

**MONTEREY COUNTY BOARD OF SUPERVISORS**

<b>MEETING:</b> May 13, 2012 – 2:30 p.m.	<b>AGENDA NO.:</b>
<b>SUBJECT:</b> Receive a status report on budget requests from County departments and development of the Fiscal Year 2013-14 Recommended Budget.	
<b>DEPARTMENT:</b> County Administrative Office	

**RECOMMENDATION:**

It is recommended that the Board of Supervisors receive a status report on budget requests from County departments and development of the Fiscal Year (FY) 2013-14 Recommended Budget.

**SUMMARY/DISCUSSION:**

The County Administrative Office (CAO) Budget and Analysis team is in the process of reviewing departmental budget requests for FY 2013-14. The FY 2013-14 Recommended Budget is scheduled for Board hearings beginning on June 5, 2013, followed by adoption on June 25, 2013.

The General Fund is the County’s largest fund, and supports a wide variety of governmental functions related to public safety, land use and environment, public assistance, health and sanitation, recreation and education, and finance and administration requirements. It is also important for meeting matching requirements, providing important leverage for increasing revenues from state and federal grants. The majority of County departments rely on contributions from the general fund at some level to maintain necessary functions and services. The County’s ability to provide General Fund contributions (GFC) is projected to be constrained in FY 2013-14. Based on projections, departments were asked to prepare FY 2013-14 budget requests that reflect a 0.6 % decrease in GFC from FY 2012-13.

The purpose of this report is to review the County’s capacity to fund requested levels of service in FY 2013-14. “Attachment A” provides details related to the projected reduction in funding available as GFC and a summary of FY 2013-14 General Fund budget requests, requests for financial augmentations, and potential impacts to levels of service or existing positions. “Attachment B” outlines current General Fund positions and changes included in departmental budget requests. Details highlight the remaining constraints in establishing budget priorities for the coming year, recognizing that yearly budget reductions have cost all County departments any fiscal flexibility to address new service needs or requirements without offsetting reductions in already existing programs or services.

**OTHER AGENCY INVOLVEMENT:**

Development of the Recommended Budget is a collaborative effort between the CAO’s Office and all County departments.

**FINANCING:**

The County Administrative Office is in the final phases of analyzing departmental requests and available funding to provide the Board with a FY 2013-14 Recommended Budget that matches levels of expenditures with estimated available revenues. The CAO’s Budget and Analysis staff

continues to review budget requests and revenue estimates and will bring forward a balanced budget that minimizes additional impacts to County services.

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cc: Department Heads and Employee Organizations

Attachments:

Attachment A – Development of the Fiscal Year 2013-14 Recommended Budget  
Attachment B – Fiscal Year 2013-14 Requested Position Changes.

**DEVELOPMENT OF THE FISCAL YEAR 2013-14 RECOMMENDED BUDGET****Introduction**

The Fiscal Year (FY) 2012-13 Three-Year Forecast presented to the Board of Supervisors on March 12, 2013 depicted how Monterey County continues to make progress toward long-term structural integrity even as we, along with the rest of the country, struggle to overcome the financial impacts of the worst economic downturn this nation has experienced. In addition to providing a moving forward understanding of the County's fiscal condition based on current year levels of service, the forecast, prepared based on input and details provided by all County departments, presented a comprehensive review of current and next year expenditure requirements and estimated available financing. Thus quantifying the County's capacity to deliver services through the immediately pending fiscal year, the forecast establishes the foundation for building the recommended budget.

As in previous forecasts, anticipated increases in costs continue to outpace estimated revenue growth. In order to preserve fiscal balance moving forward, the County must continue to be diligent in strategic planning. It is critically important to recognize that all County departments have lost any previous levels of fiscal flexibility. Absent new revenue, the ability to address new or increasing demands in the coming year will only be possible through offsetting reductions in currently existing services elsewhere.

**General Fund Contribution (GFC)**

The County Administrative Office (CAO) distributed preliminary General Fund Contribution (GFC) planning estimates to all County departments in December 2012. The GFC estimates are determined based on the total non-program revenue projection for FY 2013-14. Non-program revenues, which consist primarily of property taxes, transient occupancy tax (TOT), sales and use tax, and vehicle license fees (VLF), provide the County with its only true source of flexible funding to address local priorities, as determined by the Board of Supervisors through adoption of the annual budget. Available discretionary revenue includes non-program revenues combined with estimated cost recovery from other funds through the Countywide Cost Allocation Plan (COWCAP). The total GFC in the FY 2013-14 Recommended Budget preparation process estimated at \$174.7 million, decreasing \$983,864, 0.6% lower than FY 2012-13.

**General Fund Budget Requests**

Board of Supervisors hearings on the FY 2013-14 Recommended Budget are scheduled to begin on June 5, 2013. To meet budget preparation and adoption timelines, departments were asked to submit FY 2013-14 Phase I baseline budget requests to the CAO's office by March 11, 2013. Baseline expenditure requests from departments are prepared based on funding from individual department estimated revenues for FY 2013-14 and Phase I GFC. Departments also submitted any requests for augmentations to their baseline budgets, outlining the specific nature and cost of each augmentation request.

Preliminary analysis of the requested budget for the General Fund shows total requested revenue of \$522.4 million, an increase of \$26.0 million (5.0%) over the FY 2012-13 estimated year-end total. Requested expenditures total \$531.3 million, increasing by \$35.8 million (7.0%) over

current year-end estimate. As shown in the following chart, the deficit between requested expenditures and estimated revenues is \$9.0 million.

General Fund	FY 2012-13	FY 2013-14		
	Year-end Estimate	Baseline Request	Augmentation Requests	Total Requested Budget
<b>Available Financing</b>				
Fund Balance	\$ 2.5	\$ -	\$ -	\$ -
Cancellation of Designations & Encumbrances	3.4	-	-	-
Estimated Revenues	490.5	510.2	12.2	522.4
<b>Total Available Financing</b>	<b>\$ 496.4</b>	<b>\$ 510.2</b>	<b>\$ 12.2</b>	<b>\$ 522.4</b>
<b>Financing Uses</b>				
Provisions for Reserves	\$ 5.9	-	\$ -	\$ -
Expenditures	489.6	510.5	20.8	531.3
<b>Total Financing Uses</b>	<b>\$ 495.5</b>	<b>\$ 510.5</b>	<b>\$ 20.8</b>	<b>\$ 531.3</b>
<b>General Fund Balance</b>	<b>\$ 0.9</b>	<b>\$ (0.3)</b>	<b>\$ (8.6)</b>	<b>\$ (8.9)</b>

### Augmentation Requests

In addition to the baseline requested budgets, departments submitted budget augmentation requests consisting of an additional appropriation need of \$20.8 million with offsetting revenues of \$12.2 million. If approved, the current augmentation requests would require an additional General Fund Contribution of approximately \$8.6 million. The table below shows the total GFC request of the augmentations by functional area.

Functional Area	Requested Additional Funding
General Government	\$ 4.4
Health Services & Social Services	9.1
Land Use, Infrastructure, Environment	0.9
Public Safety/Criminal Justice	6.1
Recreation & Education	0.3
	<b>\$ 20.8</b>

Dollars reflected in millions.

The augmentation requests submitted by departments primarily reflect costs for implementation of the Affordable Care Act. For several years now, departments have worked to prioritize programs and services and to restructure their organizations to provide critical services to the community in more efficient ways.

Department Ranking Type	No. of Augmentation Requests	Value Amount	Revenue Amount	GFC Amount
Base Level Maintenance	98	\$ 10,150,225	\$ 4,104,843	\$ 6,045,382
Mandated	9	1,727,339	\$ 0	\$ 1,727,339
Funding Loss	1	33,035	\$ 0	\$ 33,035
Not Mandated	4	509,035	\$ 0	\$ 509,035
Outside Funding	2	413,263	\$ 182,492	\$ 230,771
New Program, Service, Function	<u>66</u>	<u>7,974,010</u>	<u>\$ 7,897,678</u>	<u>\$ 76,332</u>
	<b>180</b>	<b>\$ 20,806,907</b>	<b>\$ 12,185,013</b>	<b>\$ 8,621,894</b>

Although the level of budgetary impacts on services has lessened, the augmentations illustrate the continued strain on County programs. In order to develop a balanced budget for FY 2013-14, departments had to make difficult decisions for a sixth consecutive year. In the past few years, the County has had some fiscal flexibility to evaluate the augmentations and to mitigate some of the impacts with additional funding. In developing the FY 2013-14 Recommended Budget, previously available fiscal opportunities to mitigate losses have been exhausted. So, as the County evaluates the impacts identified in the augmentations, we are faced with the reality that new expenditure needs or requirements may not be met without identifying offsetting reductions to already budgeted services or programs elsewhere in the General Fund.

### Staffing Levels

As political subdivisions of the State (per California Constitution, Article XI, Section 1), counties are charged with delivering a multitude of services, mandated by federal/state laws and/or local priorities. By their nature, County programs and services require a dedicated workforce to address a vast and diverse combination of responsibilities:

- As prescribed by law – Adult Detention (jails), Juvenile Detention, Juvenile Justice Programs, Probation (juvenile & adult), Agricultural Commissioner, Weights & Measures, Cooperative Extension, Assessor, Auditor-Controller, Treasurer-Tax Collector, Communicable Disease Control, Coroner/Medical Examiner, Forensic Labs, District Attorney (prosecutions), Law Library, Veterans’ Services, Elections, Environmental Health, Landfill, Homeless Shelters, Immunizations, Indigent Burials
- On behalf of the State – CalWORKS, Adult and Child Protective Services, Food Stamps, Foster Care, Public Administrator, Public Guardian-Conservator, Recorder/Vital Statistics, Regional Parks, Drug & Alcohol Abuse Services, In-Home Supportive Services, Medical Care Services, Mental Health Services, Public Health/Laboratory Services, Women, Infants & Children (WIC)
- Local priorities for public health and safety: Unincorporated municipal services (approximately 24% of Monterey County’s residents live in unincorporated areas), building inspection and code enforcement, planning & zoning, police protection, economic development, emergency services, fire protection, housing, library services, parks & recreation, pest control, streets/roads/highways, sewers, storm drains, water delivery, weed abatement.

Particularly during recent periods of declining funds, the County Administrative Office strives to continue programs that are highly leveraged with secure funding sources as a strategy to lessen

reduction impacts to our workforce. The baseline request reflects elimination of 15.97 FTE. Requested augmentations include funding to retain 15.0 currently filled and 9.0 vacant budgeted positions, as well as an additional 140.5 FTE.

Related appropriations requests total approximately \$7.2 million. As in prior year reductions, consideration for the FY 2013-14 Recommended Budget continues to place top priority on maintaining existing workforce. In total, General Fund departments are requesting 3,219.03 FTE, increasing by 144.53 over the current year approved budget. Details of position changes are included as "Attachment B."

### **Credit Ratings and Cash Flow**

There has been no change in the County's credit rating. The County continues to retain an As2 rating which in March 2012, Moody's Investors Services affirmed and also removed the "negative outlook" designation received in August 2010.

Rating rationale stated that affirmation of the ratings reflects "the county's stabilizing, though still narrow, General Fund financial position; moderately large tax base; and low debt burden. Removal of the negative outlook reflects improved structural balance between general fund revenues and expenditures; increased financial strength and self-sufficiency of the county's hospital enterprise; and recovery in the local economy as reflected in positive revenue trends and related indicators."

It is important to note that the agency also cautioned about two challenges to the County's ability to maintain the rating:

- 1) The General Fund financial position is "weak for the rating category;" and
- 2) The County hospital faces potential "significant risks related to healthcare reform implementation and State/Federal fiscal consolidation."

Factors listed for moving the rating up include:

- 1) Increased General Fund cash and reserves; and
- 3) Sustained, positive financial performance at the hospital enterprise without need of General Fund support.

Factors that could move the rating down:

- 1) Decreased General Fund cash and reserves; and
- 2) Deterioration of hospital operations resulting in encroachment on General Fund cash and reserves.

## Fiscal Year 2013-14 Requested General Fund Positions

Department	FY 2012-13			FY 2013-14 Requested Budget					Change from FY 2011-12	
	Adopted	Add'l Changes	Total	Baseline Request	Baseline Change	Augmentation Requests		Total Request		
						Filled	Vacant			New
1000 Board of Supervisors	21.00	-	21.00	21.00	-	-	-	-	21.00	-
1050 County Administrative Office	48.00	1.00	48.00	48.00	-	-	-	5.00	53.00	5.00
1060 Human Resources	25.00	-	25.00	25.00	-	-	-	2.00	27.00	2.00
1070 Economic Opportunity	14.00	-	14.00	10.00	(4.00)	4.00	-	-	14.00	-
1080 Equal Opportunity Office	4.00	-	4.00	4.00	-	-	-	1.00	5.00	1.00
1110 Auditor-Controller	46.00	-	46.00	44.00	(2.00)	3.00	-	-	47.00	1.00
1170 Treasurer-Tax Collector	47.00	-	47.00	47.25	0.25	-	-	-	47.25	0.25
1180 Assessor-Co. Clerk/Recorder	65.00	-	65.00	63.00	(2.00)	1.00	1.00	-	65.00	-
1210 County Counsel	41.00	8.00	49.00	42.00	(7.00)	-	-	1.00	43.00	(6.00)
1300 Clerk of the Board	4.50	-	4.50	4.50	-	-	-	0.50	5.00	0.50
1410 Elections	12.00	-	12.00	12.00	-	-	-	-	12.00	-
1520 Emergency Communications	62.00	-	62.00	62.00	-	-	-	5.00	67.00	5.00
1930 Information Technology	113.00	-	113.00	108.00	(5.00)	-	-	-	108.00	(5.00)
2240 District Attorney	130.00	1.00	131.00	131.00	-	-	2.00	11.00	144.00	13.00
2250 Child Support Services	108.00	-	108.00	108.00	-	-	-	-	108.00	-
2270 Public Defender	46.50	1.00	47.50	43.50	-	4.00	-	-	47.50	-
2300 Sheriff-Coroner	423.50	3.00	426.50	426.50	-	-	-	14.00	440.50	14.00
2550 Probation	288.00	10.00	298.00	295.00	(3.00)	3.00	-	-	298.00	-
2810 Agricultural Commissioner	87.00	-	87.00	87.00	-	-	-	-	87.00	-
3000 Resource Mgmt Agency	151.50	-	151.50	154.50	3.00	-	-	2.00	156.50	5.00
4000 Health	520.50	3.00	523.50	517.28	(6.22)	-	-	42.00	559.28	35.78
5010 Social/Employment Services	753.00	2.00	755.00	767.00	12.00	-	6.00	57.00	830.00	75.00
6210 Cooperative Extension	5.00	-	5.00	4.00	(1.00)	-	-	-	4.00	(1.00)
7500 Parks	31.00	-	31.00	30.00	(1.00)	-	-	-	30.00	(1.00)
<b>Total General Fund Departments</b>	<b>3,046.50</b>	<b>29.00</b>	<b>3,074.50</b>	<b>3,054.53</b>	<b>(15.97)</b>	<b>15.00</b>	<b>9.00</b>	<b>140.50</b>	<b>3,219.03</b>	<b>144.53</b>

Note: Augmentations were received for 15 filled FTE's, however, there is an additional 1 FTE position for reduction for which no augmentation was requested.