

# WELCOMING LETTER

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June 15, 2009

Honorable Board of Supervisors  
and people of Yuma County

It is once again my privilege to present this *Fiscal Year 2009/2010 Adopted Budget*. As with the creation of any annual budget, this year's budget process presented its own set of unique challenges and opportunities. I am very pleased with the final result, especially in light of the recent economic uncertainty that has been so prevalent worldwide.

During the past year, the global economy has seemingly been in a constant state of flux. Our nation has been in the midst of a financial crisis, the likes of which has not been seen since the early 1970's. Yuma County, while financially in a much better position than many of our neighboring counties throughout the State of Arizona, has not been immune to the effects of the economic downturn. Cost shifts, fund sweeps and program reductions flowing from the State have been felt by many County departments, offices and, most importantly, by our constituency. Preparing for what lies ahead, and the unknown, has been a continuing challenge.

One of the main goals in preparing this, or any, governmental budget document is to assure community residents that those entrusted with providing local government services are doing so responsibly. Yuma County residents deserve nothing less. Earning the trust of the public by keeping them well informed of how their precious tax dollars are being spent should always be what public officials strive to achieve. Hopefully, this Adopted Budget will further that interest and has assisted the Yuma County Board of Supervisors in making intelligent decisions regarding resource allocation in Fiscal Year 2009/2010.

Arizona counties have a long history of allowing the public to know how and why they are supporting governmental functions with their tax dollars. In fact, all Arizona counties, including Yuma County, have recently been recognized for their achievement in maintaining transparency in daily operations. The government transparency website "Sunshine Review" has found Arizona to have "the most open county governments" with a score of 65.5% on the group's transparency checklist. Yuma County takes great pride in that recognition and will continue its commitment toward increasing that level of confidence in the future. It is my distinct hope that this document will further public awareness and provide a valuable tool to those interested in tracking how Yuma County appropriates revenues for the delivery of services to the community.

The Yuma County Budget Review Team has undergone significant changes once again during this fiscal year, including the time spent in preparation of this Adopted Budget. In spite of those changes, our staff has pulled together and arrived at a final product that meets our high standards and expectations. I take great pride in the dedication and accomplishments of our staff, and thank them heartily for devoting their considerable skill and talent to compiling this document and its contents.

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## Preliminary Goals

With the dramatic decline in revenues at the state level, and the structural deficit facing State government, the Legislature has taken action to sweep funding for many local programs that depend on such funding to continue. As such, the focus of attention on this year's budget preparation has been, more than ever, how to maintain staffing at the current levels in order to ensure that the public continues to have access to the services, and at the same quality levels, that it has come to expect from Yuma County government. Particular focus of attention was given this year to the following areas, though in no particular order of priority:

- 1) The ability to avoid reduction of currently filled positions;
- 2) The return on investment of proposed new programs;
- 3) The cost-effectiveness of current service delivery methods and opportunities to improve them;
- 4) Recognizing the financial needs of employees that are dedicating their careers to Yuma County government; and
- 5) Maintaining the appropriate level of fiscal responsibility for Yuma County's financial stability.

This year's budget process has seemingly been a work in progress since the start of the fiscal year in July, 2008. The ongoing challenge for State leadership in addressing the ominous deficit in the current year's State budget, while at the same time attempting to remedy the structural imbalance for subsequent years' budgets, has caused all local government entities in Arizona, including Yuma County, to maintain a keen eye on legislative activity and the resulting impact on our local budgets.

Although we knew that Fiscal Year '08/'09 would be a difficult one in regard to revenues, no one could have predicted the rate of decline in State shared revenues that has occurred. When all is said and done, it is likely that State shared revenues could drop as low as 15% below what was budgeted for in this fiscal year, or well in excess of \$2 million. That, coupled with the grinding halt in residential construction and home sales, has put an incredible strain on county budgets statewide, including Yuma County. Locally, commercial activity has been atypical in comparison. The dynamics that drive and contribute to our overall economy are not only unique, but have enabled Yuma County to weather this economic storm much better than most of our counterparts throughout the State.



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Regardless of the many challenges presented this year, the Yuma County Budget Review Team took them on with a vigor of which I am duly proud. Ultimately, our budget staff persevered and arrived at the conclusion of the process with an Adopted Budget that is balanced, responsible, and fiscally sound.

## The Economy

The local economy has remained resilient, due mainly to the economic diversity we enjoy. Yuma County's winter visitor population returned in somewhat unexpected numbers this season and continues to support our local businesses. The Mexican peso is gaining strength against the U.S. dollar and is on a current trend that is much more positive than most economists have predicted. Similarly, the Canadian dollar is gaining strength as well. These factors will likely result in more robust spending in Yuma County stores and restaurants as we progress into the new fiscal year, which will work to stabilize our local sales tax revenues. Retail sales have gone from a period of slowing growth to a current regression in growth, at least on a statewide basis. Though economists are unable to arrive at a consensus, most believe that the decline in retail sales growth has hit a low point and a slow growth pattern will be seen sometime during Fiscal Year '09/'10.

The housing market has transitioned from slow to stagnant during this past fiscal year. Additionally, property values, both in Yuma County and statewide, are beginning to experience a compression that will put a strain on counties' ability to levy property taxes, within the voter approved levy limitation, without significantly increasing the property tax rate in future years. Most economists believe that the stabilization of the housing market is the key factor to restoring the national economy to a more prosperous level. The foreclosure rate which has occurred in the past fiscal year has caused most lending institutions to limit the approval of new loans. As a result, fewer people are buying homes, and fewer developers are building new homes. The impact of the declining housing market is likely to last for several years in Arizona. There is a surplus of new homes that creates an imbalance in the demand for the same. As the credit market is restored, the resumption of real estate purchases is likely to be slow and the surplus will take some time to balance out to meet the demand. How long this may take is speculative, but we can be fairly certain that we will not see any significant change in activity during Fiscal Year '09/'10.

There is cause for optimism in the face of financial uncertainty. The American Recovery and Reinvestment Act of 2009 has provided funding for several projects within Yuma County and statewide. Undoubtedly, those projects will have a positive impact on the Fiscal Year '09/'10 tax revenues. It is far too early to measure what the total impact may be, and whether the impact will be short or long term, but Yuma County will take advantage of every opportunity that presents itself, so long as those opportunities are deemed to be in the best interest of County residents.

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The key components that drive Yuma County's local economy remain strong. Our agricultural base continues to flourish, and the impact of the H2A Visa program has been seen locally this harvest season. Researchers at the University of Arizona continue to discover new crops and methods for cultivation that will keep Yuma County on the cutting edge of agricultural production for decades to come. Another key factor in the future of Yuma County's economy is the confirmation of the advancement and future placement of the Marine Corps' F-35B "Joint Strike Fighter" at MCAS Yuma by the year 2012. Although a prototype could arrive as early as 2010, the preparations for receiving the first permanent squadron of the F-35B aircraft in 2012 will significantly impact the local economy as early as Fiscal Year '09/'10. Finally, the anticipated opening of the San Luis II Port of Entry and completion of the Arizona Service Highway (Robert A. Vaughan Expressway) will likely increase the flow of commercial traffic through Yuma County and stimulate commerce throughout the region.

## Revenue

Projecting the amount of sales tax related revenue that Yuma County will receive in any fiscal year is a difficult task. Most counties throughout Arizona are taking an ultra-conservative, somewhat pessimistic, approach to projecting state shared and local sales tax revenues. This is probably an appropriate response to the uncertainty which has been experienced over the last year in particular. Yuma County takes a similar approach which is much more consistent with the historically conservative projections that have placed Yuma County in a position of strength while others struggle. Although most economists do project a return to prosperity in the near future, none are willing to commit to a firm timeline. Accordingly, most counties throughout Arizona are projecting a "flat" level of sales tax revenue for Fiscal Year '09/'10, with no growth whatsoever expected. Some counties, particularly those which have not been conservative with projections in recent years, are projecting a continued decline in sales tax revenue. We believe that those counties are forced to take a less than realistic approach in order to correct structural problems within their budgets.

Our Budget Review Team is confident that sales tax revenue in FY '09/'10 will remain consistent with Fiscal Year '08/'09. We are slightly more optimistic than most counties, due largely to our continued economic strength and position. Revenue projections are never an exact science, but we feel confident that the "flat" approach will prepare Yuma County for either a slight increase or decline in the coming fiscal year.

Property tax, although somewhat more predictable as a revenue source, is always subject to the fluctuating real estate values. As mentioned previously, property values in the State of Arizona, and Yuma County, are experiencing a compression that may last for several years. As a result, the applied tax rate will fluctuate in order to obtain the necessary levy amount annually for the cost of services. The maximum amount of potential levy increase (2%) is adopted for Fiscal Year '09/'10. Because the assessed value of property within Yuma County will see an increase in Fiscal Year '09/'10, the assessment will still result in a need to lower the property tax rate to meet the levy amount, from a rate of 1.8825 in FY'08/'09 to 1.7548 in FY '09/'10, a reduction of .1277 cents per \$100 of assessed value. The "compression" mentioned above will take two (2) years to blend into the annual tax levy. So, even though



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values will increase and the tax rate will decrease this fiscal year, we need to be prepared for the opposite effect to occur when the current property values are accurately reflected in the tax rate. The secondary tax rates for the Library District (both for operation and maintenance and debt service) and the Flood Control District will continue to be set at a rate that will provide the necessary revenue to continue the operation of the services and projects funded thereby.

With respect to the Library District, the ongoing changes occurring within the District demand that a cautious approach be taken in determining the appropriate tax levy. Although the current cash reserve for the District is inordinately high in comparison to the operating budget, that operating budget is changing and will not be stabilized until all of the new facilities are on line and appropriate operation and maintenance costs are identified. That analysis will continue throughout FY '09/'10 and we will be in a much better position to permanently establish the revenue needs in the FY '10/'11 budget. The tax rate adopted for FY '08/'09 (.5130 for operations and .2541 for debt service) has decreased (.5032 for operations and .2309 for debt service) for FY '09/'10.

The Flood Control District has several ongoing projects, and others that are still in the planning stages. The requisite funding for those projects has been planned based on a five (5) year projection. That projection, coupled with the increase in secondary assessed valuation applied for this budget year, allows for a slight reduction of the FY '09/'10 tax rate from .3178 to .2858.

## Compensation and Benefits

Although Yuma County, as with virtually every other governmental entity throughout the nation, does not have the available financial resources to provide the direct salary enhancements that our staff undoubtedly deserves, we are very fortunate to have been able to consider and adopt several compensation related enhancements and benefits to our overall compensation program. The goal of the Budget Review Team, in conjunction with the Human Resources Director, was to strive to provide acknowledgement of the value our employees have to our organization. Additionally, the hard work and dedication to serving Yuma County as a career choice should be recognized and compensated.

The focus on compensation related programs was centered on those programs which are contingent on annual appropriations, or "one-time" funding. The adopted compensation items include:

- 1) Position Reclassification;
- 2) Tuition Reimbursement;
- 3) Loan Repayment for Attorneys; and
- 4) On-Call Duty Pay

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The reclassification program has been modified over the past fiscal year so that its review and recommendation process coincides with the preparation of the Recommended Budget. This enables the additional compensation associated with reclassifications to be budgeted annually. There were a significantly higher number of requests submitted this year due to the gap created by the transition process. Regardless, the same evaluation process was used and, ultimately, nineteen (19) of the thirty-two (32) reclassification requests submitted for review have been approved and are being adopted for funding.

The tuition reimbursement program also underwent some changes this past fiscal year in order to more closely align the use of the program with an ultimate benefit to Yuma County. Traditionally, the program has served the dual purpose of stimulating educational opportunities for Yuma County employees, thereby enriching them individually, while at the same time providing Yuma County with a better educated workforce. Both of these results benefit the people of Yuma County as they will have better quality service providers available to them.

The loan repayment for attorneys is a new program that is being adopted for first year funding. The program was developed as a recruiting and retention tool for qualified professional staff that have chosen to make public service within Yuma County their career. The challenge in adopting funding for this program was tied directly to a savings in the indigent defense annual budget. Having seen the financial results of having fully staffed attorney offices, the benefit to Yuma County has been realized, thus making the recommendation for funding of this program essential to the continued success of an economical and highly qualified indigent defense program.

The on-call duty pay program was developed to acknowledge the commitment of time that many of our employees have beyond the normal eight (8) hour workday. Employees in certain critical support positions are routinely called from their leisure time to perform urgent duties. Because those employees are expected to limit travel and other leisure activities during the time that they are "on-call," it is critical that they be provided with some additional compensation for that demand. The departments that will be utilizing the new program will be Public Works, Information Technology and General Services.

The financial stability of the Yuma County Employee Benefits Trust (Trust) continues to be a challenge, due primarily to the fact that there have been an unusual number of large claims made against the Trust in the past fiscal year. The large claims are generally "lasered" from the Trust's excess liability insurance policy in order to limit the annual premium costs on that coverage. The result of "lasering," or excluding those claims from the external insurance coverage, is that the Trust is forced to absorb the full cost of those claims, which in turn reduces the fund balance in the Trust. All of this activity causes the benefits premium amounts for both Yuma County and its employees to increase by 9%. The employee portion of the increase will be funded by Trust reserves. The employer (County) portion will be funded 8% from budgeted operating funds and 1% funded from Trust reserves. The budget in Fiscal Year '09/'10 will be 50% of the increase to reflect the implementation in the third and fourth quarters



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## Personnel

As always, evaluating the supplemental requests for additional personnel submitted by departments and elected officials proved to be difficult for the Budget Review Team. The requests were much more conservative in number this year, a sure sign of respect for the difficult financial times that Yuma County is experiencing. In all, forty-three and eighty-eight/hundredths (43.88) requests for additional staff were submitted. After reviewing each request and rating them with a slightly modified criterion from past years, one which embodied the focus on financial return and cost effectiveness, four (4) new General Fund positions and a portion of two existing positions (.87) with recurring costs are being adopted as follows:

- (1) Indigent Burial Specialist (Public Fiduciary);
- (1) Collection Specialist (Superior Court);
- (1) Appraiser I (Assessor);
- (1) Deputy Sheriff; and
- (.58) Legal Secretary III (Public Defender);
- (.29) Executive Assistant (Superior Court)

Additionally, we are adopting the permanent addition of the previously funded COPS positions (3.75) from the Yuma County Sheriff's Office into the General Fund. The COPS positions had, pursuant to program requirements, been initiated with grant funding that requires a commitment from the County to accept the positions into the General Fund after three (3) years. There have been several "waivers" granted by the program administrators, however, no additional waivers are being considered relative to the existing COPS positions within Yuma County.

The Indigent Burial Specialist, though a new position, is expected to be filled through a promotional recruitment within the Public Fiduciary office. Afterward, a request will be made to eliminate the position being vacated by the transition into the new position, thereby resulting in a negligible impact on the staffing level within the department.

The Collection Specialist for the Superior Court is a self supporting, revenue generating position. The Superior Court was given a comparable position in the Fiscal Year '08/'09 budget, and the position met the projected revenue production as represented by the Superior Court. All indications are that this new position will have the same impact.

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The Appraiser I position is one (1) of four such positions that were requested by the County Assessor. The request was based on a suggestion that each additional Appraiser position would have the dual effect of generating “revenue” for Yuma County, while at the same time providing a more equitable means of appraising more properties in an effort to avoid any disparity in the assessed value of comparable properties. It was the latter purpose that led to the adoption of one (1) new position this fiscal year. Although additional appraisers may generate additional levy “capacity,” the Budget Review Team did not feel that there was a strong enough nexus between potential capacity and revenue to justify the remaining positions. This position will be closely monitored throughout Fiscal Year ‘09/’10 to more accurately determine its impact.

The Deputy Sheriff position being adopted is a replacement for the Deputy position that was volunteered in Fiscal Year ‘08/’09 by the Sheriff’s Office in order to create the critically needed Medical Examiner Investigator position. As part of that process, representations were made to the Sheriff that all efforts would be made to restore that Deputy position in the next fiscal year, which made this position a high priority.

The Legal Secretary III in the Public Defender’s office is an existing position previously entirely funded with Fill the Gap revenue. Due to the fund sweep of all Fill the Gap distributions for the next fiscal year, the General Fund is absorbing .58 of this critical position to the indigent defense program. The remaining .42 of the position will continue to be funded from existing Fill the Gap revenue.

The Executive Assistant in the Superior Court is a position that was partially funded with Conciliation Court funds and partially funded with General Fund revenue. As with the Public Defender position, the General Fund is absorbing this partial position to avoid the displacement of an employee in a filled position.

The Jail District requested the addition of six (6) new positions to staff the new Detention Center Annex, and the Library District requested the addition of ten and three-eighths (10.38) new positions to staff the new and renovated library facilities coming online in the next fiscal year. Both such requests were approved.

The adopted positions in the General Fund, though appearing to be a positive number, will actually result in a net reduction of 1.13 positions, not including the Public Fiduciary position that will be eliminated. A process was set in motion during the Fiscal Year ‘08/’09 budget whereby vacant positions that were not supported by the correlative activity within their departments, particularly Development Services, were held in abeyance in the non-departmental budget. If the need for use of those positions was justified by an increase in activity, then those positions would be transferred back into the departmental budgets for use. Following one year of dormancy, the positions were reevaluated and eliminated. That has occurred in this Adopted Budget with respect to three (3) such positions that were in that category of “swept” positions this past year. An additional four (4) positions have been identified for Fiscal Year ‘09/’10 and are assigned to the non-departmental budget for future consideration. Another three (3) positions are eliminated due



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to reorganization of departmental structure. The result will be the addition of 4.87 new General Fund positions and the elimination of 6 General Fund positions, or the previously stated net reduction of 1.13 General Fund positions.

## Capital Improvements

Yuma County's capital improvement program has undergone some distinct changes in the past fiscal year, due largely to projects that have either been completed or discontinued. As a result, there will be capital project funds available for redistribution in Fiscal Year '09/'10. As part of that redistribution, several new projects are being adopted, including:

- 1) Administration Building Chiller;
- 2) Oracle Application Upgrade;
- 3) Data Backup Replacement;
- 4) Nortel VOIP System Upgrade, and Microfiche Digitization for Superior Court Clerk; and
- 5) Adult Probation mass computer replacement

In addition to the reallocation of surplus funds realized from prior projects that were either completed under budget or discontinued, Yuma County realized two revenue related events that enable the allocation of funds to new capital improvement projects in Fiscal Year '09/'10. In spite of a projected shortfall in State shared tax revenues, Yuma County will be able to offset a portion of that shortfall with unanticipated revenue from both the Southwest Border Prosecution Initiative and the Payment In Lieu of Taxes program. The net result of these revenues has provided Yuma County the ability to fund one-time expenditures in Fiscal Year '09/'10. The obvious focus in appropriating one-time funds is on capital improvement projects that only require such funding to be achieved.

## Financial Stability

Consistent with well established administrative policy, maintenance of Yuma County's cash reserve at an appropriate level is always a focus of attention in preparing and adopting the annual budget. Yuma County has found itself to be in a very favorable position in comparison to other counties throughout the State of Arizona with respect to the percentage of fund balance we maintain as a percentage of the operating budget. As we know, this is reflective of the overall financial stability of any organization. The maintenance of a healthy fund balance has been made all the more difficult this past fiscal year due to the uncertainty of the level of

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tax revenues that would be realized. Fortunately, Yuma County has been very conservative in past years and, in spite of a structural imbalance where expenditures have exceeded revenues, we have been able to maintain our year end fund balance at 20.86% for FY '08/'09, which is well within our recommended range of 17%-25% of the operating budget. It is anticipated that the FY '09/'10 year end fund balance will be approximately 19.4% which, again, would be well within acceptable limits. It is critical that Yuma County continue with the approach of using caution in developing revenue projections, and that expenditures be appropriated at a commensurate level.

As of the date this message was prepared, the Legislature had not yet taken action to approve a budget for the State of Arizona for Fiscal Year '09/'10. It had been hoped that a more expedient process would be utilized at the State level in order that counties, cities and towns could better prepare themselves prior to the adoption of local budgets, which would avoid the difficult task of making adjustments to the local budgets once adopted. It appears as though that challenge will once again present itself to local government entities this year. One advantage that we have, and which was learned through the process of making adjustments to the Fiscal Year '08/'09 budget to reflect the impact of the State budget, is that it taught local governments to prepare for the most possible options of which they are aware. Yuma County, with the help of our contract lobbyists and statewide organizations, has had the benefit this year of being privy to most, if not all, of the available cost shifts and fund sweeps being considered by the Legislature. As such, we have prepared ourselves for most of those options. This will have the desired effect of allowing Yuma County to absorb the impact of any additional financial burdens placed upon it by the State.

The unique dynamics that make up Yuma County are reflected well in this Adopted Budget. Not only do Yuma County residents enjoy high quality services, they also can feel confident that the individuals who are dedicating themselves to delivering those services are committed to maintaining that level of quality. I am frequently amazed at the lengths many of our staff go to in order to make a difference in our community. While we have seen a tempering of the growth within Yuma County recently, I am confident that we will once again prosper in the coming years. I believe that Fiscal Year '08/'09 was a defining moment for many of us, one which will strengthen our resolve and cause us to be thankful for what we have and respectful of how quickly things can change.

This Adopted Budget represents the best effort Yuma County staff can give in anticipating all potential needs related to delivery of services.

Respectfully,

Robert L. Pickels, Jr.  
County Administrator