



Board of Supervisors Memorandum

Date: May 3, 2005

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: C.H. Huckelberry *w/for*
County Administrator

Re: Transmittal of Recommended Fiscal Year 2005/06 Budget

Introduction

This memorandum is to transmit the Recommended Fiscal Year 2005/06 Budget for Pima County. These recommendations are made based on information available in mid-April 2005. It is possible that additional relevant information will become available for the Board as it deliberates on the budget prior to final adoption.

Significant events in the Budget adoption and tax levy process are scheduled as follows:

May 17, 2005	Budget Hearing
May 24, 2005	Tentative Budget Adoption (Sets Budget Ceiling)
June 21, 2005	Final Budget Adoption
August 15, 2005	Tax Levy Adoption (Date Set by State Statute)

This Recommended Budget is being transmitted prior to adjournment of the Arizona Legislature and adoption of the State Budget for Fiscal Year 2005/06. Many proposals are under consideration at the Legislature that would affect expenditures and revenues of Pima County. It is not possible at this time to precisely predict what the net impact of the State's Budget, when finally adopted, will be on Pima County. The County's base operating budget for all funds set forth in this recommendation includes projected continuing and new cost shifts, revenue reductions and revenue sharing from the State. It is probable, however, that this Recommended Budget will require revisions in some amount prior to final adoption to reflect additional fiscal impacts ultimately enacted by the State. In particular, it has been assumed that the State appropriation of \$3,817,800 to hold Pima County harmless from the 2001 State implementation of Proposition 204 relating to indigent healthcare will continue. If it does not, this Recommended Budget will require substantial adjustment to reduce expenditures.

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Following this budget memorandum are:

- Budget schedules showing fund balances, expenditures, revenues, transfers and other financing sources.
- A summary of each department's budget including a description of the budget on a line-item account basis.
- Descriptions of all supplemental funding packages requested by each department.

Included within the Recommended Budget is information derived from the zero-base budgeting methodology utilized for select departments. On October 26, 1999, the Board adopted Board of Supervisors Policy No. D 22.5, providing that all departmental budgets undergo a periodic zero-base budget review to evaluate the existing base level of funding as compared to the level and volume of services actually being provided. This year the recommended General Fund budgets of Community Development and Neighborhood Conservation, Community and Economic Development Administration, Community Resources, Community Services, Economic Development and Tourism, Elections, Forensic Science Center, Juvenile Court, Public Health, and School Superintendent were constructed using a zero-base approach. The results of this process are discussed in Section V of this budget memorandum.

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I. Overview of Recommended Budget

- The Recommended Budget reduces the combined County property tax rate by 3.49 cents.
- The Library District Budget will accommodate initiation of a five year transition of all funding and operation of the regional Library System to the District, if an acceptable plan is approved by the Board of Supervisors, by increasing the District's property tax rate by 6.51 cents to afford over \$2 million in relief to the City of Tucson and to open three new facilities and expand library hours throughout the County.
- The General Obligation Debt Service property tax rate is reduced 10 cents which, when combined with the proposed increase in the Library District's rate, results in a 3.49 cent net reduction in the combined County tax rate.
- The remainder of this Budget, including the General Fund, is balanced using available resources and does not propose to increase or establish new taxes or fees.
- This Budget continues to fund all existing County responsibilities, programs and functions and does not propose any cuts or eliminations within existing departmental budgets.
- This Budget addresses numerous needs relating to increased mandates, population growth, inflationary cost increases, decreasing grant revenues, and operating costs for new, voter approved bond projects including:
 - Almost \$2 million of operating costs for new facilities and acquisitions, including parks, open space and the new Jail.
 - Restoration of almost \$1.5 million of lost federal and state grant dollars to fund critical community programs.
 - More than \$3.7 million to address increased caseloads and costs within the criminal justice system including adding judges and judicial hearing officers throughout the Court system.
 - Almost \$0.5 million to comply with the new election law requirements of the federal Help America Vote Act and State Proposition 200.
 - More than \$5.3 million for the increased costs of providing medical care in County detention facilities.

- More than \$4.3 million for increased payments mandated by the State of Arizona to fund indigent acute and long term care programs.
- Almost \$5 million for the increased costs of employee benefits.
- Almost \$9.5 million to increase the compensation of commissioned Sheriff's staff and the remainder of the County workforce in order to try and remain competitive with other jurisdictions within the market, primarily the City of Tucson.

II. Summary of Key Budget Issues

- The projected General Fund ending balance for Fiscal Year 2004/05 is \$19,070,381, an increase of \$6,070,381 over the budgeted balance of \$13,000,000.
- It is recommended that the one-time Fiscal Year 2004/05 ending balance be allocated for the following purposes:
 - \$375,000 as the first of five annual contributions to support establishment of the Institute for Global Pharmaceutical Development subject to specific approval by the Board during the coming year.
 - \$1,283,123 to retire the last remaining accumulated, long-term fund deficits in the County: Juvenile Grants Fund and Graphic Services Fund.
 - \$1,612,258 for the Facilities Maintenance Fund to continue rehabilitation of ageing County buildings in the downtown area.
 - \$15,800,000 as the budgeted General Fund ending balance for Fiscal Year 2005/06.
- Assuming continuation of the current primary property tax rate of \$4.072, General Fund base revenues and transfers in for Fiscal Year 2005/06 are projected to be \$410,295,225.
- General Fund base expenditures and operating transfers out for Fiscal Year 2005/06 are recommended to be \$393,034,035 which is \$17,261,190 less than projected revenues.
- Recommended adjustments to base expenditures to allocate excess revenues are:
 - \$1,150,000 set aside in the Reserve Contingency to be used as needed to fund operations at the newly opened Adult Detention Facility and the cost of the State-shifted Restoration to Competency Program.

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- \$6,232,018 for an employee compensation package consisting of one step for corrections staff assigned to a Step Plan, 2.5 percent for most other employees to address inflation, and 1.7 percent for employees who are members of the Arizona State Retirement System whose required contribution will increase by that amount.
 - \$1,965,738 for adjustments to six zero-based department budgets, primarily for increased costs for supplies and services in Public Health and the Juvenile Detention Facility.
 - \$1,976,813 for operating costs for new facilities and acquisitions, primarily voter approved bond projects.
 - \$465,324 for the cost of complying with new federal and state election law requirements.
 - \$1,476,528 to restore a portion of lost federal and state grant revenues, primarily for job training programs.
 - \$2,658,248 for a variety of needs in the Criminal Justice System, primarily growth related, including new judges and hearing officers throughout the Court system.
 - \$400,000 to continue to enhance and expand the County's Information Technology capabilities.
 - \$936,521 for other departmental supplemental requests including disease outbreak management and additional field appraisers.
- The recommended budget for the Library District is \$16,148,401, an increase over this year of \$5,629,720, and requires a recommended tax rate of \$0.2775, an increase of \$0.0651 over the current rate in order to accommodate, if ultimately approved by the Board, initiation of a five year transition of all funding and operational control of the Library System from the City of Tucson to the District.
 - The recommended budget for Debt Service is \$67,738,662, a \$5,690,629 increase from this year, and the recommended tax rate to support the General Obligation portion of that budget is \$0.7150, a \$0.1000 decrease from the current year.
 - The recommended operating budget of the Flood Control District is \$9,340,697, a \$1,902,358 increase over this year, and the recommended tax rate is the same as this year's at \$0.3546.
 - The recommended operating budget of the Stadium District is \$1,541,169, a \$59,515 increase from this year's budget.

- The recommended combined County primary and secondary tax rate is \$5.4191 per \$100 of assessed value, a \$0.0349 decrease from the current year.
- The overall recommended expenditure authority for all funds in the County is \$1,201,721,282, a \$103,999,736 increase in this year's County Budget.

III. General Fund Ending Fund Balance: Fiscal Year 2004/05

A. Positive Ending Fund Balance

The projected General Fund ending fund balance for Fiscal Year 2004/05 is \$19,070,381. This is a projected increase in the ending fund balance of \$6,070,381 over the budgeted ending balance of \$13,000,000. This increase results primarily from an actual beginning fund balance based on the final audit of Fiscal Year 2003/04 that was \$7,125,768 greater than the estimated amount adopted in this year's budget. If the actual beginning fund balance had not exceeded the budgeted amount, the ending balance would be \$11,944,613 or \$1,055,387 less than budget.

Significant factors that contributed to an actual Fiscal Year 2004/05 beginning General Fund balance that was greater than the estimate adopted in the budget include:

- Property tax — \$1.9 million increase due to higher than anticipated collection rate.
- State shared sales tax — \$1.7 million increase due to a strengthening economy.
- Federal and State program reimbursements and refunds — \$1.5 million increase due to receipt of funds after budget adoption from ALTCS, SCAAP and SWBPI.
- Court fees, fines and other revenues — \$1,061,000 increase from Justice Courts, Juvenile Court and Clerk of the Superior Court.
- Vehicle License Tax — \$613,000 increase reflecting population growth.

B. Recommended Uses of General Fund Ending Fund Balance

Set forth below are my recommendations for use of the \$19,070,381 of non-recurring, one-time monies projected as the ending balance of the General Fund on June 30, 2005.

1. Institute for Global Pharmaceutical Development

In the fall of 2004 the University of Arizona requested that Pima County provide financial support to establish an Institute for Global Pharmaceutical Development.

This non-profit Institute is proposed as a collaborative partnership involving the University of Arizona, SRI International, and the Federal Drug Administration. The purpose of the Institute will be to facilitate expedited development and approval of new medications. The Institute will be located in Pima County and, hopefully, will attract new related industry to the community.

As an enhancement to local economic development Pima County has been requested to contribute \$375,000 annually for five years to this project whose total annual budget will be approximately \$4 million. The first payment will be made after a contract acceptable to the Board of Supervisors has been approved that provides for appropriate terms and conditions governing this contribution. I recommend that \$375,000 be allocated to the Reserve Contingency Fund for this purpose subject to Board of Supervisors' specific approval of this contribution at some point during the next fiscal year.

2. Retirement of All Long-Term Deficits

In 1998 the Pima County Attorney opined that the County could no longer continue its historic practice of rolling over from one fiscal year to the next accumulated, long-term deficits in any of its various enterprise and special revenue funds. Since that time the Board of Supervisors has appropriated a total \$58,088,539 from the General Fund to retire these accumulated deficits. The largest payment of \$49,363,539 was to the Kino Community Hospital Enterprise Fund which was retired in its entirety prior to dissolution of the Fund at the time University Physicians Inc. undertook operation of the Hospital. The most recent deficit payment of \$3,420,883 to entirely eliminate the Stadium District deficit occurred this fiscal year using excess, unbudgeted intergovernmental revenues.

Only two accumulated fund deficits remain in the County: \$683,123 in the Graphic Services Internal Service Fund and \$600,000 in the Juvenile Court Grants Fund. These two deficits were substantially incurred several years ago and have not significantly increased since. Therefore, it is not expected that deficits will accumulate in these funds in the future. I recommend that \$1,283,123 be allocated to retire the last two accumulated deficits in the County.

3. Facilities Maintenance Fund

Several years ago the Board of Supervisors established a Facilities Maintenance Fund, subject to annual appropriation, to provide resources for the on-going need to repair and rehabilitate existing, ageing County buildings. Past expenditures from the Fund have been used for items such as cooling/heating system replacement, asbestos abatement, building/fire code upgrades, window sealing and roof replacement.

I recommend that \$1,612,258 be appropriated to this Fund to continue rehabilitative work on County buildings in the downtown area.

4. Budgeted General Fund Ending Fund Balance: Fiscal Year 2005/06

During the past six years the Board of Supervisors has taken a variety of significant actions to stabilize the finances and enhance the fiscal integrity of the County including increasing the reserve fund balance. From a low of zero in Fiscal Year 1996/97 the budgeted ending balance has been steadily increased to \$13,000,000 this fiscal year.

Having this budgeted reserve has contributed to an enhanced bond rating being assigned to the County which has saved substantial public dollars in reduced interest payments on County bond projects. The reserve has also enabled the County to sustain the negative fiscal impacts of a variety of unforeseen events over which the County has had little or no control.

It has been the Board of Supervisors' goal to build the reserve fund balance to a minimum of 5 percent of General Fund revenues. Based on projected revenues and transfers-in for Fiscal Year 2005/06, \$20,751,826 would need to be reserved to achieve this goal next year. Based on available resources, however, I am only able to recommend that \$15,800,000 of this year's projected General Fund ending balance be rolled over and budgeted as the General Fund ending balance for Fiscal Year 2005/06.

C. Summary of Recommended Uses of General Fund Ending Balance

Table 1 below summarizes the recommendations discussed in Section III (B) above for allocation of the non-recurring, one-time resources projected as the Fiscal Year 2004/05 ending fund balance of \$19,070,381.

Table 1

**Recommended Allocation of Fiscal Year 2004/05
 General Fund Ending Balance**

<u>Recommendation</u>	<u>Amount</u>
Institute for Global Pharmaceutical Development	\$ 375,000
Retirement of All Long-Term Deficits	1,283,123
Facilities Maintenance Fund	1,612,258
Budgeted Ending Fund Balance	<u>15,800,000</u>
Total	\$19,070,381

IV. General Fund Base Budget: Fiscal Year 2005/06

A. General Fund Base Budget Revenues

Assuming continuation of the current primary property tax rate of \$4.0720, projected Fiscal Year 2005/06 base budget revenues and operating transfers to the General Fund total \$410,295,225. This is an 8.6 percent or \$32,399,813 increase over the current year's budgeted revenues and operating transfers to the General Fund.

Below is a brief discussion on each category of projected General Fund base revenues:

1. General Government Revenues Other Than Property Taxes

Excluding primary property tax revenues, projected Fiscal Year 2005/06 base budget General Government revenues from all other sources is \$137,353,771, which is \$12,638,553 million or 10.1 percent above the current Adopted Budget. The increase is mainly due to stronger County and State economies that will produce significantly higher state shared sales tax revenues and continued growth of vehicle license tax revenues:

- State shared sales taxes — \$6,710,000 or 7.8 percent increase reflecting progressively stronger local and state economies.
- Vehicle license taxes — \$642,000 or 2.7 percent increase reflecting population growth in the County and a strengthening economy.

Also included in base revenues for the first time, given the unpredictability of the State Legislature, is \$3,817,800 of annually appropriated dollars to hold the County harmless from the State implementation of Proposition 204 relating to increased indigent healthcare approved by voters in 2000. If this amount is not ultimately reappropriated during the currently pending session of the Legislature, then expenditures in this Recommended Budget must be reduced in like amount.

2. Primary Property Tax Revenues

The Assessor's Office has published the Preliminary Primary Assessed Value (PNAV) for Fiscal Year 2005/06 that totals \$5,868,143,484, an 8.4 percent increase over the PNAV for Fiscal Year 2004/05. Approximately 3.9 percent of the total 8.4 percent increase in assessed valuation is attributable to an increased number of parcels and new construction added to the property tax rolls. The remainder of the increase represents market appreciation in the value of existing property. The assessed value of all classes of properties has grown over the past few years with the greatest growth being in owner occupied residential properties. Assuming the same primary rate as this year, \$4.0720 per \$100 of assessed value

and a collection rate of 95.72 percent, General Fund property tax revenues for Fiscal Year 2005/06 are projected to be \$228,719,346 which is \$16.2 million greater than this year's projected property tax collections.

In addition to collection of current year property taxes, the County also receives revenue from payment of delinquent property taxes and associated interest and penalties which are projected to be \$13,413,543. Together with the projected primary property tax collections next year as discussed above, the total base property tax revenues projected for Fiscal Year 2005/06 are \$242,132,889, an 8.5 percent increase over Fiscal Year 2004/05.

3. Departmental Revenues

Base budget General Fund revenues from departments and operating transfers in for Fiscal Year 2005/06 are projected to be \$30,808,565. This amount is \$694,687 more than the budgeted departmental revenues and operating transfers in for this fiscal year. The most substantial decrease to the revenue streams in this category is the loss of a \$3,000,000 equity transfer from Pima Health System. For several years Pima Health System was able to transfer approximately \$5 million of excess fund equity to the County General Fund. This year the transfer was budgeted at \$3,000,000, however, the excess equity did not materialize and the budgeted transfer will not occur. Consequently, no excess equity is projected for Fiscal Year 2005/06 and base budget revenues must be decreased \$3,000,000. The elimination of system equity available for transfer is the result of three factors: capitation adjustments by the State AHCCCS Administration that have reduced revenue, increased enrollment, relative to the system's overall membership, of acute care members which has substantially increased medical costs as a component of System overhead, and rising medical inflation.

The loss of the Pima Health System equity transfer has been offset, however, by increased revenues in other departments including:

- Justice Courts Tucson — \$952,908 net increase from fines and fees.
- Facilities — \$769,996 net increase from lease revenues.
- Clerk of the Superior Court — \$271,470 net increase from fees and federal child support reimbursements.
- Constables — \$56,882 increase from additional service of process workload.

B. General Fund Base Budget Expenditures

The amount required to fund General Fund supported base budgets for both departmental expenditures and net operating transfers out is \$393,034,035. This is

\$17,261,190 less than projected General Fund base revenues as discussed in Subsection A above. This base expenditure amount represents adopted departmental budgets adjusted for new or increased state and federal mandated payments, recurring supplemental requests adopted for Fiscal Year 2004/05, impacts to base pursuant to Board adopted budget policies and prior directives, and decreases for one-time expenditures in the current year.

Included within base expenditures are new, increased, continued or adjusted appropriations for:

- State mandated payments to support the Arizona Health Care Cost Containment System and the Arizona Long Term Care System in the total amount of \$59,134,460 which includes combined increases next year of \$4,360,200.
- State mandated payments to fund the State's indigent mental health program of \$8,970,282.
- State mandated employer contributions to the various State retirement systems totaling \$13,726,724 which include combined increases next year of \$3,551,737.
- State mandated cost shift requiring funding for the State Restoration to Competency Program of \$1,065,266.
- Funding for the County's contribution toward the cost of non-retirement benefits for our employees, primarily medical insurance premiums, totaling \$34,362,753 including a combined increase next year of \$1,356,685.
- Funding for salary increases for Sheriff's deputies and sergeants approved by the Board of Supervisors in advance of next year's budget adoption totaling \$3,380,057.
- Funding for former employees of Kino Community Hospital who are transitioning to the remaining County workforce in nine departments totaling \$1,441,473.
- Funding to annualize the cost of additional positions to staff the new jail and three new Constables approved by the Board in this year's Budget totaling \$1,097,478.
- Funding to annualize the cost of employee and elected officials salary increases that took effect during the current year totaling \$2,721,109.
- Funding for contracts recently approved by the Board to provide healthcare at County adult and juvenile detention facilities totaling \$13,754,978 which includes a \$5,328,960 increase over the current year.

- Funding to continue the County's contractual obligations to University Physicians Inc. for operation of Kino Community Hospital totaling \$19,791,667.
- Funding for County fuel costs totaling \$1,625,625 for the General Fund including a base increase of \$343,507 to address the rapid, substantial increase in the cost of gasoline.
- Unreserved Board of Supervisors contingency at its historic base of \$1,000,000.
- Outside Agency funding of \$6,049,872 which is equal to the current year's amount. Recommendations for allocation of these dollars among requesting agencies will be transmitted to the Board prior to the beginning of next fiscal year.

V. Recommended Increases to General Fund Base Budget

As discussed in Section IV above the amount required to fund base budget expenditures is \$17,261,190 less than the amount of base budget revenues projected for Fiscal Year 2005/06. Set forth below are my recommendations for allocation of these resources.

A. Escalating Costs in Criminal Justice

Two areas of service delivery within the Criminal Justice System are experiencing a rapid growth in costs that are difficult to predict, quantify, and accurately budget in advance.

The first are the costs associated with supplies, services, and staff at the new Adult Detention Center. Set to be fully operational next fiscal year the new jail will house 510 inmates and facilitates utilization of numerous new protocols and staffing patterns to manage the inmate population. Consequently, the various costs of operating this facility, projected to total \$34,225,468, are continuously undergoing revision and refinement as we gain more experience with the dynamics of its operation. A similar process occurred after the new Juvenile Detention Center was opened in February 2000. While the best effort possible has been made to predict and plan for the cost of running this facility next year, considerable uncertainty will exist until historic patterns for expenditures are better established. In order to avoid under-budgeting this item, I recommend that \$500,000 be set aside in the Budget Stabilization Fund as a reserve that can be drawn upon as necessary to cover unforeseen costs that may be incurred at the jail during the coming fiscal year.

The second area is the cost of the State Restoration to Competency Program. Pursuant to State law, criminal defendants who are found to be incompetent to stand trial are civilly committed to the Arizona State Hospital until such time as their competency is restored sufficient to be tried. Prior to 2002 the State paid the entire

cost of these commitments. Since then the State has shifted 86 percent of these costs to the County. Over this time both the costs charged by the State Hospital and the number of patient days of persons committed have increased substantially. When these payments were first mandated in 2002 the cost was projected to be \$1,065,266 annually which is the amount now allocated within base expenditures. The actual costs for this fiscal year are projected to be almost \$2 million. Various strategies are being pursued to reduce these costs including seeking reimbursements from other payor sources and supporting pending legislation that would allow the County to commit these people locally at a potentially lower cost than at the State Hospital. Given the uncertainty of the County's liability for these costs during the next fiscal year, I recommend that an additional \$650,000 be set aside in the Budget Stabilization Fund to be used as necessary for this purpose.

B. Employee Compensation

The County continues to struggle to remain competitive in attracting and retaining experienced, high quality personnel throughout our workforce. The Board recently addressed substantial attrition among commissioned Sheriff's officers by approving a significant market adjustment to bring these employees more closely in line with the City of Tucson. Many other classifications of employees in the County are experiencing similar market problems. Approval of an employee compensation package for next year is necessary and appropriate.

1. Corrections Staff Assigned to a Step Plan

Prior to adoption of the Budget the Board approved a new Step Plan for Sheriff's deputies and sergeants and the Sheriff implemented a new pay schedule for command staff that awarded significant salary increases for the coming year. Corrections staff assigned to a Step Plan were not included in this adjustment. Therefore, I recommend that all corrections staff assigned to a Step Plan be awarded one step on their anniversary date in classification. The cost to fund this increase next fiscal year is \$232,100. The annualized cost in Fiscal Year 2006/07 will be \$464,200.

2. Cost of Living Adjustment

With the exception of Sheriff's deputies, sergeants, and command staff described in paragraph 1 above, all of whom just received increases averaging 14.5 percent and as much as 26 percent, and those corrections staff who will receive a one step increase pursuant to paragraph 1 above, I recommend that all other eligible County employees, including those who have reached the top of their classification, be awarded a 2.5 percent increase to address inflation effective the pay period beginning July 10, 2005. The General Fund cost for this increase next year is \$3,485,058. Non-General Fund supported departments will absorb this increase.

3. Employee Retirement Contribution Increase

The officers and employees of the County participate in one of five different State retirement plans depending upon their status. In one of those plans, the Arizona State Retirement System to which most County personnel belong, contributions from employees are required by law to be increased. The State Retirement System had originally planned to increase contributions for both employers and employees by 2.55 percent based upon a schedule that provided for adjustment of contributions every two years. At the request of the Legislature, however, the System is now using a schedule that provides for such adjustments each year. This resulted in the proposed increase of 2.55 percent being reduced to 1.7 percent for the coming year. An additional increase that would not have occurred under the previous two year adjustment schedule will occur, however, for Fiscal Year 2006/07. The amount of that increase has not yet been set but may exceed the 0.85 percent reduction in the required increase for Fiscal Year 2005/06.

Because this increase in the contribution rate is a direct, quantifiable addition to the compensation adjustment recommended in paragraph 2 above to address general consumer inflation, I am recommending that all County employees who are members of the Arizona State Retirement System on July 1, 2005 receive a 1.7 percent increase effective the pay period beginning July 10, 2005. The cost to the General Fund for this increase next year is \$2,014,860. Non-General Fund supported departments will absorb this cost.

4. Employee Benefit Liability Fund

Two years ago the Board of Supervisors established an Employee Benefit Liability Fund to cover the General Fund cost of accrued vacation and sick leave payout at termination/retirement pursuant to County Personnel Policies. At the time of the Fund's creation \$500,000 was allocated for this purpose. In each of the subsequent years claims on the Fund have substantially exceeded available dollars which have therefore necessarily been allocated on a reduced, pro rata basis. This fiscal year claims for these costs are projected to exceed \$1.5 million.

Therefore, I recommend that \$500,000 be added to the existing \$500,000 in base expenditures to more closely approximate the actual accrued liability of the County for these costs.

C. Zero-Base Budget Adjustments

Pursuant to the schedule adopted by the Board of Supervisors the following ten General Fund supported departments developed their budgets using a zero-based approach without regard to their target base which has been the basis for their budget

in prior years: Community Development and Neighborhood Conservation, Community and Economic Development Administration, Community Resources, Community Services, Economic Development and Tourism, Elections, Forensic Science Center, Juvenile Court, Public Health, and School Superintendent.

Two departments, Community Development and Neighborhood Conservation, and Forensic Science Center, submitted zero-based budgets that have a reduced Net General Fund Impact (NGFI) of a combined total of \$(235,545). Two other departments, Community and Economic Development Administration, and Economic Development and Tourism, proposed zero-based budgets that have no additional NGFI. The remaining six departments are requesting base adjustments that would result in increased net negative impacts to the General Fund. Table 2 below sets forth the results of the zero-based reviews and the base adjustments being requested by each department.

Table 2

Zero-Base Review Adjustments

<u>Department</u>	<u>Expenditure Request</u>	<u>Revenue Request</u>	<u>NGFI Request</u>
Community Development and Neighborhood Conservation	\$ (120,000)	\$ 0	\$ (120,000)
Community and Economic Development Administration	0	0	0
Community Resources	113,029	(3,700)	109,329
Community Services	120,000	0	120,000
Economic Development and Tourism	0	0	0
Elections	235,759	(82,300)	153,459
Forensic Science Center	15,000	(130,545)	(115,545)
Juvenile Court	904,944	(252)	904,692
Public Health	1,257,739	(412,722)	845,017
School Superintendent	<u>43,786</u>	<u>25,000</u>	<u>68,786</u>
Totals	\$ 2,570,257	\$ (604,519)	\$ 1,965,738

I recommend that these adjustments, which represent the actual cost of providing existing services by these departments, be approved for inclusion in the base General Fund Budget. These adjustments include:

- Increased costs of forensic supplies and biohazardous waste disposal.
- Reduced federal forest fee revenues for schools.
- Increased costs of elections supplies.
- Increased costs of medical and non-medical supplies and services for Public Health programs.
- Increased costs of supplies and services for the Juvenile Detention Center.

D. Recommended Departmental Requests for Supplemental Funding

A separate compilation of all materials submitted by departments in support of supplemental funding requests has been transmitted to the Board in conjunction with this Recommended Budget. The total net negative General Fund impact of all supplemental requests received from departments is \$33,470,095.

Many requests were made that were well justified and need to be funded but which I am not recommending due to lack of available financial resources. Categorized below are brief descriptions of supplemental requests recommended for funding.

1. Management, Operation and Maintenance Costs of New Facilities

Primarily as a result of voter approved bond authorizations, the County has built or acquired numerous new facilities and properties. The management, operation and maintenance of these new projects require additional expenditures from the General Fund.

Natural Resources, Parks and Recreation

- \$400,676 for operating and maintenance costs associated with new urban parks including Rillito District Park, Flowing Wells District Park, and Feliz Paseos ADA Park.
- \$245,378 for operating and maintenance costs associated with new River Parks including Brandi Fenton Park, Columbus Park Trail System, and two new miles of the Rillito River Park between Campbell and Alvernon.
- \$153,559 for operating and maintenance costs associated with two new parks being constructed with private funding in the Starr Valley subdivision.
- \$398,555 for management, operating and maintenance costs associated with newly acquired open space on more than 50 parcels containing over 250,000 acres including various well systems on these properties.

Public Works

- \$100,000 to fund the General Fund portion of historical preservation and related work associated with the Sonoran Desert Conservation Plan, Open Space Acquisition and Ranch Conservation that is not funded by bonds or the Capital Improvement Plan.

Facilities Management

- \$26,525 for the operation and maintenance costs related to the new Mt. Lemmon Comfort Station.
- \$90,311 for additional design services and \$33,448 for additional architectural management services related to new capital projects as the General Fund portion of costs that are not entirely Capital Improvement Plan or bond funded.

Forensic Science Center

- \$21,000 for the cost of utilities for the Forensic Science Center building expansion.

Juvenile Court

- \$54,362 for the costs of utilities and janitorial service for the bond authorized courtroom buildout.

Sheriff

- \$200,000 for additional operating supplies and services for the new 510 bed adult detention facility.

Community Development and Neighborhood Conservation

- \$252,999 as the General Fund portion of costs to implement the 2004 voter approved Housing Bonds Program that are not bond funded.

The total amount recommended above to fund costs related to voter approved bond and Capital Improvement Plan projects is \$1,976,813.

2. New Election Law Requirements

The federal Help America Vote Act (HAVA) and State Proposition 200 enacted by voters statewide at the 2004 general election each impose mandated changes to

voter registration and elections procedures. Federal dollars in the amount of \$2,807,000 have been made available for the initial cost to purchase voter equipment required by HAVA to assist visually impaired voters, however, on-going operation and maintenance costs were not addressed. No State funding has been provided to implement Proposition 200.

Elections Department

- \$206,850 for the operating and maintenance costs relating to federally required equipment to assist visually impaired voters.
- \$89,750 to implement the new voting procedures required by State Proposition 200.

Recorder

- \$83,127 to implement the additional voter registration requirements mandated by Proposition 200.
- \$55,597 to implement a newly imposed mandate from the United States Department of Justice to perform voter outreach on the Pasqua Yaqui Nation.
- \$30,000 for equipment to comply with new requirements of both HAVA and Proposition 200 that additional documents be inserted into early ballot packages.

The total amount recommended above to comply with new election law requirements is \$465,324.

3. Loss of Grant Funding for Critical Community Services

In total it is projected that the County will receive \$10,860,503 less next year in federal and state grant funding in the area of community services than was received three years ago. These outside revenues have steadily decreased and have now reached a point at which further reductions will substantially impair critical service programs. Reductions in the area of workforce development have already caused almost 800 less individuals to be served annually and reductions next year would cause an additional 800 people to be dropped from these programs. Below are my recommendations for appropriations to partially offset these reductions in federal and state grant revenues.

Community Services

- \$1,000,000 as partial restoration of lost grant funding to serve 600 people through the County's One Stop workforce investment programs including

training, support services, work experience, remedial education and job placement for low-income, at-risk, unemployed, under employed and dislocated adults and youths.

Public Health

- \$99,200 to replace loss of all state funding for the Folic Acid Program serving approximately 4,000 women annually to reduce birth defects.

Community Resources

- \$207,288 to replace lost grant funding for the County's Las Artes Program serving dropout and at-risk youth.

Natural Resources, Parks and Recreation

- \$38,900 to restore lost grant funding for the Picture Rocks Congregate Meal Program serving approximately 6,800 meals annually to low income eligible people.

Juvenile Court

- \$131,140 to replace lost state and federal grants previously used to pay for the cost of leasing the Northwest Juvenile Court Center for the provision of services to children and families in the northern part of the County.

The total amount recommended above to restore lost grant funding for critical services in the community is \$1,476,528.

4. Criminal Justice

Justice Courts Tucson

- \$(318,495) Justice Courts Tucson has submitted a number of proposals to restructure the organization and procedures of the Court consistent with the Board adopted findings of the Harvey M. Rose Audit to increase accountability, efficiency, professionalism and revenue generation. The effect on the General Fund, as projected by the Court, would actually generate an additional \$318,495 in net revenues. This projection, however, is predicated on an additional \$518,504 being invested in the Court that would in turn generate additional revenues totaling \$836,999. I am recommending this package of four requests subject to two conditions. First, that these proposals be evaluated during the next budget development cycle to ensure that the additional revenues projected to be generated through this investment are in fact being realized. If not, these additional expenditures will need to be re-

evaluated for continuation. Second, that the \$133,633 being recommended for hearing officers as itemized below be placed in Reserve Contingency until a detailed implementation plan developed by the Court in coordination with the County Justice Director is finalized and approved by the County Administrator. The individual supplemental requests recommended for funding and their NGFI are: Judicial Hearing Officers \$133,633, Management Structure \$(62,201), Case Processing Staff \$(421,067), and 2XIA Program \$31,080.

Indigent Defense

- \$1,000,000 for additional contract indigent defense attorneys. Based on the caseload currently being assigned to contract defense attorneys, it is projected that over \$2 million of additional funding will be required to cover this expense next fiscal year. I am recommending that only about one-half of this increase be allocated to the contract attorney budget and that the remainder of this allocation that would otherwise be spent for contracts be invested in the Public Defender's Office to increase in-house capacity as discussed in the paragraph below.
- \$925,751 to hire an additional ten attorneys and seven support staff in the Public Defender's Office. The Public Defender is committed to implementing the recommendations of the Spangenberg Report that facilitate accurate, reliable standards for office performance and calculation of costs to the County per case. The Public Defender has projected that by investing these dollars that would otherwise fund contract attorneys into increased in-house capacity, that a savings of approximately \$475,000 will be realized by the County and the quality of services provided can be more reliably monitored. This allocation will need to be evaluated during the next budget development cycle to determine whether additional investment in-house is warranted or whether contract attorneys ultimately prove to be less costly to the County.
- \$287,225 to fund reorganization and correct staffing deficiencies in the administration and management of the Public Defender's Office consistent with the recommendations of the Spangenberg Report to increase effectiveness of representation, Office efficiencies and staff accountability.

Juvenile Court

- \$128,618 to fund a mediator in the Dependency Unit which is experiencing dramatic increases in caseload and costs as a result of Child Protective Services reform initiatives by the State. An additional mediator will facilitate more efficient use of court time and, hopefully, reduce the costs for the various attorneys, professionals and other staff involved in these proceedings, most of whom are also funded by the County.

Superior Court

- \$308,052 to fund two new divisions of the Court to address a 22 percent increase in case filings over the last four years.

Clerk of the Superior Court

- \$154,788 to fund staff support for the two new divisions of the Superior Court recommended above.

Sheriff

- \$99,524 to fund the County's progressive funding commitment made when the federal COPS in Schools '02 grant to hire four new deputies was originally accepted.

County Attorney

- \$39,214 to fund a Victim Witness Advocate to provide these services to the northwest region of the County including the towns of Oro Valley and Marana and the unincorporated area served by the Foothills District of the Sheriff's Office.

Justice Court Ajo

- \$33,571 to fund a security officer who will also serve as the emergency coordinator for the Court.

The total amount recommended above for the criminal justice system is \$2,658,248.

5. Information Technology

Supplemental requests totaling \$1,844,599 have been submitted by departments to address a wide variety of needs relating to information technology including continued efforts to implement and expand the applicability of the County's investment in the Synergen systems. I recommend that \$400,000 be allocated to the Information Technology Fund to be allocated to departments after the Office of Strategic Technology Planning has developed a detailed expenditure plan approved by the County Administrator that prioritizes proposed expenditures based on the need next year to complement and support technology investments already undertaken by the County, the increased efficiencies and financial integrity for the County that will result, and the improvement to services benefitting the public.

6. Other County Needs

Public Health

- \$212,722 to fund state mandated communicable disease outbreak management for large scale responses such as the recent flu vaccine shortage and West Nile Virus.
- \$(55,256) to increase Pima Animal Care Center enforcement capability which will increase expenditures by \$64,744 but is projected to generate an additional \$120,000 in revenues.

Community Services

- \$299,653 to fund the local match for a Federal Vocational Rehabilitation grant program begun this spring that will draw down an additional \$900,000 of federal dollars next year to provide workforce services to people with disabilities.

Assessor

- \$280,618 to address rapidly increasing property development and growth in the County that requires additional field appraisers to ensure an accurate, equitable tax roll on behalf of all of the property tax levying jurisdictions in the County.

County Attorney

- \$33,163 to enhance the capability of the Tax and Bankruptcy Unit of the Civil Division to increase collection of monies owed to the County.

Finance

- \$165,621 to fund compliance with the Board Policy governing application, acceptance and administration of grants by providing a comprehensive system to evaluate and monitor grants throughout the County and to add resources to monitor contract expenses for the provision of medical services in County detention facilities.

The total amount recommended above for other County needs is \$936,521.

VI. Summary of Recommended Adjustments to General Fund Base Expenditures

As discussed in Section IV above the amount of projected General Fund revenues for Fiscal Year 2005/06 exceeds the amount necessary to fund General Fund base expenditures by \$17,261,190. Set forth in Table 3 below are the adjustments recommended in Section V above for allocation of these dollars.

Table 3
Recommended Adjustments to Base Expenditures

Revenues in Excess of Base Expenditures		\$ 17,261,190
Recommended Increases to Base Budget Expenditures:		
Set Aside for New Jail and Restoration to Competency		\$1,150,000
Employee Compensation		6,232,018
Zero-Based Adjustments		1,965,738
Supplemental Department Funding:		
• Operating and Maintenance Costs of New Facilities/Bond Programs:		
Natural Resources, Parks and Recreation	\$1,198,168	
Public Works	100,000	
Facilities Management	150,284	
Forensic Science Center	21,000	
Juvenile Court	54,362	
Sheriff	200,000	
Community Development and Neighborhood Conservation	252,999	1,976,813
• New Election Law Requirements:		
Elections	296,600	
Recorder	168,724	465,324
• Restoration of Critical Grant Funding:		
Community Services	1,000,000	
Public Health	99,200	
Community Resources	207,288	
Natural Resources, Parks and Recreation	38,900	
Juvenile Court	131,140	1,476,528
• Criminal Justice:		
Justice Courts Tucson	(318,495)	
Indigent Defense	2,212,976	
Juvenile Court	128,618	
Superior Court	308,052	
Clerk of the Superior Court	154,788	
Sheriff	99,524	
County Attorney	39,214	
Justice Court Ajo	33,571	2,658,248
• Information Technology		400,000
• Other County Needs		
Public Health	157,466	
Community Services	299,653	
Assessor	280,618	
County Attorney	33,163	
Finance	165,621	936,521
Total		\$ 17,261,190

VII. The Overall Budget

A. Special Districts and Debt Service

1. County Library District

The County has been working with the City of Tucson to develop for Board consideration a proposal that would result in a five year phase-in of full funding and complete operational control of the Library System by the County Library District. It is a complex undertaking involving numerous transitional issues including transfer of existing City library staff, ownership, control and debt on existing library facilities and equipment, and transfer and integration of administrative and technological support services for the libraries from the City to the Library District. Further complicating development of this plan is the need to plan for the operation and funding of new and expanded Library facilities and programs already in progress that will come on-line during the five year transition period.

Before this transition can begin further dialogue with the City needs to occur and a detailed plan acceptable to the Board must be approved that clearly and specifically delineates the responsibilities of the District and City during this period. In advance of approval of this plan, however, it is necessary to structure the Library District's budget such that it will allow for the transition to begin next fiscal year if the Board ultimately chooses to go forward.

The City of Tucson's direct contribution to the Library System this current year is \$9,005,120. Under the transitional plan now being developed, however, the City's direct contribution would be reduced to \$8,000,000 for Fiscal Year 2005/06 and be further reduced \$2,000,000 in each of the four subsequent fiscal years. Accommodating this reduced contribution results in a base budget for the Library District next year of \$14,034,537.

In addition to the base operating budget, funding is needed for:

1. Two new libraries in the City of Tucson and a substantial addition to the Oro Valley Library that are scheduled to open during the next year, and
2. Implementation of a plan to increase the hours of operation at numerous libraries throughout the System to enhance uniformity of service delivery and address specifically identified service needs in the community.

Funding to open the Oro Valley Library expansion will be paid one-half by the District and one-half by the Town of Oro Valley pursuant to our existing agreement. Funding to open the two new libraries in the City of Tucson, Midtown and Quincie Douglas, and to implement the plan to expand library hours would normally be shared between the District and the City of Tucson. Under the transitional plan being developed, however, all of these additional costs would be funded by the District beginning next fiscal year.

Assuming that the transition plan is approved by the Board for implementation in Fiscal Year 2005/06, the amount necessary to fund base expenditures, a reduced contribution by the City of Tucson, operating costs of the three new library facilities and expansion of library hours is \$16,148,401. This is a \$5,629,720 or 54 percent increase over the current District Budget of \$10,518,681.

I recommend that the Board approve this total budget amount of \$16,148,401 so that implementation of a transition plan can occur if approved by the Board. I also recommend, however, that the dollars within that total budgeted amount that may be used to reduce the City of Tucson's direct contribution and one-half of the additional funding that would normally be the responsibility of the City to open the two new libraries in the City and to expand library hours, be set aside in a Reserve Contingency Fund within the District to be expended only if an acceptable transition plan is approved by the Board. The amount to be allocated to Reserve Contingency is \$2,053,618.

The recommended Library District tax rate necessary to support this recommended budget is \$0.2775 per \$100 of net assessed value. This is an increase of \$0.0651 over the current year's rate of \$0.2124. As discussed in paragraph 2 below, however, I am recommending that the Debt Service tax rate be reduced \$0.1000 which will result in a net reduction in the combined County property tax rate of \$0.0349.

2. Debt Service Fund

The total recommended Fiscal Year 2005/06 Debt Service Fund budget is \$67,738,662, a \$5,690,629 increase from this fiscal year. The Debt Service Fund includes payments on the County's General Obligation debt, the Street and Highway Revenue Bond debt, Highway Expansion/Extension Loan Program debt, Flood Control General Obligation debt, and Improvement District debt, all of which are long term debt.

- **General Obligation Debt Service**

The County's General Obligation Debt Service is funded with a secondary property tax. The recommended General Obligation debt service of \$48,383,885 will fund existing debt service as well as debt service on a proposed \$65,000,000 bond sale scheduled for May 2005.

As originally planned when the 1997 Bond Program began, the debt service on new bond sales supported by the secondary tax levy is being offset by ongoing reductions in debt service for existing outstanding bonds. As the 1997 bonds are being retired, 2004 bonds are being sold incurring new debt. Approximately 77 percent of the current outstanding debt relates to the 1997 bond authorizations and 23 percent of the current outstanding debt relates to the 2004 bond authorizations.

The funds needed for debt service are gradually decreasing as older debt is being retired. In addition, continued favorable interest rates and an improved bond rating being assigned to the County as a result of the Board's actions to enhance the County's financial stability and integrity have reduced bond costs. Therefore, I am able to recommend that the General Obligation Debt Service tax rate be reduced by \$0.1000 from this year's rate of \$0.8150 to \$0.7150 per \$100 of net assessed value for Fiscal Year 2005/06. This reduction, together with the recommended rate increase of \$0.0651 for the Library District discussed in paragraph 1 above, results in a net reduction in the County combined property tax rate of \$0.0349.

- **Street and Highway Revenue Debt Service**

The 1997 Transportation Bond authorization provides for the sale of Street and Highway Revenue bonds with the debt service being repaid from the Highway User Fees (HURF) the Pima County Transportation Department receives from the State of Arizona. The recommended Street and Highway Revenue Bond debt service for Fiscal Year 2005/06 of \$16,895,112 will fund existing debt service as well as debt service on a proposed \$51,200,000 bond sale scheduled for May 2005.

- **Highway Expansion/Extension Loan Program (HELP)**

In addition to Street and Highway Revenue bonds, the Transportation Department has two HELP loans, one for the Shannon Road project and a second for the Ajo Way Road project. HELP is a program developed by the Arizona State Transportation Board to provide short-term funding for specific transportation projects at below market rates. Fiscal Year 2005/06 debt service on the existing HELP loans is \$1,094,269 and will increase \$170,000 for a HELP loan for the Alvernon Way project authorized by the Board in March, for a total of \$1,264,269. This debt service is also paid from HURF revenues. Fiscal Year 2005/06 is the fourth year of a five year repayment schedule for the existing HELP loans.

- **Flood Control General Obligation Debt Service**

The Flood Control District's General Obligation Debt Service is funded by its secondary property tax. The Fiscal Year 2005/06 debt service for the Flood Control General Obligation bonds is \$904,595 which represents approximately \$0.0177 of its secondary tax rate.

- **Improvement District Debt Service**

Pursuant to State law, Improvement Districts can be formed with the approval of the Board of Supervisors and a majority of the property owners to fund improvements within a specified geographic location. The Fiscal Year 2005/06 Improvement District debt service of \$290,801 is paid from direct assessments

to the property owners in the respective improvement districts. There are currently two Improvement Districts paying debt service: Cimarron Foothills and La Cholla Boulevard. Although Pima County is not liable for the debt service of the individual Improvement Districts, the County is required to include them in its financial reporting.

3. Regional Flood Control District

The recommended operating budget for the Regional Flood Control District is \$9,340,697, a \$1,902,358 increase over the current fiscal year. Also recommended are operating transfers totaling \$9,132,861 of which \$8,200,000 will be allocated to the Capital Projects Fund, \$902,595 allocated for payment of Flood Control General Obligation debt service; and \$30,266 paid to the General Fund to partially offset the County's contribution to the Pima Association of Governments.

Flood Control Capital Project funds are used to acquire, construct, expand and improve flood control facilities within the County including bank stabilization, channels, drainage ways, dikes, levees and other flood control improvements. This includes funding to continue the Board approved Riparian Protection Program as a component of the Sonoran Desert Conservation Plan, and to procure flood prone land contiguous to existing watersheds within the County. These land acquisitions serve the dual purpose of protecting existing riparian habitat corridors and preventing future flood damages. I recommend that the District's tax rate remain the same as this year's rate of \$0.3546 per \$100 of net assessed value.

4. Stadium District

The recommended Stadium District operating budget for Fiscal Year 2005/06, developed this year using a zero base budget approach, is \$1,541,169, a \$59,515 increase from this year's budgeted amount. The majority of this increase is due to the District assuming security costs previously paid by the Southern Arizona Sports Foundation and increased costs to maintain the facility and fields. The District's budget also includes a \$2,562,178 operating transfer from the Stadium District to the General Fund to pay most of the Stadium District Debt Service on the outstanding Certificates of Participation used to finance construction of the Stadium. The total Debt Service for Fiscal Year 2005/06 is \$3,047,760. Stadium District revenues are not sufficient to cover the total amount of the Debt Service and require a General Fund subsidy in the amount of \$485,582.

Funding for the District derives from four sources: a \$3.50 per contract car rental surcharge, a \$.50 per day rental tax on recreational vehicle spaces, a 1 percent hotel/motel tax in the unincorporated area of the County, and revenue from baseball and other events scheduled at Kino Veterans Memorial Stadium. Of these revenue sources only the car rental surcharge revenues are projected to significantly increase with an estimated growth of \$150,000 over this year's budgeted amount of \$1,400,000.

Efforts are on-going to enhance revenues generated at the Stadium. The County is working closely with the Arizona Diamondbacks and Chicago White Sox to market Spring Training both locally and nationally. Efforts for next year will include aggressive group sales, Pima County Attractions marketing, and increased destination marketing with the Metropolitan Tucson Convention and Visitors Bureau.

B. Annual Capital Projects Fund Budget and Capital Improvement Plan Budget

Transmitted under separate cover will be the Fiscal Year 2005/06 recommended Capital Improvement Budget of \$164,590,569 consisting of the Capital Projects Fund Budget of \$142,756,354 and the Wastewater Management Capital Improvement Budget of \$21,834,215 as set forth in Table 4 below.

Table 4

**Recommended Fiscal Year 2005/06 Capital Projects Fund
 Budget and Capital Improvement Plan Budget**

Capital Project Fund Budget	
Facilities Management	\$ 34,159,949
Transportation	56,480,917
Flood Control	19,229,239
Parks & Recreation	14,542,719
Open Space	9,138,000
Cultural Resources	5,143,722
Neighborhood Reinvest	1,187,667
Solid Waste	2,296,000
CIP Administration	578,141
Total Capital Projects Fund Budget	<u>\$142,756,354</u>
Wastewater Management Capital Improvement Budget	21,834,215
Total Capital Improvement Budget	<u>\$164,590,569</u>

Capital Projects Fund Budget

The \$142,756,354 Capital Projects Fund Budget for Fiscal Year 2005/06 reflects an increase of \$10,638,017 or 8.1 percent over the Capital Projects Fund Budget of \$132,118,337 for the current fiscal year.

Overall the Capital Projects Fund Budget transitions from the 1997 bond program to the projects authorized by voters in 2004. Of the total Capital Projects Fund budget, \$49,394,413 is allocated to 1997 bond projects; \$58,739,878 is allocated to 2004 bond projects, and the remaining \$34,622,063 is allocated to non-bond projects. Construction expenditures are budgeted for 101 projects.

The two major budgeted projects in Facilities Management are the Kino Public Health Center and the Justice Court/Municipal Court Complex, both 2004 bond projects. There are major budgeted expenditures for five Transportation projects, all of which are 1997 bond projects: River Road, Campbell Avenue to Alvernon Way; Alvernon Way, Ft. Lowell Road to River Road; Cortaro Farms Road, Southern Pacific RR Crossing to Thornydale Road; Craycroft Road, River Road to Sunrise; and Valencia Road, Mission Road to Interstate-19. Other significant projects include Earp Wash Detention Basin, Quince Douglas Park Pool, Flowing Wells Community Center, Brandi Fenton Memorial Park, and Julian Wash Linear Park.

Not included in the Capital Projects Fund budget is \$11,488,000 of expenditures programmed by the U.S. Army Corps of Engineers (USACOE) on four projects for which the Regional Flood Control District has budgeted its cost sharing responsibilities of \$1,900,000. The major USACOE expenditure will be \$8,500,000 for the Arroyo Chico Detention Basin.

Wastewater Management Capital Budget

The recommended capital budget for Wastewater Management of \$21,834,215 is an increase of \$6,854,829, or 45.8 percent over the current year. This Budget reflects the substantial completion of the 1997 sewer bond program. Of the total recommended budget of \$21,834,215, 1997 bond projects account for \$1,964,612, or 9 percent, 2004 bond projects account for \$8,500,000, or 38.9 percent, the remaining \$11,369,603, or 52 percent, are for non-bond projects. These expenditures include construction on the Marana Wastewater Treatment Plant Expansion, the Federal Prison Sewer System and continuing work on the Santa Cruz Interceptor, Prince to Franklin. The most significant non-bond project for Fiscal Year 2005/06 is the Federal Prison Sewer System, a fully reimbursed federal project, with a fiscal year budget of \$3,761,097.

C. Combined Total County Budget

The combined total Recommended County Budget, described in the budget schedules and departmental budget summaries following this memorandum, is \$1,201,721,282.

Of this total amount only about 27 percent is supported by Board controlled, locally levied property taxes. The remainder of the combined total County Budget is supported almost entirely by charges for services, and intergovernmental revenues, primarily state revenue sharing and grants.

The total Recommended Budget is \$103,999,736 more than the current year. Of this total increase, \$31,339,338 is in the General Fund as discussed in Sections IV and V above. Significant non-General Fund increases include:

- \$26,207,412 in the Pima Health System Services enterprise fund due to the increased cost of providing medical services to additional members in acute care and long term care programs, and increases in the medical inflation rate. Revenues to fund this increase will come entirely from the State of Arizona.
- \$16,188,963 in the Wastewater Management enterprise fund to address increased maintenance and rehabilitation work needed for the ageing sewer system, and treatment capacity increases to accommodate population growth.
- \$10,638,017 in the Capital Projects Fund as discussed in Subsection C above.
- \$5,690,629 in the Debt Service Fund as discussed in Subsection A (2) above.
- \$5,629,720 in the County Library District Fund as discussed in Subsection A (1) above.
- \$3,077,535 in Development Services to address the continued high level of development, building, and permitting activity that generates increased revenues and requires increased service capacity.
- \$2,409,507 in Solid Waste resulting from a combination of the cost of opening the Sahuarita landfill to commercial use in January, 2006 and increased costs for existing landfill operations. All landfill sites are nearing capacity and additional funding is included in this request for engineering services, permitting fees, and land necessary for soil borrow to ensure that the life of existing facilities is extended to continue to meet County needs. Additional equipment usage, staffing, and soil cover are also projected for the continued operation of these sites.
- \$1,902,358 in Regional Flood Control District as discussed in Subsection A (3) above.

VIII. Conclusion

This Recommended Budget provides for a net reduction in the combined County property tax rate of 3.49 cents. The Library District Budget will accommodate the initiation next year of a five year transition of all funding for and operational control of the regional

Library System from the City of Tucson to the District if an acceptable transition plan is ultimately approved by the Board of Supervisors. This is accomplished by increasing the Library District property tax rate by 6.51 cents to afford the City of Tucson over \$2 million in General Fund relief and to fund the costs of opening three new library facilities and expanding Library System hours next year. More than offsetting this increase, however, is a decrease in the General Obligation Debt Service property tax rate of 10 cents for a net combined rate reduction of 3.49 cents.

The remainder of this Recommended Budget is balanced using available resources and does not propose to increase taxes or add new taxes or fees. All existing County responsibilities, functions and programs continue to be funded without reduction in the level of services now being provided. This Budget also addresses increased costs of service delivery, increased demand for services as our population grows, progressively decreasing grant dollars received from the federal and state governments, new mandated legal requirements for service delivery, and the need to fund new operating costs for voter approved bond projects as they come on-line. Added expenditures to address these issues include:

- Almost \$2 million of operating costs for new facilities and acquisitions, most voter approved, including parks, open space and the new Jail.
- Restoration of almost \$1.5 million of lost federal and state grant dollars to fund critical community programs.
- More than \$3.7 million to address increased caseloads and costs within the criminal justice system including adding judges and judicial hearing officers throughout the Court system.
- Almost \$0.5 million to comply with the new election law requirements of the federal Help America Vote Act and State Proposition 200.
- More than \$5.3 million for the increased cost of providing medical care in County detention facilities.
- More than \$4.3 million for increased payments mandated by the State of Arizona to fund indigent acute and long term care programs.
- Almost \$5 million for the increased costs of employee benefits.
- A total of almost \$9.5 million to increase the compensation of commissioned Sheriff's staff and the remainder of the County workforce in order to try and remain competitive with other jurisdictions within the market, primarily the City of Tucson.

This Recommended Budget is being transmitted prior to adoption of the State's Budget for next fiscal year. While this Budget projects probable impacts, the State Budget actually adopted is likely to require adjustments in some amount to this recommendation. This information will be transmitted to the Board when it becomes known.