

BUDGET ISSUES

This section of the Fiscal Year 2004/2005 Adopted Budget for Pima County identifies the predominant budget issues faced by the Pima County Board of Supervisors, during the formulation and adoption of this fiscal year's budget. The issues are delineated in the County Administrator's memorandum, *Transmittal of the Recommended Fiscal Year 2004/2005 Budget*, dated April 30, 2004; his May 25, 2004 memorandum *Tentative Budget Adoption: Fiscal Year 2004/2005*; and his June 15, 2004 memorandum, *Fiscal Year 2004/2005 Final Budget Adoption*. (The memoranda are located on pages 4-3, 4-35, and 4-39, respectively.)

Issues Synopsis

- Budget Increases But Tax Rate Decreases - The overall County budget, including all funds is \$1,097,721,546, an increase of \$66.1 million over the fiscal year 2003/04 budget. The increase is primarily related to increased expenditures in the General Fund (\$40 million), in Capital Projects (\$25.9 million), the non-Medical Services Enterprise Funds (\$3.9), and Special Revenue Funds (\$2.4 million). These expenditure increases offset the decreases in Medical Services (\$5.8 million) and Debt Service (\$329 thousand).

The total County tax rate decreased by \$0.0014. The primary property tax rate for the General Fund remained the same; secondary tax rates for Bond Debt Service, the Flood Control District, and the Library District also remained the same. The total secondary tax rate decreased, since the secondary rate for the Fire District Assistance rate decreased by \$0.0014.

- \$3.4 million of the FY 2003/04 Ending Fund Balance Used - Although the projected fiscal year 2003/04 ending fund balance increased by \$3 million, the Board of Supervisors adopted the County Administrator's recommendations to use \$3.4 million to fund fiscal year 2004/05 requirements. A total of \$2,988,874 was budgeted to temporarily fund positions of displaced Kino Community Hospital employees who are waiting to be assimilated into the main County workforce and \$411,126 in additional funding was budgeted for the renovation and expansion of the Forensic Science Center.
- Rainy Day Funds Decreased - The budgeted year end fund balance of the General Fund decreased by \$400,000 from \$13.4 million for fiscal year 2003/04 to \$13 million for fiscal year 2004/05. Although the decrease was greater than last year, the total decrease over the past two fiscal years was only \$500,000. Maintaining this reserve has helped the County minimize the negative impacts of the depressed economy.
- Kino Community Hospital - The budget includes a payment of \$24,791,667 to University Physicians Incorporated (UPI) for the lease and operation of the University Physicians Hospital at Kino (formerly Kino Community Hospital). This is the first of ten annual payments to UPI to operate the hospital. The changes in the operation of the hospital are discussed on pages 6-11 and 6-12 of the *Budget Planning Practices* section and page 13-11 of the *Medical Services* section.
- Employees Receive a Salary Adjustment - Although no compensation package was included in last years budget, this year the Board of Supervisors adopted a one step increase for commissioned and corrections officers and a 5 percent increase for all other County employees. The commissioned and corrections officers assigned to a step plan will receive a step increase on their anniversary date, and the other County employees will receive 2.5 percent effective the pay period beginning August 8, 2004 and an additional 2.5 percent increase effective the pay period beginning December 26, 2004. The adopted cost of the compensation increases to the General Fund is \$5,319,176.

- Justice & Law Enforcement Receives Most Supplemental Funding – A total of \$6,923,907 in supplemental funding was approved by the Board. Justice & Law Enforcement received \$5,568,002, and the Sheriff Department received most of the supplemental funding that was adopted. Of the \$5,077,652 approved for the Sheriff Department, \$4,863,333 is for operating costs for the new jail facility and \$214,319 is for continued funding of eight deputies under COPS in Schools grants.

The County Administrator's memoranda, *Transmittal of the Recommended Fiscal Year 2004/2005 Budget* (page 4-3) and *Fiscal Year 2004/2005 Final Budget Adoption* (page 4-39), detail and discuss these budget issues at length.