



COUNTY OF MADERA

ADMINISTRATIVE MANAGEMENT

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July 31, 2012

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 2012- 2013 RECOMMENDED PROPOSED BUDGET. The following is a summary of budget appropriation totals:

APPROPRIATION SUMMARY (Exclusive of Special Districts)

<u>Fund</u>	<u>Actual 2010-11</u>	<u>Board of Supervisors Approved Expenditures 2011-12</u>	<u>Department Request 2011-12</u>	<u>CAO Recommendation 2012-13</u>	<u>Change from 2011-12 to 2012-13</u>
General	\$157,755,126	\$170,264,745	\$167,603,448	\$167,506,237	(\$2,758,508)
Fish and Game	3,818	5,000	5,000	5,000	0
Refuse Disposal & Flood Control*	231,014	2,469,788	5,129,804	5,129,804	2,660,016
AB 109 & Community Corr. Performance Inc.	0	0	3,647,521	3,647,521	3,647,521
Road	<u>17,245,105</u>	<u>20,536,623</u>	<u>22,464,806</u>	<u>22,464,806</u>	<u>1,928,183</u>
GRAND TOTAL BUDGET REQUIREMENTS	<u>\$175,235,063</u>	<u>\$193,276,156</u>	<u>\$198,850,579</u>	<u>\$198,753,368</u>	<u>\$5,477,212</u>

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

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The recommended General Fund 2012-13 appropriation of \$167,506,237 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>2011-12</u>	CAO Recommended Estimated Revenues <u>2012-13</u>
Taxes	\$ 37,735,914	\$ 38,737,708
Licenses, Permits, & Franchises	3,381,492	3,320,138
Fines, Forfeits, & Penalties	3,293,253	3,019,930
Revenue from Use of Money and Property	334,857	107,850
Aid from Other Government Agencies	98,710,842	83,648,218
Charges for Current Services	12,666,150	10,841,060
Other Revenue	<u>3,514,786</u>	<u>22,288,603*</u>
REVENUE TOTAL	\$159,637,294	\$161,963,507
FUND BALANCE	1,700,000	1,700,000
RESIDUAL 2010-11 FUND BALANCE	0	2,996,517
RELEASE OF DESIGNATED FUND BALANCE	<u>8,927,451</u>	<u>846,213</u>
GRAND TOTAL	<u>\$170,264,745</u>	<u>\$167,506,237</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 2012-13 RECOMMENDED PROPOSED BUDGET

The Recommended Proposed Budget for Fiscal Year 2012-13 is a balanced budget that provides funding consistent with your Board's priorities. Funding for most General Government Departments has decreased for the third consecutive year, while funding and service levels within the Public Safety Departments (Sheriff, District Attorney, Probation, and Adult/Juvenile Detention Facilities) have increased. 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 at a methodical and consistent pace, revenues are projected to fall short of expenditures again in 2012-13 by \$6.2 million.

In order to address this anticipated deficiency in revenues while minimizing the impact to service levels, the Proposed Budget includes the continuation of the furlough program to avoid \$2.4 million in annual salary costs. Additionally, this budget utilizes approximately \$3.8 million from special, limited designations. The continuation of a selective hiring freeze is recommended again in 2012-13 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.

The revenue shortfall was projected as high as \$12.3 million during the 2010-11 fiscal year; however, through a series of strategic cost cutting measures and reorganizations authorized by your Board, costs have been reduced significantly in the General Government category and contained in some areas within Public Safety, reducing the revenue shortfall to a projected \$6.2 million. One-time funds and limited designations are again recommended to balance the budget and compensate for this revenue shortfall. Reliance on limited designations and one-time funds to balance the budget is only a short-term solution, which is unsustainable beyond this fiscal year and must be significantly curtailed by 2013-14. It is strongly recommended that a more aggressive cost-cutting strategy be implemented during 2012-13 to try and close the remaining shortfall as quickly as possible. Cost-cutting options will be presented to your Board for consideration and direction during budget hearings.

Governor Brown signed the 2012-13 State budget into law on June 27, 2012, with only a few of the legislative changes included in the County of Madera's Recommended Proposed Budget. A significant 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.

COMMENTS ON THE 2012-13 RECOMMENDED PROPOSED BUDGET (continued)

The following are general comments concerning the Recommended Proposed 2012-13 Budget:

The 2012-13 General Fund Budget has an overall reduction of \$2.8 million from the 2011-12 Fiscal Year. Following is a brief recap of General Fund functions and other points of interest:

- ✓ The General Government category reflects a net reduction of \$8.9 million from Fiscal Year 2011-12. The reduction is primarily a result of the completion of the pay-off of General Fund debt in 2011-12. Most General Government operating budgets have absorbed salary and benefit increases in their proposed budget and reflect no growth in 2012-13, after taking significant reductions in 2011-12. This decrease is partially offset with the net increase of \$188,994 in the insurance budget primarily associated with retiree health benefits.
- ✓ The Public Protection category has increased \$3.5 million over Fiscal Year 2011-12. The increase is primarily due to the following: salary and benefit increases; reduction in furlough at the Department of Corrections; increased funding for the Civil and Court Security functions; and budgeting CDBG funds in the Planning Department which were previously appropriated mid-year.
- ✓ The Health and Sanitation category has decreased \$38,001 from Fiscal Year 2011-12. The decrease is primarily due to the consolidation of the General Fund Refuse Disposal Budget into the Refuse Liner Fund to account for all operational costs. There is a net increase of \$1.3 million in other budgets which is generally due to the increased funding in Behavioral Health Services and Health Department programs.
- ✓ The Public Assistance category has increased \$2.4 million over Fiscal Year 2011-12. 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 \$112,078 over Fiscal Year 2011-12. This increase is primarily in the Library budget and reflects the membership payment to the San Joaquin Library System which was previously funded with technology reserves which are no longer available.

COMMENTS ON THE 2012-13 RECOMMENDED PROPOSED BUDGET (continued)

- ✓ The ending Fund Balance, which acts as a funding source to start the 2012-13 Fiscal Year, is estimated at \$1,700,000. Last year's (6/30/11) Adopted ending fund balance was \$1,700,000. 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 and lower encumbrance levels, the actual June 2011 fund balance was calculated to be \$7.2 million, which was primarily a one-time benefit and left a residual un-appropriated fund balance. The Auditor's Office is scheduled to complete the final June 2012 fund balance calculation after the close-out of the 2011-12 fiscal year, which is expected to be in September.
- ✓ The Public Employees' Retirement System (PERS) recently notified the County that the miscellaneous employees rate will increase from 18.044% to 18.986% for Fiscal Year 2012-13. The current PERS rate for Law Enforcement employees is 21.344% and will increase to 23.100%. It is anticipated that the rates will increase again in the 2013-14 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 seventh annual debt service payment for the new Government Center is \$1,678,919, and this payment is included in this budget.
- ✓ At the preparation of this budget, there are approximately 213 discretionary and 211 subvented positions that are vacant from the approximately 1,475 County authorized positions. The 2012-13 County Budget currently has 183 discretionary positions that are recommended to remain vacant and unfunded for Fiscal Year 2012-13.
- ✓ Appropriations for Contingency is budgeted at \$2,624,416 (1.6% of General Fund) which is deficient for a General Fund Budget of \$168 million. A prudent reserve is approximately 3% or \$5.1 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. 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, 2012, to at least June 30, 2013, 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	\$2,000,000	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 \$846,213 of these funds be used to offset the net cost increases in the primary public safety departments.
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Residual 2010-11 Fund Balance	\$5,500,000	Type:	Discretionary one-time funds.
		Use:	The residual 2010-11 fund balance of \$5.5 million as determined by the Auditor/Controller’s Office is recommended to be set-aside for future budget purposes.
		Comments:	It is recommended that \$2,996,517 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 14, 2012 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

County of Madera Budget Staff:

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