



COUNTY OF MADERA

ADMINISTRATIVE MANAGEMENT

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August 2, 2011

**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 2011- 2012 RECOMMENDED PROPOSED BUDGET. The following is a summary of budget appropriation totals:

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

<u>Fund</u>	<u>Actual 2009-10</u>	<u>Board of Supervisors Approved Expenditures 2010-11</u>	<u>Department Request 2011-12</u>	<u>CAO Recommendation 2011-12</u>	<u>Change from 2010-11/2011-12</u>
General	\$155,099,220	\$165,419,401	\$171,327,642	\$170,264,745	\$ 4,845,344
Fish and Game	3,334	5,000	5,000	5,000	0
Road	<u>13,127,996</u>	<u>21,135,661</u>	<u>20,536,623</u>	<u>20,536,623</u>	<u>(599,038)</u>
GRAND TOTAL BUDGET REQUIREMENTS	<u>\$168,230,550</u>	<u>\$186,560,062</u>	<u>\$191,869,265</u>	<u>\$190,806,368</u>	<u>\$4,246,306</u>

The recommended General Fund 2011-12 appropriation of \$170,264,745 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>2010-11</u>	CAO Recommended Estimated Revenues <u>2011-12</u>
Taxes	\$ 37,530,139	\$ 37,735,914
Licenses, Permits, & Franchises	3,415,321	3,381,492
Fines, Forfeits, & Penalties	10,400,127	3,293,253
Revenue from Use of Money and Property	371,352	334,857
Aid from Other Government Agencies	97,266,203	98,710,842
Charges for Current Services	11,770,751	12,666,150
Other Revenue	<u>2,965,508</u>	<u>3,514,786</u>
REVENUE TOTAL	\$163,719,401	\$159,637,294
FUND BALANCE	1,700,000	1,700,000
RELEASE OF DESIGNATED FUND BALANCE	<u>0</u>	<u>8,927,451</u>
GRAND TOTAL	<u>\$165,419,401</u>	<u>\$170,264,745</u>

COMMENTS ON THE 2011-12 RECOMMENDED PROPOSED BUDGET

The Recommended Proposed Budget for Fiscal Year 2011-12 is a balanced budget that provides funding for County operations at significantly reduced levels for most General Government Departments while trying to minimize service reductions in the Public Safety Departments. In nearly every General Government Department, net operating costs were reduced by a minimum of 24% from the previous fiscal year Adopted Budget. Substantial reductions were also achieved by most Public Safety Departments. Though efforts were successful to significantly reduce operating costs county-wide, projected revenues will likely fall short of expenditures again in 2011-12, unless the economy begins its long anticipated rebound. At the time this document was printed, the projected revenue shortfall was estimated at \$6 million.

COMMENTS ON THE 2011-12 RECOMMENDED PROPOSED BUDGET (continued)

In order to address this anticipated deficiency in revenues without further impact to service levels, the Proposed Budget includes the continuation of the furlough program to avoid \$2.8 million in annual salary costs. Additionally, this budget utilizes approximately \$3.2 million in one-time funds from the 2nd phase of the Auditor's Office audit of the Department of Social Services Trust Fund accounts (\$2.5 million) and the 2nd year payback from the Road Fund (\$650,000) resulting from underpayment of Cost Plan charges from previous years. Neither of these one-time funding sources will be available in 2012-13. The continuation of a selective hiring freeze is recommended again in 2011-12 as another key 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 last fiscal year; however, through a series of difficult cost cutting measures and reorganizations authorized by your Board, reliance on one-time funds in the Proposed Budget was reduced significantly by \$4.5 million from the previous year's Adopted Budget. If economic-based revenues do not begin to show growth during the first half of 2011-12, the County Administrative Office will recommend a strategy to resume cost reduction efforts to further reduce the County's remaining reliance on one-time funds.

Another important component of the Proposed Budget is the pay-off of outstanding General Fund debt in the amount of \$8.9 million. This debt accumulated in previous fiscal years, at the onset of the economic crisis, as funds such as the Measure A fund were borrowed against to finance the operations of the County. The funding to pay-off these debts was discovered during the previous fiscal year as the Auditor's Office performed audits of special funds from the Department of Social Services and Child Support Services. On June 7, 2011, your Board directed that these newly discovered funds (\$11 million) be used to pay-off these debts. There would be approximately \$2 million remaining in this designation to address the impacts of cost shifts that will likely occur once the State's Realignment plan is finalized during 2011-12. This action continues your Board's fiscally prudent management of County funds by eliminating the debt which was used to finance operations in previous years' budgets.

During the previous fiscal year, your Board authorized a study by MGT of America that included a county-wide review of all Departments to identify legally mandated services and recommend opportunities to create efficiencies and reduce operating costs. Many Departments incorporated the MGT recommendations into their 2011-12 departmental budget plans which are reflected in the Proposed Budget. The County Administrative Office worked closely with each Department to develop their individual budget plans. The Proposed Budget balances Departmental funding requests within available funding sources while maintaining the delivery of adequate service levels to the residents of the County.

The State of California adopted its budget on June 30, 2011, with only a few of the legislative changes included in the County of Madera's Recommended Proposed Budget. The significant part of the State Budget impacting counties, namely realignment of state programs, are still being modified through trailer bills with much of the implementation to be effective on October 1, 2011. Many of the impacts from this Realignment are unknown at this time with future implementation and funding recommendations to be brought before your Board as this information becomes available. As mentioned above it is recommended that that \$2 million be designated to address this future impact.

COMMENTS ON THE 2010-11 RECOMMENDED PROPOSED BUDGET (continued)

The following are general comments concerning the Recommended Proposed 2011-12 Budget:

The 2011-12 General Fund Budget has an overall increase of \$4.8 million over the 2010-11 Fiscal Year. As mentioned earlier, this budget includes the release of \$8.9 million in designated fund balance to pay-off outstanding debt of the General Fund. When factoring out this one-time pay-off, the General Fund reflects a reduction of \$4.1 million from the 2010-11 Fiscal Year. Following is a brief recap of functions and other points of interest:

- ✓ The General Government category reflects a net increase of \$5.2 million over Fiscal Year 2010-11. This is comprised of a \$2.3 million decrease, primarily in General Government operating budgets, resulting from the elimination of positions, additional unfunded vacancies and the restructuring of several departments. This decrease is offset with the net increase associated with the pay-off of General Fund debt of \$7.1 million and a net increase of \$369,843 in the insurance budget primarily associated with retiree health benefits.
- ✓ The Public Protection category has decreased \$565,702 from Fiscal Year 2010-11. This decrease is primarily due to the following: additional unfunded vacancies and reduced staffing and service levels in RMA Planning and Animal Services.
- ✓ The Health and Sanitation category has increased \$55,405 from Fiscal Year 2010-11. This increase is generally due to the increased funding in Behavioral Health Services and Health Department programs and is offset with decreases in the Environmental Health Department.
- ✓ The Public Assistance category has decreased \$26,664 from Fiscal Year 2010-11. The decrease in this category is generally in the Welfare-Assistance Programs, and is generally financed by State and Federal funds.
- ✓ The Education category (Library and Agricultural Extension) has decreased \$340,198 from Fiscal Year 2010-11. This decrease is primarily in the Library budget and reflects reduced staffing levels and a reduction in hours of operation as approved in 2010-11.
- ✓ The ending Fund Balance, which acts as a funding source to start the 2011-12 Fiscal Year, is estimated at \$1,700,000. Last year's (6/30/10) Adopted ending fund balance was \$1,700,000. As a result of the Auditor's Office implementation of an accrual basis of accounting for expenses and revenues and the recognition of \$1.9 million in one-time revenues related to IHSS Health reimbursements, the actual fund balance was calculated to be \$5.5 million, which was primarily a one-time benefit. The Auditor's Office is scheduled to complete the final fund balance calculation after the close-out of the 2010-11 fiscal year, which is expected to be in early September.

COMMENTS ON THE 2010-11 RECOMMENDED PROPOSED BUDGET (continued)

- ✓ The Public Employees' Retirement System (PERS) recently notified the County that the miscellaneous employees rate will increase from 16.152% to 18.044% for Fiscal Year 2011-12. The current PERS rate for Law Enforcement employees is 20.789% and will increase to 21.344%. It is anticipated that the rates will increase again in the 2012-13 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 \$1,679,406, and this payment is included in this budget.
- ✓ At the preparation of this budget, there are approximately 192 discretionary and 207 subvented positions that are vacant from the approximately 1,470 County authorized positions. The 2011-12 County Budget currently has 173 discretionary positions that are recommended to remain vacant and unfunded for Fiscal Year 2011-12.
- ✓ Appropriations for Contingency is budgeted at \$2,608,416 (1.5% of General Fund) which is deficient for a General Fund Budget of \$170,000,000. 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's Office. 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 to at least June 30, 2012, a strict "Selective Hiring Freeze" be continued and managed by the County Administrative Office, creating salary savings to be transferred to the Contingency.
- ✓ All previous fiscal commitments by your Board have been included in this Budget.
- ✓ The Proposed Budget includes the second and final payment of \$650,000 from the Road Fund to reimburse the General Fund for the under collection of Cost Allocation Plan (A-87) charges over the last four years. A total of \$1.3 million was due the General Fund.

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August 2, 2011

COMMENTS ON AVAILABLE ONE-TIME FUNDS

<u>Fund</u>	<u>Unencumbered Balance as of 5/31/11</u>	<u>Type, Proposed Use, and Comments on Funds</u>	
1320 Criminal Justice Facility Funds	\$1,023,442	Type:	Restricted Use
		Use:	This funding can only be used for Adult and Juvenile Detention and Court facilities modification, construction, and equipment.
		Comments:	It is proposed that a portion of these funds be used for the planned Probation/District Attorney/Sheriff Facilities Project.
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1380 County Building Program Trust	\$115,257	Type:	Discretionary one-time funds.
		Use:	County Building Project Fund or other uses deemed appropriate by the Board of Supervisors.
		Comments:	It is recommended that these funds be designated for construction projects.
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1420 Chukchansi Settlement Funds	\$676,643	Type:	Discretionary one-time funds.
		Use:	Projects deemed appropriate by the Board of Supervisors.
		Comments:	It is recommended that these funds be designated for one-time Information Technology system/asset expenses.
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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 16, 2011 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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