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# MEMORANDUM

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Date: May 26, 2016

To: The Honorable Chair and Members  
Pima County Board of Supervisors

From: C.H. Huckelberry  
County Administrator 

Re: **Tentative Budget Adoption Oral Discussion Regarding Adoption**

Supervisor Ally Miller made several incorrect and misleading statements regarding the County's Tentative Budget that require response. The statements and responses appear below.

1. "...the County Administrative overhead has increased from 12.7 million in Fiscal Year 11 to 22.2 million for this fiscal year with a more than 74 percent increase in County Administrative overhead."

I am uncertain where Supervisor Miller obtained the \$12.7 million in County overhead for FY 2010/11. According to the Adopted Budget for that year, the County budgeted \$15.6 million of allocated central services costs to Non-General Fund departments that paid this type of overhead. These departments are budgeted to pay \$22.3 million in FY 2016/17.

My memorandum of May 23, 2016 – *County Administrative Overhead Questions Raised by the Board of Supervisors During the Budget Hearings* – describes the allocation process, representative cost drivers and general descriptions of causes for individual departmental increases and decreases from FY 2015/16 to FY 2016/17. The allocation methodology is dynamic, and departmental allocations change from year to year.

Major long-term drivers of the increase in County Overhead from FY 2010/11 to the present include the following:

- In FY 2011/12, the Pima Animal Care Center (PACC) was added to the central services allocation plan. At the time of its entry into the plan, PACC was allocated \$494,000 of central services costs. Previously, the General Fund absorbed these costs.
- In FY 2012/13, Pima Health System (PHS) was removed from the central services allocation plan, as its functions were transferred to the State. The year prior to its exclusion from the allocation plan, PHS paid over \$4.4 million in County Overhead. This amount was reallocated to all departments, increasing their individual shares under the plan. Non-General Fund departments contribute approximately 28 percent of central costs and the

General Fund absorbs the rest, so an increase of approximately \$1.2 million would have been distributed to the contributing departments.

- In FY 2013/14, the new Health Benefits Trust Fund was added to the central services cost allocation plan. The new fund's share of FY 2014/15 County Overhead totaled \$1 million. This reduced overhead costs to other County departments.
- In FY 2014/15, the County moved \$5.3 million of central services costs that had been charged in prior years directly to the departments utilizing these services to the central services cost allocation plan. This accounting change resulted in a net zero impact to department budgets, with an increase in County Overhead, but also a corresponding overall reduction in individual departmental budgeted costs for personnel, supplies, services, etc.

The major adjustments listed above are responsible for the majority of the net increase in the distribution of central services costs from FY 2010/11 to present. In addition, the allocations are impacted by changes to the budgets of the central services departments such as salary adjustments, increased information technology program costs, increases in square footage of facilities, etc. Allocations to departments are also impacted by their specific historical actual use of the services distributed by the central services cost allocation plan.

The implication that County Administrative Overhead increased by 74 percent since FY 2010/11 is not correct. Based on the simple shift of \$5.3 million based on accounting, overhead has increased by no more than \$1.4 million over six years.

2. "In 2014/15 the County received 78.1 million from the various distributions of HURF and VLT from the State."

The implication is that the County had sufficient funds to maintain our roadways. What Supervisor Miller failed to state on her County website is the source of the \$78 million number. This number is the total distribution, not the total distribution available for transportation purposes. The transportation distribution for FY 2014/15 remains at \$52.4 million which has been stated on numerous occasions. The other Vehicle License Tax (VLT) distribution is made specifically by the Arizona Constitution to the County General Fund and is not for transportation purposes. Supervisor Miller's statement is very misleading and is intended to draw the conclusion the County is capable of road repairs without bonds and/or an increase in gas taxes or other transportation-related revenues. Spending General Fund VLT on roads in the unincorporated area suffers the same tax inequity with City residents as when we spend General Fund property tax revenue for County road repairs.

3. "Headcount has actually increased..."

This is addressed in the Tentative Budget transmittal, where it is indicated the Full-time Equivalents (FTE) count by our budget organization increased by 103. However, this increase is related specifically to how the County now accounts for large swings in temporary employees, including Election workers, who historically were not counted in the County's FTE calculation. On any given Election Day, County employment – based on temporary, seasonal staff resources needed – would increase by 65.

4. "From Fiscal Year 2007, the head count was 6,579.3 employees to Fiscal Year 2017 the head count proposed is 7,164 employees."

The County budgets for its employees using FTEs, which are different than the term "head count." A head count is an actual count of the number of employees physically working for the County at a point in time. A headcount on a particular day will almost always be less than the budgeted FTEs due to turnover, seasonal employment, part-time workers and other reasons that result in vacant positions.

A review of the historical budget for FY 2007/08 shows that it included funding for 8,131 FTEs. The peak number of budgeted FTEs occurred in the following fiscal year, FY 2007/08, when budgeted FTEs totaled 8,396.

The Great Recession began in earnest during FY 2007/08. The recession caused the County to conduct serious analyses of the ways we did business, the number of employees we could afford to fund, cutting unneeded expenses, etc. After FY 2007/08, the County began a conscious process of shedding programs that were inefficient or where those programs could be more efficiently performed by some other jurisdiction. The actual results of this process are included in the historical budgeted FTE tables included in my Recommended and Tentative Budget memoranda.

Since the peak number of budgeted FTEs in FY 2007/08, the net cumulative decrease in FTEs through the FY 2016/17 Proposed Tentative Adopted Budget totals 1,232. These staff reductions occurred throughout the County, particularly in the Medical Services area.

Contrary to Supervisor Miller's statement, the total FTEs in this FY 2016/17 budget are 7,164, which is a reduction of 1,232 FTEs from FY 2007/08.

5. "...we heard the judges talk about the Eastside Probation Office..."

It should be noted the County historically provided the Superior Court with funding for the Eastside Probation Office and continues to do so. It has for years been within the Court's annual base budgets. From 2011 to 2014, the Court continued to budget for the Eastside Probation Office utilizing funds provided by the County. In constructing the Court budget in FY 2015/16, Court staff made the decision to defund rental and utility costs for the facility and must have used the funding for other purposes. Hence, the lack of funding for the Eastside Probation Office appears to be self-inflicted, not a funding reduction from the County. At the end of April 2016, Court staff is forecasting they will over-expend their FY 2015/16 Revised Budget by approximately \$100,000. One of the reasons stated is their continuing lease and operation of the Eastside Probation Office. The County has and continues to provide funding for the Eastside Probation Office. The Court simply made the decision to use the monies elsewhere.

CHH/mjk

- c: John Bernal, Deputy County Administrator for Public Works  
Tom Burke, Deputy County Administrator for Administration  
Jan Leshner, Deputy County Administrator for Community and Health Services  
Keith Dommer, Director, Finance and Risk Management  
Robert Johnson, Budget Manager, Finance and Risk Management