



COUNTY OF MADERA

ADMINISTRATIVE MANAGEMENT

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August 7, 2013

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 2013- 2014 RECOMMENDED PROPOSED BUDGET. The following is a summary of budget appropriation totals:

APPROPRIATION SUMMARY **(Exclusive of Special Districts)**

<u>Fund</u>	<u>Actual 2011-12</u>	<u>Board of Supervisors Approved Expenditures 2012-13</u>	<u>Department Request 2013-14</u>	<u>CAO Recommendation 2013-14</u>	<u>Change from 2012-13 to 2013-14</u>
General	\$157,384,053	\$167,466,237	\$175,584,850	\$175,553,997	\$8,087,760
Fish and Game	4,787	5,000	5,000	5,000	0
Refuse Disposal & Flood Control	520,709	5,129,804*	8,246,851*	8,246,851*	3,117,047
AB 109 & Community Corr. Performance Inc.	1,521,073	3,647,521	5,175,867	5,175,867	1,528,346
Road	<u>14,263,761</u>	<u>22,464,806</u>	<u>20,001,199</u>	<u>20,001,199</u>	<u>(2,463,607)</u>
GRAND TOTAL BUDGET REQUIREMENTS	<u>\$173,694,383</u>	<u>\$198,713,368</u>	<u>\$209,013,767</u>	<u>\$208,982,914</u>	<u>\$10,269,546</u>

*Reflects the consolidation of the Refuse Disposal and Flood Control General Fund Budgets into the Refuse Liner Fund and Flood Control Fund, respectively, not previously included in this document.

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The recommended General Fund 2013-14 appropriation of \$175,553,997 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>2012-13</u>	CAO Recommended Estimated Revenues <u>2013-14</u>
Taxes	\$ 38,737,708	\$ 40,849,650
Licenses, Permits, & Franchises	3,320,138	3,527,652
Fines, Forfeits, & Penalties	3,019,930	2,935,850
Revenue from Use of Money and Property	107,850	107,750
Aid from Other Government Agencies	83,648,218	93,322,562
Charges for Current Services	10,801,060	11,649,257
Other Revenue	<u>22,288,603*</u>	<u>18,123,470*</u>
REVENUE TOTAL	\$161,923,507	\$170,516,191
FUND BALANCE	1,700,000	2,050,000
PREVIOUS YEARS RESIDUAL FUND BALANCE	2,996,517	1,834,019
RELEASE OF DESIGNATED FUND BALANCE	<u>846,213</u>	<u>1,153,787</u>
GRAND TOTAL	<u>\$167,466,237</u>	<u>\$175,553,997</u>

*Other revenues reflect a change in accounting for the transfer of some moneys from funds outside of the General Fund, which are now budgeted as Operating Transfers In. In previous years, the funds were primarily budgeted in Aid From Other Government Agencies and Charges for Services. The funds are mainly comprised of Health and Welfare funds as well as transfers related to the Local Revenue Fund associated with State Realignment.

COMMENTS ON THE 2013-14 RECOMMENDED PROPOSED BUDGET

The Recommended Proposed Budget for Fiscal Year 2013-14 is a balanced budget that provides funding consistent with your Board's priorities, including an attempt to begin to restore funding levels within the Public Safety Departments. Funding for most General Fund Departments has increased as a result of the elimination of the Furlough Program. 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. Though cost-cutting efforts continue as guided by your Board's adopted Three-Year Cost Reduction & Containment Plan, revenues are projected to fall short of expenditures again in 2013-14 by just under \$3.0 million.

In order to address this anticipated deficiency in revenues while minimizing the impact to service levels, this budget utilizes approximately \$3.0 million from special, limited one-time funds. The continuation of a selective hiring freeze is recommended again in 2013-14 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 a projected \$3.0 million. One-time funds and limited designations 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.

Governor Brown signed the 2013-14 State budget into law on June 27, 2013, with only a few of the legislative changes included in the County of Madera's Recommended Proposed Budget. 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 2013-14 General Fund Budget:

The 2013-14 General Fund Budget has an overall increase of \$8.1 million from the 2012-13 Fiscal Year. Following is a brief recap of General Fund functions and other points of interest:

- ✓ The General Government category reflects an increase of \$0.6 million over Fiscal Year 2012-13. The increase is primarily a result of the elimination of the Furlough Program and includes the transfer of four positions from the Department of Social Services to the Information Technology Department.

COMMENTS ON THE 2013-14 RECOMMENDED PROPOSED BUDGET (continued)

- ✓ The Public Protection category has increased \$2.7 million over Fiscal Year 2012-13. The increase is primarily due to the following: elimination of the furlough Program; phased-in operation of the Correctional Facility expansion, including six additional positions; additional positions for the Sheriff's Department and District Attorney's Office; and increased costs associated with the Public Defender's contract.
- ✓ The Health and Sanitation category has increased \$0.7 million over Fiscal Year 2012-13. The increase is primarily due to the increased funding in Behavioral Health Services and Health Department programs.
- ✓ The Public Assistance category has increased \$3.2 million over Fiscal Year 2012-13. The increase in this category is generally in the Welfare-Assistance Programs and their administration, and is generally financed by State and Federal funds.
- ✓ The Education category (Library and Agricultural Extension) has increased \$59,816 over Fiscal Year 2012-13. This increase is primarily due to the elimination of the Furlough Program
- ✓ A Reserve for Information Technology System (IT)/Asset Replacement is recommended to be established for \$0.9 million within the General Fund. Over the last several years, many IT-related needs have been deferred as a result of the fiscal crisis. Though \$0.9 million is not sufficient to address all of those needs, the reserve is recommended to be established so that the County can begin addressing some of the critical needs. One of the largest pending IT projects under consideration is the replacement of the County's Financial & Personnel Management System. When a new system is recommended later in Fiscal Year 2013-14, your Board will be asked to approve the designation of some portion of this reserve to finance the project.
- ✓ The ending Fund Balance resulting from 2012-13 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 2013 fund balance calculation after the close-out of the 2012-13 fiscal year, which is expected to be in September. As a result of the Auditor's Office implementation and completion of an accrual basis of accounting for expenses and revenues, limited use of contingencies, the transfer of one-time revenues, lower encumbrance levels and economic revenues exceeding projections, the previous years' residual available Fund Balance from 2011 and 2012 was calculated at \$6.1 million.

COMMENTS ON THE 2013-14 RECOMMENDED PROPOSED BUDGET (continued)

- ✓ The Public Employees' Retirement System (PERS) recently notified the County that the miscellaneous employees rate will increase from 18.986% to 20.505% for Fiscal Year 2013-14. The current PERS rate for Law Enforcement employees is 23.100% and will increase to 24.061%. It is anticipated that the rates will increase again in the 2014-15 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 eighth annual debt service payment for the new Government Center is \$1,677,032, and this payment is included in this budget.
- ✓ At the preparation of this budget, there were approximately 212 discretionary and 215 subvented positions that are vacant from the approximately 1,485 County authorized positions. The 2013-14 County Budget currently has 158 discretionary positions that are recommended to remain vacant and unfunded for Fiscal Year 2013-14.
- ✓ Appropriations for Contingency is budgeted at \$2,624,416 (1.5% of the General Fund budget) which is deficient for a General Fund Budget of \$175 million. A prudent reserve is approximately 3% or \$5.3 million. Additionally, funds are included in the contingency account to cover actual costs associated with the two change of venue homicide cases 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. It is proposed that from July 1, 2013, to at least June 30, 2014, a strict "Selective Hiring Freeze" be continued and managed by the County Administrative Office.
- ✓ 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>	
Designated Fund Balance – Public Safety	\$1,153,787	Type:	Discretionary One-Time Funds
		Use:	This funding was designated by the Board of Supervisors on June 7, 2011, to mitigate impacts on primary Public Safety services.
		Comments:	It is proposed that the remaining balance of these funds be used to offset the net cost increases in the primary public safety departments.
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Previous Years Residual Fund Balance	\$6,100,000	Type:	Discretionary one-time funds.
		Use:	The previous years' residual fund balance for 2011 and 2012 of \$6.1 million as determined by the Auditor/ Controller's Office is recommended to be set-aside for future budget purposes.
		Comments:	It is recommended that \$1,899,752 of these funds be used as a source to balance the 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, AUGUST 20, 2013, 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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