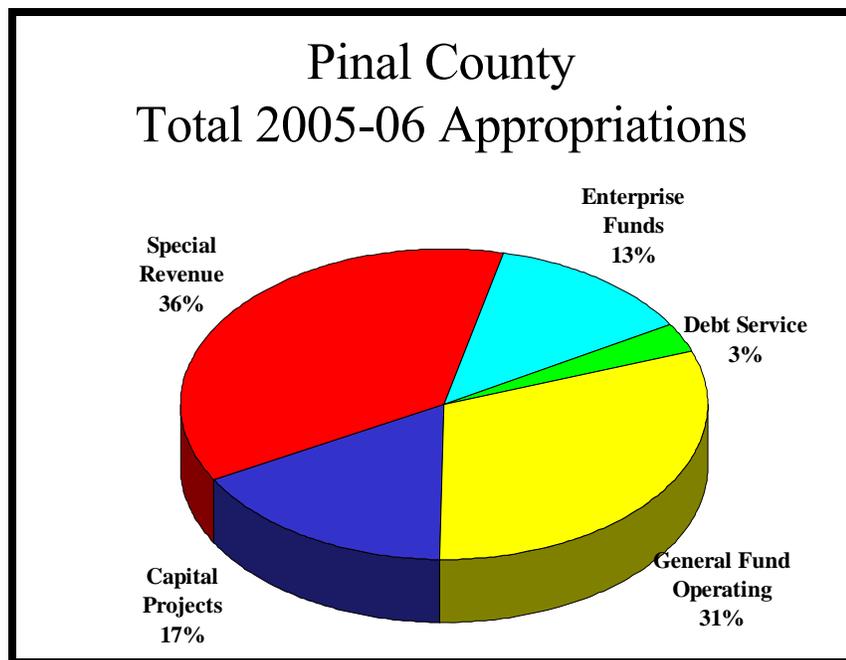




BUDGET SUMMARY

The annual budget for Pinal County is divided into five major components, which include all appropriations for the County. The **Operating** budget finances the day-to-day provision of County services and totals \$110,000,000. The **Capital Projects** budget funds the construction of County facilities. This year the Capital Projects Budget totals \$59,468,217. The **Special Revenue** budget is funded by grants, fees, permits, etc. and is separate from any General Fund monies. The Special Revenue budget totals \$130,925,230. The **Enterprise Fund**, \$45,582,000 budget consists of departments that operate on a cash flow basis separate from the General Fund. The different cost centers must generate sufficient revenue in order to cover the operating expenses. The Enterprise Fund budget totals \$40,242,000. The **Debt Service** budget of \$11,024,553, is used to repay money borrowed by the County, primarily for capital construction projects. The total budget, including all five components, is \$357,000,000.



HOW THE ANNUAL BUDGET IS DEVELOPED

The development of the Pinal County budget was an open process designed to reflect the needs and desires of the County's residents. Throughout the year, the Board of Supervisors and county staff obtained input from county residents through neighborhood meetings, citizen boards and commissions, surveys and other contacts with individuals and groups.



During the fall of each year, the budget staff updates the forecasts for revenue and expenses. These forecasts allow for the Budget Office to better estimate the current year as well as possible increases for the next year. Also, in December of each year, each department head or elected official meets with the Budget Director to discuss the status of their respective areas for the current year and to get an update on what the next year will hold for each department.

During the first week of February, the Budget Director holds the “Budget Kick-off”, which is a meeting designed to update all of the department heads and elected officials as to the current status of the County and what can be expected for the next budget year. Direction on how to develop budgets is given with highlights of particular areas of concern.

In many cases, managers exhibited considerable innovation in developing better methods and practices so they could serve more citizens without increasing their non-salary base budgets. In some cases, managers found it necessary to request supplemental funding to cover inflation and growth or to provide new or expanded services to meet Board of Supervisors goals and objectives. In those cases, they were required to submit detailed justifications of their requests including a description of the request, the service benefit, cost recovery potential, and any innovations they implemented prior to requesting supplemental funding.

After the operating managers submitted their budget requests, meetings were scheduled with the Budget Office to review any changes or additions to their budgets. At this time, the departments presented their budgets and explained in detail why there is a need for additional funding. Additional funding at this meeting is limited to basic operating expenses and limited to items under \$1,000. Should equipment, personnel or other items with a cost of \$1,000 or more be needed they are submitted through the County’s CIP process.

After the Budget Office has balanced the budget it is presented to the County Manager for his approval. Once any changes have been made per the County Manager, the budget is then presented to the Board of Supervisors at a preliminary budget hearing. At this time the Board of Supervisors has the opportunity to hear input from the public or from the other Board members. The proposed budget, as revised by the Board of Supervisors, becomes the preliminary budget, which is published and made available for further public review prior to the final public hearings and adoption in August.

Amending the Budget

Once the Board of Supervisors adopts the annual budget, total expenditures cannot exceed the final appropriation, also referred to as the County’s expenditure limitation, which is \$357 million in FY2005-06. However, with Board’s approval, the County can revise the total appropriations for an individual fund provided that the budget remains in



balance. This means that if one fund total appropriation is increased, another fund's appropriation must be reduced by an equal amount.

The Board of Supervisors may also approve the transfer of appropriations between funds. This occurs most often in the case of grant funding or capital projects, where savings in a project recorded in a specific fund are transferred to another project with a differing fund number.

The Board of Supervisors has given the County Manager the authority to approve transfers of appropriations within the same fund without Board approval. These types of budget transfer requests are reviewed by the relevant operating managers and the Budget Office before being sent to the County Manager for final approval. Line item changes, such as the shift of budgeted funds from the small equipment line item to the postage line item, to support an increase in mailings, do not require County Manager or Board approval. All administrative budget transfers are documented by the Budget Office and tracked in the County's computerized financial system.

Fund Descriptions and Fund Balances

Pinal County uses fund accounting to track revenue and expenditures. Some funds, such as the Highway Users Revenue Fund (HURF), are regulated by state legislation or by the organizations awarding grants to the County. Other Funds were adopted by the Board of Supervisors to track and document revenues that are being used in the manner for which they have been designated. Enterprise funds are expected to be self-supporting through revenue generated from the services provided. Ending fund balances in each of the funds are composed of the ending balance plus the contingency appropriation, which should remain unspent barring any emergencies.

Counties in the State of Arizona obtain large portions of their budgets through grants from the State or Federal governments. Pinal County is no exception. With the exception of the General Fund, the majority of the remaining funds are grants. The grants in the following pages are grouped according to recipient of the grants.

General Fund: The General Fund includes all sources of revenue the County receives that are not designated for a specific purpose. General Fund money may be used by the Board of Supervisors for any legal public purpose. Most county departments receive at least some support from the General Fund. The ending balance in the General Fund is projected to increase by as much as \$1.0 million from the beginning balance with the addition of revenue above the budgeted amounts, most of which will come from building permits. The unreserved fund balance is projected to be \$26.9 million.

Sheriff Special Revenue: The Pinal County Sheriff's Office receives numerous grants from the State and Federal government. These consist of drug fighting money, jail enhancement funds, communication improvement funds, crime prevention and gang intervention funds. Each grant is accounted for in a separate fund and funds must be used



as specified in the grant proposal. All grants are audited for completeness and proper use of funds. Some grants are on a reimbursement basis so that fund balances may at times be negative until a payment is received. All Sheriff Special Revenue funds will either have positive-balance or zero-balance at year-end.

County Attorney Special Revenue: The County Attorney receives State and Federal grants as well as funds from drug seizures/prosecutions such as RICO (Racketeer Influenced and Corrupt Organizations Act). These consist of drug prosecution funds, juvenile services grants, prosecution services grants and Stop Violence Against Women grants. Each grant is accounted for in a separate fund and funds must be used as specified in the grant proposal. All grants are audited for completeness and proper use of funds. Some grants are on a reimbursement basis so that fund balances may at times be negative until a payment is received.

County Attorney IV-D Special Revenue: This program is through the Federal government via State government. The program is designed so that the County Attorney's office enforces child support on parents that have had support judgements placed on them. The Attorney's office uses the funds to hire experienced personnel in the collections area. The grant covers 66 percent of total costs and the General Fund covers the remaining 34 percent. All funds are audited yearly by the States Auditor General's office. The fund should remain close to a zero balance at year-end.

Superior Court Special Revenue: The County's Superior Courts receive grants for the following; Drug enforcement, automation, case processing and law library. Each grant is accounted for in a separate fund and funds must be used as specified in the grant proposal. All grants are audited for completeness and proper use of funds. Some grants are on a reimbursement basis so that fund balances may at times be negative until a payment is received. All Superior Court Special Revenue funds will either have positive-balance or zero-balance at year-end.

Justice Courts Special Revenue: The Justice Courts handle traffic, small claims and misdemeanor charges. Some of the grants they receive are; court enhancement, court cost recovery and alternative resolution. The fund balance should decrease to zero as the grants are expensed.

Recorder Storage Special Revenue: This fund includes document storage, retrieval, conversion and maintenance of all recordings and equipment. It was established per A.R.S.11.475.01 in 1995 for the purpose of converting the County Recorder's document storage and retrieval system to micrographics (the true legally accepted media to archive recorded documents) or computer automation. Monies in the fund may only be used for purchasing hardware and software, training employees to operate the system, maintaining the system, purchasing equipment maintenance agreements and updating hardware and software for the County Recorder's automation system. The revenues for this account are generated through a special recording surcharge of \$4.00 for each instrument, paper or notice filed with the County Recorder. The balance of the fund is expected to remain essentially unchanged from the beginning balance.



Special District Funds: A special district is created to help offset the cost of infrastructure improvements for unincorporated areas. An assessment is placed upon a district, which is then used to payoff the debt associated with the project. Special Districts may consist of street improvements, street lighting, sewage treatment, etc. The funds are typically designed to carry no fund balance. The exceptions would be with the sewage treatment districts that will attempt to carry enough fund balance so as to have funds available for possible leaks, repairs, etc. These funds are classified under this one category due to the nature of their existence. All Special District Revenue funds will either have positive-balance or zero-balance at year-end.

Adult Probation Special Revenue: The Adult Probation department receives a large portion of its funding from the State. Most of the revenue received is either for cost reimbursements or pre-budgeted amounts for Probation Officers. Some of the different funding areas are; Intensive Probation, Community Punishment and State Enhancement. Each grant is accounted for in a separate fund and funds must be used as specified in the grant proposal. All grants are audited for completeness and proper use of funds. Some grants are on a reimbursement basis so that fund balances may, at times, be negative until a payment is received. Typically, these funds will be completely expensed by fiscal year-end.

Juvenile Probation Special Revenue: The Juvenile Probation department receives a large portion of its funding from the State. Most of the revenue received is either for cost reimbursements or pre-budgeted amounts for Probation Officers. Some of the different funding areas are; Probation Support, Intensive Probation, Family Counseling, Standard Probation and Officer-in-School. Each grant is accounted for in a separate fund and funds must be used as specified in the grant proposal. All grants are audited for completeness and proper use of funds. Some grants are on a reimbursement basis so that fund balances may, at times, be negative until a payment is received. Typically, these funds will be completely expensed by fiscal year-end.

Public Defender Special Revenue: The Public Defender receives funding for additional training for its staff from the State of Arizona. For FY2006, the Public Defender will be using approximately \$75,000 for a new software system. The current tracking system was purchased in the mid-1980's. The fund usually carries a minimal balance as funding is used as it is received. This is a necessary funding source that allows the defense attorneys to stay educated in the field of law. Funds not used in the current fiscal year will be budgeted for use in the next fiscal year. The Public Defender Special Revenue funds will have approximately \$218,000 at fiscal year-end.

Public Works Special Revenue: This area consists of the largest funds outside of the General Fund. The largest is the Highway User Revenue Fund (HURF). This fund is used to account for money received from the State of Arizona. HURF revenues are generated from gasoline and other fuel taxes, driver's license and vehicle registration fees, and other related fees collected by the state and shared with cities and counties



based on a complex distribution formula. The HURF revenue is solely responsible for the maintenance, signage and other related activities of roadways. The projected balance in the HURF fund should be increasing as the director of the department is attempting to build a fund balance to cover any emergency situation that may arise. Public Work's goal is to carry a fund balance of approximately \$500,000 to manage any unforeseen problems.

Other funds within Public Works: Road Tax, Special Projects and Flood Management. The Road Tax fund was created through a ½ cent sales tax through an ordinance set by the Board of Supervisors. This ½ cent sales tax is used to maintain the county roads within each of the three Supervisors' districts. The Special Projects fund is typically funded by transfers from the General Fund or other funds to Public Works who will then do specified projects for the County. For example, a proposed lake was funded through this fund with General fund money as well as State grants. The Flood Management fund is used to help either with repairs due to flood damage or construction to help mitigate damage from any possible flooding in the future. These funds are expected to maintain their current balances.

Library Fund Special Revenue: The Pinal County Library system is funded through a portion of the property tax proceeds. The County does not actually operate stand-alone libraries, rather it allocates to the individual cities and towns a portion of its revenue to help maintain and stock the current municipal libraries. Funding for the Libraries is solely through the property tax collections. The fund is expected to carry a balance similar to its beginning year balance.

Animal Control Fund Special Revenue: Animal Control receives a portion of the County's primary property tax. The Animal Control department was split out from the County's General Fund so that better control could be made on expenses. As assessed valuation grows, the budget for the Animal Control division will also grow. Typically, the fund is kept at a zero balance, as revenues will just cover expenses. In FY 2005, the Animal Control Fund is borrowed approximately \$1,000,000 from the General Fund to fund a necessary expansion of their facility. Animal Control will be making a yearly repayment of approximately \$100,000 for the next ten years. This expansion is due directly to the population explosion that the County is experiencing. The fund should end the year with a zero balance.

Health Grants Special Revenue: The Health Department derives most of its funding from State and Federal Grants. The General Fund is responsible for only a small portion of its total operations. Most of the revenue received is either for cost reimbursements or pre-budgeted amounts for the numerous health programs. Some of the different funding areas are; Women, Infants and Children, HIV Prevention, Cancer Screening, Tobacco Education, Free Clinics, Immunizations and Teen Pregnancy Prevention, to name but a few. The majority of the grants are located in a single fund. All of the money must be used as specified in the grant proposal. All grants are audited for completeness and proper use of funds. Some grants are on a reimbursement basis so that fund balance may,



at times, be negative until a payment is received. All Health Grants Revenue funds will either have positive-balance or zero-balance at year-end.

Home Health Special Revenue: This fund is one of the few true Enterprise funds for the County. The purpose of this entity is to provide in-home care for the elderly, invalids, etc. Not only is it more cost-effective than a nursing home or hospital, but it has also been proven that patients usually do better in more familiar surroundings. In the past, this fund typically required a transfer from the General Fund to assist in meeting operating costs. Rates for Home Health are somewhat restricted by the State and until FY 2002 were not enough to cover expenses. In FY 2003, the State allowed for an increase in rates. Since that time the new rates have allowed the fund to become self-sufficient. The fund balance is projected to be positive for the fourth consecutive year with approximately \$503,000 in reserve.

Long-Term Care Enterprise Fund: Prior to 1982, counties were responsible for the indigent sick and either operated hospitals, clinics or nursing homes or contracted for the services. In 1989, the Arizona Long-Term Care System (ALTCS) was formed using federal Medicaid dollars. Pinal County created an Enterprise Fund that is designed to provide care for the indigent. The Long-Term Care (LTC) department must compete with the private sector in contracting with the State for care of the indigent. The department not only surpassed the private industry in costs-savings, but the neighboring Gila County contracted with the Pinal County Long-Term Care to handle their patients, too. The fund tries to balance costs to revenues, but has been able to save enough that LTC was able to build a new administration building using only funds on-hand and is in the process to expand this facility to meet its growth. The fund is expected to remain at the same level for the current year with approximately \$2.9 million in reserve.

Air Quality Special Revenue: The Air Quality department established a new fund that would collect all of the fees from permits relating to air quality control. The State of Arizona's Department of Environmental Quality office regulates the fee structure as well as to the use of the fees. The fees collected have allowed the department to slowly move from total General Fund support to being almost completely self-sufficient. The fund is slowly building a balance, but as it continues to grow, more General Fund supported areas will be moved into the fund. The Air Quality Special Revenue funds will have approximately \$591,000 at fiscal year-end.

Fairgrounds Enterprise Fund: Pinal County, as with most other counties, has a fairground complex for the County fair or other major events. The County's fairground, in its current location, has been around since the early 1950's. The problem is that the buildings and infrastructure are quite old and in need of constant repair. The fund usually requires a transfer from the General Fund each year to help meet its operating needs. Typically, each year, some part of the fairground requires a large repair or complete replacement of a particular piece of equipment. Last fiscal year, the fairground's kitchen facilities under went a "rehab". The equipment and labor were covered by grants from the Federal government. As the county continues to grow, this fund should be more self-



sustaining due to the different events that will be using the fairground facilities as well as the increase in attendance levels for the County Fair. Should this fund be in a negative position at the end of the fiscal year, a transfer from the General Fund will be used to cover the shortfall.

Community Development Block Grant (CDBG): This fund is used to track grants from the federal government. The primary use of CDBG funds for Pinal County is for housing redevelopment. The fund should remain at a zero balance as the grant funds are distributed as they are received.

County Computer Projects Special Revenue: This fund was created to hold the funding for different computer projects throughout the county. Currently, there is a computer-upgrade project that is ongoing that encompasses Animal Care & Control, Environmental Health and Horizon Home Care. These different areas are contributing to the project and this fund is the base to which funds are being transferred. Instead of purchasing individual servers for each area, the MIS department has determined that one server, with greater processing power, would better serve the departments, including MIS, than three separate systems. This fund should always be zero at the end of the project(s).

Debt Service Fund: This fund is used to for debt service within the county. Currently, there are debt service payments for; Sheriff Computer System, Lease/Purchase Sheriff vehicles, Energy Conservation, Superior Court Building and the Sheriff Administration Building and Adult Detention facility expansion, as well as some minor office equipment leases. As the debt is retired the cost centers become inactive in this fund. This fund will have more activity as the Sheriff Administration Building, the Superior Court Building and the new expansion to the Adult Detention facility now have debt service payments to make. There should be no material change in the fund balance. See the *Capital Improvements* section for more detail on County Debt policies.



Revenues

Total General Fund revenues available to the county in FY 05-06 from all sources are estimated to be \$110.0 million. This is an 18.5 percent increase from FY 04-05. This increase is due primarily to assessed valuation in the primary property tax (\$7.7 million) and increases in Sales Taxes, Development Services revenue (\$3.1 million, \$2.05 million. Table 1 shows revenue changes expected from FY 04-05 to FY 05-06.

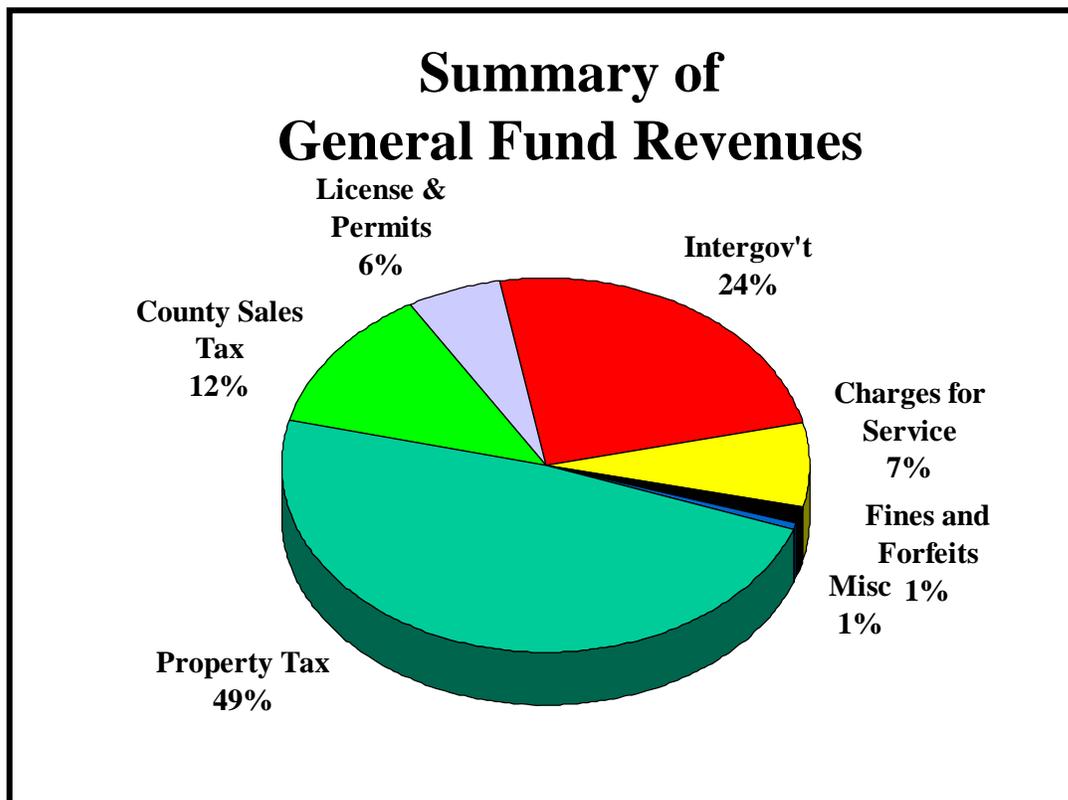
Table 1
Revenue Summary
 (All Dollars in Thousands)

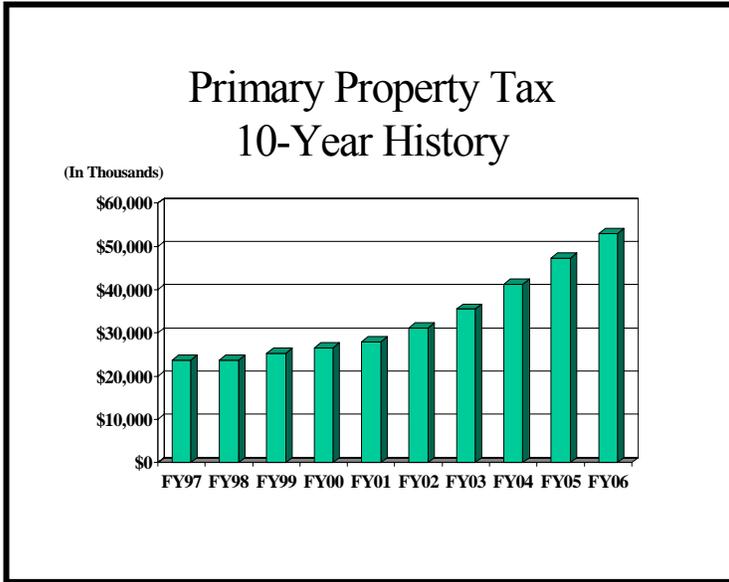
Fund	04-05 Budget	04-05 Estimate	05-06 Budget	FY05/06 vs FY04/05
General Fund	\$92,854	\$96,156	\$110,000	\$17,146
Special Revenue	\$49,325	\$48,114	\$130,925	\$81,600
Enterprise Funds	\$40,242	\$46,314	\$45,582	\$5,340
Total Operating	\$182,421	\$190,584	\$286,507	\$104,086
Capital Projects	\$57,569	\$628	\$59,468	\$1,899
Grand Total	\$239,990	\$191,212	\$345,975	\$105,985



General Fund Revenues

Total resources available in FY 05-06 to support General Fund services include the use of \$793,000 of General Fund fund balance (carryover projects), transfers from other funds amounting to \$1.3 million and revenues estimated to total \$110.0 million. Transfers to the General Fund from some of the different Special Revenue funds cover the cost of services and overhead expenses provided by the General Fund departments in support of the Special Revenue operations and are determined by an indirect cost allocation model. General Fund revenue projections are based on historic trend data, expected population increases, projected inflation and performance of the national, state and local economies, and other statistical analysis.



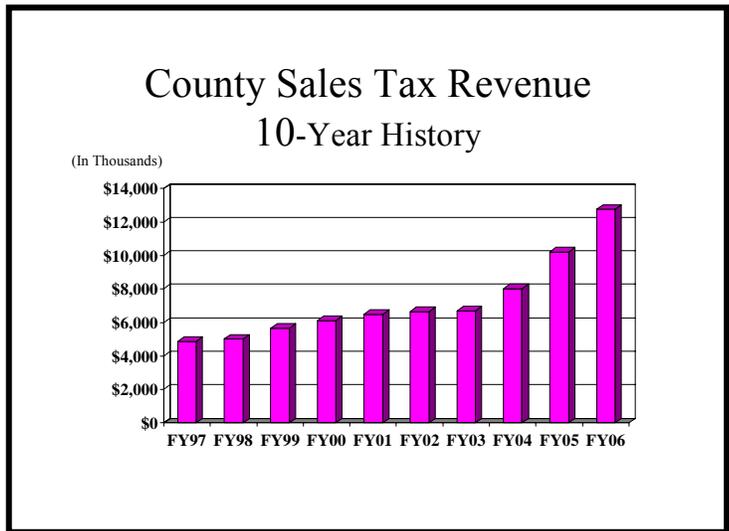


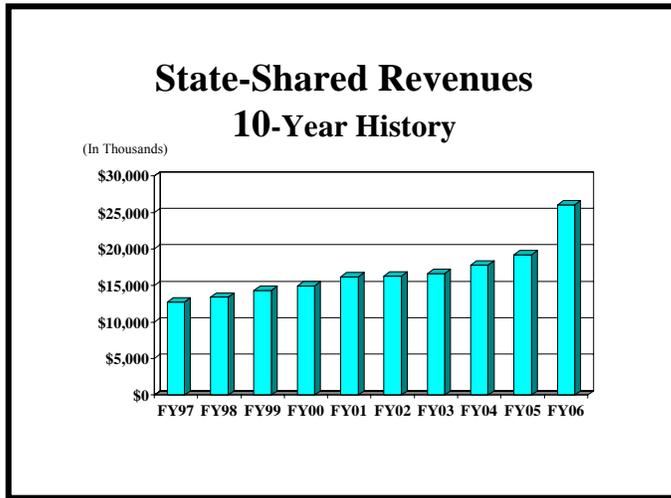
Primary Property Tax:

Using Pinal County’s estimates for assessed valuation, a primary property tax rate of \$4.4532 per \$100 of assessed valuation will result in revenue of \$53.0 million. This is an increase of 17.0 percent over the FY 04-05 receipts. This year’s levy is more than \$40 million below the State of Arizona’s legal maximum levy. The Pinal County Board of Supervisors has maintained the same tax rate for the last

six years. The large amounts of new construction have helped increase the amount of property tax revenue without increasing the tax rate.

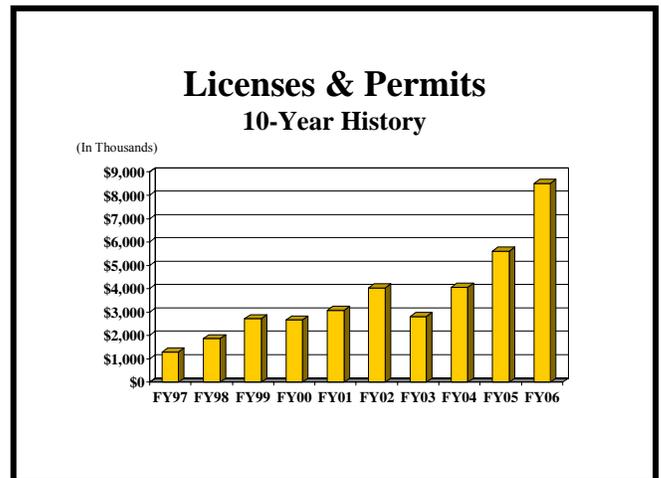
County Sales Tax: Pinal County receives 0.5 percent on all retail sales occurring within Pinal County. The retail sales sector of the local economy is continuing to experience strong growth, this due largely to the tremendous population growth occurring within the county. A number of the planned developments came on line in FY05 as is noticed by the increase in sales tax revenue. Also, new businesses such as Wal-Mart, Home Depot and Lowes have opened new stores in the county. The FY 05-06 budget projects an increase in county sales tax of 25.1% percent versus prior year.

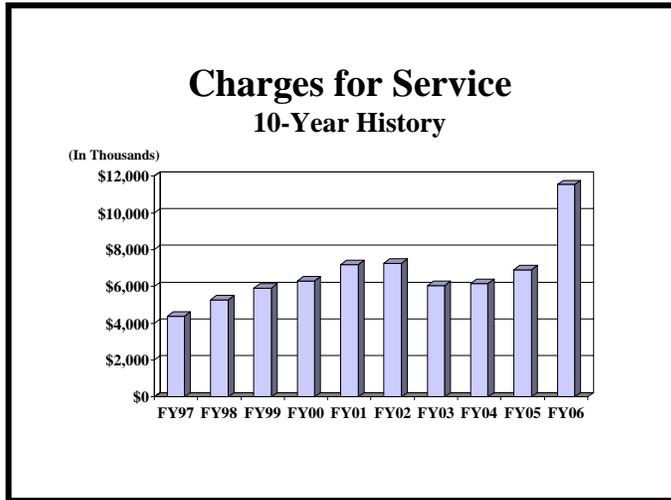




State-Shared Revenues: The State of Arizona shares a portion of its sales and motor vehicle taxes with the counties based on population formulas established by state law. Estimates for these revenues are provided annually by the state. The largest state-shared revenue is the sales tax, which is projected to increase by \$4.5 million or 31.0 percent. Motor vehicle taxes are expected to increase by \$2.3 million or 54.0 percent.

Licenses and Permits: This category includes liquor licenses, building permits, right-of-way permits, plan review fees, rezoning fees, etc. Development-related fee revenues are typically cyclical in nature and tend to reflect the economic health of the construction sector. The State's current construction cycle continues to surprise experts in its longevity. The county is benefiting by its location between two large metropolitan areas, Phoenix and Tucson. The growth from these two metropolitan-areas is now spilling into Pinal County where land is abundant and less expensive. Revenues are projected to be, at minimum, \$1.5 million more than prior year. Should building trends continue, the County could see excess revenue of over \$2 million.

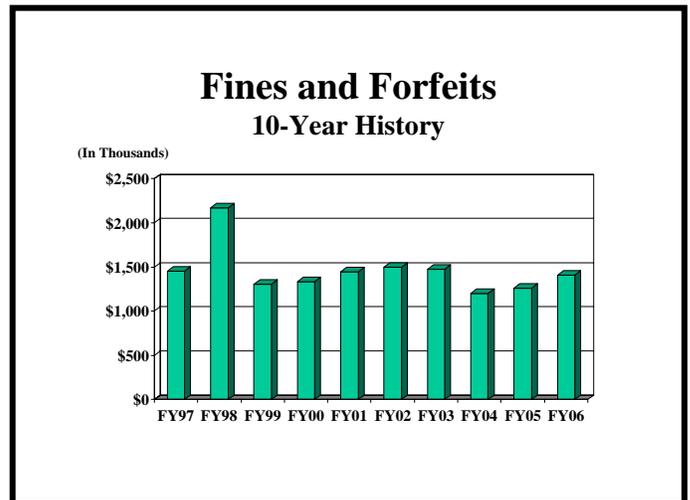




Charges for Service Fees: The County is allowed by law to charge service fees for the Justice Courts, Constable fees, Planning, Assessor, Recorder, Health Inspectors, etc. These fees are to be used to offset the costs of running the various departments. Also included in the charges for service are the fees associated with the county jail. The jail charges the local cities/towns for housing their prisoners as well as the U.S. Marshal service for their prisoners. The Pinal County

Sheriff's office also places deputies within schools for added safety. The schools then reimburse the county for the costs of these deputies. The revenues for this category will experience growth approximately in the 12.0 percent range.

Fines and Forfeits: The County collects fines and forfeits from its eight Justice Courts. These courts are situated throughout the county in locations that are convenient to the citizens. The fines are set by state law and are typically for moving violations, misdemeanors, or other such activities. It also includes Animal Control violation fees and zoning violation fees. Fine revenue is projected to increase by 4.8 percent for FY05.



Other Revenues: All other General Fund Revenues are expected to generate \$564 thousand in combined revenues in FY 04-05. This revenue category includes Interest revenue, map sales, recycling revenue, land/building leases and the sale of fixed assets. This category should remain at the same level as prior year or be slightly less due to lower interest rates and fewer private donations.



Special Revenue Funds

County Attorney: These funds are made up of Federal, State or other grants, as well as RICO funds, Bad Check program, etc. These funds were developed to help the County Attorney in areas that the county's General Fund could not afford. For instance, the RICO funding allowed the County Attorney to buy a complete server-based computer system for their office, which then allowed them to run software designed specifically for legal and court-based industries. Support from the Federal government goes towards helping the County Attorney find and attach child support payments to "deadbeat" parents. The funds in these areas are not projected to change significantly in FY05-06.

Adult Probation: The Adult Probation office is funded partly by the General Fund and also by grants from the State of Arizona. These funds are primarily for the wages of the probation officers. The additional State funds are continually shrinking, thus placing a larger burden on the County's General Fund. This will eventually lead to discussions on how to properly fund the department with such limited county funds. The funds for FY05-06 may be less than prior year. Discussions on how to cover the shortfall will take place with County management.

Air Quality: These funds are made up of grants from the State and Federal government or by permit fees. With the growing population and the increasing business sector within the county, the permit fees section has grown considerably. It is the goal of the county's administration that the Air Quality division to become a self-sustaining entity within the next two to three years. The permit fund should continue to see growth in the 27.0 percent range for FY05-06.

Animal Care and Control: The revenue for this division is derived from the primary property tax. It is essentially a part of the primary property tax of the county. The total primary property tax is \$4.4532 per \$100 off assessed value. However, the Animal Care and Control portion is \$0.618 per \$100 of assessed value. The AC&C benefits, as does the General Fund, from the large increases in assessed value. For FY05-06, the AC&C will see an increase in revenue of approximately 8.9 percent. However, due to its facility expansion, the AC&C borrowed approximately \$900,000 in FY05 from the County's General Fund. This debt will be repaid over ten-years using its increase in revenue and fund balance.

Assessor's Property Information Storage: This is a relatively source of revenue for the Assessor's office. As with the County Attorney's office these funds are used to help supplement the budget from the General Fund. The fees that are charged by the Assessor are used to help update antiquated computer systems, or information systems used by the field assessors. Revenue will be up this year due to the fact that the construction is continuing on a record pace. However, fund balance may decline as the Assessor is using the funds to help with a countywide GIS project and an electronic imaging project.



Clerk of the Court: As with the County Attorney's office, the revenues in these different funds are used to support the department above what the General Fund is capable. Some of the revenue is from fees collected to process paperwork. This paperwork is then used to enhance the Clerk's ability to file and store documents for all of the court cases. There is also funding for the Child Support program similar to the County Attorney's office. In the case of the Clerk's office, the Clerk will process the paperwork and audit the accounts on an ongoing basis. The fund balance should remain relatively unchanged.

Housing Revenue: The Housing department receives revenue from the Federal Government to help the less fortunate with housing. Pinal County will typically receive approximately \$3.0 million dollars to assist with housing subsidies and other needs pertaining to housing. The revenue for this area should remain stable for FY06.

Justice Court Revenue: There are eight Justice Courts within Pinal County. The Justice Courts hear the lower level cases such as; moving violations, misdemeanors, small-claims (under \$5,000), etc. By state statute, the courts are allowed to charge enhancement fees. These fees are used to enhance the court through purchases of computer hardware/software, computer peripherals, office equipment, etc. The use of the funds is restricted and requires the approval of the presiding Superior Court Judge and the Board of Supervisors. The revenue received will continue to increase due to the number of cases the Justice Court Judge sees. With ever increasing population, the court caseload will also increase. The revenue should increase by at least 2.0 percent for FY05-06.

Juvenile Probation Revenue: Similar to Adult Probation, the Juvenile Probation office is funded partly by the General Fund and by grants from the State of Arizona. These funds are primarily for the wages of the probation officers, but are also used for counseling of the minors. The additional State funds are continually shrinking, thus placing a larger burden on the County's General Fund. This will eventually lead to discussions on how to properly fund the department with such limited County funds. The funds for FY05-06 may be less than prior year. Discussions on how to cover the shortfall will take place with County management.

Library Revenue: Revenue for this fund is generated by the secondary property tax rate. Unlike most cities, whose secondary is used to debt service on bonds, the secondary tax rate for the county is for the Library District and Flood Control District. The revenue for the Library district is expected to increase by approximately 23.8 percent or \$145,000.

Sheriff/Grant Revenue: The revenue for these funds typically comes from Federal and State grants or RICO funds. The forecast for these revenues remains stable. There are no planned increases for these funds.

Public Defender Revenue: The revenue for these funds comes strictly from the state. These two revenue items, State-Aid and Training, are expected to remain relatively stable, approximately 1.8 percent increase or \$2,000, from FY06. The revenue is used to assist in the running of the department and allow for training for the public defenders.



Public Works Revenue: Revenue comes from different sources, but the HURF revenue is the largest source for Public Works. This line item is expected to be relatively stable with a slight decrease of \$207,000 or 1.5 percent for FY06. This may fluctuate with the amount of growth the County is experiencing and actually be an increase by the end of the fiscal year. The revenue from HURF, Road Tax, etc is used to maintain the roads and county highways. The Publics Works department is attempting to build a higher fund balance to cover emergencies that may arise within the county.

Expenditures

The FY05-06 Operating Budget

The FY05-06 Operating Budget was balanced without the need for increases in any taxes. The Operating Budget totals \$110.0 million, which is an increase of \$17.1 million or 18.4 percent over the FY04-05 budget.

Ongoing additions to the budget included; increased retirement contributions, increased AHCCCS cost payments to the State, health benefit cost increase, debt service for Adult Detention facility, daily operating expenses such as gasoline and additional staffing and salary/wage increases.

Operating Budget Changes

There a few significant additions to the county's operating budget. The annualized COLA and prior year market adjustment for salaries was over \$3.35 million. The debt service for the Adult/Juvenile Detention facilities is \$5.0 million. The increased contribution for the State Retirement System increased \$1.4 million. Capital expenditures (CIP) for vehicles, equipment, facilities increased by \$800,000. Personnel increased by \$2.0 million. Additional operating expenses for departments (fuel, postage, etc.) increased by over \$2.7 million.

The Board of Supervisors approved a Cost of Living Adjustment (COLA) of 2.0 percent for all county employees. This resulted in a total increase in salary and wages of approximately \$1.75 million for both the COLA and ERE's for General Fund employees.

Table 2 contains approved operating expense increases (one-time and ongoing) for departments receiving the largest increases.

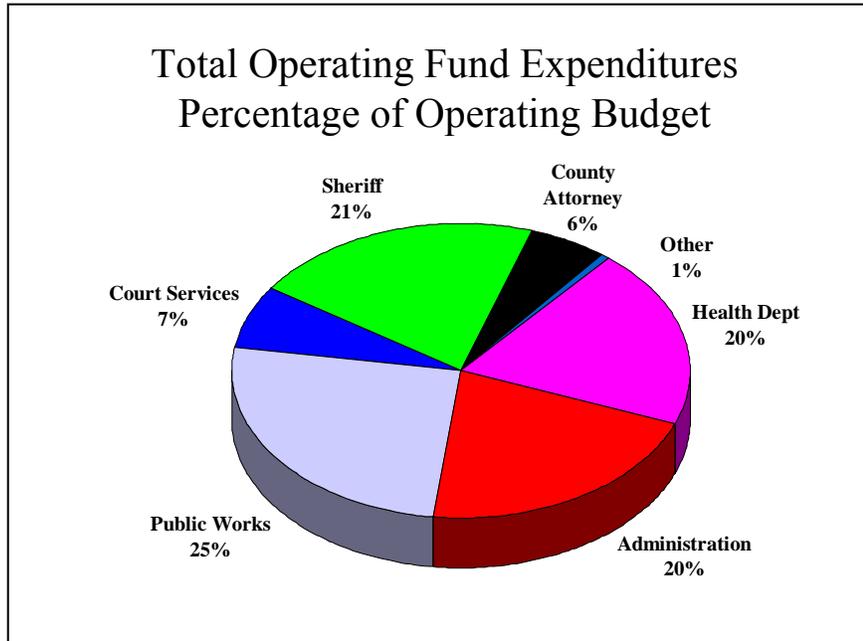


Table 2
Selected Budget Increases

Department	Amount	% of Base Budget
HEALTH/JAIL	\$261,792	42.9%
MEDICAL EXAMINER	\$97,400	26.9%
SHERIFF/ADULT DETENTION	\$96,250	9.1%
SHERIFF	\$82,000	7.1%
ASSESSOR	\$65,750	18.3%
PLANNING & DEVELOPMENT	\$61,800	46.6%
RECORDER	\$52,900	56.6%
RECORDER/VOTER REGISTRATION	\$48,400	44.5%
ATTORNEY	\$38,179	10.2%
JUVENILE DETENTION	\$36,955	24.8%
HEALTH/JUVENILE HEALTH D.C	\$36,850	53.3%
BUILDING SAFETY	\$33,820	34.9%
COURT ADMINISTRATION	\$26,100	7.1%
TREASURER	\$21,500	7.4%
CLERK OF THE SUPERIOR COURT	\$13,422	6.6%
ADULT PROBATION	\$12,800	29.9%
JUVENILE PROBATION	\$10,650	19.5%
RISK MANAGEMENT	\$9,500	16.8%
HOUSING ADMINISTRATION	\$7,342	5.2%
FINANCE	\$7,125	9.7%
SCHOOL SUPERINTENDENT	\$6,550	4.7%
JUSTICE/PEACE-ELOY	\$6,050	7.0%
JUSTICE/PEACE-MARICOPA	\$5,650	23.5%
JUSTICE/PEACE-SUPERIOR	\$4,910	34.7%
SHRF/SECURITY ALARM FEES	\$4,900	38.9%
ASST CNTY MGR/DEV SRV	\$4,300	14.3%
HEARING OFFICER	\$3,200	25.9%
HUMAN RESOURCES	\$2,815	2.4%
PUBLIC DEFENDER	\$2,450	3.9%
CONCILIATION COURT	\$2,285	11.4%
PARKS AND RECREATION	\$2,050	6.4%
JUSTICE/PEACE-MAMMOTH	\$1,950	11.6%
JUSTICE/PEACE-FLORENCE	\$1,800	6.9%



Operating Budget Summary



The largest operating group is the **Public Works Department**, which accounts for 25 percent of the total operating budget. The majority of their annual revenue comes from the Highway User Revenue Fund (HURF). This funding is from taxes collected from sales of fuel and distributed using a complicated formula to the counties, cities and towns. This group manages the road construction, road maintenance, fleet maintenance, recycling program and special projects. For Fiscal Year 2006, an additional \$60 million has been budgeted for the Gantzel Road widening and extension project.

The **Sheriff's Department** makes up 21 percent of the total operating budget. The Sheriff is responsible for the safety of the citizens in the unincorporated areas of the county as well as maintaining the 9-1-1 call system and the county jail. Areas with the Sheriff's Administration include; Victim Notification, Drug Prevention, Drug Eradication and Gang Task Force. The Sheriff's Office is showing a dramatic increase over prior years due to the newly expanded Adult detention facility. The original facility housed 477 inmates, the new facility will house 1,511 inmates. This has created a large increase in necessary staffing and operating costs.

The **Administration Group** makes up 20 percent of the total operating budget. Services provided by this group include Finance, Risk Management, Information Technology, Parks & Recreation, all building services, Facilities Management/Maintenance, Public Defender, Animal Care & Control, to name just a few. All of these divisions fall under the direct leadership of the County Manager and the Board of Supervisors.



The **Health Department** is approximately 20 percent of the total operating budget. The Health Department provides health care for the needy and the indigent, as well as some of the following programs; Women, Infants and Children (WIC), Housing Assistance, Adult Day Care, Health Inspections, Septic Inspections, Immunizations, and Long Term Care, to name but just a few.

The **Court Services** consists of several different areas and accounts for 7 percent of the total operating budget. The areas within Court Services are: Superior Court, Court Administration, Juvenile Probation, Adult Probation, Clerk of the Court and the Justice Courts.

The **County Attorney's** office, Assessor, Treasurer, School Superintendent and Recorder account for the final 7 percent of the total operating budget.

Staffing and Personnel Issues

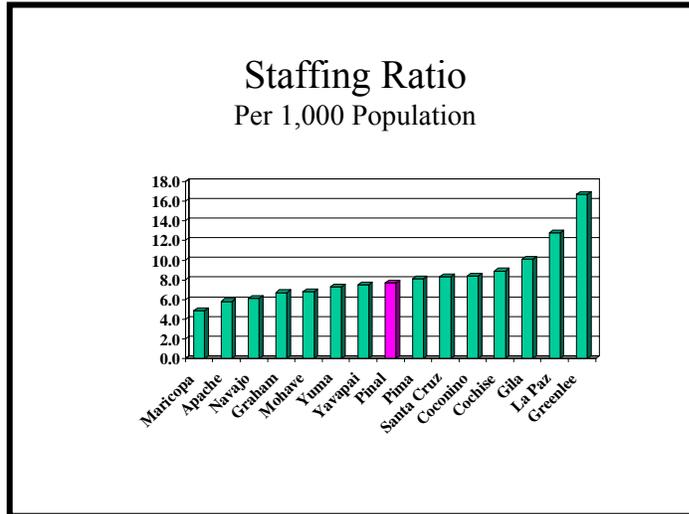
As with any service organization, personnel costs are a significant part of the total operating budget of the county. Table 4 provides comparison of staffing levels in recent years.

Table 4
Staffing Levels by Group

<u>Group</u>	<u>FY04</u>	<u>FY05</u>	<u>FY06</u>
Board of Supervisors	9	9	9
Administration	769	706	769
Public Works	184	186	184
Assessor	50	49	50
County Attorney	133	116	133
Clerk of the Court	80	78	80
County Recorder	25	25	25
School Superintendent	9	9	9
Sheriff	363	348	363
Treasurer	20	20	20
Superior Court	63	58	63
Justice Courts	63	70	63
Adult Probation	61	58	61
Juvenile Services	130	106	130
Total	1,959	1,838	1,959



The Board of Supervisors for Pinal County have tried to maintain minimum staffing requirements, while still providing the quality service that the citizens of Pinal County have come to expect. The following graph shows a comparison of staffing to population for the counties within Arizona.



The total authorization of approximately 1,900 FTEs will serve an estimated population of 250,000 by the end of this fiscal year. This results in a staffing ratio of 7.7 employees per 1,000 population. The ratio is consistent with the county’s commitment to hold staffing to a rate corresponding to population growth.

The FY05-06 budget increases the total authorized staffing by 44 full-time equivalent (FTE) positions. The departments that received staffing increases are: Sheriff’s Office – 16 positions, Public Defender – 4 positions, County Attorney’s Office – 3 positions, Information Technology – 2 positions, Adult/Juvenile Probation – 4.5 positions, Assessor’s Office – 3 positions, Clerk of Court – 2 positions, Court Administration – 2 positions, Planning/Public Health/Building Safety/Elections/Facilities all received 1 position, each. The Justice of the Peace, Recorder’s Office and Treasurer’s Office each received a part-time position.

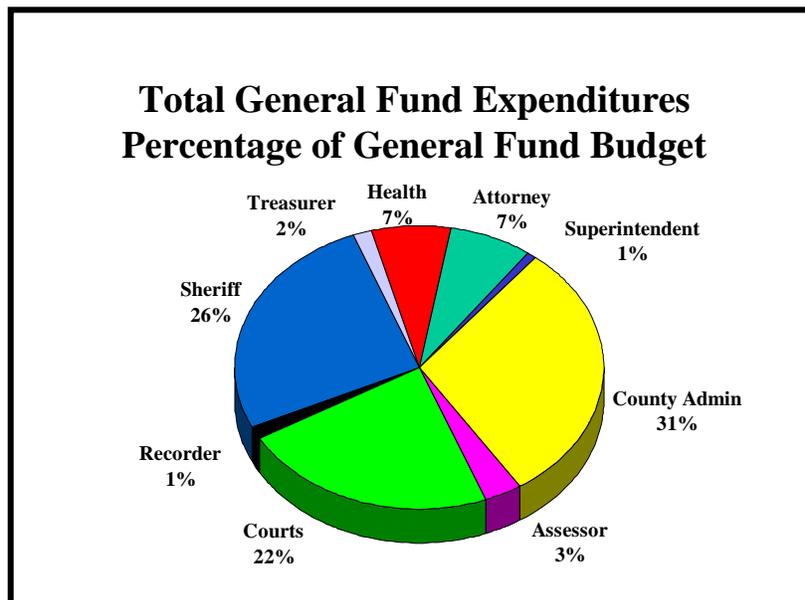
These new positions were selected by the CIP committee from a list of 130 positions that were submitted by various departments throughout the county.

The budget accommodates a length-of-service increase (LOS) as well as a cost-of-living adjustment (COLA) and an adjustment for the increase in State retirement.



General Fund Expenditures

The total General Fund operating Budget for FY05-06 is \$110.0 million. At 29 percent the Pinal County Sheriff Department is the largest component of the General Fund budget, followed by the County Administrative group at 26 percent and the Court's group at 22 percent. The following graph displays the General Fund budgets by group as a percentage of the whole.



General Fund Budget Highlights

Public Safety: The Board of Supervisors continued its commitment to maintaining adequate service levels in the Sheriff's office. This commitment is reflected in the staff additions made in the Sheriff's department to keep up with population growth.

- 12 new Deputy positions approved through the budget process.
- Two Lieutenants and two Corporals approved through the budget process.
- Equipment for the Sheriff's office, as approved through the CIP process, included items such as; 30 patrol radar units, 60 upgraded radios, copier, three duty weapons and attachments and three night-vision goggles.



County Administration: The Board of Supervisors approved new personnel through the CIP budget process.

- Two new Court Reporters for Superior Court

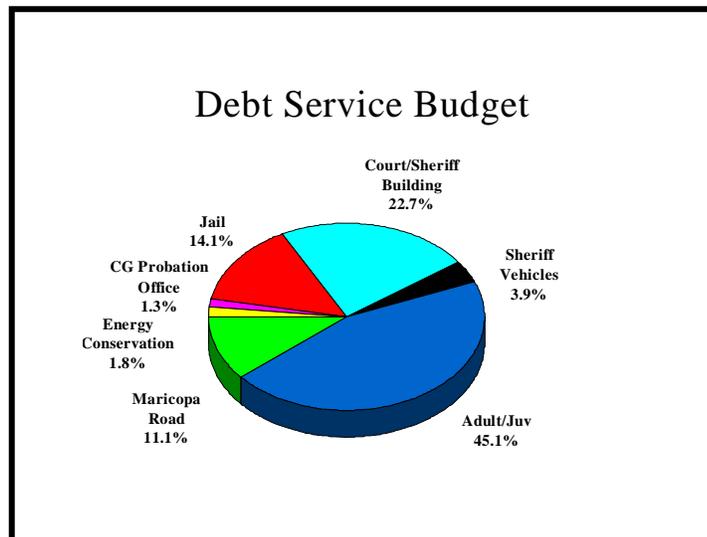
County Attorney: The Board of Supervisors approved three new Attorneys to handle the increased court load due to the continued growth within the County.

Transfers to Other Funds

The General Fund supports a number of other funds that cannot cover all of their operating costs. A total of \$11.1 million will be transferred to other funds in FY05-06. The largest transfer, \$9.8 million, will be used for debt service of existing items, such as the Superior Court/Sheriff Administration buildings, Adult/Juvenile Detention Facilities. Other transfers include \$300,000 for the county's GIS project, \$150,000 for support of the Child Support program and the remainder is for miscellaneous grants.

Debt Service Budget Summary

The total Debt Service budget for FY05-06 is \$11.0 million dollars. This is an increase from FY05, due to the expanded Adult Detention Center and the new Juvenile Detention Center. These two projects were approximately \$73.0 million with a debt service of approximately \$5.0 million per year. The Debt Service budget is divided among the projects that the county has incurred over the last 10 plus years as shown in the following graph. Additional information on the County Debt Service policies and restrictions are found in the Capital Improvement Plan section of this budget document.





Conclusion

This budget summary is intended to provide a general overview of the contents of the FY05-06 budget document and to highlight some of the more significant program changes and policy issues addressed in the budget document. The sections that follow the Budget Summary provide more detailed information about the county's organizational structure, its goals and objectives, and operating budgets for each department.

A glossary of budget document terms is included to help clarify the meanings of terms that appear frequently in the text or words and phrases that may have specialized meaning when applied to the municipal government budgeting practices.

Pinal County also publishes their annual Comprehensive Annual Financial Report, available from the Finance department.

Questions, comments or observations regarding the Pinal County Annual Budget document should be directed in writing to:

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