



## County Administrative Officer's Transmittal Letter

To: Lionel Ruiz, District 1  
Sandie Smith, Chairman, District 2  
David Snider, District 3

With pleasure, I present to you the Fiscal Year 2005-2006 Budget. This balanced budget reflects the careful planning and teamwork of elected officials and employees throughout the organization.

The combined operating and capital budgets total \$357.0 million, which represents an increase of 45.1% over the prior year. Though this increase appears extremely large, it is caused by two major construction projects, the Adult Detention Expansion/Juvenile Detention Center (\$73.0 million) and the Ironwood/Gantzel Road expansion (\$60.0 million). Both of these projects were planned and approved last fiscal year, but did not become part of the County's budget until this fiscal year. The debt service for the Detention facilities will be funded by the housing of Federal inmates, similar to the contract with the existing jail. The debt service for the Ironwood Road project is to be funded by the Superstition Valley Transportation Program. This program receives voluntary contribution from all of the developers in the northern part of Pinal County.

Pinal County is continuing to be one of the fastest growing counties in the nation. Projections show the County having a population 1,000,000 citizens within the next ten years. We, as county employees, are trying to keep up with the fast pace of growth. Many new and exciting challenges are taking place within our boundaries. The Phoenix-metro and Tucson-metro areas have discovered the beauty, charm and affordable costs associated with our county.

The County's economy is also growing, due primarily to the County's continued explosive population growth, with General Fund revenues surpassing prior year's collections. The primary revenue growth is in Property tax collection. However, the vast majority of the increase (\$6.0 million out of \$7.0 million, or 86%) comes from newly constructed housing units, rather than existing properties. Sales tax revenue, both County and State-shared revenue, is also increasing. As more businesses move to Pinal County, this line item should see dramatic increases.

Budget Highlights for Fiscal Year 2006 include the following:

- Completion of the newly expanded Adult Detention Facility - \$56 million
  - Completion of the new Juvenile Detention Facility - \$13.7 million
  - Ironwood/Gantzel Road widening and extension project - \$60.0 million
  - Implementation of the Land Integration Project, designed to gain synergy from all areas of Development Services - \$2.4 million
  - Construction of new bridge on Schnepf Road - \$4.3 million
  - Increase in members for Pinal/Gila Long Term Care - \$4.8 million
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Fiscal Year 2005-2006 is positioning itself to be a year full of excitement, changes and challenges.

Challenges for Fiscal Year 2006 include:

- Staffing increases throughout the County (44 newly budgeted positions) - \$2.8 million
- State-mandated increase in the Arizona State Retirement System contribution - \$1.3 million
- Facilities planning for all County Offices, in order to meet the growth needs
- Continued maintenance and construction of existing and new roads to handle the increases in traffic due to population growth – under review
- Continued support of employees through competitive wages and benefits - \$3.35 million
- Additional State-mandated funding for the Arizona Health Care Cost Containment System (AHCCCS) - \$1.5 million
- Continued update of Technology related items - \$1.2 million

Meeting these challenges head on is a priority for the County. Planning for the rapid population growth requires County management to meet and discuss strategies. A decision was made in Fiscal Year 2005 to create a new Development Services sector within the county. This was accomplished by creating the position of Assistant County Manager for Development Services to oversee Planning & Zoning, Building Safety, Air Quality, Sanitation, Public Works, Hearing Office and the Flood Plain Administrator. Previously, these departments reported to the Deputy County Manager and County Manager. The interaction between them was on an as-needed basis. This new organizational plan creates a synergy amongst the departments. Each department has been and will be dependent on one another and this plan allows for an optimal flow of information between them.

Also, the new Development Services Division is now a one-stop shop for all planning, zoning, building permits, air quality, sanitation, etc. There is a centrally located desk that allows all of the individual departments to meet with the public and address their needs without moving to different locations.

The Development Services section is also working with other County departments to automate as many functions as possible as well as create uniform, non-duplicative functions. Examples of such attempts are a centralized imaging center for the Development Services, Recorder, Assessor, etc. Such a center will delete the need for similar functions in multiple areas and will create an economy of scale in terms of needing fewer pieces of equipment to do the same job.

As the population growth continues so does the need for increased or expanded services. Pinal County government has attempted to modernize and streamline our way of doing business. The County has either implemented new services or is in the process of implementing them.

**Geographic Information System (GIS) software and hardware project** This project is an ongoing project and is in its fourth year of work. The first milestone will be the finalizing of the base map, including right-of-way specific information and Assessor lot detail. From this map,

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all other levels of the system will be implemented. The total cost of the base map program is approximately \$800,000 and should be completed by the end of FY06. The entire project, which is estimated to cost almost \$3 million, should take approximately five years.

**Development Services** In order to streamline the development processes, a new integrated software package is being installed. This multi-phase project will allow Development Services to integrate their entire division, Planning, Building Safety, Environmental Health, Air Quality and Flood Plain Maintenance. Each department will then be able to do their work in a more efficient manner and, each department will be able to monitor the process of all the different projects. Total cost is approximately \$2.1 million with an 18-month time frame.

**County-wide Infrastructure** Many components of the County's computer network infrastructure are quite old and antiquated. This project includes installing new networking, hardware (servers), software and security. Some of the fiber and cabling is over 15 years old. Communication equipment, switches and hubs that are no longer supported by the manufacturer or the vendor will also be replaced. The cost for the total upgrade is approx \$1 million, completed in phases over three years. Completion is scheduled for FY07.

**Roads** Like the arteries in the human body, if the roadways were to clog-up, the county would be in serious trouble. Currently, there are three main areas of growth within the county, the southern region, western region and the northern region. The northern region is by far the heaviest concentration of new housing for the county. There are currently over 100,000 homes in the process of being built. This tremendous growth has placed a huge burden on the two roads that lead into and out of the area. The Public Works department has engineered the plans to take the two-lane country road, Ironwood, and make it a four-lane highway with a middle-turn lane. The traffic on this road has increased exponentially in the last three years. The road improvement will consist of a 17-mile stretch and will cost approximately \$60 million to \$80 million, depending on oil prices, to complete. The funding for this project will come from the developers' fees generated by the Superstition Valley Transportation Project, in the area. This project should be completed by December 2006. This is just one of the projects for the area. Another major project will be a freeway linking the northern part of the county to the middle of the county. This project will be funded by the State's Department of Transportation.

Besides the construction of roads, the county must also do its best to ensure that air quality is being met by upgrading existing dirt roads. The County currently collects a ½ cent road tax from its one percent sales tax. This tax is divided between the three districts and is used to help mitigate dust issues. Typically, a dirt road is graded and "dressed" and then a layer of Asphalt, Rock, Dust Palliative (ARDP) is applied. This produces a paved road for a fraction of the cost. A typical road in this fashion will run approximately \$40,000/mile with about \$1 million worth of paving completed each year.

**Courts** The County has just recently finished building its new Superior Court Complex. The court was designed for the county to grow into it over the next 5-10 years. In fact, during the construction, two additional courtrooms were left in a "shell-state", meaning the furniture, bench, equipment were not purchased. The expectation was to build-out these rooms in the next five

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years. However, due to the aforementioned growth, these two courts are being finished to hold the new State-mandated divisions. State statutes dictate when a new court division should be established and as such, the county is required, due to new population estimates to open these divisions. Cost estimates are being created for this expansion.

**Public Safety** Public Safety has been a key-issue for some time. With the growth and prosperity come problems associated with it – crime. The current adult detention facility was constructed in 1994 and is able to house approximately 472 inmates. Currently, the facility has been housing a daily average of approximately 630 inmates with highs of up to 700 inmates. In fact, the Sheriff’s office has had to turn away misdemeanor bookings due to the over-crowding. To meet with this concern, the Board of Supervisors’ has approved the construction of a \$60 million jail expansion. The County is always trying to be innovative. As County Manager, I have met numerous times over the course of the last two years with Federal government agencies (i.e., Immigration and U.S. Marshal). These discussions have led to the negotiation of an Intergovernmental Agreement (IGA) with the Federal government to house their prisoners in the county facility. The per diem rate, approximately \$5 million per year, currently being developed, will offset the debt service for the new facility and cover most, if not all, of the annual operating costs. The County will see revenue, from the IGA, in the range of approximately \$15 million per year. Very few other counties in the country have the ability to manage a detention facility so efficiently that the cost burden of building and staffing a new facility does not fall on its citizens.

When completed, the facility will require an additional 200+ Detention Officers and administrative support staff. This large increase in qualified and trained personnel is a large, complicated process. The County’s Human Resources department has already begun the process of meeting with the County Sheriff and Detention Commanders to discuss the strategies for hiring, training and retention of the new employees. The average starting salary for a Detention Officer is approximately \$32,000, not including employee related expenses. This equates to approximately \$10.0 million in new personnel costs. All of which will be covered by the per diem agreements with the various governmental entities. As such, the county will not feel the large effect upon its revenue stream.

**Employee Retention/Training** The County must do all that it can to attract and retain its employees. Our physical location is between the two largest metropolitan areas of the state. Typically, wages and salaries will be higher in these areas than within Pinal County. However, due to the growth of the county, which means additional tax revenue, the county has been able to offer competitive wages and salaries. For FY06, the county will be spending approximately \$3.4 million in longevity/COLA increases. The County has made an effort to improve its training options for employees. The Human Resources department has brought in trainers to teach classes and employees have had an option to sign-up for off-campus training. This increase in training opportunities has helped retain our valued employees.

**Additional State Costs** The State of Arizona, as with many other States, passes on costs to counties, cities and towns, in order to help the State balance its own budget. FY2006 is the first year in the last four years that additional costs were not handed down to the County. Only the historical costs, AHCCCS and Acute Care have continued. However, these two expenses

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increased by over \$1.5 million for FY2006. The County now makes a yearly payment of \$12.9 million to the State for AHCCCS assistance each year.

**Fund Balance** Pinal County has a resolution that states it must maintain a minimum unreserved fund balance of five percent. As recently as the late-80's the county was unable to maintain such a rate. However, due to continued conservative fiscal planning the county not only meets the five percent minimum, but also has continually surpassed the goal for the last 15 years. This surplus has allowed the county to renovate areas or purchase desperately needed equipment. It is understood that this balance is to be used for one-time purchases only. Salaries are never considered when using the fund balance. The fund balance, barring unforeseen costs, should increase by at least \$2 million this fiscal year.

In conclusion, unlike other counties, cities or the State, Pinal County has been experiencing exponential population growth, which leads to housing and business construction, and our revenues have not been adversely affected by any changes in the economy. This growth has enabled the county to maintain and in some cases increase, its current service levels and allow for cost of living increases for its valued employees.

Pinal County, due to its dedicated employees, is capable of maintaining a strong, stable financial position into the foreseeable future.

As you can see, even with the large increases in population, which in turns means additional work for all employees, I am confident that each and every county department works as efficiently as possible. This budget includes some exciting and innovative projects that will enable to County to meet the ever-growing needs of its citizens. Today, we are better than we were, but not near good as we are going to be.

Sincerely,

A handwritten signature in black ink, appearing to read "Stanley D. Griffis".

Stanley D. Griffis, Ph.D.,  
County Manager



## **Fiscal Year 2005 – 2006**

### **Board of Supervisors' Goals**

- 1. Continued review of existing operations to ensure County Government is effective and efficient**
  - The Board of Supervisors and county management are continually searching for better, more efficient methods of delivering services to county residents.
  
- 2. Effective and Prudent Planning and Growth for Land Development**
  - Increased Planning & Development, Building Safety and other development related staffing to handle the population growth.
  
- 3. Ensuring competitive employee compensation – Salaries and Benefits**
  - Market salary survey to ensure that Pinal County is meeting the needs of its valued employees
  
- 4. Expansion of Adult Detention Facility and construction of a new Juvenile Detention facility**
  - Finalize and adopt IGA the Immigration and Customs Enforcement to house their inmates in the newly expanded Adult Detention Facility
  - Finalize the re-negotiation of the U.S. Marshal's contract to house their juvenile detainees in the new County facility
  
- 5. Widening and extension of the Ironwood/Gantzel Road - \$60 million**
  - Completion of Impact Fee study
  - Completion of Developer agreement analysis
  - Completion of State and Private Right-of-Way acquisition



## HOW TO MAKE THE MOST OF THIS DOCUMENT

The budget document serves two distinct purposes. One purpose is to present the Pinal County Board of Supervisors and public with a clear picture of the services that the county provides and of the policy alternatives that are available. The second purpose is to provide county management with a financial and operating plan that conforms to the county's accounting system.

**Budget Overview and Summary Schedules** - These sections are provided to give the Board of Supervisors and general public an overview or snapshot of the entire county's budget. The summary schedules allow for an additional level of information without having to look at the lowest level of detail.

**Budget Message and Budget Summary** – These sections provide an overview of the key policy issues and programs.

With a few exceptions, Pinal County's fund structure also corresponds to program categories; e.g., General Services, Public Works, Long Term Care, etc. Each Fund is broken down into organizational groups that are in turn divided into departments and divisions. Each division is subdivided into one or more programs.

**Departmental Budget Schedules** – This section includes the departmental budget information on services and goals, accomplishments, staffing and an interesting trivia fact about the department or sector.

**Capital Budget** – The Capital Improvement Budget details the FY2005-06 capital appropriations budget for the county. The General Fund capital plan is for the current fiscal year, while the Public Works sector lists projects for the next five years.

**Tax Levies and Rates** – This section lists all of the taxing entities within Pinal County. They are categorized by their purpose. It shows current fiscal year and prior fiscal year for comparison.

**Glossary** – The glossary, located in the appendix, helps translate some of the budget jargon into plain English.



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## **Fiscal Year 2005 – 2006 Budget Calendar**

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| 9/04 to 1/05  | Prepare long-range financial forecast and preliminary short-term revenue projections. Management team sets overall budget preparation policies.  |
| 2/3/05        | Budget Kick-off meeting. Orientation and training to be held at the Long Term Care Building in the conference room. Budget manual with instructions to be placed on the Budget Office website. Personnel control report and budget worksheets to be handed out at orientation. |
| 3/4/05        | Budget requests are entered into computer system and system is turned off. Capital outlay and new position requests are due to the Budget Office at same time.   |
| 3/7 to 4/1/05 | Budget negotiations are held with departments and the tentative budget is prepared.  |
| 4/26/05       | CIP requests presented to the CIP committee. This includes new vehicles, facilities, and equipment.  |
| 4/28/05       | New positions requests are presented to the Personnel Review committee.  |
| 6/22/05       | Public hearing and adoption of the tentative budget by the Board of Supervisors.   |
| 7/05 to 8/05  | Tentative budget advertised in the Florence Blade and Reminder Tribune.  |
| 8/3/05        | Public hearing and adoption of the final budget by the Board of Supervisors.   |
| 8/10/05       | Public hearing and adoption of property tax levies and rates by the Board of Supervisors. ARS 42-304 requires this action to follow final budget adoption by seven days.   |
| 9/9/05        | Final Budget document published and available to the public.   |



**BUDGET AMENDMENTS:** Under the County's expenditure limitation, total expenditures cannot exceed the final appropriation - \$357 million in FY 05-06 – once the budget is adopted. The county can amend the total appropriations for an individual fund. However, to guarantee compliance with the expenditure limitation, when one fund's total appropriation is increased, another fund's appropriation must be reduced by an equal amount. Amendments to fund total appropriations require County Manager and Board of Supervisor approval.

The Board of Supervisors or the County Manager may also approve the transfer of appropriations within funds. This occurs most often in the case of capital improvement projects, where savings in one project are transferred to another project. These amendments, as well as uses of any contingency accounts, require County Manager approval.

The Budget Resolution also allows for department heads to transfer appropriations within their respective departments or divisions. The budget transfers are reviewed by the Budget staff, County Manager or Deputy County Manager. All administrative budget transfers are documented by the Budget Office and tracked in the county's computerized financial system.

**BUDGET BASIS:** The budgets of general government type funds (for example, the General Fund itself, Public Safety, Public Works) are prepared on a modified accrual basis. Briefly, this means that obligations of the county (for example, outstanding purchase orders) are budgeted as expenditures, but revenues are recognized only when they are measurable and available.

The Enterprise Funds (Long Term Care, Fairgrounds) also recognize expenditures as encumbrances when a commitment is made (e.g., through a purchase order). Revenues, on the other hand, are recognized when they are obligated to the county (for example, fairground fees are recognized when parties use the facilities).

Purchase orders for goods and services received prior to the end of the current fiscal year will be eligible for payment for a period of sixty days following the close of the fiscal year. However, in all cases (Enterprise Funds and General Governmental Funds) when goods and services are not received by year-end, the encumbrances lapse.

The Comprehensive Annual Financial Report (CAFR) presents the status of the county's finances on the basis of "generally accepted accounting principles" (GAAP). Since FY05, the CAFR has been prepared in compliance with the Government Accounting Standards Board (GASB) Statement 34 requirements. The CAFR also shows fund expenditures on a GAAP basis and a Budget basis for comparison purposes. In most cases, this conforms to the way the county prepares its budget. Exceptions are as follows:

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- a. Compensated absences liabilities that are expected to be liquidated with expendable available financial resources are accrued as earned by employees (GAAP) as opposed to being expended when paid (Budget).
  - b. General staff and administrative charges are recognized as direct expenses of the Long Term Care Fund on a GAAP basis as opposed to being accounted for and funded by operating transfers into the General Fund from the Long Term Care Fund on a Budget basis.
  - c. Capital outlays within the Enterprise Funds are recorded as assets on a GAAP basis and expended on a Budget basis.
  - d. Depreciation expense is recorded on a GAAP basis only.

The Comprehensive Annual Financial Report shows fund expenditures and revenues on both a GAAP basis and Budget basis for comparison purposes.

Copies of the Comprehensive Annual Financial Report are available from the Pinal County Finance Department. Please contact the department at 520-866-6255 or go to the Pinal County website, [www.co.pinal.az.us](http://www.co.pinal.az.us).