PIMA COUNTY

DEPARTMENT OF FINANCE AND RISK MANAGEMENT

Date: February 17, 2015

To: Chris Nanos
Chief Deputy Sheriff
Pima County Sheriff

From: Robert W Johnson
Pima County Budget Manager

RE: FY 2015/16 Sheriff Budget Request

The County Administrator has asked me to review the FY 2015/16 Requested Budget for the Sheriff's Office. This high level analysis will provide feedback on your Budget submission. This is a lengthy and technical analysis. Budget staff will be available to discuss and explain any aspects to your staff.

Before discussing the Sheriff's FY 2015/16 General Fund budget request, I need to cover some historical and procedural details:

Additional Sheriff's Positions - Several years ago the County was attempting to implement a new enterprise level accounting and human resources system. At that time, Sheriff's staff indicated that the department had many positions with more than one incumbent. As this would cause issues with the new systems, Finance and Risk Management provided the department with 200 additional positions to be utilized to remediate this issue. The issue was much less than originally estimated and few of these 200 positions were needed. However, the positions were retained by the department, funded and that funding offset by a vacancy savings factor. Vacancy savings were budgeted at $800,000 in FY 2011/12, $10,000,000 in FY 2012/13, $8,850,000 in FY 2013/14 and $8,200,000 in FY 2014/15.

Elimination of Vacancy Savings - Budgeting for vacancies using the Vacancy Savings object is basically a zero sum process and has no net impact to the department's overall expenditure budget. Originally, vacancy savings was a way to account for the turnover of staff within departments during the course of the fiscal year. Over the years, vacancy savings usage by departments has changed and it has become a way to create a bank of positions over and above what can be funded within their base budgets in case the need and the funding for the positions become available in the future. While this new use of vacancy savings is advantageous and costs the departments nothing, it does have three significant detrimental impacts to the overall County budget:

-Budgeting for positions that are unlikely to be filled during the course of the year inflates the number of overall budgeted County FTEs. The numbers presented to the public in the overall budget are significantly higher than the number of positions actually filled during the fiscal year.

-Departments complete their annual requested budgets prior to new benefit rates being entered and calculated for the next fiscal year. When the new benefits are entered and calculated, any benefit increases are applied to all positions whether they are included and offset by vacancy savings of not. The department receives the additional funding for each vacant position in the budget that likely will not be filled during the course of the year. These funds can be moved to other functions. However, the County is impacted by hundreds of thousands of dollars every year for projected benefits costs that will not be used for that purpose by the departments.

-The County is self-insured for medical benefits. The premiums required to fund the County's overall medical costs are based on the number of budgeted FTEs. Excess vacant FTEs tend to skew the amount of revenues and funding received by our Health Benefits Trust Fund. The fund is negatively impacted when budgeted positions remain vacant by not receiving the expected revenue. This shortfall of expected revenue is one of the factors that cause medical premium costs to rise in subsequent fiscal years.

These cost impacts of budgeting excess positions that will not be filled during the fiscal year are significant and outstrip the benefits of having a ready pool of positions available if additional funding becomes available or staffing needs change. Thus, the reason for the County's decision to no longer utilize a vacancy savings object to offset excess positions costs.

The new method that is being used starting in FY 2015/16 is to have the departments no longer budget for vacancy savings. This change would not impact the departments' overall base budget dollars but would require the unfunding of excess positions to offset the loss of use of the vacancy savings object. By not budgeting for vacancy savings and reducing budgeted FTEs correspondingly, departments such as the Sheriff immediately begin to accrue funds that are available to fund other position and personnel costs when a vacancy occurs in FY 2015/16. Also, if the Sheriff is able to identify a funding source during the course of next year, a new position can quickly be created under *County Administrative Policy 22-81 – Personnel Services Operating Budget Adjustments.* This process no longer requires that new positions requested outside the budget process go before the Board of Supervisors for approval.

Supplemental Requests - Supplemental funding requests may be submitted for new mandated services, new programs or program changes resulting from Board of Supervisors direction. A supplemental funding request is required for increased position costs.

FY 2015/16 Sheriff General Fund Budget Request – The Sheriff's Office submitted a base budget request totaling $145,134,443 which is equal to the base budget provided by the Budget Division. The base budget for FY 2015/16 is an $8,318,902 increase from the FY 2014/15 adopted budget. The base budget includes funding for additional salary and benefits, information technology and other miscellaneous operating costs. The department also submitted five supplemental funding requests totaling $7,401,442.

The department's budget reflects total decreases in premium pay objects (overtime, on call pay, shift differential and holiday pay) of $3,585,382. The budget also includes $1,494,610 of reductions in various supplies and services objects (law enforcement supplies, tools and equipment, repairs and maintenance supplies, repairs and maintenance builds and grounds, etc.). The base budget also provides the same level of motor pool related expenses as FY 2014/15 despite anticipated decreases in monthly vehicle and fuel costs. The total decrease in funding mentioned above equals $5,079,992.

The number of General Fund positions submitted in the FY 2015/16 budget request totaled 1,557.0 FTEs (1,598 FTEs in all funds). As of January 29, 2015, the Sheriff's General Fund had a total of 182.4 vacancies or a 11.7 percent vacancy rate when compared to the budget submission. While the Sheriff reduced overall FTEs by a net 38.0 from FY 2014/15, this vacancy rate is still extremely high.

As I mentioned earlier, budgeted vacancy savings is a zero sum process in regards to expenditures. In FY 2014/15 the Sheriff budgeted $8,200,000 in vacancy savings in the General Fund. Presuming an average salaries and benefits cost of $75,000 per position, the Sheriff would have to maintain an average of over 100 vacant FTEs for the entire year before it can meet its vacancy requirements in FY 2014/15.

While the Sheriff did decrease departmental budgeted FTEs by 38.0, it is appears that the department unfunded prior years' levels of premium pays and various supplies and services objects to change the status of positions whose funding costs were offset by vacancy savings (and, thus, not eligible to be filled in prior fiscal years) and actually fund those positions out of its base budget in FY 2015/16. If true, this was not the result the County anticipated when it stopped budgeting for vacancy savings.

As I indicated above, increases in position costs within a department are not to be included in a department's base General Fund budget request and must be included in a supplemental funding request. I suggest that Sheriff staff work with Budget Division staff to create a supplemental funding package and move a number of positions and their costs out to said package. This will allow the Board of Supervisors the opportunity to review and possibly adopt the increased funding for these positions.

I would also like to understand how the Sheriff intends to reduce premium pays to the levels that are being proposed in the requested budget as shown in the following table:

Sheriff Special Pay Objects							
Increase/(Decrease) from FY 2014/15 Adopted Budget to FY 2015/16 Requested Budget							
	FY 2013/14 Actual		FY 2014/15 Adopted Budget		FY 2015/16 Requested Budget		Increase/ (Decrease) from FY 2014/15 Adopted
Overtime	$1,130,134		$1,574,705		$393,432		($1,181,273)
On-Call Pay	$1,250,913		$1,176,809		$328,816		($847,993)
Shift Differential	$646,070		$650,900		$160,150		($490,750)
Holiday Worked Pay	$1,380,052		$1,403,300		$337,934		($1,065,366)
Totals	$4,407,169		$4,805,714		$1,220,332		($3,585,382)

What has changed that allows for such significant reductions in the above expenditure objects? Note that I have similar questions regarding the $1,494,610 of reductions in supplies and services objects.

I realize that this is a long memo discussing the Sheriff's complicated FY 2015/16 budget request. My staff and I are available to discuss these issues with you and make any changes to your budget and supplemental requests as are needed.

Cc: C.H. Huckelberry, Pima County Administrator
Tom Burke, Finance and Risk Management Director
Karl Woolridge. Operations Bureau Chief, Pima County Sheriff's Office