



COUNTY OF MADERA

ADMINISTRATIVE MANAGEMENT

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June 26, 2014

**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 2014- 2015 RECOMMENDED PROPOSED BUDGET. The following is a summary of budget appropriation totals:

APPROPRIATION SUMMARY (Exclusive of Special Districts)

<u>Fund</u>	<u>Actual 2012-13</u>	<u>Board of Supervisors Approved Expenditures 2013-14</u>	<u>Department Request 2014-15</u>	<u>CAO Recommendation 2014-15</u>	<u>Change from 2013-14 to 2014-15</u>
General	\$154,332,079	\$175,553,997	\$181,671,049	\$181,040,055	\$5,486,058*
Fish and Game	3,221	5,000	5,000	5,000	0
Refuse Disposal & Flood Control	5,815,649	8,246,851	9,427,365	9,427,365	1,180,514
AB 109 & Community Corr. Performance Inc.	3,164,950	5,175,867	5,557,905	5,557,905	382,038
Road	<u>15,570,092</u>	<u>20,001,199</u>	<u>19,292,477</u>	<u>19,292,477</u>	<u>(708,722)</u>
GRAND TOTAL BUDGET REQUIREMENTS	<u>\$178,885,991</u>	<u>\$208,982,914</u>	<u>\$215,953,796</u>	<u>\$215,322,802</u>	<u>\$6,339,888</u>

*The increase in the General Fund is partially due to a change in accounting for the budgeting for intra-departmental billings. These charges were previously budgeted as negative expenses and are now accounted for under the other revenue category. This change resulted in a \$3.5 increase in appropriations.

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The recommended General Fund 2014-15 appropriation of \$181,040,055 is balanced with projected revenue and fund balance shown in the following estimates:

REVENUE SUMMARY - GENERAL FUND

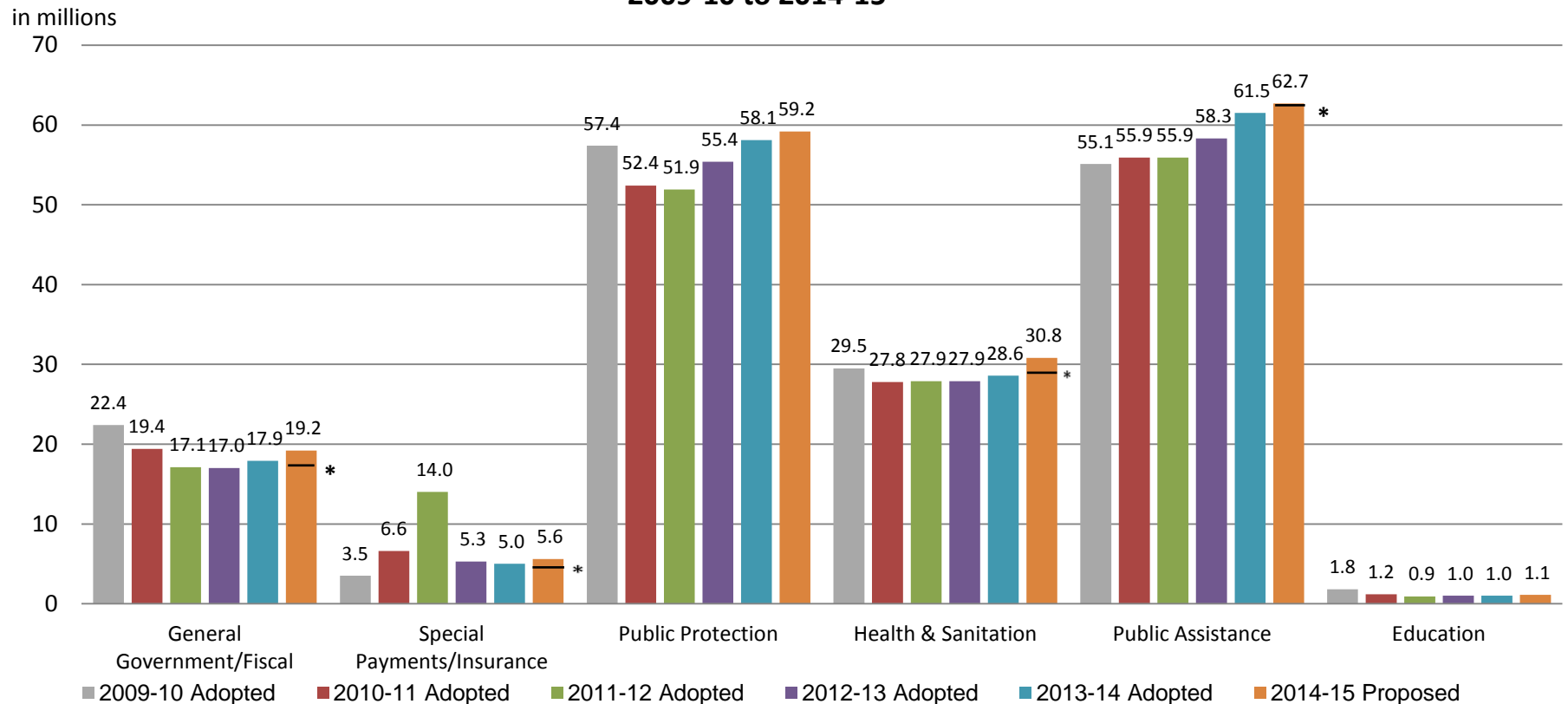
<u>Classification</u>	Board of Supervisors Approved Revenues <u>2013-14</u>	CAO Recommended Estimated Revenues <u>2014-15</u>
Taxes	\$ 40,849,650	\$ 41,362,731
Licenses, Permits, & Franchises	3,527,652	3,908,495
Fines, Forfeits, & Penalties	2,935,850	3,622,100
Revenue from Use of Money and Property	107,750	127,850
Aid from Other Government Agencies	93,322,562	93,199,800
Charges for Current Services	11,649,257	10,731,582
Other Revenue	<u>18,123,470*</u>	<u>23,506,008*</u>
REVENUE TOTAL	\$170,516,191	\$176,458,566
FUND BALANCE	2,050,000	2,050,000
PREVIOUS YEARS RESIDUAL FUND BALANCE	1,834,019	2,531,489
RELEASE OF DESIGNATED FUND BALANCE	<u>1,153,787</u>	<u>0</u>
GRAND TOTAL	<u>\$175,553,997</u>	<u>\$181,040,055</u>

*Other revenues reflect a change in accounting for the accounting for intra-departmental billings. These charges were previously budgeted as negative expenses and are now accounted for under the Other Revenue category, Intra Fund Revenue Account.

COMMENTS ON THE 2014-15 RECOMMENDED PROPOSED BUDGET

The Recommended Proposed Budget for Fiscal Year 2014-15 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. Net financing for most General Fund Departments has been contained or reduced for another year. 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 2014-15**



*The 2014-15 Proposed Budget includes 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 2014-15 RECOMMENDED PROPOSED BUDGET (continued)

Though cost management efforts continue successfully as guided by your Board's adopted Three-Year Cost Reduction & Containment Plan, revenues are projected to fall short of expenditures again in 2014-15 by \$2.5 million or 1%. In order to address this anticipated deficiency in revenues while minimizing the impact to service levels, this budget utilizes approximately \$2.5 million from special, limited one-time funds. The continuation of a selective hiring freeze is recommended again in 2014-15 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.

Much progress has been made since the revenue shortfall was projected as high as \$12.3 million during the 2010-11 Fiscal Year. Since then and through a series of strategic cost-cutting measures and reorganizations authorized by your Board, the revenue shortfall has been reduced significantly from \$6.2 million in 2012-13 to \$3.0 million in 2013-14 to a projected \$2.5 million in 2014-15. Limited one-time funds are again recommended to balance the budget and compensate for the remaining revenue shortfall. As outlined in your Board's adopted Three-Year Cost Reduction & Containment Plan, reliance on limited designations and one-time funds to balance the budget should be eliminated or significantly curtailed by 2014-15 to prevent depletion of these funds. Since the recommended 2014-15 budget still relies on approximately 1% of revenues to come from limited sources, the County Administrative Office will consider a recommendation to extend the term of the Cost Reduction & Containment Plan.

Governor Brown signed the 2014-15 State budget into law on June 20, 2014. Part of the State Budget impacting counties is still being modified through trailer bills and will be brought before your Board once details are finalized.

The following are general comments concerning the Recommended Proposed 2014-15 General Fund Budget:

The 2014-15 General Fund Budget has an overall increase of \$5.5 million over the 2013-14 Fiscal Year. Following is a brief recap of General Fund functions and other points of interest:

- ✓ The General Government category reflects an increase of \$1.9 million over Fiscal Year 2013-14. The increase is primarily a result of a change in the accounting for intra-departmental billings. These charges were previously budgeted as negative expenses and are now accounted for under the revenue category. When taking the accounting change into consideration, the net change in the General Government category is a reduction of \$0.2 million.

COMMENTS ON THE 2014-15 RECOMMENDED PROPOSED BUDGET (continued)

- ✓ The Public Protection category has increased \$1.1 million over Fiscal Year 2013-14. The increase is primarily due to the following: operation of the Correctional Facility expansion, including additional positions, medical, food and utility costs; costs for the lease of the new Sheriff Administration Building and additional costs related to the Coroner function; additional position in the Fire Budget; and increased costs associated with the Public Defender's contract.
- ✓ The Health and Sanitation category has increased \$2.2 million over Fiscal Year 2013-14. The increase is primarily due to the change in accounting for intra-departmental charges as discussed under General Government.
- ✓ The Public Assistance category has increased \$1.2 million over Fiscal Year 2013-14. The increase in this category is primarily due the administration of the Affordable Care Act and Protective Services, and is generally financed by State and Federal funds.
- ✓ The Education category (Library and Agricultural Extension) has increased \$91,155 over Fiscal Year 2013-14. This increase is necessary for the operation of the Library at its current level of operation.
- ✓ The ending Fund Balance resulting from 2013-14 operations, which acts as a funding source to start the 2013-14 Fiscal Year, is estimated at \$2,050,000. The Auditor's Office is scheduled to complete the final June 2014 fund balance calculation after the close-out of the 2013-14 fiscal year.
- ✓ The Public Employees' Retirement System (PERS) recently notified the County that the miscellaneous employees rate will increase from 20.505% to 21.837% for Fiscal Year 2014-15. The current PERS rate for Law Enforcement employees is 24.061% and will increase to 24.614%. It is anticipated that the rates will increase again in the 2015-16 Fiscal Year.
- ✓ Employee Compensation Increases All compensation adjustments that have been agreed to in a Memorandum of Understanding have been budgeted in the individual Departmental budgets.
- ✓ The ninth annual Government Center debt service payment is \$1,676,232, and this payment is included in this budget.

COMMENTS ON THE 2014-15 RECOMMENDED PROPOSED BUDGET (continued)

- ✓ At the preparation of this budget, there were approximately 209 discretionary and 181 subvented positions that are vacant from the approximately 1,476 County authorized positions. The 2014-15 County Budget currently has 157 discretionary positions that are recommended to remain vacant and unfunded for Fiscal Year 2014-15. It is proposed that from July 1, 2014, to June 30, 2015, a strict "Selective Hiring Freeze" be continued and managed by the County Administrative Office.
- ✓ Appropriations for Contingency is budgeted at \$2,424,416 (1.4% of the General Fund budget) which is deficient for a General Fund Budget of \$181 million. A prudent reserve is approximately 3% or \$5.4 million. Additionally, funds are included in the contingency account to cover actual costs associated with a change of venue homicide case being handled by the District Attorney and the Public Defenders' Offices, 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.
- ✓ Under the terms of the Three-Year Cost Containment & Reduction Plan, the County has successfully maintained a balanced budget but employee pay has suffered. Due to the cost containment measures, the County has not been able to provide for typical annual cost of living adjustments (COLA). Consequently, the employee pay scales have not kept pace with normal increases in costs for consumer goods and services or Consumer Price Index (CPI). There are also a limited number of job classifications that, for various reasons, have dropped significantly below the same classifications in comparable counties. There is a risk in not addressing these pay disparities, as the County will likely experience 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 develop funding strategies to address the pay disparities and seek direction from the Board of Supervisors to prepare for upcoming contract negotiations.
- ✓ All previous fiscal commitments by your Board have been included in this Budget.

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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	\$466,998	<p>Type: Discretionary One-Time Funds</p> <p>Use: 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 leaving a balance of \$466,998.</p> <p>Comments: There are no recommended uses of these funds included in the 2014-15 proposed budget.</p>
Previous Years Residual Fund Balance (ESTIMATE)	\$2,531,489	<p>Type: Discretionary one-time funds.</p> <p>Use: It is currently estimated by the Auditor's Office that the previous year's residual Fund Balance will be \$2,531,489.</p> <p>Comments: It is recommended that these funds be used as a source to balance the proposed budget. The Auditor's Office continues their efforts to bring the County's Audited Financial Statements current. It is anticipated that the financial statements will be caught up during the 2014-15 Fiscal Year and a final Fund Balance will be available.</p>

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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 MONDAY, JULY 7, 2014, 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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