenditures, fund balance designations and undesignated ending fund balance. The reported General Fund beginning fund balance represents a net gain of \$21.3m over the estimate that was used when preparing the FY 08-09 budget.

Fund balance designations are the County's self-imposed limitations on financial resources that would otherwise be available for use. The primary fund balance designation in both the General Fund and Detention Fund is for budget stabilization. For the General Fund, this includes an amount designated to cover cash shortfalls during the fiscal year due to the property tax collection cycle, as well as a reserve. Designations have also been established in the General Fund for the reserve to support the County's migration to fully self-insured employee benefits. Designations have been established in the Detention Fund for future capital projects.

FY 08-09 Executive Summary comments regarding variances for certain revenue and expenditure line items are provided below.

Revenues

The positive variance of \$4.2m reported for General Fund Total Revenues does not accurately reflect the YTD revenue position of the County. This positive variance is the result of timing issues on the payment of property tax bills and property tax revenues should be on target by fiscal year-end. Total budget to actual revenue is close to negative \$7m.

- **Property Tax Revenue YTD variance of \$11,494,721:** Property tax YTD revenue for FY 08-09 is 52 percent higher than FY 07-08 YTD actuals with a current year positive budget variance of 47.9 percent. September revenues were 56 percent higher than the same month in the prior year. Trends indicate a collection rate of 99 percent of the adopted levy. Hence, actuals will be very close to budget by year-end. The primary property tax levy increased by 7.8 percent from the FY 07-08 adopted primary levy, therefore, the Property Tax revenue budget for FY 08-09 is 7.8 percent higher than the FY 07-08 budget. Estimated collections for FY 08-09 also reflect a one-time reduction of approximately \$2.4m due to the impact of a state-wide property tax settlement with Qwest Communications.

- **Vehicle License Tax Revenue YTD variance of (\$1,859,664):** The FY 08-09 Vehicle License Tax (VLT) revenue was budgeted at a 2 percent decline from the FY 07-08 forecast. September YTD actual collections for FY 08-09 reflect an 8.2 percent decline compared to FY 07-08. This declining revenue trend is expected to continue through FY 08-09. The revised forecast from EDP based on the most recent September tax revenues points to a 10 percent decline in the Pessimistic scenario from FY 07-08 actual collections. The revised Pessimistic Forecast would equate to a year-end budget shortfall of \$12.5m. This revised forecasted decline and shortfall are significantly higher than the prior forecast of a 6 percent decline and \$6.0m year-end budget shortfall.
- **Sales Tax Revenue YTD variance of (\$5,700,427):** The FY 08-09 Sales Tax revenue is 7.3 percent lower than the FY 07-08 YTD actuals with a current year negative budget variance of 5 percent. The FY 08-09 budget is based on the April 2008 Pessimistic forecast from EDP and reflects a further decline of 2 percent from FY 07-08. The most recent revised forecast from EDP points to an 8.2 percent decline in the Pessimistic scenario from the FY 07-08 collections. The revised Pessimistic Forecast would equate to a year-end budget shortfall of almost \$36.0m. This revised forecasted decline and shortfall are significantly higher than the prior forecast of 3 percent decline and \$10.3m year-end budget shortfall. Marshall Vest at the University of Arizona has indicated that sales taxes could decline by as much as 10 percent in a worst-case scenario, which would be a \$44.9m shortfall.

Expenditures

- **Personal Services Expenditures YTD variance of \$1,564,351:** Overall, personal services expenditures are 1.3 percent under budget. Departments under budget that make up the largest portion of this variance are Elections, Assessor, and Superior Court.
- **Services Expenditures YTD variance of \$33,714,966:** There are several departments that are under budget for the year. The largest variance is in Non-Departmental as expenditures are under budget in facilities maintenance contracts and IT Infrastructure projects. In addition, the large budget items for Settlements was budgeted in equal amounts per month, but no expenditures have been incurred.
- **Debt Service Expenditures YTD variance of (\$1,433,244):** The negative YTD variance is the result of Debt Service expenditures that were budgeted within the Services category, however, the actual payments were recorded as Debt Service expenditures. This line item is forecasted to be over budget at year-end and offset by under spending in Services in the same amount.
- **Capital Outlay Expenditures YTD variance of \$873,826:** The variances are occurring in the Major Maintenance programs. Many of these projects are currently in the design phase or contract negotiation, so the majority of the expenditures may not occur until the last half of the fiscal year. In addition, some of these projects are multi-year and the expenditures may not occur this fiscal year, however, the amounts have been budgeted to ensure complete project funding.
- **Transfers Out YTD variance of (\$412,535):** The majority of the Transfers Out were budgeted and occurred in July. These are non-recurring transfers to the Capital Projects Fund for the Court Tower and various other capital projects. The negative YTD variance is the result of a CIP transfer that was calendarized monthly; however, the entire fiscal year amount was transferred in August.

General Fund Departmental Variances:

Call Center – General Fund expenditures are over budget YTD by \$6,710. The negative YTD variance is the result of a different calendarization from actuals for temporary pay costs associated with the Notice of Valuation and upcoming election. The department is working with OMB on a Corrective Action Plan to bring expenditures within budget by year-end.

Constables – General Fund expenditures are over budget YTD by \$791. The variance is the result of a timing issue in the allocation of a Deputy Constable's September salary and benefit costs to the budget line in Non-Departmental. The department is working with OMB on a Corrective Action Plan and projects expenditures to be under budget by fiscal year-end.

County Attorney Civil – General Fund expenditures are over budget YTD by \$317,238. The negative variance is due to increased costs associated with Hart v. Hill. Contingency funding of \$400,000 is reserved in the FY 08-09 Non-Departmental budget for Hart v. Hill costs.

Office of Public Defense Services – General Fund expenditures within the Indigent Representation appropriation group are over budget YTD by \$1,861,053. The departments reporting a negative variance are as follows:

- **Juvenile Defender** – YTD variance of (\$121,949). The negative variance is due to increases in demand for legal representation in dependency matters. FY 08-09 demand for dependency representation is double the demand experienced in FY 07-08. The department is working with OMB on a Corrective Action Plan to bring expenditures within budget by year-end.
- **Public Defense Services** – YTD variance of (\$2,092,889). The negative variance is due to increases in demand for legal representation in adult felony matters. While new demand for Public Defense Services adult felony representation is projected to increase 4.5 percent, the larger impact is from cases assigned in the prior fiscal year that continue to require payment to contract attorneys as they resolve (FY 07-08 demand was 10 percent higher than projected). Additionally, the number of capital cases continues to grow; the current inventory of capital cases is about 10 percent higher (148 v. 133) than it was during the crisis that occurred in March 2007. The department is working with OMB on a Corrective Action Plan to bring expenditures within budget by year-end.

Justice Courts – General Fund expenditures are over budget YTD by \$8,415. Justice Courts did not meet budgeted vacancy savings. The department is working with OMB on a Corrective Action Plan and projects expenditures to be under budget by fiscal year-end.

Detention Fund

Revenues

- **Jail Excise Tax (Sales Taxes) Revenue YTD variance of (\$2,442,155):** The FY 08-09 Jail Excise Tax revenue budget is based on the April 2008 Pessimistic forecast from EDP and reflected a further decline of 2 percent from FY 07-08. The most recent YTD actual collections through September have declined 9.5 percent over FY 07-08. Preliminary revised forecasts based on September actual collections from EDP point to an 8.6 percent decline in the Pessimistic scenario from FY 07-08 collections. In this scenario, the budget shortfall would be \$12.0m. This revised forecasted decline and shortfall are significantly higher than the prior forecast of 4 percent decline and \$4.6m year-end budget shortfall. Marshall Vest at the University of Arizona has indicated that sales taxes could decline by as much as 10 percent in a worst-case scenario, which would be a \$13.1m shortfall.
- **Miscellaneous (Jail Per Diem and Other) Revenue YTD variance of \$2,372,892:** Revenue associated with the Jail Per Diem and Booking fees is above budget by approximately 35 percent YTD. These revenues have historically been budgeted very conservatively, as it is unknown how jurisdictions' utilization of county jails may change as the result fee increases. Based on current rates and utilization levels, this revenue source is forecasted to exceed budgeted revenue by \$6.0m this fiscal year.

Expenditures

There are no negative variances in any expenditure category within the Detention Fund.

- **Personal Services YTD variance of \$321,562:** The favorable variance in personal services is primarily due to the hiring freeze that is currently in place.
- **Supplies YTD variance of \$162,446.** The favorable variance in supplies is due to the timing of purchases and the calendarization of these expenditures.
- **Services YTD variance of \$6,147,731:** This favorable variance is the result of unspent contingency funds.

Detention Fund Departmental Expenditure Variances

Correctional Health F255 – Detention Fund expenditures are over budget YTD by \$38,797. The variance is due to the physician loan repayment and related payroll taxes occurring in July; this expenditure was budgeted as though it would have been paid equally throughout the year.

Several departments had significant variances through September 30, 2008. OMB analysts will work with department liaisons to analyze YTD expenditures and accurately forecast the fiscal year-end financial position. In a collaborative effort, the Department of Finance continues to provide accurate and timely financial information to support management decisions.

Please review and let me know if you have any questions that we can address.

Cc: Sandi Wilson
Assistant County Managers
Shelby Scharbach
DOF Finance Managers
OMB Deputy Directors
OMB Budget Supervisors



General Fund

Executive Summary

As of September 30, 2008

Revenues	Revised FY Budget	YTD Budget	YTD Actual	Variance
Property Taxes	456,457,388	24,105,170	35,599,891	11,494,721
Vehicle License Taxes	137,859,289	39,259,362	37,399,698	(1,859,664)
Sales Taxes	459,033,619	114,532,470	108,832,043	(5,700,427)
Intergovernmental	12,964,808	514,923	231,053	(283,870)
Interest	12,000,000	3,000,000	3,659,276	659,276
Miscellaneous	78,967,517	17,798,188	17,765,639	(32,549)
Transfers In	11,621,745	4,260,046	4,222,543	(37,503)
Total Revenues	1,168,904,366	203,470,159	207,710,143	4,239,984
Expenditures				
Personal Services	467,198,383	116,882,006	115,317,655	1,564,351
Supplies	13,810,554	4,239,224	3,508,728	730,496
Services	331,239,546	67,037,587	33,322,621	33,714,966
Intergovernmental Payments	229,517,906	57,345,009	56,722,228	622,781
Debt Service	9,643,704	2,342,874	3,776,118	(1,433,244)
Capital Outlay	6,730,441	1,327,410	453,584	873,826
Transfers Out	379,416,476	223,977,008	224,389,543	(412,535)
Total Expenditures	1,437,557,010	473,151,118	437,490,477	35,660,641
Excess (Deficiency) of Revenues Over Expenditures	(268,652,644)	(269,680,959)	(229,780,334)	39,900,625
Beginning Fund Balance	485,477,495	485,477,495	506,815,801 ⁽¹⁾	21,338,306
<i>Revenues</i>	1,168,904,366	203,470,159	207,710,143	4,239,984
<i>Expenditures</i>	1,437,557,010	473,151,118	437,490,477	35,660,641
Fund Balance with Designations	216,824,851	215,796,536	277,035,467	61,238,931
<i>Fund Balance Designations (2)</i>	210,849,851	210,849,851	210,849,851	-
Undesignated Ending Fund Balance	5,975,000	4,946,585	66,185,516	61,238,931

1. Unaudited Beginning Fund Balance

2. Fund Balance Designations:

Budget Stabilization:

Cash Flow/Property Tax 58,000,000

Reserve 118,549,851

Benefits Self-Funding Reserve 34,300,000

Total: **210,849,851**

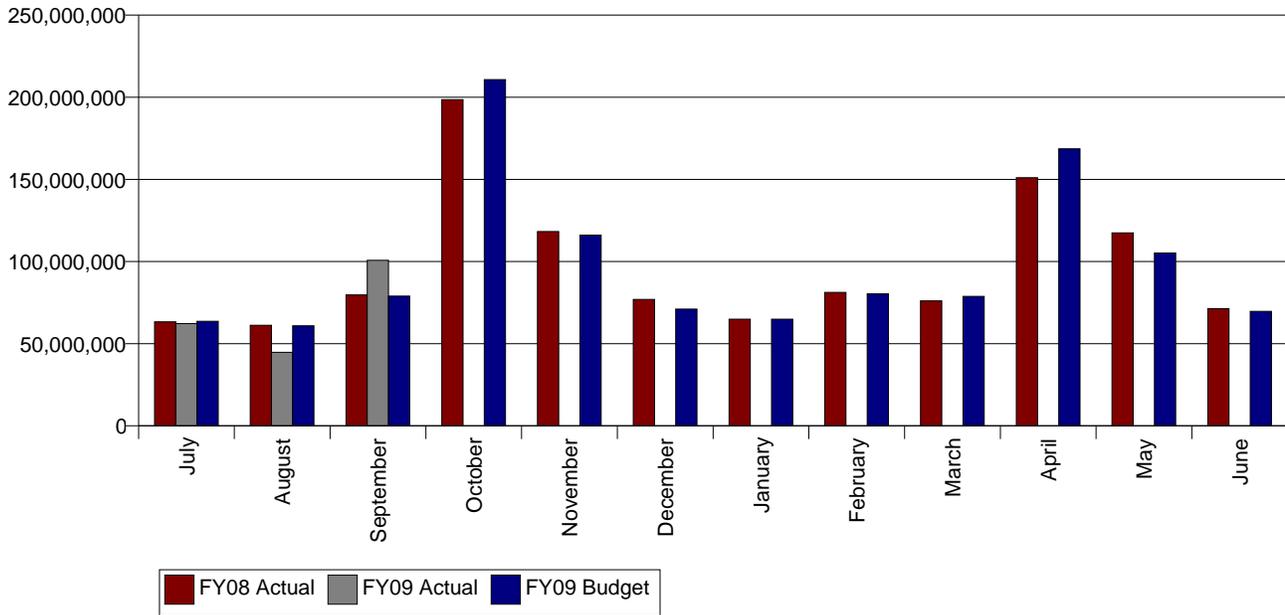


General Fund

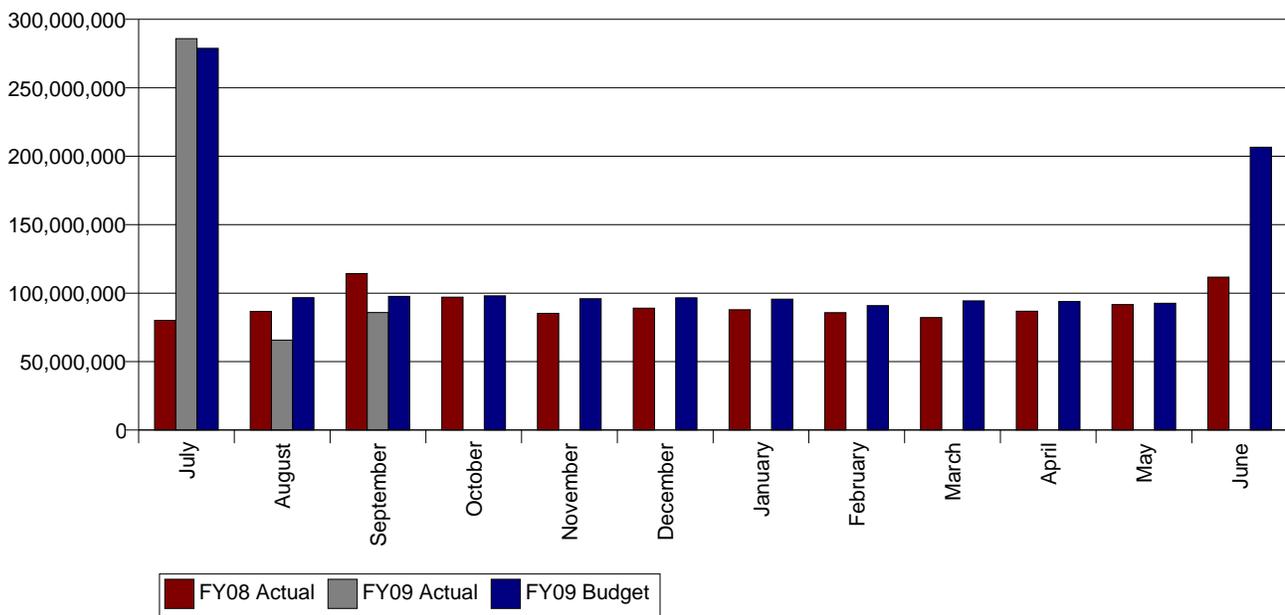
Executive Summary

As of September 30, 2008

Revenues



Expenditures





General Fund

Category Detailed by Agency

As of September 30, 2008

	Revised Budget	YTD Budget	YTD Actual	Variance	% of Variance
General Government					
ASSESSOR F100	24,923,302	6,272,974	5,887,922	385,052	6.14 %
BOARD OF SUPERVISORS D1 F100	372,646	95,189	89,430	5,759	6.05 %
BOARD OF SUPERVISORS D2 F100	372,649	96,547	92,084	4,463	4.62 %
BOARD OF SUPERVISORS D3 F100	372,649	89,012	84,524	4,488	5.04 %
BOARD OF SUPERVISORS D4 F100	372,648	86,619	83,723	2,896	3.34 %
BOARD OF SUPERVISORS D5 F100	372,643	98,452	96,148	2,304	2.34 %
CALL CENTER F100	1,628,190	406,566	413,276	(6,710)	-1.65 %
CLERK OF THE BOARD F100	716,421	181,068	167,689	13,379	7.39 %
COMMUNICATIONS F100	932,091	265,516	152,111	113,405	42.71 %
COUNTY MANAGER F100	1,429,968	365,458	345,377	20,081	5.49 %
ELECTIONS F100	20,096,904	6,849,054	6,527,070	321,984	4.70 %
ENTERPRISE TECHNOLOGY F100	10,785,417	3,677,700	2,700,255	977,445	26.58 %
FACILITIES MANAGEMENT F100	12,908,663	3,276,067	3,238,912	37,155	1.13 %
FINANCE F100	3,787,037	950,805	943,407	7,398	0.78 %
INTERNAL AUDIT F100	1,843,786	468,836	445,238	23,598	5.03 %
MANAGEMENT & BUDGET F100	3,746,301	940,151	885,405	54,746	5.82 %
MATERIALS MANAGEMENT F100	2,029,600	517,030	480,432	36,598	7.08 %
RECORDER F100	2,279,710	549,235	546,540	2,695	0.49 %
RESEARCH & REPORTING F100	327,743	106,846	95,835	11,011	10.31 %
TREASURER F100	2,909,938	750,961	750,765	196	0.03 %
WORKFORCE MGMT AND DEV F100	6,145,531	1,564,065	924,697	639,368	40.88 %
Subtotal	98,353,837	27,608,151	24,950,840	2,657,311	9.63 %
Public Safety					
CLERK OF SUPERIOR COURT F100	32,214,103	8,320,650	7,824,774	495,876	5.96 %
CONSTABLES F100	2,361,217	578,819	579,610	(791)	-0.14 %
CORRECTIONAL HEALTH F100	3,581,457	902,223	791,658	110,565	12.25 %
COUNTY ATTORNEY CIVIL F100	10,315,927	2,600,178	2,917,416	(317,238)	-12.20 %
COUNTY ATTORNEY F100	62,837,039	15,939,871	15,874,163	65,708	0.41 %
EMERGENCY MANAGEMENT F100	234,996	52,263	42,830	9,433	18.05 %
INDIGENT REPRESENTATION *	75,878,995	17,691,960	19,553,013	(1,861,053)	-10.52 %
JUDICIAL BRANCH *	148,680,506	37,599,170	37,010,360	588,810	1.57 %
JUSTICE COURTS F100	14,234,238	3,516,809	3,525,224	(8,415)	-0.24 %
JUSTICE SYSTEM PLANNING F100	542,057	136,464	76,627	59,837	43.85 %
MEDICAL EXAMINER F100	7,738,016	1,977,983	1,871,023	106,960	5.41 %
PUBLIC FIDUCIARY F100	2,650,584	661,313	624,332	36,981	5.59 %
SHERIFF F100	75,115,906	18,799,596	18,604,571	195,025	1.04 %
Subtotal	436,385,041	108,777,299	109,295,601	(518,302)	-0.48 %
Health, Welfare and Sanitation					
ANIMAL CARE & CONTROL F100	322,919	80,729	80,729	0	0.00 %
ENVIRONMENTAL SERVICES F100	3,687,644	1,006,600	986,393	20,207	2.01 %
HUMAN SERVICES F100	2,517,013	629,258	383,643	245,615	39.03 %
PUBLIC HEALTH F100	12,462,708	3,134,897	2,859,178	275,719	8.80 %
Subtotal	18,990,284	4,851,484	4,309,943	541,541	11.16 %
Culture and Recreation					
PARKS & RECREATION F100	1,426,304	360,491	339,488	21,003	5.83 %
Subtotal	1,426,304	360,491	339,488	21,003	5.83 %
Education					
SUPERINTENDENT OF SCHOOLS F100	2,320,833	584,642	546,613	38,029	6.50 %
Subtotal	2,320,833	584,642	546,613	38,029	6.50 %
Other Gov Fund					
HEALTH CARE PROGRAMS F100	234,768,067	57,290,975	57,097,115	193,860	0.34 %
NON-DEPARTMENTAL F100	645,312,644	273,678,076	240,950,877	32,727,199	11.96 %
Subtotal	880,080,711	330,969,051	298,047,992	32,921,059	9.95 %
Total Expenditures	1,437,557,010	473,151,118	437,490,477	35,660,641	7.54 %



General Fund

Agency Detail of Grouped Appropriations

As of September 30, 2008

Indigent Representation	Revised Budget	YTD Budget	YTD Actual	Variance	% of Variance
JUVENILE DEFENDER F100	3,654,409	919,268	1,041,217	(121,949)	-13.27 %
LEGAL ADVOCATE F100	9,529,764	2,306,996	2,131,550	175,446	7.60 %
LEGAL DEFENDER F100	10,511,194	2,509,152	2,445,806	63,346	2.52 %
PUBLIC DEFENDER F100	36,768,742	9,176,422	9,061,429	114,993	1.25 %
PUBLIC DEFENSE SERVICES F100	15,414,886	2,780,122	4,873,011	(2,092,889)	-75.28 %
Subtotal	<u>75,878,995</u>	<u>17,691,960</u>	<u>19,553,013</u>	<u>(1,861,053)</u>	<u>-10.52 %</u>

Judicial Branch	Revised Budget	YTD Budget	YTD Actual	Variance	% of Variance
ADULT PROBATION F100	61,112,616	15,442,517	15,311,821	130,696	0.85 %
JUVENILE PROBATION F100	17,220,629	4,370,505	4,100,292	270,213	6.18 %
SUPERIOR COURT F100	70,347,261	17,786,148	17,598,247	187,901	1.06 %
Subtotal	<u>148,680,506</u>	<u>37,599,170</u>	<u>37,010,360</u>	<u>588,810</u>	<u>1.57 %</u>



Detention Fund Executive Summary

As of September 30, 2008

Revenues	Revised FY Budget	YTD Budget	YTD Actual	Variance
Sales Taxes	138,206,968	34,979,696	32,537,541	(2,442,155)
Interest	6,335,889	1,583,973	2,030,523	446,550
Miscellaneous	27,246,500	6,811,626	9,184,518	2,372,892
Transfers In	197,452,665	42,520,457	42,520,458	1
Total Revenues	369,242,022	85,895,752	86,273,040	377,288
 Expenditures				
Personal Services	226,435,237	56,226,398	55,904,836	321,562
Supplies	15,092,161	4,340,839	4,178,393	162,446
Services	181,097,130	16,036,423	9,888,692	6,147,731
Debt Service	1,716,146	445,589	388,529	57,060
Capital Outlay	929,493	256,313	119,229	137,084
Transfers Out	951,000	951,000	951,000	-
Total Expenditures	426,221,167	78,256,562	71,430,679	6,825,883
 Excess (Deficiency) of Revenues Over Expenditures				
	(56,979,145)	7,639,190	14,842,361	7,203,171
Beginning Fund Balance	141,979,145	141,979,145	155,767,892 ⁽¹⁾	13,788,747
Revenues	369,242,022	85,895,752	86,273,040	377,288
Expenditures	426,221,167	78,256,562	71,430,679	6,825,883
Fund Balance with Designations	85,000,000	149,618,335	170,610,253	20,991,918
Fund Balance Designations (2)	85,000,000	85,000,000	85,000,000	-
Undesignated Ending Fund Balance	-	64,618,335.00	85,610,253	20,991,918

1. Unaudited Beginning Fund Balance

2. Fund Balance Designations:

Budget Stabilization 50,000,000

Future Capital Projects 35,000,000

Total: 85,000,000

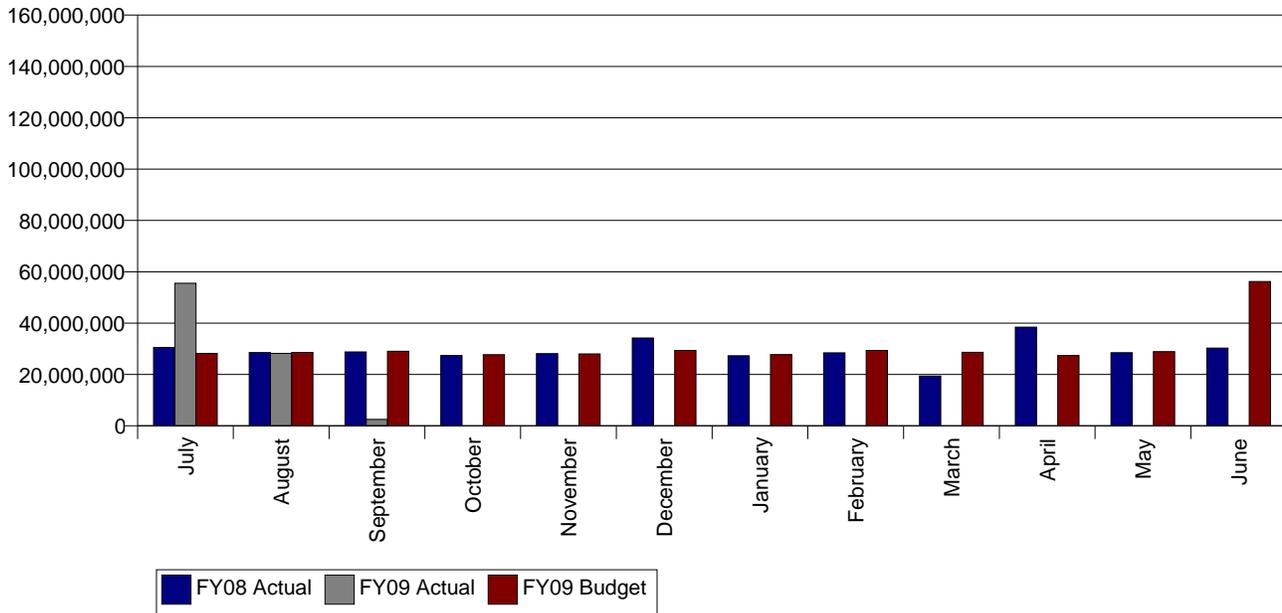


Detention Fund

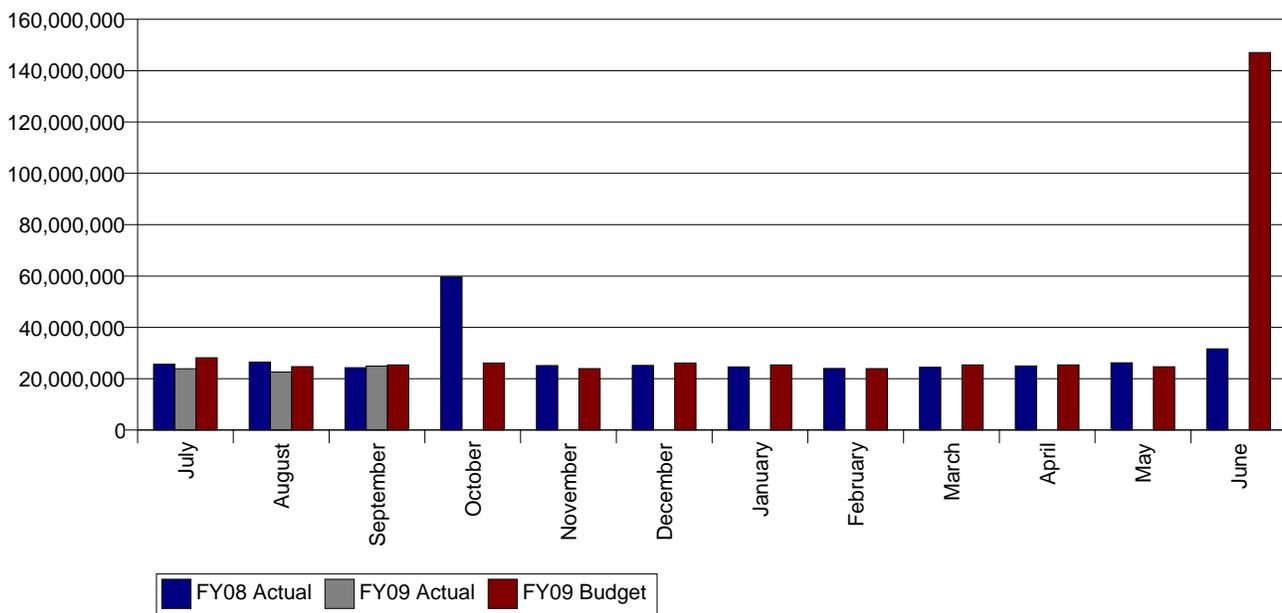
Executive Summary

As of September 30, 2008

Revenues



Expenditures





Detention Fund
Category Detailed by Agency
As of September 30, 2008

Revenues

Agency	<u>Revised Budget</u>	<u>YTD Budget</u>	<u>YTD Actual</u>	<u>Variance</u>	<u>% of Variance</u>
262 - CORRECTIONAL HEALTH F255	6,500	1,626	1,035	(591)	(36.34)%
472 - NON-DEPARTMENTAL F255	341,995,522	79,084,126	77,089,555	(1,994,571)	(2.52)%
507 - SHERIFF F255	27,240,000	6,810,000	9,182,450	2,372,450	34.84%
	<u>369,242,022</u>	<u>85,895,752</u>	<u>86,273,040</u>	<u>377,288</u>	<u>0.44%</u>

Expenditures

Agency	<u>Revised Budget</u>	<u>YTD Budget</u>	<u>YTD Actual</u>	<u>Variance</u>	<u>% of Variance</u>
262 - CORRECTIONAL HEALTH F255	49,229,949	12,376,827	12,415,624	(38,797)	(0.31)%
276 - JUVENILE PROBATION F255	35,714,330	9,003,153	8,180,176	822,977	9.14%
420 - JUSTICE SYSTEM PLANNING F100	1,695,804	633,674	384,113	249,561	39.38%
472 - NON-DEPARTMENTAL F255	150,555,493	8,253,992	3,435,314	4,818,678	58.38%
482 - GEN GOV DETENTION FUND	-	-	-	-	0.00%
507 - SHERIFF F255	186,282,064	47,299,782	46,418,151	881,631	1.86%
701 - FACILITIES MANAGEMENT F255	2,743,527	689,134	597,301	91,833	13.33%
	<u>426,221,167</u>	<u>78,256,562</u>	<u>71,430,679</u>	<u>6,825,883</u>	<u>8.72%</u>