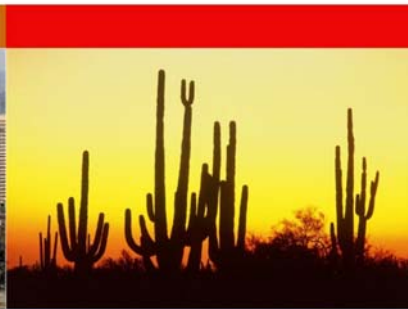




MARICOPA COUNTY TREASURER'S OFFICE

ANNUAL REPORT FISCAL YEAR 2012 - 2013



CHARLES "HOS" HOSKINS
TREASURER

Introduction

The purpose of the annual report is to update the public on the services the Maricopa County Treasurer’s Office provides to property owners and other interested parties. The report lists several core activities and provides historical and current data to give the public insight into the operations and performance of the Treasurer’s statutory duties.

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Section One-Collections

Property owners may choose to pay their taxes in four basic ways; 1) as part of their mortgage, 2) by mail, 3) in person at the Treasurer's Office or a branch bank, and 4) online through the Treasurer's website, their personal bank website, or by credit card.

Figure 1.1

ALLOCATION OF LEVY

The allocation of the August 2012 property tax levy as reported by major taxing jurisdiction type is as follows:

	<u>Total</u>	<u>Percent of Levy</u>	<u>Amount</u>
County (Operations, Flood, Library)	1	12.2 %	\$ 496,621,093
Cities	25	11.6	473,758,697
Fire Districts	20	1.3	52,063,685
Irrigation, County, Municipal	118	.9	39,552,167
Health, Water & Special	13	2.7	110,953,876
Schools	57	59.4	2,420,338,948
Community Colleges	1	11.6	472,393,398
<u>Street Lighting</u>	<u>1299</u>	<u>.3</u>	<u>10,936,616</u>
Totals	1534	100.0 %	\$ 4,076,618,480

Figure 1.2

PROPERTY TAX COLLECTIONS BY CATEGORY

<u>CATEGORY</u>	<u>DOLLARS COLLECTED</u>			<u>NUMBER OF TRANSACTIONS</u>		
	<u>FY 2013</u>	<u>FY 2012</u>	<u>% CHANGE</u>	<u>FY 2013</u>	<u>FY 2012</u>	<u>% CHANGE</u>
Bulk Payments*	\$ 1,738,363,752	\$ 1,766,954,641	-1.64 %	1,541,068	1,583,754	-2.77 %
By Mail	1,242,305,467	1,284,374,922	-3.28	680,801	692,814	-1.73
In Office	417,150,620	449,054,063	-7.10	164,083	152,424	7.65
Bank Branch	107,454,326	101,639,551	5.72	71,990	72,180	-0.26
Online Echeck**	222,238,195	222,185,168	0.02	136,033	132,086	2.99
Online Bank**	71,993,867	\$9,761,990	3.20	74,478	71,013	4.88
<u>Online Card**</u>	<u>47,078,245</u>	<u>45,658,266</u>	<u>3.11</u>	<u>48,945</u>	<u>45,497</u>	<u>7.58</u>
Total***	\$ 3,846,584,473	\$ 3,939,628,601	-2.36 %	2,717,398	2,749,768	-1.18 %

* Payments made by financial institutions, tax services companies, mortgage companies, and multiple property owners.

**Total online payments increased 15.45% from last year.

***Also includes prior year tax payment, fees, and late payment interest.

At the end of FY 2008 the Treasurer's Office began a program to increase the number of online transactions. Total electronic transactions that year were 130,518. This year the total was 248,596, or a 90 percent increase.

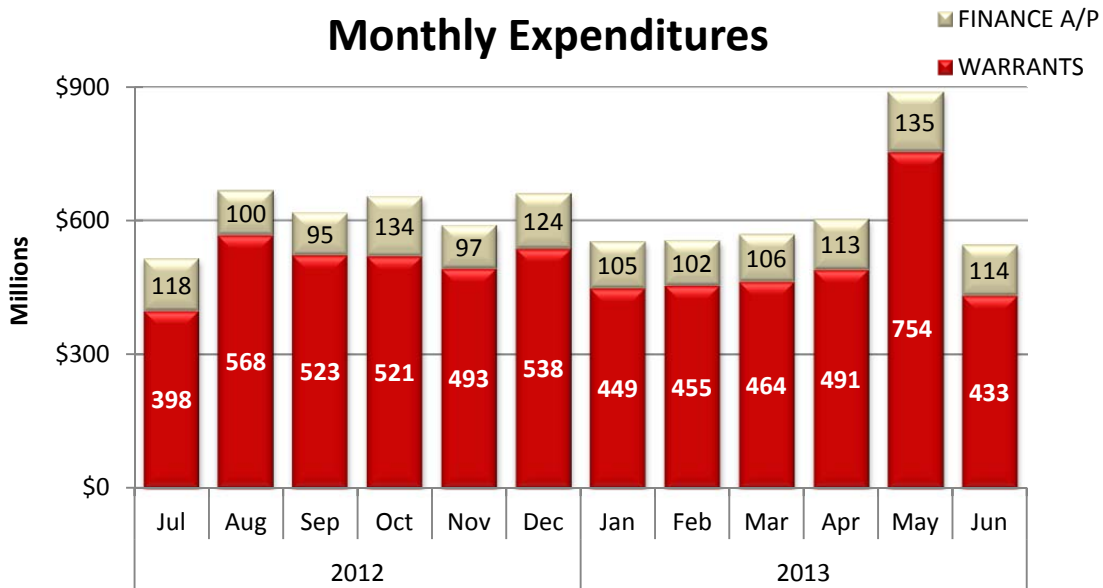
Section Two-Investments ALL INVESTMENTS RESTRICTED PURSUANT TO ARS § 35-323

The County Treasurer is charged by law to collect, invest and disburse taxpayer funds (ARS 11-493). Our goal is to protect and serve the public interests by safeguarding public funds. The County Treasurer’s investment strategy is to have sufficient liquidity to pay County obligations, which include school district warrants (see Figure 2.1); purchase securities that emphasize safety first; and earn a rate of return that increases the value of the funds while minimizing risk to its lowest level possible. Our investment results have demonstrated these conservative investment values. The portfolio has not incurred losses which is extraordinary considering the economic market problems that have persisted since 2008.

The Treasurer’s Office manages an investment portfolio in-house as opposed to using the services of the Arizona State Treasurer’s Local Government Investment Pool (LGIP). The State’s LGIP charges each participant an annual 6 basis point (.06) management fee on the average balance held in the LGIP for each participant. Fiscal year 2013 average portfolio balance was \$3.34 billion. The savings of the management fee is approximately \$2 million.

Figure 2.1

FY2013 MONTHLY EXPENDITURES TOTALS

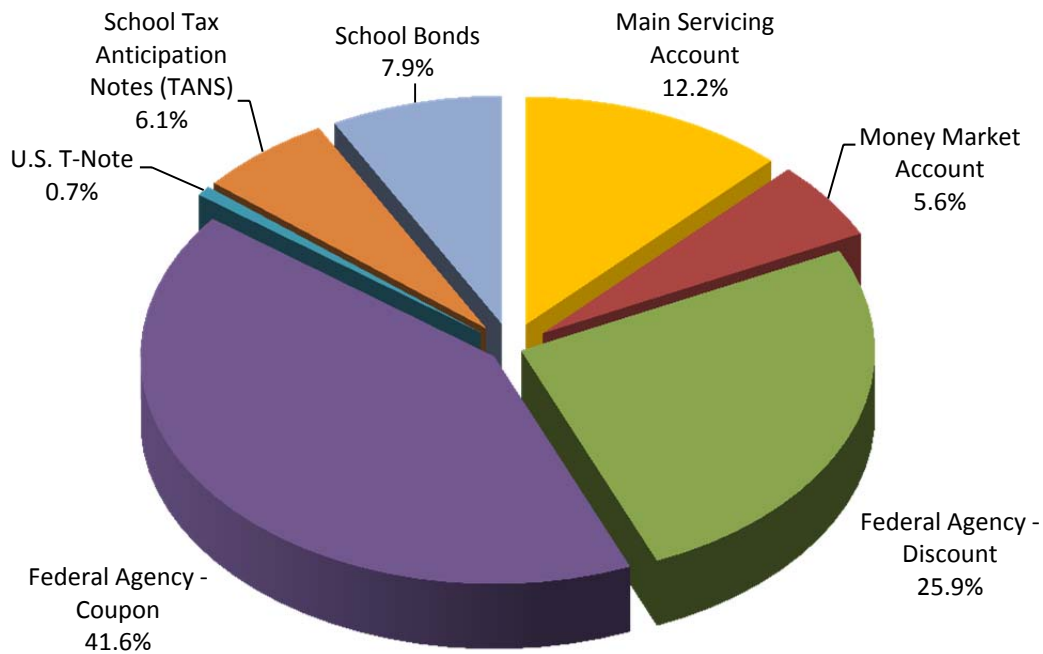


The Maricopa County Treasurer’s Office invests public monies in accordance to Arizona Statute 35-323. Investments fall into the primary areas: 1) Federal (U.S.) Agencies; 2) U.S. Treasuries; 3) local school notes and bonds; and 4) money markets.

Treasurer’s Advisory Board (TAB) continued purchasing school districts’ Tax Anticipation Notes (TANS) and school Improvement and Refunding bonds. TANS are 1-year notes issued every July while bonds have a five year or less maturity schedule. Both these purchasing programs provide school districts favorable interest rates and minimize bond issuance costs compared to public bond offerings, while the portfolio earns better returns than prevailing market rates. Estimated administrative and interest savings for school districts during this fiscal year was \$450,000 for TANS and \$2.2 million for bonds.

Figure 2.2

INVESTMENTS & CASH BREAKOUT – JUNE 30, 2013



With interest rates at historic lows, the portfolio’s interest earnings continued lower than previous years. The average rate paid to investment pool participants was 0.44% on \$14.7 million in interest earnings. The portfolio’s highest balance was \$3.7 billion at first-half and second-half property tax deadlines, finishing at \$2.9 billion on June 30, 2013.

Figure 2.3

INVESTMENT POOL EARNINGS HISTORY

Fiscal Year Ending	Average Rate	Interest Earnings	June 30th Par Balance	Average Days to Maturity
2013	0.44%	14,686,675.99	2,938,424,000	491
2012	0.56%	19,833,344.33	3,286,717,000	375
2011	1.05%	36,979,811.80	3,728,290,888	643
2010	1.18%	42,279,832.07	3,464,075,000	606
2009	3.00%	106,609,700.15	3,371,175,000	547
2008	4.45%	152,812,537.38	3,822,948,706	537

All portfolio interest earnings are distributed among the investment pool participants, which are made up of Maricopa County school districts, county agencies and special districts. School districts' interest earnings reduce their upcoming budget requirements when property tax rates are calculated.

Figure 2.4

INVESTMENT POOL EARNINGS HISTORY

	<u>FY 2013</u>		<u>FY 2012</u>		<u>FY 2011</u>	
County	\$ 6,799,789	46 %	\$ 9,283,178	47%	\$ 17,643,555	48%
Special Districts	720,200	5%	942,858	5%	1,602,015	4%
Community College	124,521	1%	183,179	1%	280,597	1%
Schools	<u>7,042,166</u>	<u>48%</u>	<u>9,407,724</u>	<u>47%</u>	<u>17,164,491</u>	<u>47%</u>
Totals	\$ 14,686,676	100%	\$ 19,817,479	100%	\$ 36,690,658	100%

Section Three-Receipts & Disbursements

Figure 3.1

CHANGE IN FUND BALANCE

BEGINNING BALANCE AT JULY 1, 2012			\$ 3,639,752,527
RECEIPTS			
Taxes			
	Real Property	\$ 3,910,170,791	
	Payments In-lieu of Taxes	76,305,895	
	Sales tax	389,094,966	
	Gas Tax	85,560,187	
			\$ 4,461,131,839
Intergovernmental			
	State Aid to Education-		
	State Equalization	\$ 1,462,670,271	
			\$ 1,462,670,271
Interest			
	Investments	\$ 14,686,676	
	Delinquent Taxes	18,753,039	
			\$ 33,439,715
Credit Line Borrowings			822,927,000
Bond Proceeds			758,645,170
Deposits for Agencies/Schools			2,960,627,845
			\$ 10,499,441,840
Total Receipts			
DISBURSEMENTS			
Warrants & Checks Redeemed			
	School Districts	\$ 5,008,737,885	
	County Funds	1,952,814,037	
	Special Districts	861,523,816	
			\$ 7,823,075,738
Bond Redemption & Interest			
	School District Bonds	\$ 737,085,739	
	School District Credit Lines	796,133,000	
	School District TANs	161,459,166	
			\$ 1,694,677,905
Remitted To			
	State of Arizona	\$ 43,096,623	
	Maricopa Community College	478,387,018	
	Other Political Subdivisions	470,418,904	
			\$ 991,902,545
			\$ 10,509,656,188
Total Disbursements			
ENDING BALANCE AT JUNE 30, 2013			<u>\$ 3,629,538,179</u>

Figure 3.2

DISBURSEMENT TYPES

Most disbursements are made with warrants. A warrant is a government issued check payable for authorized expenditures of that government entity. The warrant is presented for payment and after the treasurer validates the warrant it is paid using available monies from an authorized fund.

<u>Jurisdictions</u>	<u>Transactions</u>	<u>Amount</u>	<u>Average</u>
County Warrants	104,992	\$ 286,107,679	\$ 2,725
School District Warrants	668,248	4,987,959,554	7,464
Special District Warrants	63,420	811,503,758	12,796
Treasurer’s Checks (1)	21,612	164,654,283	7,619
EFT Finance (2)	250	1,156,292,007	4,625,168
Electronic Payments (3)	<u>N/A</u>	<u>3,103,138,907</u>	<u>N/A</u>
Totals	858,522	\$ 10,509,656,188	\$ 12,242

(1) Treasurer's Checks are actual checks that are issued by the County Treasurer and are payable by the bank when received. The treasurer is the only agency that can issue checks, all other agencies must issue warrants that are payable by the Treasurer.

(2) Electronic Fund Transfer (EFT) Payments are electronic payments issued by the County Department of Finance in place of a warrant. The same authorization and approval for warrants is required for funding of an electronic payment.

(3) Automated Clearing House (ACH) payments are electronic payments that are made by the Treasurer in place of a treasurer's check. These payments are reoccurring in nature and are set up at the bank to facilitate the payment process and the cost is substantial lower than a check.

Figure 3.3

ELDERLY ASSISTANCE FUND DISTRIBUTION

The Elderly Assistance Fund (EAF) pays part of the school tax for qualified homeowners. Application forms are available from the County Assessor. The amount available for FY 2014 is \$4,958,492.

	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>
Total Parcels benefited by EAF	10,659	12,459	13,912	14,334
Total EAF Monies distributed	\$ 2,419,974	\$ 2,605,474	\$ 2,568,378	\$1,912,408

Figure 3.4

BANK LINE OF CREDIT USAGE BY SCHOOLS

The Maricopa County Treasurer’s Office acts as the bank for schools and many other government entities in Maricopa County. Warrants (government checks) are paid by the Treasurer from cash available for each entity. If cash is not available then monies are borrowed through approved credit lines.

When warrants are presented for any school district exceeds the approved credit line limit, then warrants are “registered” or returned to the holder to be paid at a later date with interest. There were no registered warrants in FY 2013.

Credit line information for FY 2013 and FY 2012.

	<u>FY 2013 Credit Line</u>	<u>FY 2012 Credit Line</u>
Outstanding Beginning Balance	\$ 155,866,000	\$ 0
Borrowings	822,927,000	758,848,000
Payments	796,133,000	602,982,000
Outstanding Ending Balance	182,660,000	155,866,000
Interest Paid	1,167,764	942,886

Figure 3.5

DEBT SERVICE PAYMENTS BY SCHOOLS

School debt consists of voter approved bonds. The debt service payments made during the 2013 and 2012 fiscal years are as follows:

	<u>FY2013</u>	<u>FY2012</u>	<u>% Change</u>
Principal Payments	\$ 370,450,000	\$ 384,015,000	-3.5%
Interest Payments	<u>145,612,476</u>	<u>163,240,976</u>	<u>-10.8%</u>
Total	\$ 516,062,476	\$ 547,255,976	-5.7%

Figure 3.6

TAXPAYER INFORMATION FUND

This Taxpayer Information Fund is comprised of fees and interest earnings (all non-tax dollars) to be used for various out-reach activities that assist the property owners in understanding the Arizona property tax system. Programs have been developed to encourage property owners to make payments electronically and have contributed to reducing in-office payments to a level that allowed eliminating two full time cashier positions.

Beginning Balance	7/1/2012	\$ 330,563
Revenue		261,827
Disbursements		<u>- 90,975</u>
Ending Balance	6/30/2013	\$ 501,415

The following is an excerpt from the audit completed by the County Internal Audit Division in November, 2009:

“Executive Summary

For the period reviewed, we found that TIF expenditures were in compliance (emphasis added) with ARS §11-495. In addition, we found that TIF revenues were collected and recorded in compliance with this statute.”

The full audit report can be found on the county website.

Section Four-Taxpayer Services

There are a myriad of taxpayer services. They include responding to taxpayer requests, mailing tax bills, mailing delinquent tax notices, selling delinquent tax liens, foreclosing on delinquent taxes, conducting sales on foreclosed properties, and several other related functions.

Figure 4.1

TAXPAYER RESEARCH REQUEST HISTORY

	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun*</u>	<u>Total</u>
<u>FY2013</u>	589	308	519	486	441	414	373	363	385	399	396	779	5,452
<u>FY2012</u>	310	354	618	538	580	470	503	455	428	457	489	1,962	7,164
<u>FY2011</u>	276	319	551	470	459	433	422	392	438	517	391	742	5,410
<u>FY2010</u>	251	172	468	388	497	452	289	286	338	298	346	600	4,385
<u>FY2009</u>	278	232	352	368	335	287	288	228	347	264	273	679	3,931
<u>FY2008</u>	410	216	288	568	403	304	297	258	301	286	287	622	4,240

* Delinquent notices are mailed in June.

Figure 4.2

TAXPAYER RESEARCH REQUEST BY SOURCE AND STATUS

On average it takes approximately two working hours to complete each research request. While many can be resolved by electronic confirmation others are much more time consuming and require ordering records from archives, reviewing microfilm, interacting with external departments, and working directly with the taxpayer.

	<u>FY2013</u>	<u>FY2012</u>	<u>FY2011</u>	<u>FY2010</u>
Online	2,309	3,807	2,039	1,595
Walk-In	923	1,352	1,468	1,283
Others	918	647	723	89
Fax	482	407	556	467
Mail	656	662	506	780
Phone	161	282	115	161
Assessor	<u>3</u>	<u>7</u>	<u>3</u>	<u>10</u>
Total	5,452	7,164	5,410	4,385
Closed	5,139	5,969	5,395	4,247
In Queue	184	1,038	4	98
In Service	<u>129</u>	<u>157</u>	<u>11</u>	<u>40</u>
Total	5,452	7,164	5,410	4,385

Figure 4.3

TAX LIEN SALE HISTORY

Delinquent property taxes constitute a lien against the property. That lien must be offered for purchase at auction in February each year per Arizona Revised Statute.

Liens not sold during the auction can be purchased afterwards from the County Treasurer.

<u>Sale Year</u>	<u>Tax Year</u>	<u>Parcels Advertised</u>	<u>Dollar Value</u>	<u>Not Auctioned*</u>	<u>Liens Sold</u>	<u>Dollar Value</u>	<u>Avg Int Rate**</u>	<u>Unsold Liens</u>
2013	2011	27,057	\$46,532,327	7,964	16,535	\$31,745,917	7.48%	2,558
2012	2010	34,550	\$86,424,452	8,072	19,949	\$55,659,726	9.93%	6,529
2011	2009	39,037	\$80,478,533	9,429	22,510	\$63,529,394	10.79%	12,543
2010	2008	41,859	\$69,946,978	9,317	25,660	\$57,093,614	8.62%	11,040
2009	2007	34,694	\$47,521,202	4,233	22,354	\$39,884,087	8.66%	8,107
2008	2006	28,047	\$32,713,999	5,995	20,401	\$27,558,290	7.64%	1,651
2007	2005	23,949	\$29,564,319	6,173	15,972	\$21,080,184	7.96%	1,804
2006	2004	21,388	\$26,337,120	5,762	13,479	\$17,284,492	6.03%	2,147
2005	2003	23,003	\$26,458,224	6,241	12,515	\$16,941,595	5.80%	4,247

* Parcels may be advertised but not auctioned because of pending litigation such as bankruptcy.

** Average interest rate earned by investors. Redemption rate is 16% with the difference used to fund the Elderly Assistance Fund amounts shown in Figure 3.3.

Figure 4.4

MAILING ACTIVITY

Tax bills and information statements for the 2012 tax year were mailed in late August. Tax information statements are mailed to property owners that pay their property taxes into an impound account usually as part of their monthly mortgage payment. Tax bills are mailed to those property owners that pay individually and owe more than two dollars. Delinquent Notices were mailed in June 2012.

<u>Tax Year</u>	<u>Total Mailing</u>	<u>Singles</u>	<u>Information Statements</u>	<u>Multiple Bill</u>	<u>Delinquents</u>	<u>Returned Mail</u>
2012	1,563,286	727,936	725,636	109,714	121,493	93,937
2011	1,546,565	729,608	731,201	85,756	136,240	91,357
2010	1,607,769	799,320	808,449		147,459	88,563

TREASURER FORECLOSURES

No foreclosures were initiated or completed in FY 2012. Currently, no contract exists to provide the necessary title search and subsequent notification to perform these foreclosures. There are more than 209 parcels with tax liens eligible to be foreclosed on behalf of the State.

Section Five – Information Technology

The Information Technology Division provides computer systems support for each of the other divisions within the Treasurer's Office. This includes operational and support services on all computer-based applications and processes utilized by the office. These services also extend to meeting needs of other County departments including Finance, Maricopa County Education Service Agency, Independent School districts, special districts, other taxing jurisdictions, and the general public.

A few highlights of Information Technology Division accomplishments for Fiscal Year 2013 are:

1. Enhancements to servicing bank branch payment processing

Property tax payments have been accepted at the branch offices of the Treasurer's servicing bank for many years. In FY 2013, JP Morgan Chase updated their internal systems to streamline the property tax payment process through their computer systems. At the same time, the Information Technology Division of the Treasurer's Office conducted a project to implement changes on the Treasurer's property tax statements and on the Treasurer's public website to facilitate this improvement at the bank. The project resulted in more efficient flow of tax payment monies to the Treasurer and an improvement in accuracy and reporting.

2. Enhancements to tax collection applications

Multiple projects were undertaken to implement improvements to the Treasurer's tax collection systems. These projects were required to bring the Treasurer's systems into compliance with changes legislated by HB 2801 and modifications to A.R.S. 42-18053 pertaining to interest on delinquent taxes on original taxes less than \$100.00. Improvements resulting from these projects were deployed to the Treasurer's cashiering system, internal tax inquiry systems, and the Treasurer's various websites.

3. New Government Property Lease Excise Tax (GPLET) Collection applications

This project was required to bring the Treasurer systems into compliance with changes legislated to A.R.S. 42-6204(A) and (B). This statute pertains to the collection of a government property lease excise tax from anyone leasing property from a government entity (i.e. city, town, county, or county stadium district). This tax was previously collected by the State of Arizona's Department of Revenue and the statute change shifted this responsibility to the individual county treasurers. New applications were developed and deployed to support the collection and reporting of the GPLET taxes and the distribution of those funds to the appropriate taxing jurisdictions.

4. Improvements to Treasurer Website (<http://treasurer.maricopa.gov/>)

Significant effort was expended to implement improvements to the Treasurer's public website. The website improvement effort was undertaken in multiple phases. As of the end of Fiscal Year 2013, the "look and feel" and presentation of the website has been changed to vastly improve its usability. In addition, numerous underlying technological advances were made to the site that laid a foundation for ongoing future enhancements. Another website enhancement project is in progress and will be completed in early Fiscal Year 2014.

In addition to these endeavors, the Information Technology Division continued to provide systems support for day-to-day operation of the Treasurer's Office. A total of 1,072 IT service requests were logged during FY 2013 and 998 IT requests were closed. The Information Technology Division continues an ongoing effort to document and standardize processes and methodologies used within the organization.

Section Six-Personnel:

In FY 2013, the Treasurer received funding and filled a position to collect Government Property Lease Excise Taxes (GPLET) to comply with Arizona statute. Temporary positions have been reduced to less than 30 hours due to the anticipated increased costs to the Treasurer's Office from the implementation of the Affordable Care Act. The Office has managed to adequately staff the IT department, finding qualified individuals at the end of FY 2013. However, there are still staffing concerns that need to be addressed in the Accounting department. Current vacant positions will need to be upgraded to accurately reflect the required job duties and to attract high caliber employees with strong accounting backgrounds.

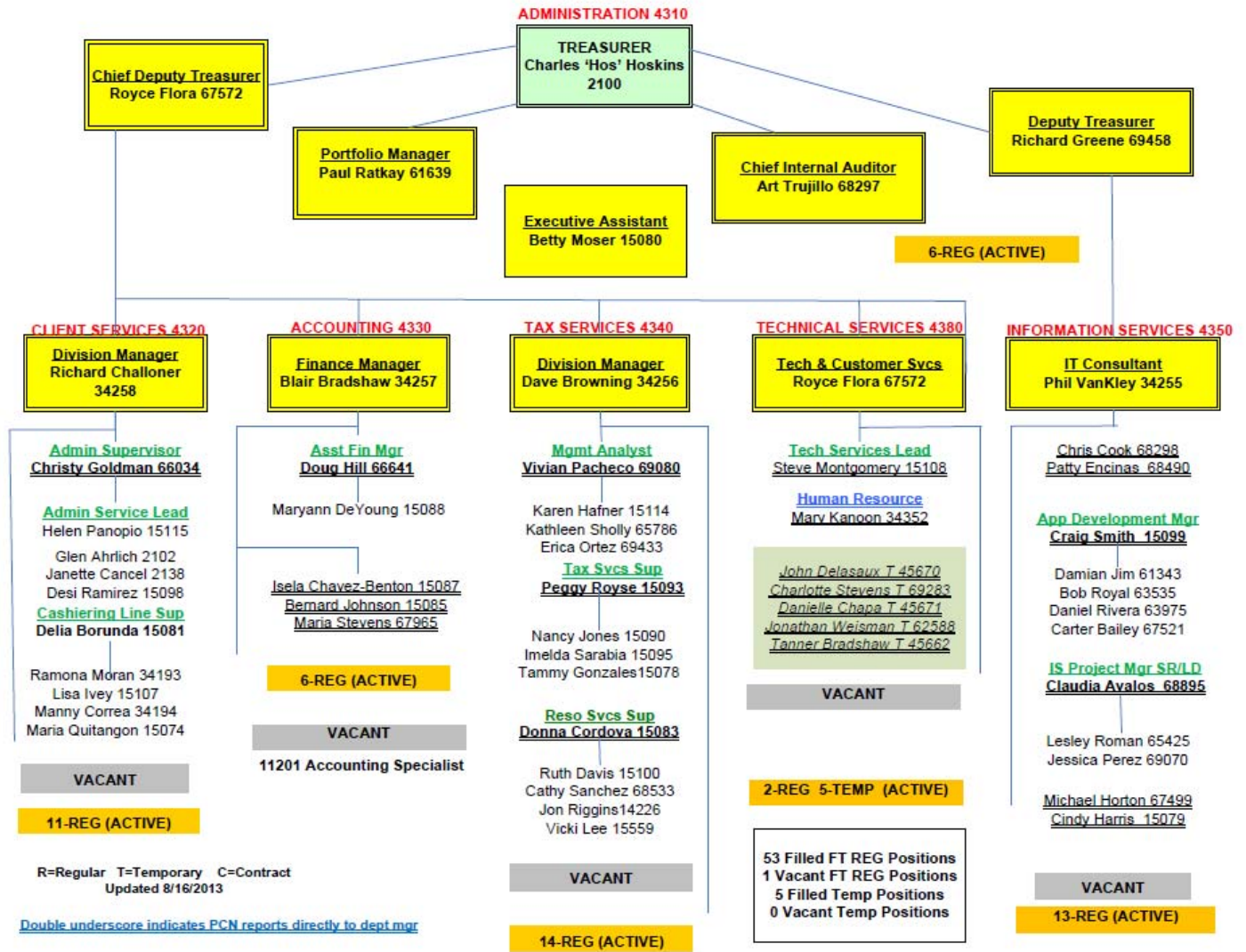
Section Seven-Budget:

The Treasurer's Office budget is almost entirely funded out of the General Fund with the exception of the Taxpayer Information Fund (TIF). The budget below represents the Treasurer's Office General Fund appropriation and actual expenditures for FY 2013. It does not account for printing and postage of \$687,100 that was paid directly out of the General Fund, not the agency's budget. In addition, there were \$1.3 million in overhead costs for rent and central service agencies not allocated to the Treasurer's budget. \$150,000 of the Treasurer's General Fund budget is restricted to procure specialized services for administrative foreclosures in accordance with ARS § 42-18261.

GENERAL FUND EXPENDITURES	2013 Revised Budget	2013 Actual Expenses	Variance	2014 Budget
Regular Pay	\$ 2,969,223	\$ 2,869,732	\$ 99,491	\$ 2,898,296
Temp Pay	91,411	59,388	32,023	44,503
Overtime	6,336	501	5,835	6,336
Fringe Benefits	1,058,603	1,014,244	44,359	1,045,603
Other Personal Services	30,757	14,245	16,512	0
Total Personal Services	\$ 4,156,330	\$ 3,958,109	\$ 198,221	\$ 3,994,738
General Supplies	13,500	55,539	(42,039)	21,900
Fuel	500	252	248	500
Other Services	182,860	63,260	119,600	254,532
Rent and Operating Leases	8,000	6,495	1,505	7,008
Repairs and Maintenance	198,986	150,929	48,057	297,855
Internal Service Charges	86,327	92,522	(6,195)	99,323
Travel	3,000	929	2,071	1,000
Education and Training	5,000	9,502	(4,502)	3,000
*Postage/Shipping	30,000	27,053	2,947	27,900
Other Operating Expenditures	\$ 528,173	\$ 406,480	\$ 121,693	\$ 713,018
TOTAL OPERATING EXPENDITURES	\$ 4,684,503	\$ 4,364,590	\$ 319,913	\$ 4,707,756

*Postage paid directly from the Treasurer's budget does not include the amount paid out of the GF.

Section Eight - Organization Chart:



Acknowledgement

Treasurer "Hos" Hoskins gratefully acknowledges the skilled and dedicated efforts of the employees and managerial staff at the Maricopa County Treasurer's Office.