

Budget Development FY 2019 - 2020

February 27, 2019



PINAL COUNTY

WIDE OPEN OPPORTUNITY

Pinal County Strategic Priority

Financial Health

- Maintain a structural **balance** while *investing* in the county's future and **reducing the primary property tax rate**
 - *Create a reserve fund for one-time expenditures to transfer/deposit \$4M by the end of FY 2020/2021.*
 - Reduce the primary property tax rate at or below \$3.7500 by FY 2020/2021
 - *Maintain AA Bond Rating through FY 2020/2021*
 - Maintain 15% Unrestricted General Fund Balance through FY 2020/2021



Environment – National Economic Stats

- GDP 3.4% 3rd QTR 2018 (Bureau of Economic Analysis)
- Personal Income increased 4.0% in 2018 (Current Employment Statistics)
- Unemployment 4% in January 2019 compared to 4.1% January 2018 (Bureau of Labor Statistics)
- National Job growth 1.6% from December 2018 to January of 2019 (Department of Labor)
 - 304,000 jobs were created in January 2019
 - Labor force participation increased to 63.2%, which is the highest since August 2013



State Economic stats

- Unemployment 5.3% (Bureau of Labor Statistics)
- State Job Growth 3.3% (85,000 jobs) in 2018 (ASU W.P. Carey School of Business)
- State Budget Summary (CSA)
 - Average spending growth over the past 5 years 4.5%
 - Projected to add \$542M into the State Budget Stabilization Fund (BSF)
 - 2019 Forecasted \$572M and an ending cash balance of \$854M





State Budget: Structural Balance






	FY2019		FY2020		FY2021		FY2022	
	<i>Exec.</i>	<i>JLBC</i>	<i>Exec.</i>	<i>JLBC</i>	<i>Exec.</i>	<i>JLBC</i>	<i>Exec.</i>	<i>JLBC</i>
Beginning Balance	\$449.6	\$449.6	\$883.0	\$945.0	\$1,130.0	\$150.0	\$1,321.0	\$ -
Total Revenues	10,727.2	10,890.0	11,090.9	11,177.6	11,442.8	11,527.4	11,829.9	11,956.7
Total Expenditures	10,293.8	10,394.6	10,843.9	10,784.4	11,251.8	11,438.0	11,455.9	11,736.2
Ending Balance	883.0	945.0	1,130.0	1,338.2	1,321	\$ -	1,695.0	220.5
Ongoing Revenues	10,727.2	10,789.3	11,090.7	11,175.8	11,439.6	11,527.4	11,823.7	11,956.7
Ongoing Expenditures	10,155.0	10,147.6	10,630.7	10,629.5	11,105.6	11,269.6	11,449.7	11,707.7
Structural Balance	572.2	641.7	460.0	546.3	334.0	257.8	374.0	249.0

¹JLBC anticipates that the ending balance in FY2021 will be allocated as a part of the budget process.

²Includes a transfer of \$542.2 million to the Budget Stabilization Fund in FY2020.








The table below displays the **2019** consensus forecast (expressed in terms of annual growth percentage changes) in 12 Western states, as of February 7, 2019:

	 CURRENT \$ PERSONAL INCOME	 RETAIL SALES	 WAGE & SALARY EMPLOYMENT	 POPULATION GROWTH	 SINGLE FAMILY HOUSING PERMITS
ARIZONA	5.4%	5.3%	2.6%	1.7%	10.9%
CALIFORNIA	4.7%	4.6%	1.9%	0.7%	9.5%
COLORADO	5.8%	5.3%	2.8%	1.5%	12.7%
IDAHO	4.9%	3.8%	2.9%	1.9%	15.5%
MONTANA	4.6%	4.7%	1.1%	1.1%	4.6%
NEVADA	5.1%		3.4%	1.8%	5.0%
NEW MEXICO	3.2%		1.4%	0.2%	10.5%
OREGON	4.5%		2.2%	1.5%	4.7%
TEXAS	5.3%	6.0%	2.4%	1.6%	7.9%
UTAH	5.5%	7.4%	3.0%	1.8%	4.1%
WASHINGTON	5.9%	7.5%	2.9%	1.6%	3.0%
WYOMING	4.1%	3.6%	1.6%	0.0%	1.5%

Retail Sales forecasts are replaced by Gross Gaming Revenue for Nevada, and Manufacturing Employment for New Mexico and Oregon, in their respective state-specific forecasts.



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ARIZONA	5.1%	4.9%	4.2%	1.7%	6.4%
CALIFORNIA	5.3%	4.0%	1.5%	0.7%	4.1%
COLORADO	5.1%	4.4%	2.4%	1.4%	8.9%
IDAHO	5.1%	3.6%	2.2%	1.8%	7.3%
MONTANA	4.6%	4.7%	1.1%	1.1%	4.5%
NEVADA	5.0%		3.0%	1.8%	4.2%
NEW MEXICO	3.5%		1.4%	0.0%	9.2%
OREGON	4.8%		1.8%	1.4%	2.8%
TEXAS	5.1%	5.6%	2.2%	1.6%	6.7%
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WYOMING	4.0%	3.7%	1.3%	0.2%	4.0%

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Local/Metro Economic Stats

- Phoenix Metropolitan Statistical Area (MSA) added 72,400 jobs during 2018 for 3.6% growth. Job growth in 2019 is estimated to be 3.1%
 - Construction employment added the most jobs over the year (Eller College of Management, UofA)
- Unemployment 2018 4.9%
 - December labor force 179,938



Labor Force Statistics

Area	Year	Period	Labor Force	Employment	Unemployment	Unemployment Rate
Pinal County	2006	Annual Average	102,937	97,775	5,162	5.0%
	2007	Annual Average	111,626	106,534	5,092	4.6%
	2008	Annual Average	122,313	113,278	9,035	7.4%
	2009	Annual Average	126,779	111,192	15,587	12.3%
	2010	Annual Average	153,707	137,242	16,465	10.7%
	2011	Annual Average	149,658	135,043	14,615	9.8%
	2012	Annual Average	148,689	135,995	12,694	8.5%
	2013	Annual Average	148,275	136,324	11,951	8.1%
	2014	Annual Average	153,156	142,463	10,693	7.0%
	2015	Annual Average	156,475	146,677	9,798	6.3%
	2016	Annual Average	163,194	154,165	9,029	5.5%
2017	Annual Average	168,806	160,333	8,473	5.0%	

BLUE CHIP ECONOMIC FORECAST

GREATER PHOENIX

seidmaninstitute.com/greater-phoenix-blue-chip/



ASU W.P. Carey
School of Business

Arizona State University
Seidman Research Institute

FOURTH QUARTER 2018

The table below displays 2018 forecasts for population, personal income, retail sales, wage and salary employment, manufacturing employment, and construction employment in Greater Phoenix (defined as the Phoenix Metropolitan Statistical Area, Maricopa County and Pinal County). Forecasts are updated quarterly and reflect percentage changes for the year.

	Population	Personal Income	Retail Sales	Wage & Salary Employment	Manufacturing Employment	Construction Employment
Arizona Public Service	2.2%	5.2%	5.0%	3.3%	5.6%	11.5%
ASU Economic Outlook Center	2.0%	5.5%	6.5%	3.3%	6.0%	11.0%
EconLit LLC	2.0%	5.5%	5.8%	3.2%	2.2%	6.8%
Elliott D. Pollack & Co.	1.8%	5.6%	6.9%	3.3%	5.8%	11.3%
Joint Legislative Budget Committee	2.0%	5.6%	6.4%	3.2%	5.0%	14.0%
Rounds Consulting	1.8%	5.4%	6.0%	3.3%	6.0%	11.0%
Salt River Project	2.0%	5.9%	5.8%	3.2%	1.6%	6.6%
Southwest Growth Partners	2.3%	4.9%	4.4%	3.1%	3.0%	7.2%
Stellar Capital Management	1.7%	5.4%	4.9%	2.9%	3.4%	7.2%
The Maguire Company	2.1%	5.5%	6.0%	3.2%	4.8%	9.0%
University of Arizona Eller college	1.8%	6.4%	6.1%	3.4%	4.4%	7.2%
Vision Econ/Governing Star Group	2.2%	6.0%	6.1%	3.0%	5.2%	9.0%
Consensus	2.1%	5.6%	5.8%	3.2%	4.4%	9.3%

BLUE CHIP ECONOMIC FORECAST

GREATER PHOENIX

seidmaninstitute.com/greater-phoenix-blue-chip/



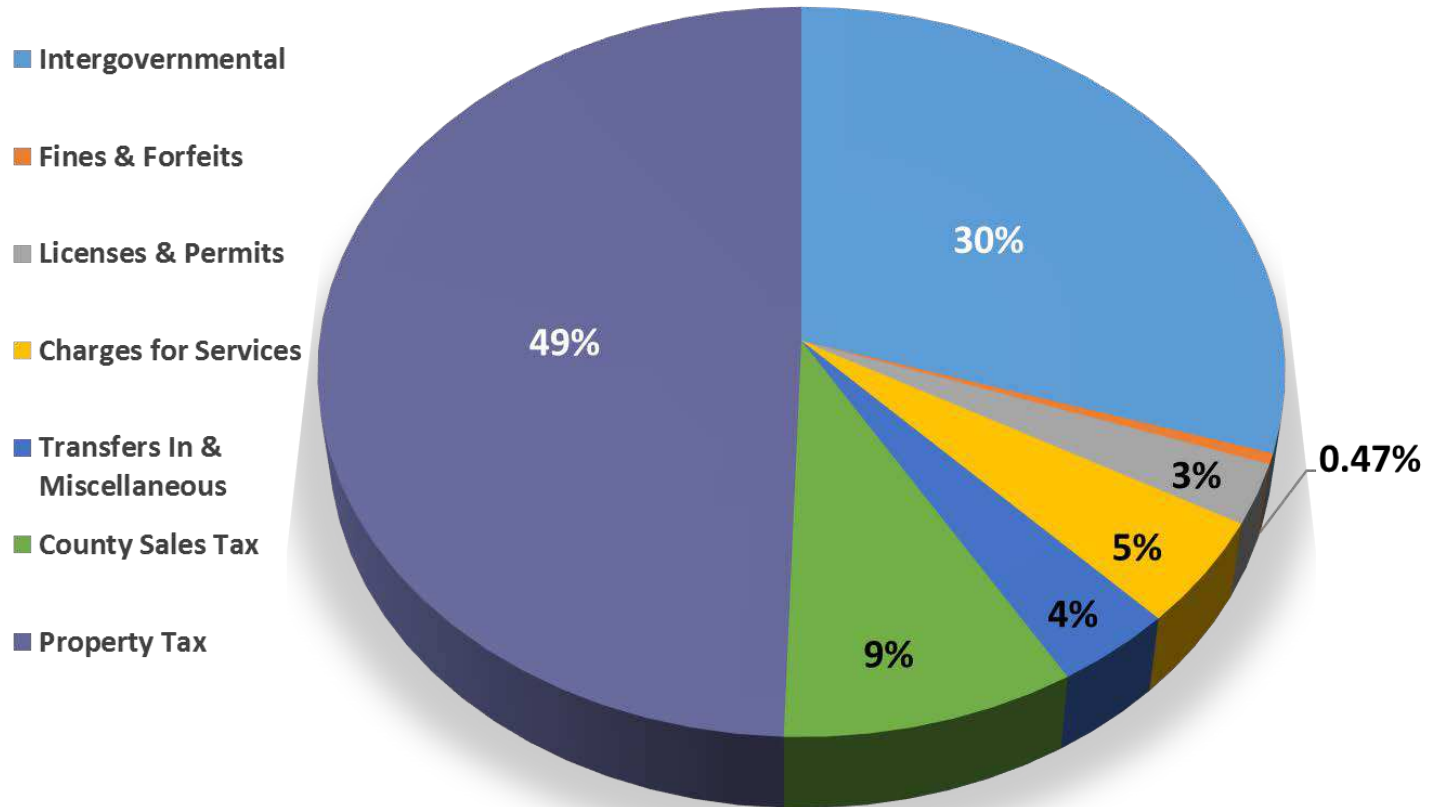
ASU W.P. Carey
School of Business
Arizona State University
Seidman Research Institute

**FOURTH QUARTER
2018**

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EconLit LLC	2.2%	5.6%	5.7%	3.1%	2.9%	7.5%
Elliott D. Pollack & Co.	1.9%	6.3%	6.7%	2.8%	4.0%	5.0%
Joint Legislative Budget Committee	1.9%	5.4%	5.2%	3.0%	3.2%	6.3%
Rounds Consulting	2.0%	5.5%	5.5%	3.3%	3.0%	6.0%
Southwest Growth Partners	2.2%	5.1%	5.2%	2.9%	2.8%	6.5%
Stellar Capital Management	1.6%	5.5%	4.9%	3.0%	3.1%	6.3%
The Maguire Company	2.1%	5.8%	6.0%	3.2%	4.2%	6.0%
University of Arizona Eller college	1.8%	6.6%	4.9%	3.1%	1.6%	1.9%
Vision Econ/Governing Star Group	2.1%	5.4%	5.8%	2.8%	3.8%	7.4%
Consensus	2.0%	5.7%	5.6%	3.1%	3.5%	6.2%

General Fund Revenue Budget FY 2018 - 2019



Notes: Property Taxes includes delinquent tax lien sales and Intergovernmental includes State Shared Revenue

Revenue Circumstances

- Property valuation growth of 7.04% in FY 19/20 as a result of \$60M (2.56%) of new construction and \$105.5M (4.48%) increases in existing property valuations
- Property Tax Rate
 - Truth In Taxation Rate \$3.6711 (\$2.3M increase in levy)
 - Baseline Forecast \$3.79 (\$5.3M increase in levy)
- Post recession trends – currently hot
- Establishing a baseline to smooth revenues and add to one-time fund

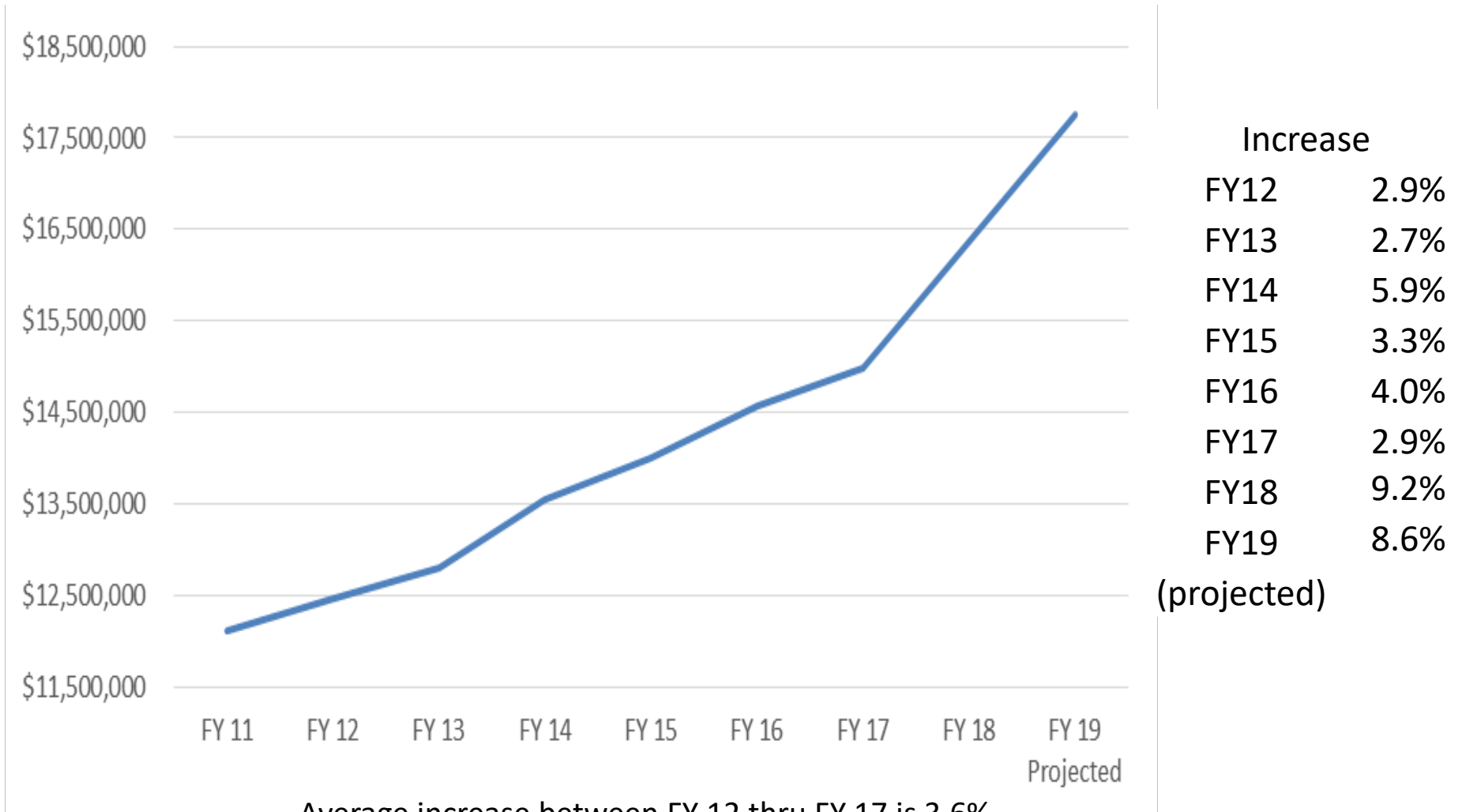


Historical Primary Property Tax Rates/Levies

Fiscal Year	Tax Rate	Tax Levy	Variance	% Variance
FY 06-07	\$4.4532	\$65,558,211		
FY 07-08	\$4.1442	\$79,104,558	\$13,546,347	20.7%
FY 08-09	\$3.5614	\$88,091,217	\$8,986,659	11.4%
FY 09-10	\$3.3575	\$96,714,536	\$8,623,319	9.8%
FY 10-11	\$3.9999	\$102,487,281	\$5,772,745	6.0%
FY 11-12	\$3.9999	\$86,403,886	(\$16,083,394)	-15.7%
FY 12-13	\$3.7999	\$81,841,628	(\$4,562,258)	-5.3%
FY 13-14	\$3.7999	\$75,575,541	(\$6,266,087)	-7.7%
FY 14-15	\$3.7999	\$76,193,762	\$618,221	.08%
FY 15-16	\$3.9999	\$82,299,844	\$6,106,082	8.0%
FY 16-17	\$3.8300	\$82,032,241	(\$267,603)	-0.3%
FY 17-18	\$3.8699	\$86,648,116	\$4,615,875	5.6%
FY 18-19	\$3.8300	\$90,213,101	\$3,564,985	4.1%
FY 19-20	\$3.7900	\$95,555,453	\$5,342,352	5.9%



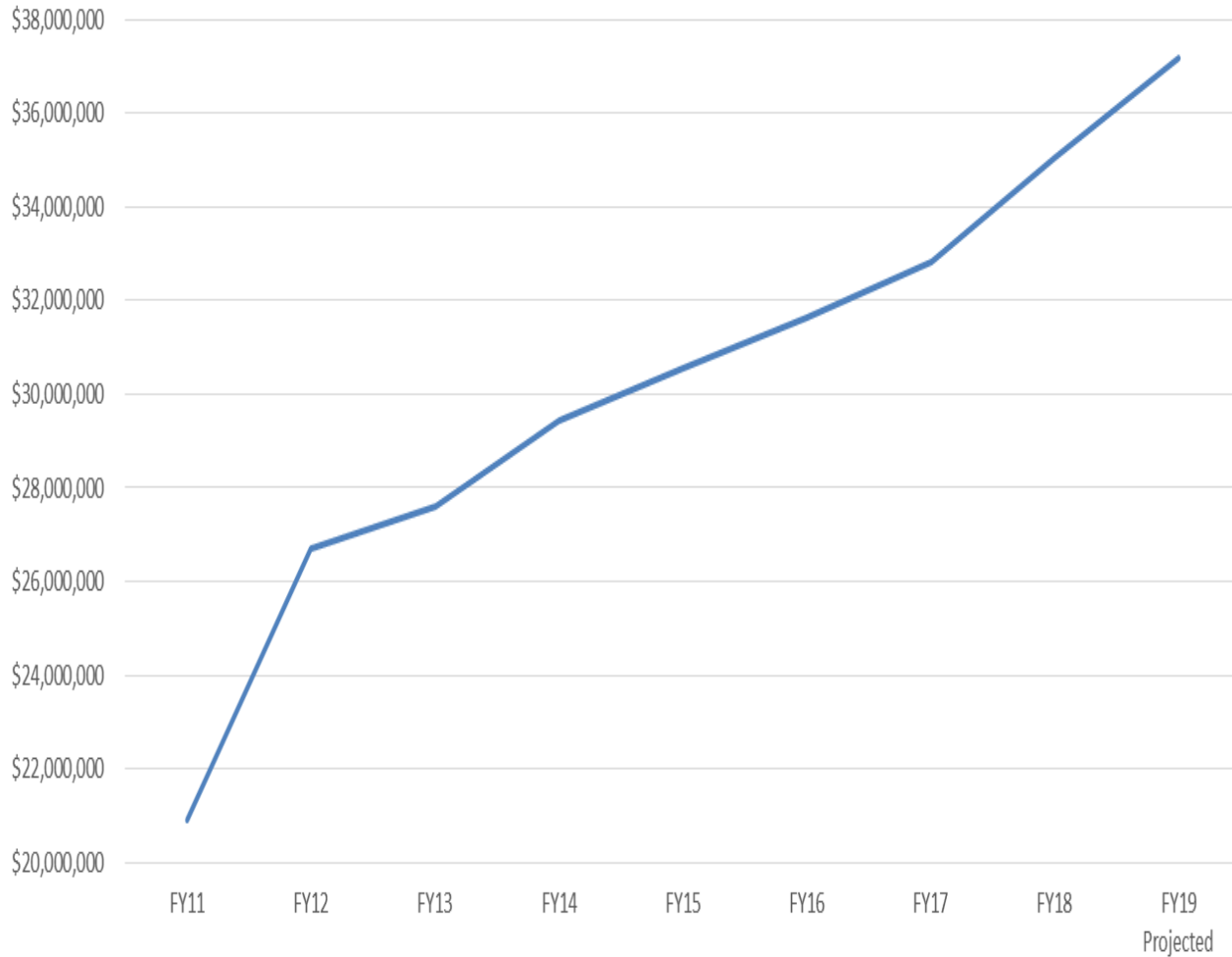
County Sales Tax Trend



Average increase between FY 12 thru FY 17 is 3.6%.
 FY 19 (5 months) currently trending annual increase of 10.1%.



State Shared Sales Tax Revenue

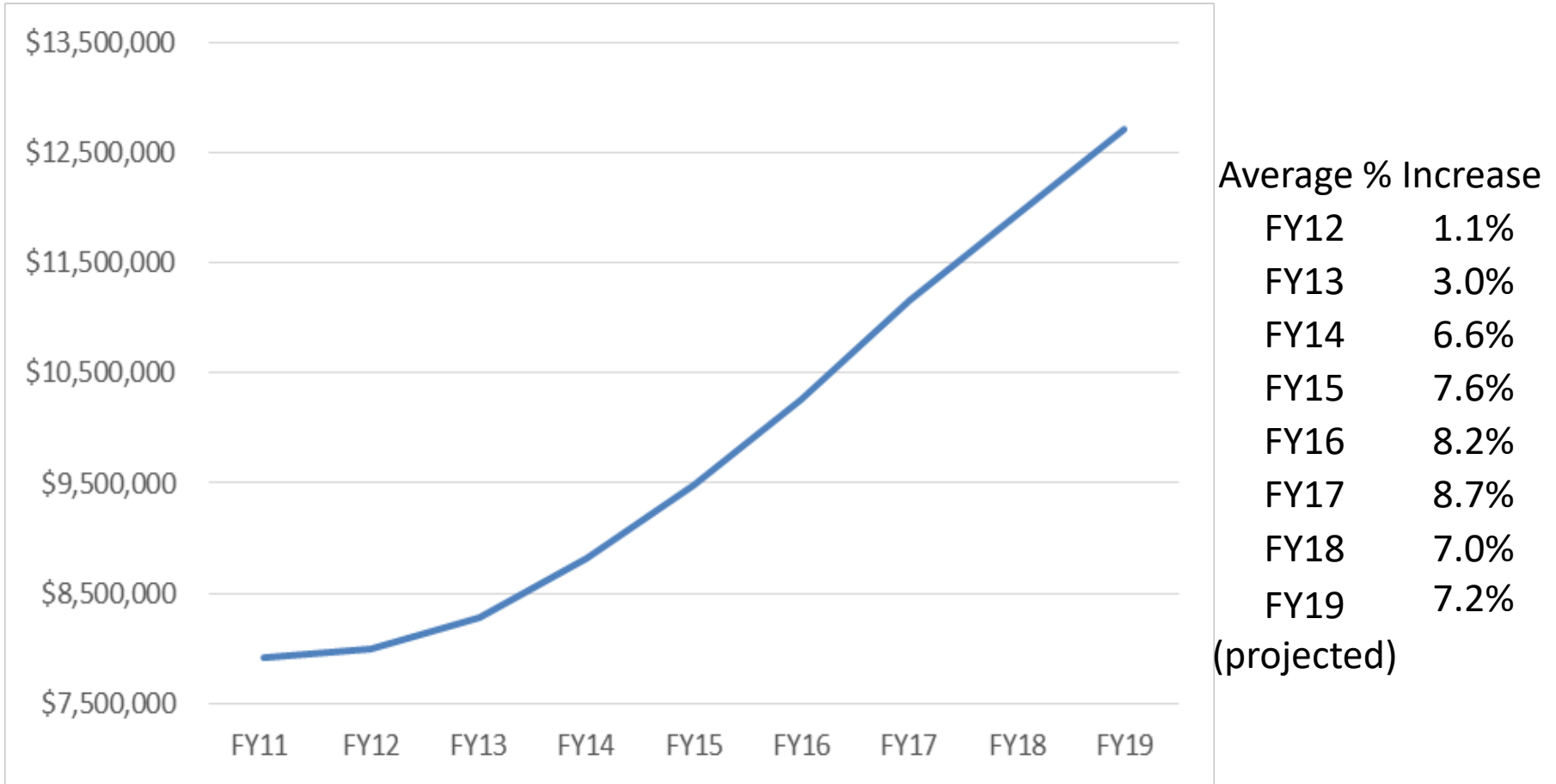


	Increase
FY12	27.6%
FY13	3.3%
FY14	6.8%
FY15	3.8%
FY16	3.5%
FY17	3.8%
FY18	6.7%
FY19	6.1%

(projected)

Average increase between FY 13 thru FY 17 is 4.2%.
 FY 19 (5 months) currently trending annual increase of 7.3%.

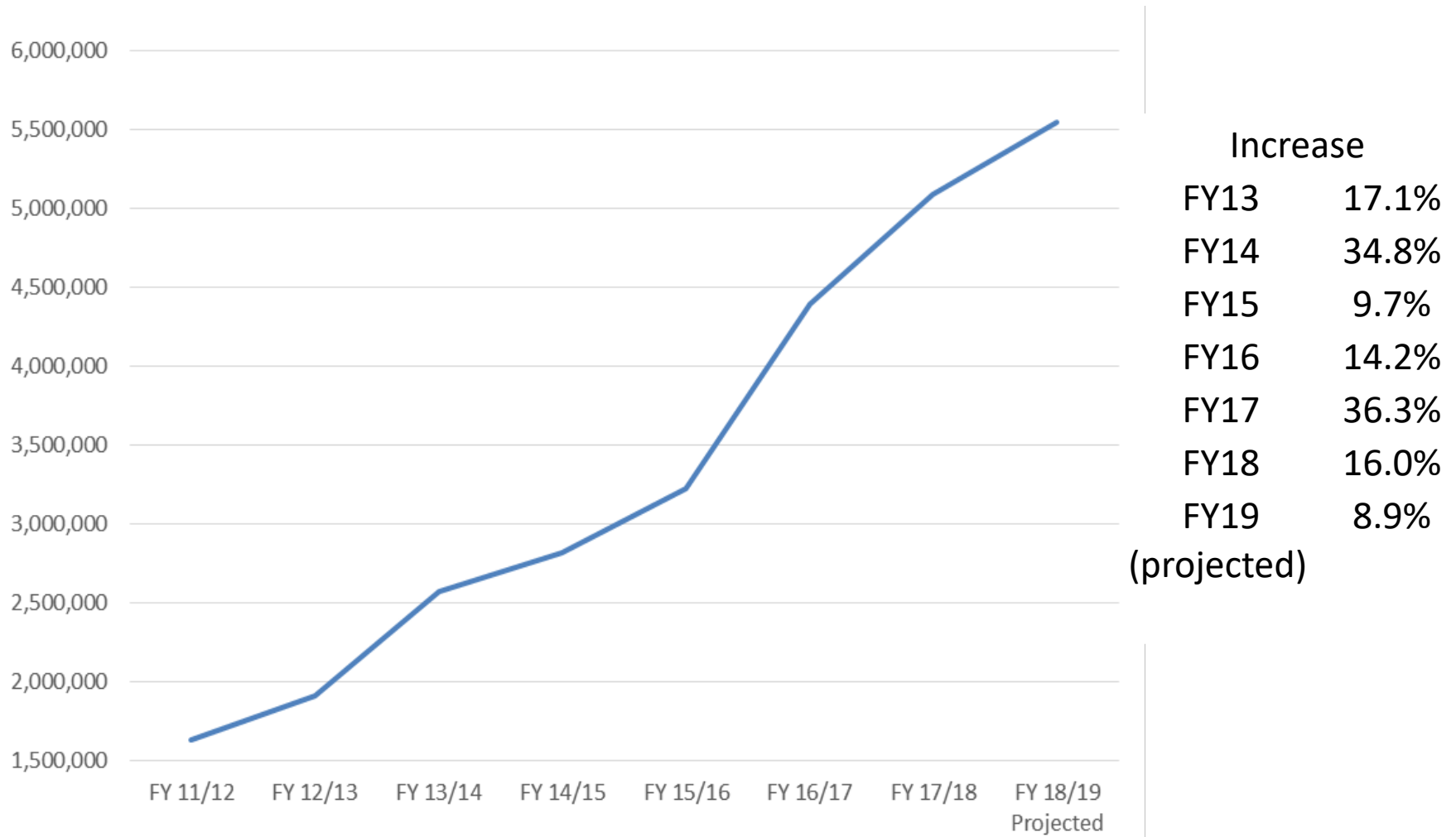
Vehicle License Tax Revenue



Average increase between FY 12 thru FY 17 is 5.9%.
 FY 19 (6 months) currently trending annual increase of 8.5%.

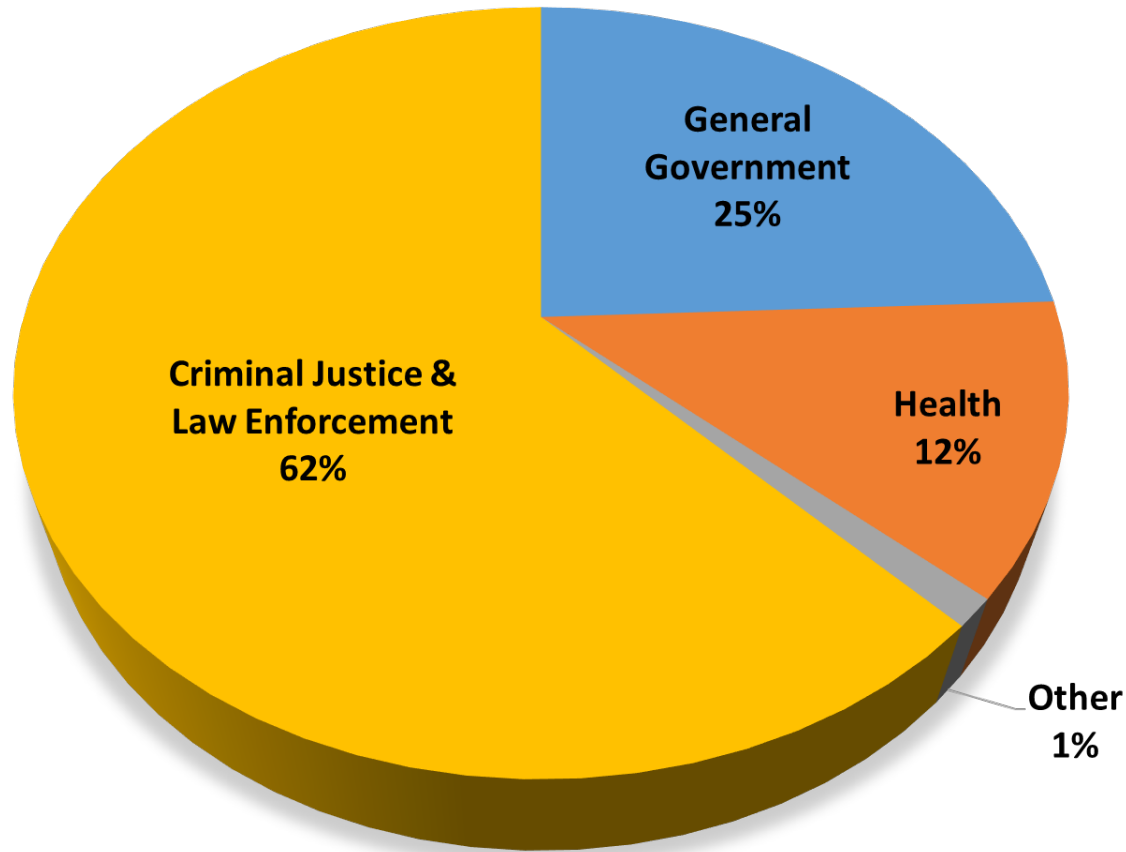


Development Related Revenues



Average increase between FY 13 thru FY 17 is 22.2%.
 FY 19 (7 months) currently trending annual increase of 16.8%.

Distribution of General Fund



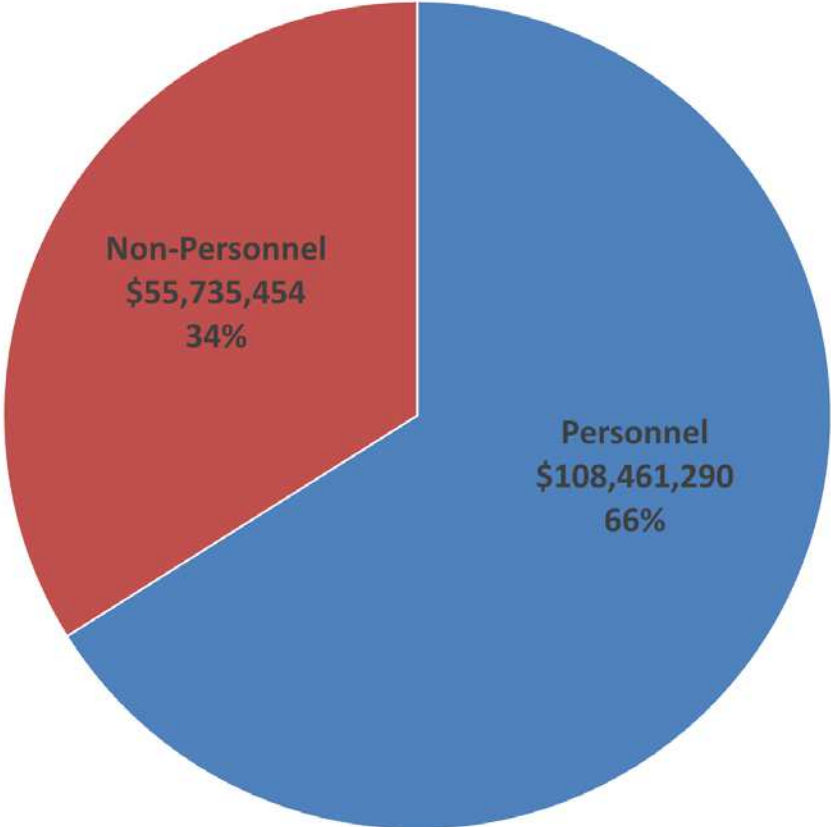
*Does not include reserves, transfers, salary increases & medical benefits

Notes: Health includes mandatory AHCCCS contributions and Behavioral Health; General Government includes Assessor, Recorder, Treasurer, Board of Supervisors/appointed, and countywide utilities and facilities; and Other includes Transportation, Education, Welfare, and Recreation.



Personnel & Non Personnel Expenditures

General Fund
Projected FY 18/19



Expenditure Circumstances

One-time Increased Expenditures

- \$1.5M Mandated Court Security
- Recorder/Elections (Refurbished “Food Truck”) \$100k – If grant funding is not obtained
- Vote Centers/E-Poll book Equipment \$1M FY 20/21

Potential Future Uses of One-Time Transfers

- ERP system to cloud
- Appropriately sized Technology & Facilities projects
- Equipment replacement
- Exploring Pension Liability Prepayment

Elected Official Retreat - mid April

- Prioritizing Future funding with linkages to strategic goals and results.

Ongoing Increased Expenditures

- \$400k Court Security Officers
- \$200k 2nd Phase of Cyber Security
- \$1.3M PCSO Sworn Deputy Salary System
- \$400k PCSO-CPSM Implementation
- \$350k Retirement and Workers Compensation
- Medical increases covered by county
- Pay Increase \$1.425M 2% (3 QTRs - implemented October 2019)
- Market Adjustment \$1.9M equivalent to 2% (½ Year beginning January FY 19/20)
- Vehicle Replacement \$500k FY 19/20; \$800k ongoing
- PCSO Operational ~\$400k
- PCAO Personnel Stability \$150k
- Facilities Repairs/Maintenance/Improvements Additional \$600k FY 19/20
- Bond payment for facilities ~\$4.8M Beginning FY 20/21
- Email System Upgrade \$340k FY 20/21
- PCSO Detention Officer Salary System

FY 2017-2021 General Fund Forecast Scenario

	FY 16-17 Actual	FY 17-18 Unaudited Actual	FY 18-19 Projection	FY 19-20 Projection	FY 20-21 Projection
BEGINNING FUND BALANCE	\$23,178,687	\$27,322,815	\$27,007,752	\$27,172,519	\$28,911,447
REVENUES					
Property Taxes and Tax Lien Sales	\$80,198,888	\$85,541,257	\$91,210,970	\$96,499,898	\$100,181,557
County Sales Tax	\$14,976,110	\$16,358,457	\$17,763,549	\$18,829,362	\$19,205,949
License & Permits	\$4,363,744	\$4,972,047	\$5,435,899	\$5,870,771	\$6,076,248
Intergovernmental	\$49,056,192	\$54,115,560	\$57,486,289	\$60,360,604	\$61,567,816
Charges for Services	\$8,409,143	\$8,781,427	\$9,272,700	\$9,965,427	\$10,015,254
Fines & Forfeits	\$1,114,423	\$827,576	\$815,147	\$819,223	\$823,319
Miscellaneous	\$4,830,289	\$1,734,939	\$1,615,373	\$3,448,450	\$3,456,567
Transfers In	\$4,862,130	\$3,759,824	\$3,511,552	\$3,511,552	\$3,511,552
TOTAL REVENUE	\$167,810,919	\$176,091,087	\$187,111,479	\$199,305,286	\$204,838,262
% Annual Change		4.93%	6.26%	6.52%	2.78%
EXPENDITURES					
Personnel	\$98,439,114	\$103,376,850	\$108,461,290	\$115,022,185	\$118,558,169
Non-Personnel	\$52,958,539	\$56,851,052	\$55,735,454	\$57,380,454	\$55,690,454
New Ongoing				\$1,650,000	\$7,090,000
New One-Time				\$100,000	\$1,000,000
Transfers Out	\$12,269,138	\$16,178,248	\$20,249,968	\$20,509,816	\$21,694,260
Transfer to One-time			\$2,500,000	\$2,903,903	
TOTAL EXPENDITURES	\$163,666,791	\$176,406,150	\$186,946,712	\$197,566,358	\$204,032,883
REVENUE LESS EXPENDITURE	<u>\$4,144,128</u>	<u>(\$315,063)</u>	<u>\$164,767</u>	<u>\$1,738,928</u>	<u>\$805,379</u>
Surplus/(Deficit) as a % of Revenue	2%	0%	0%	1%	0%
ENDING FUND BALANCE	\$27,322,815	\$27,007,752	\$27,172,519	\$28,911,447	\$29,716,826
Reserve as a % of outflows	17%	15%	15%	15%	15%

FY 2017-2021 General Fund Forecast Scenario

	FY 18-19 Projection	% Change	FY 19-20 Projection	% Change	Base %	Baseline Amount	One- time %	One-time Amount
BEGINNING FUND BALANCE	\$27,007,752		\$27,172,519					
REVENUES								
Property Taxes and Tax Lien Sales	\$91,210,970	6.6%	\$96,499,898	5.8%	5.0%	\$95,771,519	0.8%	\$728,380
County Sales Tax	\$17,763,549	8.6%	\$18,829,362	6.0%	3.0%	\$18,296,455	3.0%	\$532,906
License & Permits	\$5,435,899	9.3%	\$5,870,771	8.0%	4.0%	\$5,653,335	4.0%	\$217,436
Intergovernmental	\$57,486,289	6.2%	\$60,360,604	5.0%	3.0%	\$59,210,878	2.0%	\$1,149,726
Charges for Services	\$9,272,700	5.6%	\$9,965,427	7.5%	4.5%	\$9,689,972	3.0%	\$275,456
Fines & Forfeits	\$815,147	-1.5%	\$819,223	0.5%		\$819,223		
Miscellaneous	\$1,615,373	-6.9%	\$3,448,450	113.5%		\$3,448,450		
Transfers In	\$3,511,552	-6.6%	\$3,511,552			\$3,511,552		
TOTAL REVENUE	\$187,111,479		\$199,305,286			\$196,401,383		\$2,903,903
% Annual Change	6.26%		6.52%			4.96%		1.55%
EXPENDITURES								
Personnel	\$108,461,290		\$115,022,185			\$115,022,185		
Non-Personnel	\$55,735,454		\$57,380,454			\$57,380,454		
New Ongoing			\$1,650,000			\$1,650,000		
New One-Time			\$100,000			\$100,000		
Transfers Out	\$20,249,968		\$20,509,816			\$20,509,816		
Transfer to One-time	\$2,500,000	1.4%	\$2,903,903					
TOTAL EXPENDITURES	\$186,946,712		\$197,566,358			\$194,662,455		
REVENUE LESS EXPENDITURE	<u>\$164,767</u>		<u>\$1,738,928</u>			<u>\$1,738,928</u>		
Surplus/(Deficit) as a % of Revenue	0%		1%			1%		
ENDING FUND BALANCE	\$27,172,519		\$28,911,447			\$28,911,447		
Reserve as a % of outflows	15%		15%			15%		

Clarification of Guidance

- Budget Targets
- Pay Increases (2% + 2% adjustment to Pay for performance/equity) rotating 2.5%
- Medical Increases
- Changes to Assumptions
- Baseline Revenues and Transfers to One-time



Budget Timeline

- March 7 & 8 – Budget Kickoff Meetings with departments
- April (mid) – Elected Official Retreat budget priorities
- May 1 – Work Session Budget Requests & CIP
- May 8 – Vote Budget Requests
- May 29 – Tentative Budget
- June 19 – Final Budget

