



LETTER OF TRANSMITTAL

June 20, 2016

Honorable Board of Supervisors
and the People of Yuma County

It is my privilege to present the Fiscal Year 2016/2017 Adopted Budget. Each year as Yuma County staff navigates through the process of preparing an annual budget, certain challenges are presented and managed. This year Yuma County government has again been required to adapt to challenging circumstances. In Fiscal Year 2015/2016, the State of Arizona shifted additional costs to county governments and their taxpayers for the operation of State agencies and programs. While some relief was provided in Fiscal Year 2016/2017, there is no certainty this will continue into future years. The State did provide a one-time reimbursement of \$245,000 for a portion of the cost shifted to Yuma County for the Arizona Department of Juvenile Corrections. The State's budget also includes a partial restoration of Highway User Revenue Funds (HURF) that had previously been shifted to the Department of Public Safety. Yuma County will continue to work for permanent solutions to the State's shifting of costs onto the County and its taxpayers. In addition, a permanent funding mechanism is still lacking for the federal Payment in Lieu of Taxes (PILT) program. As a result, Yuma County will once again budget for resources that may or may not be available. While less than optimal from a fiscal planning perspective, this approach has helped Yuma County avoid more drastic actions that would negatively impact our workforce and the services we provide. In spite of these challenges, we have crafted an Adopted Budget that is balanced and fiscally responsible.

In recent years, lingering questions about Yuma County's long term fiscal stability were left unanswered. Although a healthy fund balance remained, so too did a structural imbalance between revenues and expenditures that has occurred each year since Fiscal Year 2010/2011. We have made significant progress, and we are pleased to present an Adopted Budget for Fiscal Year 2016/2017 that is structurally balanced. We resolved to begin in 2016 researching models to effectively plan for the future, and to begin the development of a long range financial plan. Such a plan will establish collectively desired outcomes and create a policy framework within which to make sound fiscal decisions that are sustainable into the future. While this was our intent, the change in County Administrators along with the Budget Director serving as the Interim County Administrator delayed the process. We are committed to developing such a process in the coming fiscal year.

All of us in public service must be accountable to constituents for the decisions that we make on their behalf. The decisions reflected in this Adopted Budget are the result of significant reflection and collaboration. We are proud to present it to the people of Yuma County and we will stand behind it and the resulting decisions that are made in the application of it.

Preliminary Goals

The first step in any annual budget preparation process is to assess the needs of our most valuable resource, the people who make up Yuma County government's workforce. Each year, we evaluate the feasibility of providing compensation adjustments and other incentives to appropriately reward employees for their dedication and service. We also evaluate the resource needs identified by Department Heads and Elected Officials that are responsible for effective delivery of services to the community. From there, available revenues are analyzed and matched to meet the highest priority needs.

As always, Yuma County's annual budget serves as a guide for County officials and their appointed staff to responsibly manage the resources entrusted to them. Revenues are slowly improving and we are experiencing a somewhat higher degree of certainty regarding various revenue sources.



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The following are the most significant obligations for which Yuma County has budgeted in Fiscal Year 2016/2017:

1. A modest employee compensation increase, along with public safety equity adjustments
2. Slight premium rate increases to Yuma County's Employee Benefits is due to increases in program costs
3. Ongoing costs resulting from the State Legislature's actions to reduce program funds and shift program cost responsibilities to Yuma County for State obligations
4. Fund stabilization for Yuma County's General Fund and major districts
5. Technology replacements, improvements and updates

Modest increases are expected in state shared sales tax revenues, local sales tax revenues, and primary property tax revenues resulting from new construction, which will help to offset some of these expenses.

An ongoing priority is to continue to maintain the General Fund's fund balance at an appropriate level. Historically, Yuma County has maintained a fund balance of 17% to 25%. However, there has not been a formal policy adopted by the Yuma County Board of Supervisors to establish a specific baseline and/or range for the fund balance. The proposed future long range financial plan will establish a specific baseline and range for the Board's consideration.

In Fiscal Year 2016/2017, this Adopted Budget will yield an end of year fund balance of approximately 20% of the budgeted General Fund Total Current Uses, and the General Fund budget is in structural balance for current sources and uses.

In all, the Adopted Budget reflects an increase in General Fund revenues of approximately \$2.4 million over the Fiscal Year 2015/2016 budget and an increase in General Fund expenditures plus transfers out of approximately \$1.1 million.

The Economy and Local Revenue

Primary assessed property values decreased slightly from \$1.120 billion for tax year 2015 to \$1.116 billion for tax year 2016. This is the first decrease since tax year 2013 and is primarily the result of changes in assessed value percentages for Class 1 (utilities and commercial) and Class 2 (agriculture and vacant) properties. Residential average closing prices for listed home sales continue to increase at a modest rate.

Sales tax revenues have remained stable and have exceeded Fiscal Year 2015/2016 expectations year-to-date. The County's budget review team has budgeted growth (as compared to projections for the current fiscal year) of 2.5% for local sales tax and 3% for state shared sales tax for Fiscal Year 2016/2017. Because the Jail District and Public Health Services District are partially funded with local sales tax revenue, this trend will help to stabilize those funds as well. Auto-in-Lieu tax revenues have been stronger than expected in Fiscal Year 2015/2016 and the Adopted Budget includes an increase of 2.0% for Fiscal Year 2016/2017.

Building Permit revenue has declined from a high of \$1.4 million in Fiscal Year 2004/2005 to \$234,324 in Fiscal Year 2014/2015. However, the projection for Fiscal Year 2015/2016 reflects a modest increase to \$284,434. The Fiscal Year 2016/2017 Adopted Budget reflects an increase to \$312,385. The number of foreclosures continued to decline in Fiscal Year 2014/2015 which means that more Yuma County homeowners were able to stay in their homes. This is a sign of a stabilized local economy.

The overall outlook for Yuma County's economy is positive. The County recently adopted an Economic Development Incentive Policy to further support ongoing economic development strategies and activities to attract prospective employers to Yuma County and retain current employers.

Our agriculture industry continues to thrive, the military presence is ever-growing, and consolidation of defense resources continues to benefit Yuma's military bases.



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Compensation and Benefits

Recognizing the hard work and dedication of Yuma County employees is a primary goal in developing every budget. This Adopted Budget includes a modest 2% compensation adjustment for all pay plans. In addition, the Human Resources Department completed a compensation study of the Sheriff's Office sworn personnel relative to other law enforcement agencies (Yuma Police Department, Department of Public Safety and U.S. Border Patrol), which resulted in an equity adjustment for Sheriff's Deputies, Senior Deputies, Public Safety Sergeants, Lieutenants and Captains. In the coming months, County staff will complete a similar study for Detention staff and will bring forward a compensation and equity adjustment for the Board's consideration in the Jail District Fund for those positions.

Due to the efforts of staff and the Yuma County Employees Benefit Trust Board, the health insurance premium rate increase has been limited to 4% for the coming fiscal year. Even with this increase, Yuma County continues to provide one of the best and most affordable health care programs in Yuma County.

The Adopted Budget includes funding for reclassification of employees who have been asked to perform duties exceeding those called for in their existing job descriptions. Nine (9) requests were submitted and reviewed by the Human Resources Department. Eight (8) are in the County Regular Pay Plan and one (1) is in the Selected Law Enforcement Step Pay Plan. All of these requests were recommended and approved by the County Administrator. Two (2) reclassifications covered by the Judicial Pay Plan were requested and approved.

Yuma County will continue to build on the success of our Loan Repayment Assistance Program to recruit and retain qualified attorneys. And, the Tuition Assistance program continues to promote a more educated and qualified workforce in County government.

Personnel

In the General Fund, a total of 29.08 positions were requested for Fiscal Year 2016/2017. This includes requests to transfer 6.88 existing positions from Special Revenue funds to the General Fund. A net increase of 3.08 full time positions were approved and budgeted. Funds are also budgeted for the General Fund to offset ongoing and increasing shortfalls to maintain critical special revenue funded positions in the County Attorney's Office, Public Defender's Office and Superior Court.

For Special Revenue funds, which includes all special taxing districts, grant and fee funded programs, a net decrease of 7.58 positions was cumulatively requested by those departments and offices. This does not include a recurring request for additional staffing of 1.5 full time equivalent positions for the University of Arizona Cooperative Extension program. A net decrease of 2.58 full time positions was approved in the final budget.

In all funds combined, a net total of 21.5 positions were requested by all departments and offices combined. A net increase of 0.5 positions is budgeted.

In Fiscal Year 2016/2017 we will continue the process of reviewing all positions that become vacant throughout the year for the necessity of maintaining them. This vacancy review process has proven to be very effective in monitoring the operational necessity of all positions.



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Capital Improvements

Although numerous needs were identified by County staff for new General Fund capital projects, seven (7) existing or new General Fund projects are funded in Fiscal Year 2016/2017:

1. Administration Annex at 197 S. Main Street
2. Miscellaneous General Services Construction (revolving)
3. Outgoing Early Ballot Preparation/Distribution machine
4. Budget Preparation Software
5. Phone System Replacement (CS-1000)
6. Juvenile Court Security Camera Upgrade final phase
7. Orthogonal and Oblique Imagery for GIS

The first phase of the renovation of the Administration Annex at 197 S. Main Street is scheduled to be completed in Fiscal Year 2016/2017. Funding for this project was secured through pledged revenue financing plus additional funding from the General Fund. The initial phase of the renovation will accommodate the Assessor's Office, Recorder's Office, Treasurer's Office and Elections.

Miscellaneous projects are planned on a priority basis from the General Services Department each year. Although small in scope, these projects extend the life of existing facilities and equipment, thereby saving Yuma County from the unnecessary expense of replacement costs.

The Recorder's Office has encountered significant challenges in preparing and distributing early ballots for elections based on the dramatic increase of early voting activity and an 84% increase in the Permanent Early Voting List since 2008. The Relia-Vote Rival Inserter machine is capable of more efficiently and accurately preparing and distributing early ballots pursuant to state statute, which will reduce other costs currently being incurred, reduce liability, and improve customer service.

The lack of future support for the existing budget preparation software demands that resources be provided to acquire a replacement. The Oracle Hyperion budgeting software will provide a flexible solution that is compatible with our current financial management system.

The County operates several separate phone systems. The largest existing telephone system (CS-1000) is approximately 10 years old and reliability is beginning to suffer. The supplier's support will end on December 31, 2016. This project will replace the phone system for the Administration building, Justice Center, Development Services, General Services, Public Defender and Legal Defender departments.

In keeping with the commitment from the Board of Supervisors to provide the safest environment possible for juvenile offenders and the staff that protect them, Phase III to complete upgrades to the Juvenile Detention Center security equipment is included in this Adopted Budget.

Finally, the Orthogonal and Oblique Imagery GIS project will provide updated aerial imagery to enhance the County's GIS system and will benefit all County departments and other governmental entities that use this imagery.



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Closing

Adapting to changing circumstances is a continuing function of any government agency. Decisions that are made beyond our control make it more challenging to adapt, but also provide opportunities for improvement. The level at which Yuma County residents participated in setting future priorities for the County this fiscal year was very encouraging and will assist the County in continuing to provide high quality services in the most efficient manner available. And, development of a long range financial plan and policies will guide the County in maximizing the use of our limited resources and addressing the challenges identified by residents and elected officials.

I want to thank the Board of Supervisors for their guidance and support throughout the development of this budget. I also want to thank the Office of Management and Budget, Finance, Human Resources and other departments and agencies for their fiscal responsibility, teamwork, and collaboration, which made this year's budget process a success.

I want to extend a special thank you to Mr. Jim Flory, Director of the Office of Management and Budget, for his leadership as the Interim County Administrator prior to my arrival, his assistance in providing a smooth transition, and his knowledge and expertise in helping me to navigate my first County budget process.

I look forward to working cooperatively with residents and County officials in promoting the overall prosperity of Yuma County in Fiscal Year 2016/2017 and for many years to come.

Respectfully,

A handwritten signature in blue ink that reads "Susan Thorpe".

Susan K. Thorpe
Yuma County Administrator



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