



# COUNTY OF MADERA

## ADMINISTRATIVE MANAGEMENT

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June 11, 2015

HONORABLE BOARD OF SUPERVISORS  
 COUNTY OF MADERA

In accordance with the requirements of State Law and Madera County Code Section 2.24.030C, submitted herewith are my recommendations for the 2015- 2016 RECOMMENDED PROPOSED BUDGET. The following is a summary of budget appropriation totals:

### APPROPRIATION SUMMARY (Exclusive of Special Districts)

<u>Fund</u>	<u>Actual 2013-14</u>	<u>Board of Supervisors Approved Expenditures 2014-15</u>	<u>Department Request 2015-16</u>	<u>CAO Recommendation 2015-16</u>	<u>Change from 2014-15 to 2015-16</u>
General	\$157,615,421	\$181,040,055	\$198,252,164	\$197,685,292	\$16,645,237
Fish and Game	4,244	5,000	5,000	5,000	0
Refuse Disposal & Flood Control	5,031,455	9,427,365	8,894,551	8,894,551	(532,814)
AB 109 & Community Corr. Performance Inc.	4,286,504	5,557,905	6,586,273	6,586,273	1,028,368
Road	<u>17,728,202</u>	<u>19,292,477</u>	<u>22,159,667</u>	<u>22,159,667</u>	<u>2,867,190</u>
<b>GRAND TOTAL BUDGET REQUIREMENTS</b>	<b><u>\$184,665,826</u></b>	<b><u>\$215,322,802</u></b>	<b><u>\$235,897,655</u></b>	<b><u>\$235,330,783</u></b>	<b><u>\$20,007,981</u></b>

**HONORABLE BOARD OF SUPERVISORS**

June 11, 2015

The recommended General Fund 2015-16 appropriation of \$197,685,292 is balanced with projected revenue and fund balance shown in the following estimates:

**REVENUE SUMMARY - GENERAL FUND**

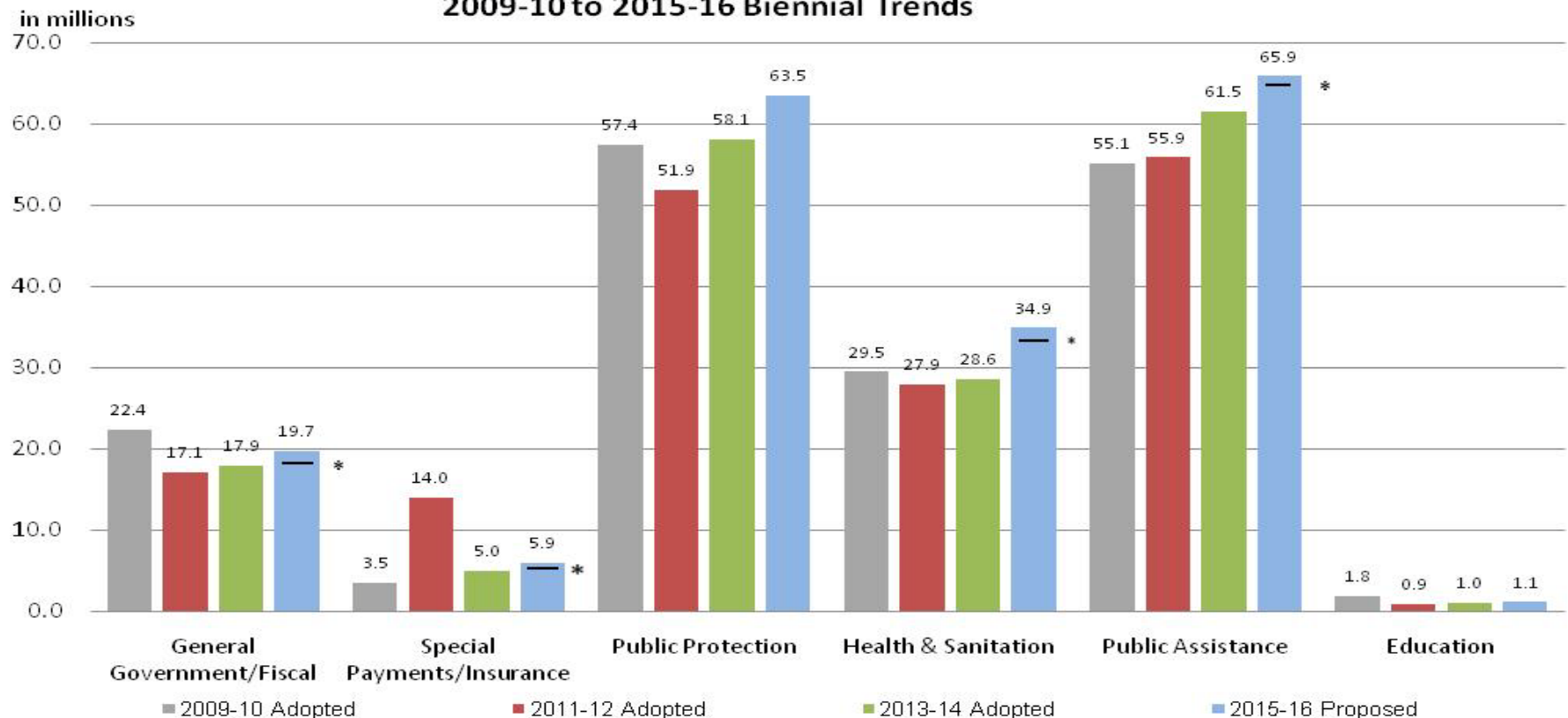
<b><u>Classification</u></b>	<b>Board of Supervisors Approved Revenues <u>2014-15</u></b>	<b>CAO Recommended Estimated Revenues <u>2015-16</u></b>
Taxes	\$ 41,362,731	\$45,738,512
Licenses, Permits, & Franchises	3,908,495	4,233,740
Fines, Forfeits, & Penalties	3,622,100	3,515,381
Revenue from Use of Money and Property	127,850	115,950
Aid from Other Government Agencies	93,199,800	102,043,978
Charges for Current Services	10,731,582	9,537,133
Other Revenue	<u>23,506,008</u>	<u>24,800,598</u>
<b>REVENUE TOTAL</b>	<b>\$176,458,566</b>	<b>\$189,985,292</b>
<b>FUND BALANCE</b>	<b>2,050,000</b>	<b>7,700,000*</b>
<b>PREVIOUS YEARS RESIDUAL FUND BALANCE</b>	<b><u>2,531,489</u></b>	<b><u>0</u></b>
<b>GRAND TOTAL</b>	<b><u>\$181,040,055</u></b>	<b><u>\$197,685,292</u></b>

\* The preliminary General Fund Balance for the period ending June 30, 2015, as projected by the Auditor's Office in cooperation with the Administrative Office, is estimated at \$7.7 million. The Auditor's timely completion of the County's 2013-14 Financial Statements has allowed for a more accurate beginning balance at June 30, 2014 than was possible in the last several years. Since there is no longer a delineation between previous years' residual fund balance and fund balance, it is recommended that \$4,063,654 of the estimated fund balance be put in a reserve for future budgetary issues.

**COMMENTS ON THE 2015-16 RECOMMENDED PROPOSED BUDGET**

The Recommended Proposed Budget for Fiscal Year 2015-16 is a balanced budget that provides funding consistent with your Board’s priorities, continuing in the attempt to begin to restore funding levels within the Public Safety Departments. Restricted funding for Health and Welfare programs continues to increase this fiscal year, but is dictated by the State and Federal Governments without much discretion at the local level.

**General Fund Appropriation Comparison  
2009-10 to 2015-16 Biennial Trends**



\*Beginning with the 2014-15 Adopted Budget, there was a change in budgeting for intra-departmental billings. These charges were previously budgeted as a negative expense and are now accounted for as a revenue. The line added to the chart reflects the appropriation levels with no accounting change for comparison purposes.

**COMMENTS ON THE 2015-16 RECOMMENDED PROPOSED BUDGET (continued)**

Due to the fiscal prudence of your Board and exceptional efforts of the County Management Team, the revenue shortfall has been reduced by 87% from its peak of \$12.3 million in 2010-11. Though cost management efforts continue successfully as guided by your Board's 'Cost Reduction & Containment Plan' adopted in 2012, revenue generation in 2015-16 is expected to fall short of covering expenditures during the same period by \$1.6 million, which is less than 1% of the total budget.

This is a significant accomplishment and it is worth noting that if the Chukchansi Casino had not closed unexpectedly in 2014, costing the County a \$1.3 million annual revenue source, the revenue shortfall would have been virtually eliminated this fiscal year. It should also be highlighted that for the first time since prior to the economic downturn, the recommended budget includes a 'Reserve for Future Budgetary Needs' (\$4.1 million).

In order to address this anticipated shortfall in revenue and balance the 2015-16 budget, it is recommended that \$1.6 million be used from the County's accumulated General Fund Balance as of June 30, 2015. This amount is over and above the typical amount used to finance the operations of the budget. The monies used from the fund balance come from an accumulation of unanticipated cost savings/revenues in the previous year's budget. Budgeted revenues also include other one-time sources including the State's payment of prior year State Mandated Claims (\$150,000) and the recovery of prior VLF In-Lieu property taxes (\$750,000) resulting from an audit conducted by the State.

The continuation of a selective hiring freeze is recommended again in 2015-16 as a cost containment measure. It is important to note that the proposed budget is consistent with your Board's direction to avoid the use of the limited Teeter Fund reserve and borrowed funds to finance the operations of the County.

As directed by your Board, efforts are well underway to strengthen the County's longer term financial condition by focusing on economic development opportunities. Though the community benefit and financial benefits from these efforts will be longer term, in 2015-16, the County should begin to realize some economic benefit from new developments countywide, including the start of the Riverstone development project in the Rio Mesa Area. Economic development efforts will continue this year with a continued focus on new residential/commercial/industrial development opportunities and ramped up efforts in the area of sports tourism.

The 2015-16 State Budget had not been signed into law as of the writing of the County's Budget. Any changes within the State Budget and associated trailer bills that impact counties will be brought before your Board once details are finalized.

The following are general comments concerning the Recommended Proposed 2015-16 General Fund Budget:

**COMMENTS ON THE 2015-16 RECOMMENDED PROPOSED BUDGET (continued)**

The 2015-16 General Fund Budget has an overall increase of \$16.6 million over the 2014-15 Fiscal Year. Following is a brief recap of General Fund functions and other points of interest:

- ✓ The General Government category reflects an increase of \$0.9 million over Fiscal Year 2014-15. The increase is primarily related to cost of living adjustments given to County employees, costs for additional staff within the Auditor's Office and Information Technology Department and costs associated with the State County Assessor's Partnership program.
- ✓ The Public Protection category has increased \$4.4 million over Fiscal Year 2014-15. The increase is primarily due to the following: cost of living adjustments given to County employees; full year costs for the lease of the new Sheriff Administration Building; additional costs related to fully staffing the Sheriff's Court operations for the new courthouse; increases in the contract with CAL FIRE; increased costs associated with the Public Defender's contract; and increases in the Neighborhood Stabilization CDBG Program within the Community Economic Development Planning Budget.
- ✓ The Health and Sanitation category has increased \$4.1 million over Fiscal Year 2014-15. The increase is primarily related to cost of living adjustments given to County employees, and costs necessary to care for patients within the Behavioral Health System.
- ✓ The Public Assistance category has increased \$3.2 million over Fiscal Year 2014-15. The increase in this category is primarily related to cost of living adjustments given to County employees, and the administration of the Housing Support Program, Affordable Care Act and Protective Services, which is generally financed by State and Federal funds.
- ✓ The Education category (Library and Agricultural Extension) has increased \$5,234 over Fiscal Year 2014-15. This increase is necessary for the operation of the Library at its current level of operation.
- ✓ The preliminary General Fund Balance for the period ending June 30, 2015, as projected by the Auditor's Office in cooperation with the Administrative Office, is estimated at \$7.7 million. The Auditor's timely completion of the County's 2013-14 Financial Statements has allowed for a more accurate beginning balance at June 30, 2014 than was the case in the last several years. The Auditor's Office is scheduled to complete the final June 2015 Fund Balance calculation in the fall of this year after the final close-out of the 2014-15 fiscal year.

**COMMENTS ON THE 2015-16 RECOMMENDED PROPOSED BUDGET (continued)**

- ✓ The Public Employees' Retirement System (PERS) recently notified the County that the miscellaneous employees rate will increase from 21.837% to 23.080% for Fiscal Year 2015-16. The current PERS rate for Law Enforcement employees is 24.614% and will increase to 25.932%. It is anticipated that the rates will increase again in the 2016-17 Fiscal Year.
- ✓ Employee Compensation Increases All compensation adjustments that have been agreed to in a Memorandum of Understanding (MOU) have been budgeted in the individual Departmental budgets.
- ✓ The tenth annual Government Center debt service payment is \$1,673,834, and this payment is included in this budget.
- ✓ The 2015-16 County Budget currently has 146 discretionary positions that are recommended to remain vacant and unfunded for Fiscal Year 2015-16. It is proposed that from July 1, 2015 to June 30, 2016, a strict "Selective Hiring Freeze" be continued and managed by the County Administrative Office.
- ✓ Appropriations for Contingency is budgeted at \$2,424,416, which is unchanged from the previous year. Funds are included in the contingency account to cover costs associated with two multi-defendant special circumstance cases being handled by appointed Public Defense Attorneys, payout costs related to retirements; and other unanticipated events. This reserve amount may change at Final Budget depending on any reductions in State funding or changes in Fund Balance.
- ✓ In January of 2015, as part of recently approved MOU's, your Board was able to provide a one-time 5% cost of living adjustment (COLA) to all employees. The recommended budget includes full funding for this COLA. Another component of the recently approved MOU's was an agreement to hire an independent firm to complete a Compensation Study for all classifications countywide. There is speculation that the pay for a number of job classifications has dropped below the same classifications in comparable counties. If this is true, the risk in not addressing such pay disparities could lead to an increasing number of employees leaving to work for other agencies. The County invests a significant amount of time and resources into training and developing its employees, and that investment will be lost if steps aren't taken to retain employees. Comparable and appropriate pay are essential to employee retention. In the coming months, the County Administrative Office will bring the results of the Study to your Board for further consideration.
- ✓ All previous fiscal commitments by your Board have been included in this Budget.

**COMMENTS ON RESIDUAL/DESIGNATED FUND BALANCE**

<u>Funds</u>	<u>Balance</u>	<u>Type, Proposed Use, and Comments on Funds</u>	
A Reserve for Information Technology System (IT)/Asset Replacement	\$451,598	<b>Type:</b>	Discretionary One-Time Funds
		<b>Use:</b>	This funding was designated by the Board of Supervisors in the 2013-14 Adopted Budget for future One-Time Information Technology System/Asset Replacement Projects in the amount of \$850,908. On May 13, 2014, the Board approved the use of \$383,910 to finance the investment in the current Financial/HR System; and on May 12, 2015, approved the use of \$15,400 to replace the audio system in the Board Room, leaving a balance of \$451,598.
		<b>Comments:</b>	There are no recommended uses of these funds included in the 2015-16 proposed budget.
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Reserve for Future Budgetary Needs	\$4,063,654	<b>Type:</b>	Discretionary one-time funds.
		<b>Use:</b>	These funds are set-aside for future budgetary needs.
		<b>Comments:</b>	There are no recommended uses of these funds included in the 2015-16 proposed budget.
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**COMMENTS ON FINAL BUDGET HEARINGS**

The Government Code provides that estimates submitted by an official or person shall not be addressed or reduced until they have had a hearing before your Board sometime during or prior to the Final Budget Hearings. In addition, your Board (1) must hear any taxpayer, during consideration of the Final Budget, regarding the increase, decrease, or omission of any item in the Proposed Budget, or for the inclusion of additional items; (2) may add any items at the Final Budget Hearings for which a written request is filed; and (3) may delete any items at the Final Budget Hearings.

Therefore, it is recommended that your Board:

1. Instruct the County Administrative Officer to review the budget accounts approved in the Proposed Budget and submit recommendations for adjustments to be considered at the Final Budget Public Hearings.
2. Set TUESDAY, JUNE 23, 2015, as the date Final Budget Public Hearings to begin.
3. Instruct the County Administrative Officer to schedule specific items to be heard during Final Budget deliberations for persons indicating a desire to be heard regarding the Budget.

Respectfully submitted,



Eric Fleming  
County Administrative Officer

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