County of Monterey

October 30, 2013

Fiscal Year 2012-13 Budget End of Year Report

Introduction

The County Administrative Office is pleased to present the Fiscal Year 2012-13 Budget End of Year Report (BEYR). The BEYR evaluates the County's actual fiscal performance, both successes and areas for improvement, in relation to its budget (operating plan), as adopted and modified by the Board of Supervisors (Board). The BEYR is presented as a comprehensive "debriefing" that offers a broad understanding of the County's fiscal condition and attempts to answer key questions:

The 2013 Monterey County Board of Supervisors (from left to right): Jane Parker (District 4), Dave Potter (District 5), Fernando Armenta (Chair, District 1), Simon Salinas (District 3), Louis R. Calcagno (District 2).

- What is the overall health of County finances?
- What are the major financial developments, issues, and trends shaping County finances?
- How well is the County managing its budget and forecasting its revenues and expenditures?
- How well is the County managing its cash flow and reserves?

Answering these questions contributes to financial transparency and responsible financial oversight. The report begins with an in-depth discussion on the County's general fund, including analysis of countywide performance, followed by analysis of departmental performance. The BEYR concludes with analysis of other major funds under the Board's oversight. The County Administrative Office hopes you find this report to be an effective tool for promoting understanding of the County's finances and contributing to successful long-term financial planning.

The General Fund

The general fund ended 2012-13 in a more favorable financial condition than when the fiscal year began on July 1, 2012. The Board adopted a structurally balanced budget of $495.7 million, matched by an equivalent amount of financing. Over the course of the fiscal year, departments submitted staff reports increasing appropriations by $9.7 million. Authorized increases in appropriations were generally funded with additional revenues. Preliminary year-end results reveal a more favorable $5.2 million improvement in fund balance. Executive highlights are outlined below and followed by details.

General Fund	FY 2012-13 (a) Adopted Budget	(b) Final Modified Budget	(c) Year-End Actual
Available Financing:			
Fund Balance	$ -	$ -	$ 2.4
Cancellation of Assignments	5.9	9.1	3.5
Revenues	489.8	496.3	489.7
Total Financing Sources	495.7	505.4	495.6
Financing Uses:			
Assignments	$ 1.0	$ 1.0	$ 14.0
Expenditures	494.7	504.4	476.5
Total Financing Uses	495.7	505.4	490.4
Ending Fund Balance	$ -	$ -	$ 5.2

Dollars shown in millions.
Numbers may not total due to rounding.

Executive Highlights

- Final audited financial results from 2011-12 added $2.4 million in unreserved fund balance. These monies, which were subject to audit and unavailable at the time of budget adoption, represented the County's first year of operating surplus since the recession and, combined with the 2012-13 fund balance improvement, provide the County with much needed resources.
- Revenues totaled $489.7 million, which was $6.6 million below budget expectations. The shortfall in revenues is mainly associated with the shortening of the accrual period for recognizing revenues from 90 to 60 days after the close of the fiscal year as an accepted accounting practice to more closely align revenue with actual cash flows.
- Departments continued their efforts to create efficiencies and manage expenditures in an environment of fiscal uncertainty, driving down expenditures to $476.5 million, a reduction of $27.9 million below the final modified budget. More than half ($16.1 million) of this savings was achieved through departmental efforts to manage vacancies.
- The difference between $489.7 million in revenues and the $476.5 million in expenditures is an operating surplus of $13.2 million, representing the County's second consecutive year of structural balance.
- The County continued to assign resources ($14.0 million) to prudently plan for the future. The 2007-09 Recession, which officially ended in June 2009, was the longest and most severe of the 11 recessions in the postwar period. The four-year old recovery, as disappointing as it has been, is already growing "old" as far as recoveries go. The average recovery has lasted 5 years and 3 months in the post war period. With this in mind, an additional $8.0 million was assigned to the strategic reserve, bringing the total general fund portion of the strategic reserve to $46.1 million. Combined with $14.2 million for Natividad

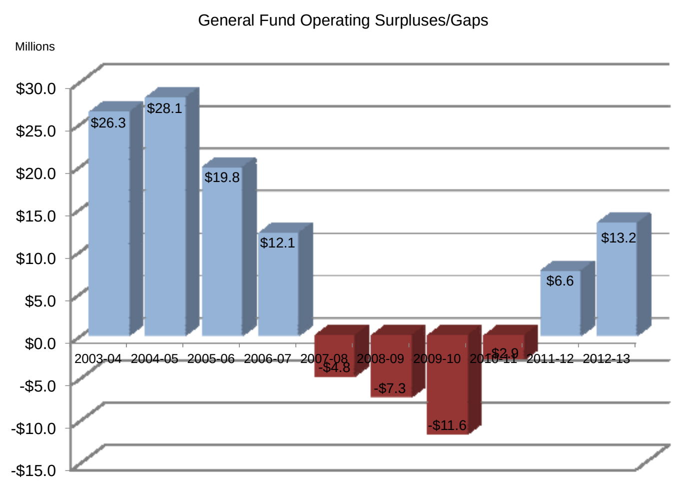
Medical Center, total resources in the strategic reserve climbed to $60.3 million in 2012-13. Other assignments include $1.4 million for a public safety sales tax revenue stabilization account (authorized in the 2012-13 adopted budget) and re-assignment of prior years' savings, including: $1.6 million for vehicle replacement, $2.4 million for Laguna Seca track improvements, and $0.6 million for IT services.

- Eight departments accessed a total of $2.3 million of the $4.5 million general fund contingency appropriation, leaving an unspent balance of $2.2 million.
- Seventeen (17) departments ended the fiscal year with a general fund contribution (GFC) surplus, combining to save the general fund $10.9 million. The savings was partially offset by 7 departments that cost the general fund $7.4 million. These totals do not include results for non-departmental monies, such as improvement in non-program revenues (discussed later).
- Ending general fund cash balances totaled $67.8 million, an improvement over prior year ending balances of $57.1 million in 2011-12 and $59.4 million in 2010-11. The improvement in cash balances means the County will not require short-term financing to prevent cash flow shortages in 2013-14 and helps preserve our strong credit rating.

Promoting Fiscal Integrity

The Board's vision to achieve structural balance and end reliance on use of fund balance for ongoing operations has become reality. The positive financial performance in pre-recession years allowed the County to grow its fund balances and afforded opportunities to annually augment staffing to meet service level goals and increase employee compensation and benefits. During the recession years, the Board authorized staff to draw down fund balances to supplement declining revenues and create a "soft landing" to minimize impacts to County services and the employees that make those services possible. After four years of operating gaps, the Board successfully steered the County towards fiscal integrity, with a $6.6 million operating surplus in 2011-12 and an expected $13.2 million surplus in 2012-13.

Operating surpluses or deficits measure the difference between annual earned revenues and expenditures and provide a simple measure of an organization's fiscal health. Ending reliance on one-time fund balance and re-balancing the County's expenditures with ongoing revenues speaks to the extraordinary commitment and combined resolve of the Board and County departments. County employees have pushed ahead to meet service demands and employee bargaining groups have partnered with County officials in agreements that preserve programs and critical services.



Did You Know?

The Recommended Budget and annual budget reports, including the BEYR, Three-Year Forecast, and quarterly reports are available on the County's website at:

www.co.monterey.ca.us/admin/badivision

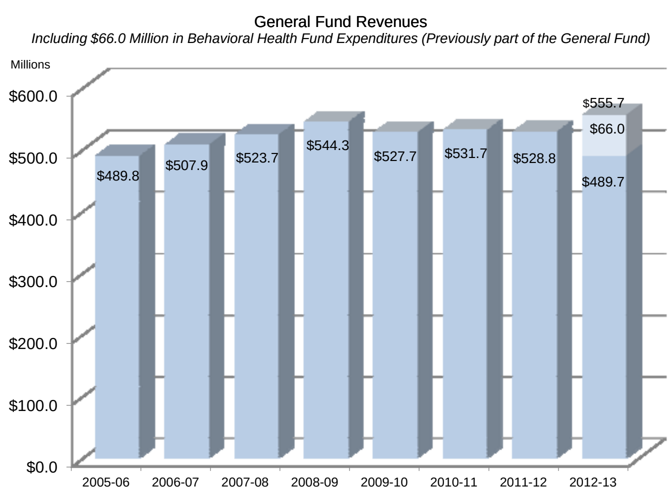
General Fund Revenues

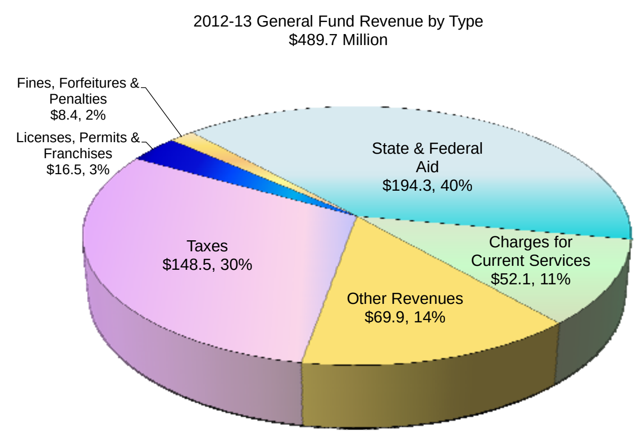
Year-end 2012-13 general fund revenues totaled $489.7 million, which is $0.8 million (two-tenths of 1%) less than the estimate provided in the February 2013 Three-Year Forecast. The lower level of revenues results from the transfer of $66 million to the new behavioral health fund as part of the realignment of state responsibilities to county government. Had this transfer not taken place, the County would have ended the current year with $555.7 million in estimated general fund revenues. The combined growth in these two funds over 2011-12 levels was in the health and social services areas, which have taken on increased responsibilities (and associated costs) from the state, and in non-program revenues (discussed later). Aside from the realigned business areas, the majority of County programs experienced flat or declining revenues.

General Fund Revenue Sources

Primary sources of revenue for the general fund include state and federal aid, taxes, and various charges, fines, fees, and reimbursements as shown below.

In prior years the general fund received almost half of its revenue from the state, both in the form of direct state allocations and from federal sources passed through state departments. After the transfer to the new behavioral health fund, federal and state aid declined to 40% of total revenue. Most of this remaining state and federal aid supports mandated public assistance and health programs. The County also relies on taxes for a significant level of general fund revenue. Combined revenue from property taxes, sales and use tax, and transient occupancy tax (TOT) totaled $148.5 million at year-end, providing 30% of general fund revenue. Other sources of revenue include charges for services, licenses, permits, franchises, fines, forfeitures and penalties.





Differences between the BEYR and the Comprehensive Annual Financial Report (CAFR)

The BEYR provides timely analysis of year-end fiscal results, understanding that the financial data is subject to revision over the next several months. For example, revenues earned in the fiscal year that have not been received by June 30th, the last day of the fiscal year, may be accrued by departments to assure year-end balance. Current policy allows an additional 60 days, through August 31st, to collect those revenues. Accrued revenue that is not received before the end of August must be recognized in the new fiscal year even if it was earned in the year just ended.

The BEYR is prepared based on *pre-audited* year-end financial data, in order to quickly analyze and summarize the County's overall year-end fiscal position. Meanwhile, the Auditor-Controller's office works with departments to reconcile actual final expenses and revenue received within the accrual period, and makes adjustments as necessary. The annual CAFR, typically published in December, will provide a final audited accounting of the County's revenue, expenditures, and fund balances.

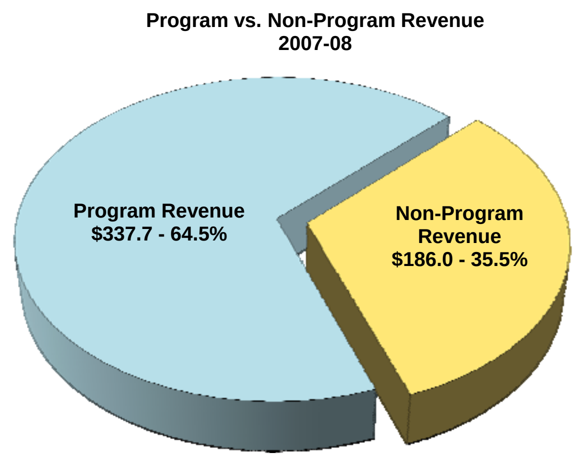
The large amount shown for "Other Revenue" is mostly for operating transfers from other funds into the general fund to support departmental operations. Under the state-county realignment, departments established separate funds (Fund 022 – Local Revenue Fund and Fund 025 – Health and Welfare Realignment) to ensure proper tracking and accounting as a condition for receiving "realigned" state funding. These funds then "reimburse" the general fund operating units as actual costs are incurred.

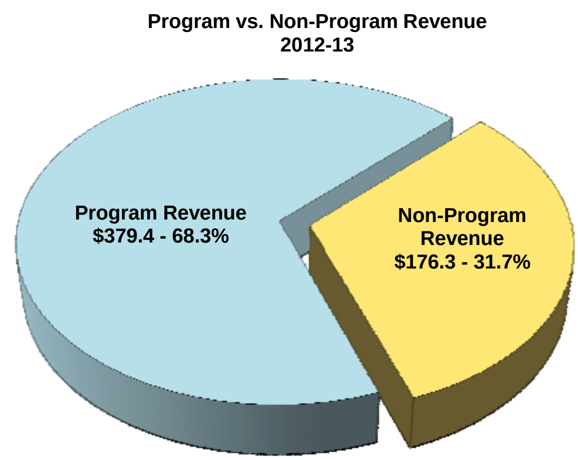
Non-Program Revenue

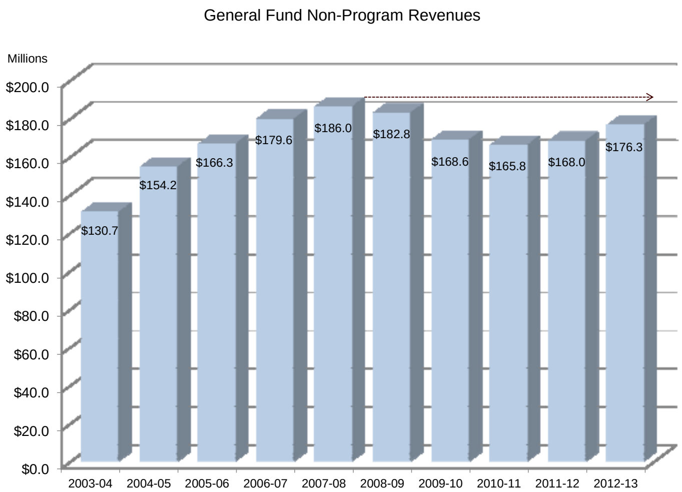
General fund program revenue provides funding for specifically designated and/or statutorily required programs. In contrast, revenue from non-program sources is the County's only true discretionary funding, critical for allowing the Board to address local priorities. Monterey County historically uses its non-program revenue to support public safety functions and County administration requirements. Discretionary non-program revenue also assists with meeting matching requirements and as leverage for maximizing funding sources for required programs.

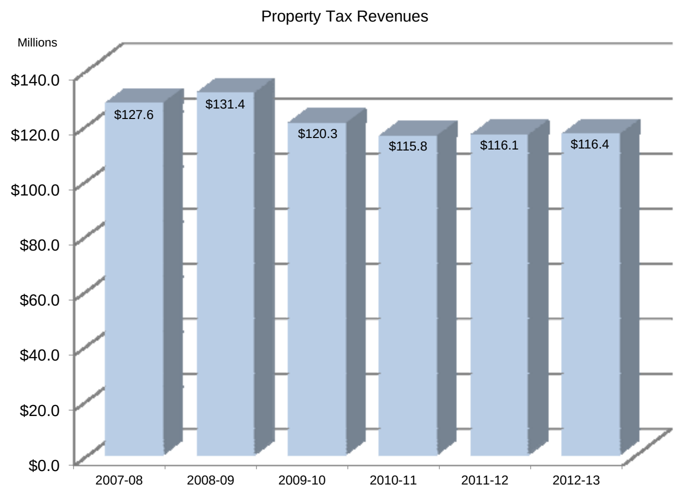
Year-end 2012-13 non-program revenue totaled $176.3 million or 31.7% of total general fund revenue. Although an improvement over 2011-12 levels, the County's non-program revenue remains well below pre-recession levels. Meanwhile, funding for state and federal mandates, mostly related to health and social services, has increased in response to an increasing number of people entitled to government services due to the struggling economy. These funds are restricted for specific priorities as determined by the federal and state government. As a result of these trends, the character of the County's funding has shifted to be more restrictive in nature. Non-program revenue as a percent of total revenue has fallen from 35.5% in 2007-08 to 31.7% of total revenue in 2012-13, while program-specific revenue has increased to 68.3% of total revenue.

Non-program revenue grew by $8.3 million in 2012-13 to a year-end total of $176.3 million. Much of the growth was centered on the dissolution of redevelopment agencies. Governor Brown signed the *Redevelopment Dissolution Act* as a way to provide more resources to local governments in the long-term while helping the state with its own budget gap in the short-term. The effect was a redistribution of tax increment and related fund balances away from the former RDAs to the taxing entities (counties, cities, and districts). For the County of Monterey, this resulted in one-time transfers of former RDA fund balances totaling $3.0 million, as well as $4.0 million in tax increment, for a net enhancement of non-program revenue of $7.0 million. In addition, tobacco settlement monies increased $2.0 million due to an additional (one-time) settlement. Without the revenues associated with the RDA dissolutions and tobacco-related settlement, non-program revenues would have declined $0.7 million. Transient occupancy tax receipts grew $1.3 million, property tax revenues remained flat, while other revenue sources such as franchise fees continued to remain flat or deteriorate. Overall non-program revenues remain below pre-recession levels.



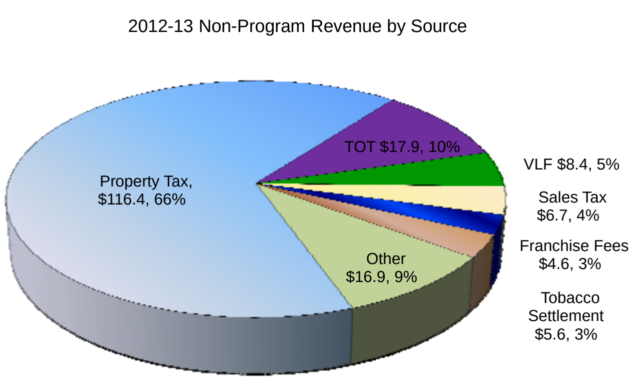






Sources of Non-Program Revenue

The various sources of 2012-13 non-program revenue are broken out by type in the following chart. Also shown below are property tax revenues, which comprise the bulk of non-program revenue. Property tax revenue totaled 66% of total non-program revenue in 2012-13 and remained at levels similar to the previous two fiscal years. Transient occupancy tax (TOT), often referred to as a hotel or room tax, grew to $17.9 million in 2012-13, up $1.3 million from the prior year. The improvement in TOT reflects improved economic conditions in Monterey County's tourism industry as well as improved tax enforcement on the part of the County Treasurer-Tax Collector. Other significant sources of non-program revenue include sales and use tax, tobacco settlement monies, and franchise fees.

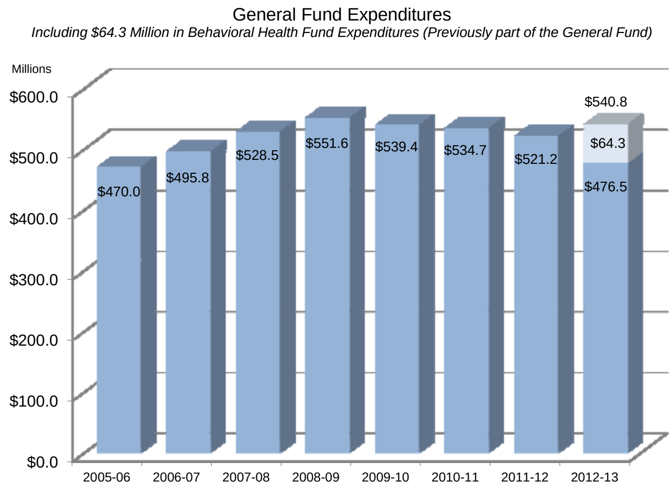


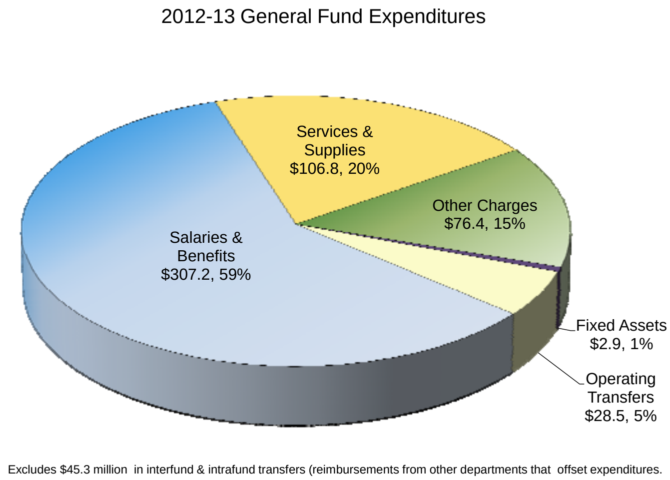
General Fund Expenditures

General fund expenditures totaled $476.5 million in 2012-13. When combined with the new behavioral health fund (monies budgeted in the general fund prior to 2012-13), expenditures would have totaled $540.8 million, an increase of $19.6 million over the prior year. This increase was centered on the realigned health and social services programs and supported by the additional revenues discussed earlier.

In 2012-13, departments requested various modifications, increasing the adopted general fund budget of $494.7 million by $9.7 million to the final modified budget of $504.4 million. The three-year forecast estimated a lower level of expenditures of $486.6 million. Preliminary year-end results reveal total expenditures of $476.5 million, $10.1 million below the February 2012 estimate and $27.9 million below the final modified budget. Major areas of expenditure savings include:

- Non-departmental costs for general plan implementation, trial court payments, Carmel River Lagoon, and emergency building maintenance costs were $7.0 million below budgeted levels;
- Social Services had $6.0 million in savings from reductions in CalWORKS entitlement payments due to new time limits, as well as salary savings from unfilled vacancies;
- The Health Department had $4.0 in savings from salary savings as a result of program efficiencies and cost savings measures;





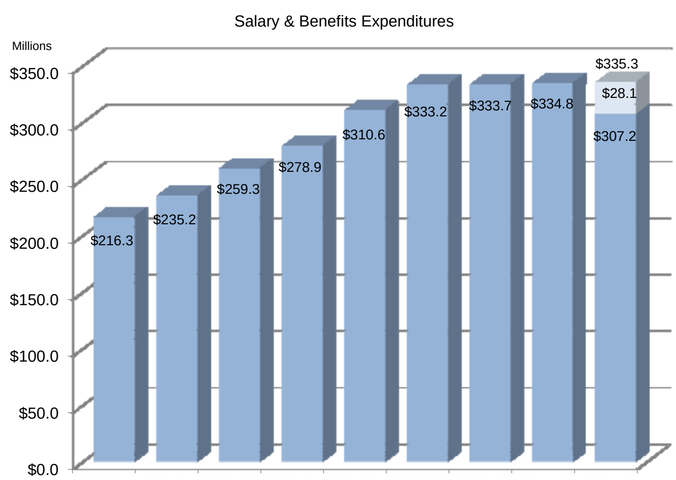
- Resource Management Agency had $2.0 million in savings from unfilled vacancies and unused Vehicle Replacement Program monies;
- The Sheriff's Office and Probation Department reduced expenditures $1.9 million and $1.5 million, respectively, below budget in response to lower-than-planned revenues; and
- County Counsel had $1.0 million in savings from unfilled vacancies.

Details about these savings, including department-by-department analysis, are provided later in this report.

Components of General Fund Expenditures

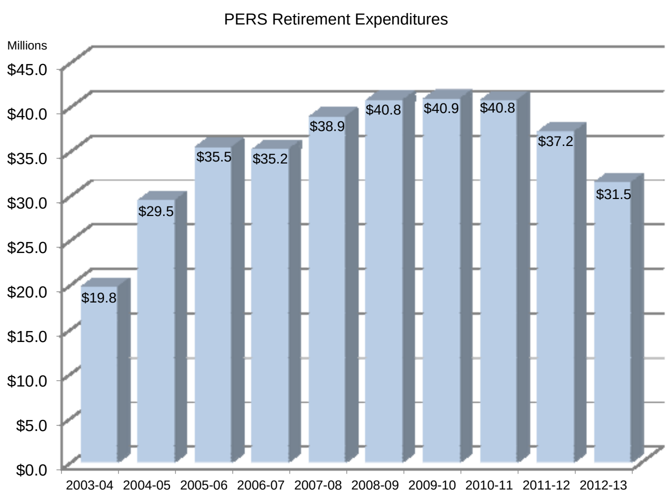
Major components of general fund expenditures are detailed in the following chart. Over half (59%) of total expenditures are related to costs for staffing the diversity of functions, programs and services provided throughout Monterey County. Year-end salaries and benefit expenditures totaled $307.2 million in 2012-13, $16.1 million below the budget of $323.3 million. This savings can be attributed to departmental efforts to aggressively manage their vacancies in response to uncertainties over future revenues, evolving program requirements and needs in the realigned business areas, and cost drivers in the areas of general liability, workers compensation, PERS retirement, employee health insurance, and building replacement. Services and supplies, including contracted services, maintenance, rent, utilities, and various other departmental needs totaled $106.8 million (20% of total expenditures). Other categories of expenditure include *other charges*, much of which consists of federal and state aid payments for social services recipients, *fixed assets* (equipment, vehicles, etc.), and *operating transfers out* to other agencies.

Salaries and benefit expenditures rose rapidly in the pre-recession years, increasing $116.9 million (54%) from 2003-04 to 2008-09. This growth resulted from annual raises, growth in total authorized positions, and increasing costs of employee retirement and health benefits. Salary and benefit costs have remained "flat" since the beginning of the recession. Increases for step advances and higher costs associated with employee health insurance and workers compensation costs have been offset by reductions in total authorized positions and 2011 agreements with employee organizations to share in the cost of employee retirement benefits.

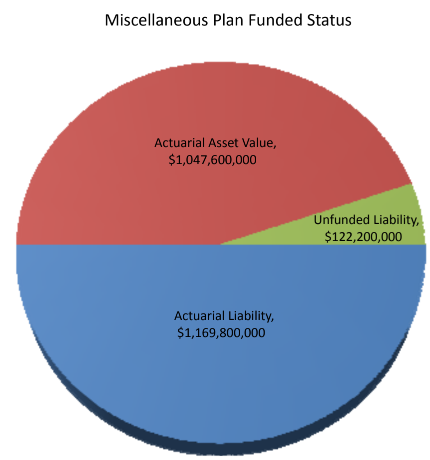


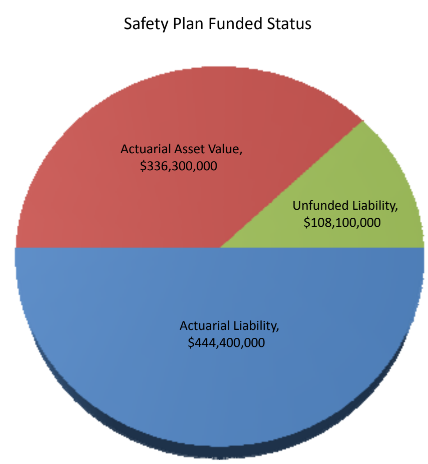
PERS Retirement Costs

Employee bargaining agreements sharing in the cost of employee retirement have helped to manage overall expenditure growth during a time of reduced discretionary revenues. Beginning late 2011, County employees in the miscellaneous plan agreed to contribute 3.5% (half) of their 7.0% (of salary) member contributions. In addition, most employees in the safety plan continued to pay an additional 4.5% of their salaries towards their retirement in 2012-13. These agreements, combined with previous years' staffing reductions (achieved through attrition) and departmental efforts to manage vacancies, reduced the County's PERS payments to $37.2 million in 2011-12 and $31.5 million in 2012-13 (the first full year of implementation of the cost sharing agreements).



Just as many public agencies are getting a handle on their retirement costs with the help of the new *Public Employees' Pension Reform* Act (PEPRA) and employee cost sharing agreements, CalPERS adopted a major change to its rate smoothing and amortization policies. The new policies are intended to ramp up retirement contributions over a five year period to pay down large unfunded liabilities. Monterey County's unfunded liabilities exceeded $230 million based on the latest (October 2012) CalPERS actuarials as shown to the right. The current use of long smoothing periods by CalPERS has resulted in slow progress toward full funding of pension plans. Under the new policies, PERS will change its rate smoothing and amortization practices to begin paying down the unfunded liabilities. CalPERS is also considering other changes that will affect future employer rates, including lowering the discount rate (assumed annual rate of return) and increasing life expectancy. Depending on final decisions adopted by the CalPERS Board of Administration, Monterey County's general fund PERS retirement cost will increase between $14.3 million and $25.3 million annually over a five-year phase-in period that begins in 2015-16. These increases are in addition to any increases in contributions caused by higher staffing or compensation levels.

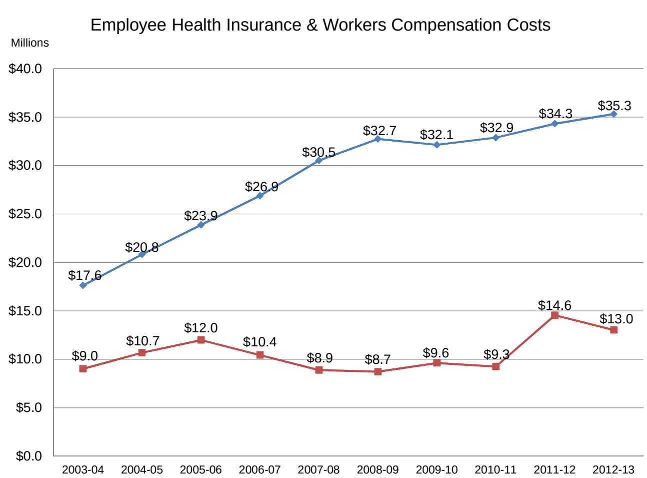




Employee Health Insurance and Workers Compensation Costs

Two other significant cost pressures have been employee health insurance and workers compensation costs. Employee health insurance costs have doubled in the last nine years, from $17.6 million in 2003-04 to $35.3 million last fiscal year. Costs would have been much higher had departments filled all their positions. Rates for the most popular plan chosen by County employees (PERS Choice) increased 11.5% in 2011, a more modest 1.9% in 2012, and 16.9% in 2013. Rates are expected to continue climbing in the foreseeable future. Using a conservative 5.6% annual growth rate (the 2000-2010 average), general fund health care costs will continue to rise in excess of $2 million annually.

The workers' compensation fund contains expenses related to claims, settlements, judgments, administration, legal defense, costs, and excess insurance premiums. Charges are apportioned to County departments and funds based on experience and exposure. Charges to general fund departments totaled $13.0 million in 2012-13, down $1.6 million from the prior year, but well above prior levels.



Services and Supplies Costs

Although salary and benefit expenditures have flattened in recent years, they comprise a much higher percent of budget compared to pre-recession years. As shown in the table below, salaries and benefits grew $24.7 million (8.0%) from 2007-08 to 2012-13. During the same period, services and supplies, the second largest expenditure category, declined $15.6 million (10.2%). Over the last five years of budget reductions, departments scrutinized every area of their budgets in an effort to preserve their capacity to provide services and the employees that provide that capacity. This effort had the effect of re-prioritizing resources to preserve the County's workforce as the backbone of its service delivery system.

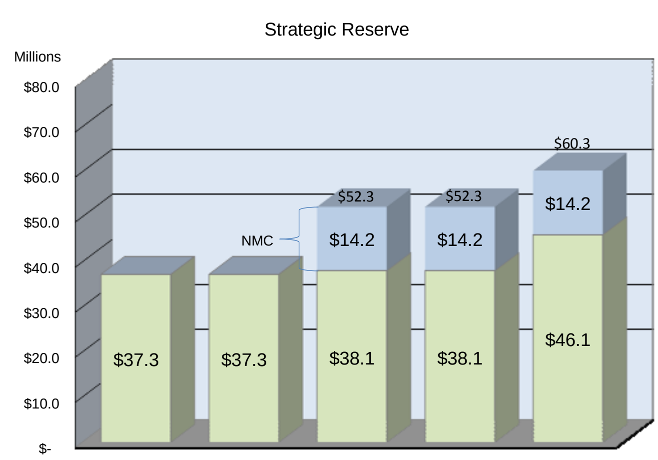
Salaries & Benefits vs. Services & Supplies General Fund Expenditures
Includes the Behavioral Health Fund (Previously Part of the General Fund)

	2007-08	2012-13	Change ($)	Change (%)
Salaries & Benefits	$310.6	$335.3	$24.7	8.0%
Services & Supplies	$152.9	$137.3	($15.6)	-10.2%
Total Expenditures	$528.5	$540.8	$12.3	2.3%

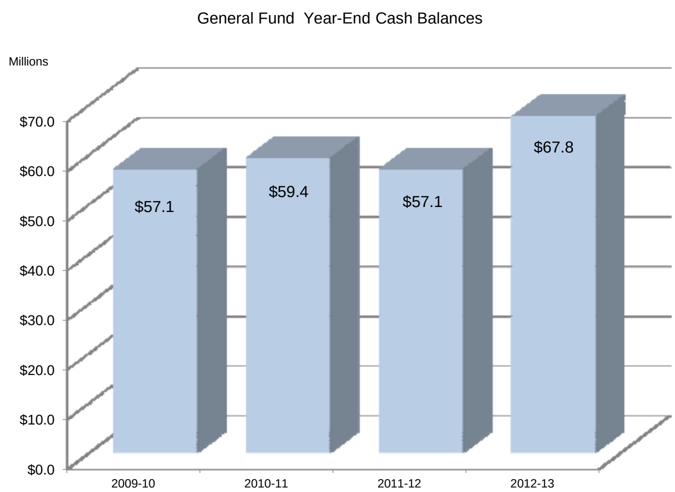
The Strategic Reserve and Cash Balances

Maintaining responsible reserve levels is a key component of a sound financial management strategy. The County's policy is to commit a portion of fund balance equal to 10% of annual general fund revenues to provide the County with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The County began contributing to the strategic reserve in 2005-06 with the intent of reaching the 10% goal over 8 years. In response to the downturn in revenues in the years during and immediately following the recession, the County suspended assignments to the strategic reserve to minimize further budget impacts to departments. Nevertheless, the previously assigned balances proved essential to maintaining sufficient cash flow for paying expenses during times of state funding delays and during "dry" months preceding semi-annual property tax collections.

The chart below shows the condition of the general fund strategic reserve as of June 30, 2012. In April 2011, the Board directed the transfer of $14.2 million in unreserved fund balance from NMC to the strategic reserve to help position NMC to respond to unexpected or emerging situations. An additional $8.0 million in general fund resources was assigned to the strategic reserve for 2012-13, resulting in a combined strategic reserve of $60.3 million.



Improvements to the strategic reserve bolster the County's cash flow and help strengthen its credit rating. Cash balances improved significantly in 2012-13, totaling $67.8 million and up significantly from the prior three fiscal years. The County relied on tax revenue anticipation notes (TRANs) to prevent cash flow shortages in recent years. In 2012-13, TRAN issuance cost the general fund an estimated $96,231. As a result of the increase in cash balances, the County does not anticipate needing a TRAN in 2013-14.



DEPARTMENTAL BUDGET PERFORMANCE

During 2012-13 Monterey County programs, services, and administrative functions were provided through 27 departments. Twenty-four of these departments are administered through the County's general fund. Departments and major funds totally supported outside the general fund, discussed later in this report, include the County Library, Road Fund, Natividad Medical Center, Parks Resorts, and Behavioral Health.

The annual budget as approved by the Board of Supervisors is the County's central operating plan and embodies the annual goals, objectives, priorities and levels of service and associated operating revenue and expenditures for all departments and agencies under the authority of the Board. With its adoption, the Board establishes a relationship between expenditures and revenues through which departments are expected to operate. Department Heads are responsible for managing their budgets within the total appropriation for their department. As established in the Board's General Financial Policies, expenditures shall not exceed appropriations, and expenditures of the County's limited discretionary General Fund Contributions will not exceed the amount approved in the department budget except with Board approval. In the event that revenues fall short, departments are expected to take all available actions to re-establish balance between revenue and expenditures, including development of service alternatives and mitigation strategies.

Year-end results (unaudited) indicate that 17 departments ended the fiscal year below budgeted GFC by a combined $10.9 million. This positive year-end performance was partially offset by seven departments that ended 2012-13 over their budgeted GFC by a total of $7.4 million. Unbudgeted use of GFC diminishes available resources available to support departments in future years, further straining the County's ability to maintain service capacity. Nevertheless, the overall 2012-13 results are favorable in comparison to the previously adopted and modified budgets.

The table below summarizes year-end GFC results by departments, with departmental details provided later in this section. The final modified budget assumed authorized financing uses would exceed available financing by $8.1 million. This amount included the appropriation for contingencies, to be used only in the event there were critical, unanticipated needs. Year-end results revealed a much more positive outcome, with an operating surplus of $13.2 million. This was a $9.5 million improvement compared to the mid-year estimate in the three-year forecast and a $21.3 million improvement compared to final budget.

Monterey County FY 2012-13 Budget End of Year Report

Dept	General Fund Contributions (GFC):			GFC Under/(Over) Budget:	
	Final Budget	Year-End Estimate	Actual	Estimate to Actual	Budget to Actual
Agricultural Commissioner	$2,569,427	$2,584,525	$2,392,189	$192,336	$177,238
Assessor-County Clerk-Rec.	$3,448,599	$3,710,602	$2,880,566	$830,036	$568,033
Auditor-Controller (Deptl)	$4,481,904	$4,349,034	$4,494,009	($144,975)	($12,105)
Board of Supervisors	$2,950,013	$2,949,441	$2,907,422	$42,019	$42,591
Child Support Services	($420,922)	($469,883)	($94,157)	($375,726)	($326,765)
Clerk of the Board	$695,663	$671,931	$581,585	$90,346	$114,078
Cooperative Extension Service	$411,694	$412,371	$387,364	$25,007	$24,330
County Admin Office (Departl)	$5,094,288	$4,842,390	$4,703,072	$139,318	$391,216
County Counsel	$3,358,609	$2,301,849	($1,140,174)	$3,442,023	$4,498,783
District Attorney	$8,660,390	$8,676,495	$9,311,612	($635,117)	($651,221)
Economic Opportunity	$2,423,888	$1,821,860	$2,140,272	($318,412)	$283,616
Elections	$2,850,505	$2,850,557	$2,700,393	$150,164	$150,112
Emergency Communications	$1,193,831	$662,328	$5,917,486	($5,255,158)	($4,723,655)
Equal Opportunity Office	$610,703	$585,991	$543,152	$42,839	$67,551
Health	$3,250,297	$3,568,911	$4,495,039	($926,128)	($1,244,742)
Human Resources	$2,613,557	$2,774,304	$2,504,842	$269,462	$108,715
Information Technology	$233,502	$0	$698,478	($698,478)	($464,976)
Parks	$1,568,854	$1,573,359	$617,129	$956,230	$951,725
Probation	$16,088,810	$16,150,908	$16,071,139	$79,769	$17,671
Public Defender	$9,056,246	$8,813,338	$9,081,624	($268,286)	($25,377)
Resource Management Agency	$13,026,604	$12,874,096	$10,789,529	$2,084,567	$2,237,075
Sheriff-Coroner	$48,786,450	$48,510,332	$48,588,880	($78,548)	$197,570
Social & Employment Services	$7,480,022	$7,665,481	$7,039,810	$625,671	$440,212
Treasurer-Tax Collector	$1,381,876	$1,243,060	$706,045	$537,015	$675,831
Department Totals	$141,814,810	$139,123,280	$138,317,306	$805,974	$3,497,504
Non-Departmental Costs[1]	($133,727,311)	($142,839,363)	($151,565,991)	$8,726,628	$17,838,680
General Fund Totals:	**$8,087,499**	**($3,716,083)**	**($13,248,686)**	**$9,532,603**	**$21,336,185**

[1]. Includes countyw ide revenues and expenditures such as Non-Program Revenues, Other Financing Uses, Countyw ide Cost Allocation Plan (COWCAP) recoveries, Short-Term Borrow ing, Prop. 172 Contributions, Trial Courts, & Contingencies.

A number of other events took place in 2012-13 that further shaped the year-end condition of the general fund.

- Final audited financial results from 2011-12, published after adoption of the 2012-13 budget, added $2.4 million in fund balance.
- The County earned revenues totaling $489.7 million, including $313.4 million in departmental (program) revenue and $176.3 million in discretionary (non-program) revenue.
- Approximately $3.5 million in prior assignments were cancelled (made available) to meet mental health maintenance of effort (MOE) requirements and vehicle replacement needs.
- Departments continued their cost savings efforts, driving down expenditures to $476.5 million, a reduction of $27.9 million below the final modified budget.

Preliminary 2012-13 Year-End Results

		Amount
Available Financing:		
Final Audited 2011-12 Ending Fund Balance	$	2,386,133
2012-13 Revenues		489,718,097
Cancellation of Assignments		3,506,206
Total Financing Available for 2012-13		495,610,436
Financing Uses:		
2012-13 Expenditures		476,469,412
Priviously Authorized Assignments		13,969,693
		490,439,105
Ending Fund Balance	$	5,171,332

- The County implemented previously authorized new assignments totaling $14.0 million, including the additional $8.0 million for the strategic reserve.

The culmination of these financial events resulted in an ending general fund balance of $5.2 million as shown in the table above.

This report also includes several recommendations that would both add and subtract from this fund balance. Departmental revenues included in this report reflect adjustments by the Auditor-Controller to reverse accrued 2012-13 revenue that was not received before the close of the accrual period on August 31, 2013. Two departments that exceeded their budgeted general fund contributions had revenue accrual issues in which revenues were reversed due to receipt after the August 30 deadline. These revenues include $464,976 in Information Technology revenues and $150,020 in Public Defender revenues. These departments expect to receive these monies in the current year. The County Administrative Office recommends increasing revenue (and decreasing general fund contributions) in the current fiscal year for these departments that exceeded their general fund contributions in 2012-13 as a result of the late payments.

In addition, the County Administrative Office recommends three additional assignments for 2013-14, as outlined below:

- **Capital Infrastructure**. The County Administrative Office recommends assignment of $3.3 million to help support capital needs such as the Phase II and SB 1022 mental health jail expansions.

Preliminary 2012-13 Year-End Results

		Amount
2012-13 Ending Fund Balance (Unaudited)	$	5,171,332
2012-13 Unrecognized Revenue Accruals:[1]		
Information Technology		464,976
Public Defender		150,020
		614,996
2013-14 Recommended Assignments:		
Capital Infrastructure		(3,307,434)
Vehicle Replacement Program		(840,841)
Laguna Seca Track Rental Funding		(951,725)
		(5,100,000)
Revised 2012-13 Result	$	686,328

[1]. To be recognized in 2013-14.

- **Vehicle Replacement**. A total of $840,841 of the savings in the Resource Management Agency was due to unused appropriations for the Vehicle Replacement Program. This report recommends re-assignment of these funds to the VRP for 2013-14.

- **Laguna Seca**. Revenue for the Laguna Seca Track was previously deposited in a restricted revenue fund. Due to recent accounting changes, the restricted fund was eliminated and all revenue brought into the Parks Department's general fund. This report recommends returning $951,725 in previously-restricted track rental revenues to a general fund assignment.

The table above shows the 2012-13 ending fund balance after taking into account these three assignments and the late 2012-13 revenue receipts discussed earlier.

Use of Contingencies

By Board policy, the adopted budget included a general fund contingency appropriation equal to 1% of total general fund revenue. Contingency funds are used at the Board's discretion in the event of revenue shortfalls or unanticipated needs, and are usually a last option after all other potential funding sources have been explored. The 2012-13 Adopted Budget included a total contingency appropriation of $4.5 million. Through the course of the fiscal year, eight departments accessed a total of $2.3 million of the $4.5 million general fund contingency appropriation, leaving an unspent balance of $2.2 million.

Approved Use of Contingencies

2012-13 Adopted Budget General Fund Contingency Appropriation: $4,550,162

Department	Purpose	Amount
CAO - Intergovt & Leg Affairs	Gang Violence Workshop & Perf. Plan	52,500
CAO - Intergovt & Leg Affairs	Share of Cost for MPRWA Membership	83,300
CAO - Intergovt & Leg Affairs	Gang Violence Prevention Plan	95,998
County Counsel - Risk	Lakes Fuel Spill Budget	1,018,685
Public Defender	Court Appointments of Private Counsel	220,192
Auditor-Controller	Fund Position for MCWRA	176,365
District Attorney	Miscellaneous Costs	4,110
Sheriff's Office	Inmate Medical Costs	12,393
Information Technology	Records Retention Costs	8,103
Economic Opportunity	Reimbursement Shortfall	636,999
Total Use of General Fund Contingencies - FY 2012-13:		**$2,308,645**
	Year-end Reserve Balance:	**$2,241,517**

General Fund Year-End Results by Department

Below is a department-by-department summary of year-end performance against budget and estimate.

Agricultural Commissioner

The Agricultural Commissioner's final budget included $9.4 million in appropriations offset by $6.8 million in revenues and a GFC of $2.6 million. Actual expenditures totaled $9.2 million, $177,238 lower than budget. Revenue estimated in the budget was $6.5 million, but actual revenue totaled $6.8. The difference in final numbers for revenue is due to an increase in Unclaimed Gas Tax revenue.

Agricultural Commissioner

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$9,413,107	$9,269,923	$9,159,378
Revenues	6,843,680	6,547,527	6,767,189
GFC (Exp. - Rev.)	2,569,427	2,722,396	2,392,189
GFC Final Budget versus Actual:		Surplus	177,238

Assessor – County Clerk/Recorder

The Assessor-County Clerk-Recorder's final budget included $6.8 million in appropriations, $3.3 million in revenue, and GFC of $3.4 million. Year-end actual expenditures were $488,586 below budget and revenues were $79,447 above budget, for an ending GFC surplus of $568,033. The Assessor's expenses were under budget due to salary savings from unexpected vacancies that included a supervisor appraiser position, an existing clerical position, and a position under filled by a trainee position. The Office did not draw down *Property Tax Administration Program (PTAP)* grant revenue as planned. The Clerk Recorder's expenses were also under budget due to a management vacancy that was filled after mid-year. The Clerk Recorder's revenues were up due to a Board approved increase in the base fee by $3 that became effective Jan. 1, 2013.

Assessor-County Clerk-Recorder

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$6,758,502	$7,342,874	$6,269,915
Revenues	3,309,903	3,761,444	3,389,350
GFC (Exp. - Rev.)	3,448,599	3,581,430	2,880,566
GFC Final Budget versus Actual:		Surplus	568,033

Auditor-Controller

Auditor-Controller (Departmental)

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$5,150,534	$4,783,483	$4,967,737
Revenues	668,630	434,449	473,728
GFC (Exp. - Rev.)	4,481,904	4,349,034	4,494,009
GFC Final Budget versus Actual:		Deficit	-12,105

The Auditor-Controller's final departmental budget included appropriations of $5.2 million, offset by $0.7 million in revenue and $4.5 million in GFC. The Department's year-end expenditures were $182,797 below budget and revenue was $194,902 below budget, resulting in a GFC deficit of $12,105. The deficit is the result of the Court ruling in favor of the Cities to exclude the State's Vehicle License Fee Swap to Local Property Tax from the calculation of administrative costs under the *Property Tax Administrative Program*. As such, 2012-13 revenues decreased by $33,000.

Auditor-Controller - Non-Departmental

Auditor-Controller (Non-Departmental)

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	-$4,870,792	-$6,109,106	-$6,049,129
Revenues	500,000	434,449	378,048
GFC (Exp. - Rev.)	-5,370,792	-6,543,555	-6,427,177
GFC Final Budget versus Actual:		Surplus	1,056,385

Non-departmental units administered within the Auditor-Controller's budget provide for functions that meet a county-wide need or responsibility, including the annual County audit, recovery of County overhead costs, debt service, and short-term borrowing. Year-end actuals for these units reflect a GFC surplus of $1,056,385. Most of the surplus is based on an adjustment, totaling $693,299, to Overhead Cost Recovered. The remaining savings are the result of the Debt Manager's efforts to save money on issuance costs and lower than expected market rates for a short term loan.

Board of Supervisors

Board of Supervisors

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$2,950,013	$3,018,081	$2,907,910
Revenues	0	0	488
GFC (Exp. - Rev.)	2,950,013	3,018,081	2,907,422
GFC Final Budget versus Actual:		Surplus	42,591

The Board of Supervisors budget provides for funding requirements of the five individual district offices. The 2012-13 budget included appropriations of $3.0 million. Combined cost containment efforts of the supervisorial offices resulted in year-end savings of $42,591.

Child Support Services

Child Support Services (CSS) is funded entirely through state and federal subventions. County Cost Allocation Plan (COWCAP) expenses result in a negative GFC for this budget, reflecting anticipated recovery of overhead costs. Department expenditures ended the year $261,245 below budget, while year-end revenue was $588,009 below budget, resulting in a net GFC of $94,157. The GFC surplus is lower than the $326,765 surplus estimated when the Department built its 2012-13 budget. The lower-than-budgeted surplus was mostly the result of overestimating the revenue expected from the state based on past allocations.

Child Support Services

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$10,691,031	$10,894,838	$10,429,786
Revenues	11,111,953	11,291,284	10,523,944
GFC (Exp. - Rev.)	-420,922	-396,446	-94,157
GFC Final Budget versus Actual:			-326,765

Clerk of the Board

The budget for Clerk of the Board was $718,163, including appropriations for the Clerk of the Board functions and the Assessment Appeals Board. Expenditures were offset by estimated revenues of $22,500 and GFC of $695,663. The Department ended the year $114,078 below budgeted GFC. Most of this surplus was salary savings and savings in publications of public hearing notices and minor computer software.

Clerk of the Board

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$718,163	$741,391	$611,823
Revenues	22,500	35,000	30,238
GFC (Exp. - Rev.)	695,663	706,391	581,585
GFC Final Budget versus Actual:		**Surplus**	114,078

Cooperative Extension Services

The final budget for Cooperative Extension Service included $529,038 in appropriations and $117,344 in revenue, resulting in a budgeted GFC of $411,694. Year-end expenditure results indicate a GFC surplus of $24,062. The Department experienced savings by reducing temporary help and other services and supplies. Revenue for 2011-12 received late and credited to 2012-13 resulted in above target revenues.

Cooperative Extension Services

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$529,038	$558,964	$523,130
Revenues	117,344	111,444	135,767
GFC (Exp. - Rev.)	411,694	447,520	387,364
GFC Final Budget versus Actual:		**Surplus**	24,330

County Administrative Office – Departmental

Business areas in the County Administrative Office include Finance and Administration, Budget and Analysis, Contracts/Purchasing, Intergovernmental & Legislative Affairs (IG&LA), and Office of Emergency Services (OES). Total expenditures at year-end were $487,102 below budget while revenues were $67,689 below budgeted levels. Revenues for OES in the amount of $91,430 were not collected within the new 60- day accrual period. This included $44,385 received from the State-California Disaster Assistance Act for the Basin Complex Fire in 2009. Reduced expenditures are primarily the result of vacancies in a number of departmental units for a year-end GFC surplus of $419,412.

County Administrative Office - Departmental

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$5,472,852	$5,075,390	$4,985,750
Revenues	378,564	233,000	310,875
GFC (Exp. - Rev.)	5,094,288	4,842,390	4,674,876
GFC Final Budget versus Actual:		**Surplus**	419,412

County Administrative Office - Non-Departmental

The 2012-13 CAO non-departmental general fund units include specific purpose, non-operational functions related to the administration and oversight of general fund contingencies, contributions and obligations to other agencies, Trial Court obligations, Grand Jury, other financing uses, County memberships, medical care services, and non-program revenue. The final budget included $44.4 million in appropriations and $172.8 million in revenue (mostly the County's non-program revenue). Year-end expenditures were $5.9 million lower than budget, primarily the result of unused appropriations for contingencies, general plan implementation, trial court payments, Carmel River Lagoon, and emergency building maintenance. Reported revenue exceeded budget by $10.8 million, due to the improvements in non-program revenue described earlier in this report. The net result was a $16.6 million improvement in GFC.

County Administrative Office - Non-Departmental

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$44,395,157	$38,903,328	$38,541,220
Revenues	172,751,676	175,199,136	183,511,392
GFC (Exp. - Rev.)	-128,356,519	-136,295,808	-144,970,171
GFC Final Budget versus Actual:		**Surplus**	16,613,653

County Counsel

Budgeted appropriations in County Counsel totaled $3.8 million, with offsetting revenue of $432,180 and $3.4 million in GFC. Year-end expenditures were $1.0 million below budget and revenues were $3.5 million over budget, resulting in a year-end GFC surplus of $4.5 million. Much of the expenditure savings can be attributed to vacancies, including an Assistant County Counsel, Deputy County Counsel IV, Management Analyst III, and a Legal Secretary. The increase in revenue was primarily related to the proceeds of $3.9M from the Nova Partners Skanska settlement. Units which incurred costs related to this settlement will be reimbursed from these proceeds during 2013-14.

County Counsel

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$3,790,789	$2,507,449	$2,765,900
Revenues	432,180	205,600	3,906,073
GFC (Exp. - Rev.)	3,358,609	2,301,849	-1,140,174
GFC Final Budget versus Actual:		**Surplus**	4,498,783

District Attorney

The District Attorney's 2012-13 budget included $19.3 million in appropriations offset by estimated revenues of $10.0 million and $9.3 million in GFC. Year-end expenditures matched budget while revenues were lower than budgeted, resulting in a GFC overage of $651,221. The shortfall in revenue consists of the following:

District Attorney

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$19,313,356	$18,319,000	$19,313,356
Revenues	10,652,966	9,773,134	10,001,745
GFC (Exp. - Rev.)	8,660,390	8,545,866	9,311,612
GFC Final Budget versus Actual:		Deficit	-651,221

- A total of $347,373 in federal and state grant revenues earned in 2012-13 were not received within the accrual period. Of this amount approximately $313,000 has since been received with the remainder to be received shortly.
- 2012-13 State Citizens Option for Public Safety (COPS) funds in the amount of $128,337 were received and credited to Fund 022 (Public Safety Realignment). In accordance with County financial practices, these funds should be transferred into the general fund as reimbursement for 2012-13 costs incurred.

The Department recommends using $175,511 of its Asset Forfeiture funds to offset the remaining 2012-13 shortfall.

Economic Opportunity

Budgeted appropriations for Economic Opportunity totaled $2.5 million, with revenues of $39,436 and a budgeted GFC of $2.4 million. The Department was approved for a transfer of $636,999 from the contingencies appropriation in response to a shortfall in reimbursements. Accounting for the usage of contingencies results in a GFC deficit of $353,383 rather than the stated surplus of $283,616.

Economic Opportunity

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$2,463,324	$1,861,301	$2,174,180
Revenues	39,436	39,441	33,908
GFC (Exp. - Rev.)	2,423,888	1,821,860	2,140,272
GFC Final Budget versus Actual:		Surplus	283,616

Elections

The 2012-13 budget for Elections included $3.9 million in appropriations, $1.1 million in revenue and $2.8 million in GFC. Year-end expenditures savings and lower-than-budgeted revenues reflect the reduced number of elections. The net result was a GFC surplus of $150,112. Budgets are forecasted based on all potential contests going to ballot. However, in the November 2012 election, two districts/cities which had eligible contests did not go to ballot. This resulted in a minor loss of revenue and lower expenditures.

Elections

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$3,961,505	$3,956,557	$3,581,941
Revenues	1,111,000	2,113,029	881,548
GFC (Exp. - Rev.)	2,850,505	1,843,528	2,700,393
GFC Final Budget versus Actual:		Surplus	150,112

Emergency Communications

Budgeted 2012-13 appropriations for Emergency Communications totaled $9.4 million with offsetting revenue of $8.2 million and $1.2 million in GFC. The Department ended 2012-13 with a GFC deficit of $4.7 million resulting from the County's change in accrual period from 90 days to 60 days. Due to timelines in executed agreements with agencies participating in consolidated dispatch services, Emergency Communications cannot receive revenue within the new 60 day accrual period. The Department is in talks with user agencies to modify these agreements to improve the timing of user agency reimbursements. The Department collected revenue exceeding the deficit amount after the 2012-13 accrual period closed.

Emergency Communications

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$9,424,006	$10,372,079	$8,930,728
Revenues	8,230,175	9,184,520	3,013,242
GFC (Exp. - Rev.)	1,193,831	1,187,559	5,917,486
GFC Final Budget versus Actual:		Deficit	-4,723,655

Equal Opportunity Office

The approved budget for the Equal Opportunity Office (EOO) included appropriations of $610,703. The summary table reflects a revenue amount of $41,301, which represents a transfer from the County Administrative Office for expenditures related to investigative services. The Equal Opportunity Office met its budget target with year-end savings of $67,551.

Equal Opportunity

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$610,703	$636,311	$584,454
Revenues	0	0	41,301
GFC (Exp. - Rev.)	610,703	636,311	543,152
GFC Final Budget versus Actual:		Surplus	67,551

Health Department

The final budget for the Health Department included $66.2 million in appropriations, $63.0 million in revenues, and $3.3 million in GFC. Actual expenditures were $3.9 million below budget and $1.7 million below estimate. Year-end revenue was $5.2 million below budget, and $2.6 million less than estimated, resulting in year-end use of GFC that exceeded budget by $1.2 million. Expenditures were less than the approved budget due to increased efficiencies and cost savings measures. The reimbursement structure for qualified expenditures resulted in Health revenue that was also less than the approved budget. The $1.2 million GFC shortfall is due to timing of receipt of revenue earned in 2012-13. Approximately $3.4 million in anticipated revenue was accrued but not recognized in 2012-13 because it was not received by the close of the accrual period on August 31st. This revenue is expected to be received by December 2013. Lastly, with the creation of Fund 023 for Behavioral Health, there was a movement of all mental health monies from other funds to Fund 023 which included the transfer of funds accrued but not received from 2011-12 from general fund in the amount of $575,164.

Health

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$66,212,765	$63,999,406	$62,275,999
Revenues	62,962,468	60,430,495	57,780,960
GFC (Exp. - Rev.)	3,250,297	3,568,911	4,495,039
GFC Final Budget versus Actual:		Deficit	-1,244,742

Human Resources

The final approved budget for Human Resources was $2.6 million and expenditures were $2.5 million, resulting in expenditure savings of $108,715. Of this amount, $75,000 is attributable to monies set aside for external negotiation assistance provided by Liebert Cassidy Whitmore. At fiscal year-end, negotiations were open with 15 of the County's 18 bargaining units, and it was unknown what the final cost of negotiations would be due to a roughly 90 day delay in receiving invoices for services rendered. The remaining $33,715 includes $20,000 budgeted for a sick leave payout for a retiring employee, which did not occur until after year-end close, and unanticipated revenues received by the Training Division and for Public Record Act Request fees.

Human Resources

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$2,615,907	$2,776,654	$2,511,335
Revenues	2,350	2,350	6,494
GFC (Exp. - Rev.)	2,613,557	2,774,304	2,504,842
GFC Final Budget versus Actual:		Surplus	108,715

Information Technology

The final approved budget for Information Technology included $1.8 million in appropriations, $1.5 million in revenue and $233,502 in GFC. Actual expenditures were slightly below budget while revenue, which is primarily driven by expenditures, ended the year $537,951 below budget and $923,327 below the estimate. The Department ended 2012-13 with a GFC deficit of $464,976. Information Technology is a central support services department which provides services to other funds, departments or agencies of the County and to other governments on a cost-reimbursement basis. Moving forward, the department will be a zero GFC organization since its budget is solely based on the revenue generated through services rendered to its clients.

Information Technology

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$1,783,310	$1,935,184	$1,710,335
Revenues	1,549,808	1,935,184	1,011,857
GFC (Exp. - Rev.)	233,502	0	698,478
GFC Final Budget versus Actual:		Deficit	-464,976

Recommendation: increase 2013-14 revenues by $464,976 for 2012-13 Information Technology revenues received after the accrual deadline.

Parks—General Fund

The Department's final budget included $4.6 million in appropriations offset by $3.1 million in revenue and $1.6 million in GFC. Year-end expenditures were $495,256 less than budget and year-end revenue was $456,469 over the estimate included in the budget.

Laguna Seca Track Unit revenue was $977,462 over budgeted revenue. Revenue for the Laguna Seca Track was previously deposited in a restricted revenue fund. Due to accounting changes implemented by the Auditor-Controller's Office, the restricted revenue fund was eliminated and all revenue brought into the Parks Department's general fund. It is recommended that a year-end assignment of $951,725 be reserved for track improvement.

Parks

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$4,640,197	$4,784,075	$4,144,941
Revenues	3,071,343	2,983,292	3,527,812
GFC (Exp. - Rev.)	1,568,854	1,800,783	617,129
GFC Final Budget versus Actual:		Surplus	951,725

Recommendation: Authorize a general fund assignment of $951,725 to reserve track rental funding previously held in a restricted revenue account.

Probation

Probation's 2012-13 final budget included $37.6 million in appropriations, $21.5 million in revenue and GFC of $16.1 million. Throughout 2012-13, the Department's efforts of cost containment in overtime and holding certain positions open through attrition contributed to a favorable financial position for fiscal year-end. Actual expenditures were $1.5 million below budget and revenue reimbursements, primarily generated by expenditures incurred, also ended $1.5 million below budget. Lower-than-budgeted AB 109 program revenue, timing of a bank deposit and reduced Title IV-E federal funding contributed to the unrecognized revenue variance. Due to the 60 day revenue accrual period, $29,106 of revenue earned in 2012-13 was received in September and will therefore be posted to 2013-14. Department responded to the unrecognized revenue trend by adjusting expenditures for a positive GFC result. Overall the Department recognized a positive GFC balance of $17,671. The Probation Department has continued to manage its budget through the challenges of reduced state/federal funding and the implementation of the state's Public Safety AB 109 realignment.

Probation

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$37,567,223	$37,333,411	$36,082,280
Revenues	21,478,413	20,997,653	20,011,141
GFC (Exp. - Rev.)	16,088,810	16,335,758	16,071,139
GFC Final Budget versus Actual:		**Surplus**	17,671

Public Defender

The Public Defender's final approved budget contained appropriations of $9.4 million, which included an earlier increase of $220,192 from the contingencies appropriation to cover additional costs for court appointments of private counsel and avoid a year-end shortfall. Final modified appropriations were offset by $347,887 in revenue and GFC of $9.1 million. Year-end actual revenue came in $25,377 below budget expectations, resulting in a GFC deficit. This deficit totaled $245,569 when the transfer from contingencies is factored into the final result.

Public Defender

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$9,404,133	$9,536,380	$9,404,133
Revenues	347,887	320,000	322,510
GFC (Exp. - Rev.)	9,056,246	9,216,380	9,081,624
GFC Final Budget versus Actual:		**Deficit**	-25,377

The Public Defender accrued revenue for a total of $150,020 for expenses incurred on state prison cases of which reimbursement of $63,908 was received after the 60-day accrual period, with the remainder expected soon. This report includes a recommendation to increase 2013-14 revenues by the amount of the late payments to partially offset the Department's 2012-13 GFC deficit.

Recommendation: increase 2013-14 revenue by $150,020 for 2012-13 Public Defender revenues received after the accrual deadline.

Resource Management Agency (RMA) - General Fund

Resource Management Agency

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$19,042,125	$18,618,780	$16,997,581
Revenues	6,015,521	5,080,845	6,208,052
GFC (Exp. - Rev.)	13,026,604	13,537,935	10,789,529
GFC Final Budget versus Actual:		**Surplus**	2,237,075

The Resource Management Agency final budget included approved appropriations of $19.0 million, $6.0 million in revenue, and $13.0 million in GFC. The year-end surplus of $2.2 million includes $2.0 million from reduced expenditures and $192,531 from higher than anticipated revenue. Expenditure savings include $840,841 of Vehicle Replacement Program (VRP) funding. As a program designated fund, the VRP funds will require Board approval to be recovered from year-end fund balance and assigned back to the VRP designation. As such, this total will not increase year-end general fund balance. The remaining year-end surplus, totaling $1.5 million, includes $1.1 million in salary and benefits savings, primarily attributable to vacancies that were not filled during the course of the fiscal year, and lower-than-budgeted expenditures in services and supplies. The higher than expected revenue was due to increased permit revenue in Building Services and Planning, as well as unbudgeted revenue in the Vehicle Replacement Program from auction sales of County vehicles.

Recommendation: Transfer $840,841 in unobligated GFC balance to the Vehicle Replacement Program assignment, as described earlier in this report.

Sheriff-Coroner

Sheriff-Coroner

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$76,155,424	$76,506,626	$74,249,286
Revenues	27,368,974	24,671,077	25,660,407
GFC (Exp. - Rev.)	48,786,450	51,835,549	48,588,880
GFC Final Budget versus Actual:		**Surplus**	197,570

The Sheriff-Coroner's 2012-13 final budget included appropriations of $76.2 million and $27.4 million in revenue. Approved GFC totaled $48.8 million. Year-end actual expenditures were $1.9 million below budget, due primarily to an unforeseen delay in the AB 109 related inmate housing contract with Alameda County. Revenue was $1.7 million below budget in relation to not having expenditures for the AB 109 inmate housing contract. The Sheriff's Office ended 2012-13 with a GFC surplus of $197,570.

Social and Employment Services

Social and Employment Services

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$159,351,123	$151,684,098	$153,394,421
Revenues	151,871,101	142,696,604	146,354,611
GFC (Exp. - Rev.)	7,480,022	8,987,494	7,039,810
GFC Final Budget versus Actual:		Surplus	440,212

The Department of Social Services (DSS) was budgeted at $159.4 million in expenditures, estimated revenues of $151.9 million, and a GFC offset of $7.5 million. Expenditures at year-end totaled $153.4 million, offset by revenues of $146.4 million and a year-end GFC of $7.0 million. Actual expenditures were $6.0 million below budget and $4.9 million less than estimate. The expenditures were less than anticipated due to the reductions in CalWORKs entitlements due to time limits, challenges in filling staff vacancies and the slight delays of project costs for the Community Benefits (CB) Care Center. The reimbursement structure for qualified expenditures resulted in Social Services revenue that was also less than the approved budget. Revenues ended the year $5.5 million below budget and $4.2 million less than estimate. Overall, the Department recognized a positive GFC balance of $440,212. Given the Department's positive financial performance, the County Administrative Office recommends changing the Department's monthly financial status reports to quarterly for the Budget Committee.

Recommendation: Change required reporting of financial performance to quarterly for the Budget Committee due to Department's favorable financial performance.

Treasurer-Tax Collector

Treasurer-Tax Collector

	Final Budget	Year-End Estimate	2012-13 Actual
Expenditures	$6,831,263	$6,243,225	$5,975,981
Revenues	5,449,387	5,076,431	5,269,936
GFC (Exp. - Rev.)	1,381,876	1,166,794	706,045
GFC Final Budget versus Actual:		Surplus	675,831

The Treasurer-Tax Collector's approved budget included $6.8 million in appropriations, $5.4 million in revenue and $1.4 million in GFC. Expenditures at year-end were $855,282 below budget and $267,244 below estimate. Reduced expenditures were primarily related to the salary savings resulting from vacant positions in the Treasury and Revenue divisions and unexpended legal fees. Additionally there were service fees cost savings in banking and investment.

Year-end revenue was $179,451 below budget and was directly correlated to reduced expenditures reimbursed through treasury portfolio administrative fees, and by Penal Code 1463.007 that allows for the reimbursement of court ordered debt collection expenses. The reduced revenue was primarily offset by an increase in property tax administration fee revenue.

Due to decreased expenditures the Department's use of GFC was $675,831 below budget and $460,749 less than estimate.

OTHER MAJOR FUNDS

The County budget includes a number of other agencies funded for specific purposes through sources other than the general fund. Major other funds include the County Library, Road Fund, Natividad Medical Center, Parks Resorts, and Behavioral Health. Year-end results for these funds are provided below.

County Library

The Monterey County Free Libraries (MCFL) 2012-13 final budget included $7.9 million in appropriations, $6.9 million in revenue and $1.0 million in fund balance use. Expenditures at year-end were $0.6 million below budget, primarily the result of salary savings from position vacancies. Year-end revenue was $0.5 million above budget and $0.4 million above estimate. Much of the higher than planned revenues was related to property tax funds originally set aside for low to moderate income housing. Due to decreased expenditures and increased revenue, MCFL contributed $0.2 million to its fund balance, representing a $1.2 million improvement over budget.

Monterey County Free Library

	Final Budget	Year-End Estimate	2012-13 Actual
Beginning Fund Balance	$1,244,110	$1,244,110	$1,244,110
Revenue	6,927,537	7,091,337	7,449,627
Cancellation of Assign.	0	0	0
Total Financing Sources	$8,171,647	$8,335,447	$8,693,737
Expenditures	7,896,166	7,186,335	7,272,407
Provisions for Assign.	0	0	0
Total Financing Uses	$7,896,166	$7,186,335	$7,272,407
Ending Fund Balance	$275,481	$1,149,112	$1,421,330

RMA - Public Works - Road Fund

The Road Fund is a special revenue fund established according to State law to account for revenues that are legally restricted for County road and bridge construction and related maintenance projects. The 2012-13 adopted budget was based on estimated annual revenue of $28.9 million and anticipated expenditures of $28.3 million. These estimates are based on the number and types of projects RMA-Public Works expected to conduct over the course of the fiscal year. In January 2013, RMA-Public Works' year-end estimate for the Road Fund anticipated ending the year with $27.9 million in revenue and $28.5 million in expenditures. The Road Fund ended 2012-13 with actual revenues of $25.0 million, or 12% below year-end estimate, and expenditures of $26.5 million, or 8% below year-end estimate. As a result, the Road Fund eroded approximately $1.5 million in fund balance for a total year-ending June 30, 2013 available fund balance of $2.0 million. The erosion of $1.5 million in fund balance was due to the timing of revenue receipts, as revenue accruals in the amount $2.2 million were not received by the County in time to be recognized in 2012-13.

RMA-Public Works - Road Fund

	Final Budget	Year-End Estimate	2012-13 Actual
Beginning Fund Balance	$3,540,309	$3,540,309	$3,540,309
Revenues	28,912,655	27,949,404	25,019,199
Canc. Assignments	0	0	0
Total Financing Sources	32,452,964	31,489,713	28,559,508
Financing Uses	28,349,229	28,545,917	26,547,648
Provisions for Assignments	0	0	0
Total Financing Uses	28,349,229	28,545,917	26,547,648
Ending Available Fund Balance	4,103,735	2,943,796	2,011,860

Natividad Medical Center

Natividad Medical Center (NMC) is a County enterprise fund. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business organizations, where the costs of providing goods or services to the general public on a continuing basis is financed or reimbursed primarily through user charges.

Natividad Medical Center

	Final Budget	Year-End Estimate	2012-13 Actual
Beginning Fund Balance	0	0	0
Revenue	183,891,989	173,325,361	181,692,897
Cancellation of Assign.	0	0	0
Total Financing Sources	$183,891,989	$173,325,361	$181,692,897
Expenditures	196,673,437	186,586,893	177,965,500
Provisions for Assign.	0	0	0
Total Financing Uses	$196,673,437	$186,586,893	$177,965,500
Ending Fund Balance	-$12,781,448	-$13,261,532	$3,727,397

NMC continues to experience positive fiscal performance. The joint strategic decisions of the Board of Supervisors and the NMC Board of Trustees have continued to result in improved operations. NMC saw a positive change in net assets of $7.6 million in 2008-09, $14.1 million in 2009-10, $18.1 million in 2010-11, $4.7 million in 2011-12 and $3.7 million in 2012-2013.

NMC's final budgeted expenditure was $196.7 million, with budgeted financing sources of $183.9 million, for a net budgeted loss of $12.8 million. Actual expenditures were $18.7 million below budget and $8.6 million below estimate. Lower expenditures were primarily due to capital asset expenditure performance. Capital was budgeted at $21.4 million, estimated at $21.4 million with actual expenditures of $8.9 million. Actual revenue was $2.2 million below budget and $8.4 million above budget estimate. Revenue was driven by higher inpatient revenues, which were impacted by higher than budgeted contractual discounts.

NMC's positive unreserved cash position continues to show year to year improvement: 2008-09 ($28.4 million); 2009-10 ($45 million), 2010-11 ($62.4 million), 2011-12 ($70.6 million) and an unaudited 2012-13 $75.4 million cash balance with an additional $14.2 million in the strategic reserve. The unaudited 2012-13 cash balance is overstated by approximately $10.0 million due to overpayment of Disproportionate Share Hospital (DSH) payments. The payments are reimbursements for uncompensated care provided to patients who have little or no funds to cover the costs for their care or are a Medi-Cal beneficiary.

Behavioral Health

The Behavioral Health Fund 023 is a special revenue fund effective July 1, 2012. The final budget for Behavioral Health included $70.4 million in appropriations, $70.3 million in revenues, and $1,804 in fund balance. Year-end revenue was $17.0 million greater than budget, and $27.0 million greater than estimated, resulting in a fund balance of $22.7 million. This unbudgeted fund balance is the result the Auditor Controller's direction to recognize funds transferring into Fund 023 from other funds. Expenditures were $6.0 million less than budget and $2.0 million less than estimated due to increased efficiencies and cost saving measures. Approximately $6.0 million in anticipated revenue was accrued but not recognized in 2012-13 because it was not received by the close of the accrual period on August 31st. Most of this revenue is expected to be received by December 2013. The fund balance is comprised of new mental health revenues received as well as mental health funds transferred from other funds during the fiscal year. The fund balance supports mental health eligible services including preparation for Affordable Care Act.

Behavioral Health Fund

	Final Budget	Year-End Estimate	2012-13 Actual
Beginning Fund Balance	$0	$0	$0
Revenue	70,339,003	66,017,361	87,027,349
Cancellation of Assign.	0	0	0
Total Financing Sources	70,339,003	66,017,361	87,027,349
Expenditures	70,337,199	66,017,361	64,344,720
Provisions for Assign.	0	0	0
Total Financing Uses	$70,337,199	$66,017,361	$64,344,720
Ending Fund Balance	$1,804	$0	$22,682,629

Parks Resorts

The Parks Department approved budget included $9.0 million in appropriations offset by $8.3 million in estimated revenue and $724,920 in ending fund balance.

The Lakes Enterprise is allocated an annual debt service of approximately $700,000 from the General Liability Fund for costs associated with the acquisition of asset. When the Parks Department assumed responsibility for the Lakes Resorts it was expected that operations would generate enough net income to satisfy those acquisition costs. Because the lakes operation is unable to support these costs, the County Administrative Office made the recommendation that the Parks Enterprise Fund be relieved of the annual costs until such time that operations can become self-sufficient. The recommendation was approved by the Board of Supervisors in 2011-12.

Parks Resorts (Fund 452)

	Final Budget	Year-End Estimate	2012-13 Actual
Beginning Fund Balance	0	0	0
Revenue	8,251,050	8,251,050	8,302,417
Cancellation of Assign.	0	0	0
Total Financing Sources	$8,251,050	$8,251,050	$8,302,417
Expenditures	8,975,970	8,975,970	8,904,705
Provisions for Assign.	0	0	0
Total Financing Uses	$8,975,970	$8,975,970	$8,904,705
Ending Fund Balance	-$724,920	-$724,920	-$602,288
Depreciation	$0	$0	$0
Compensated Absences	$0	$0	$0
Total Non-Cash Events	$0	$0	$0
Adjusted Gain (Loss)	-$724,920	-$724,920	-$602,288

Although total year-end revenue exceeded the projected budget amount by $51,367, visitor attendance continues to be impacted by the slow economic recovery of the past few years. Additionally, because the major factor which drives patronage at the lake operations is water levels, the lack of water during 2011-12 and 2012-13 has been the major contributor to revenue shortfalls. In addition to the lack of rain, the Water Resources Agency's schedule and releases of water from the reservoir prioritize water for the agricultural industry in the valley and not necessarily recreational needs. Parks Service Fees collections came in 21.6% below the anticipated revenue amount. In addition, expenditures in the fund were $71,265 under the total appropriations.

SUMMARY OF RECOMMENDATIONS

Recommendations included in this report are summarized below. The BEYR, including these recommendations, will be presented to the Budget Committee for consideration on October 30, 2013 and, subsequently, to the Board of Supervisors on November 5, 2013.

Recommendation: increase 2013-14 revenues by $464,976 for 2012-13 Information Technology revenues received after the accrual deadline.

Recommendation: increase 2013-14 revenue by $150,020 for 2012-13 Public Defender revenues received after the accrual deadline.

Recommendation: assign $3,307,434 to help support capital needs such as the Phase II and SB 1022 mental health jail expansions.

Recommendation: transfer $840,841 in unobligated GFC balance to the Vehicle Replacement Program assignment.

Recommendation: assign $951,725 to reserve track rental funding previously held in a restricted revenue account.

Recommendation: change required reporting of financial performance for the Department of Social Services to quarterly for the Budget Committee due to Department's favorable financial performance.