



# County of Monterey

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

## Board Report

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**File #:** 12-1039, **Version:** 1

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- a. Receive and accept the FY 2011-12 Budget End-of-Year Report from the County Administrative Office; and
- b. Approve recommended actions as outlined in the FY 2011-12 Budget End of Year Report.

### RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a) Receive and accept the FY 2011-12 Budget End-of-Year Report from the County Administrative Office;  
and
- b) Approve recommended actions as outlined in the FY 2011-12 Budget End of Year Report.

### SUMMARY:

The Budget End of Year Report (BEYR) evaluates year-end fiscal performance, including successes and shortfalls, in comparison to the County's 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 for the fiscal year ending June 30, 2012. In fulfilling this objective, the BEYR answers key questions:

- What is the overall health of the County's 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?

Answering these questions contributes to the highest degree of transparency, and further fulfills the County's commitment to responsible financial oversight.

### DISCUSSION:

The 2011-12 adopted budget for all funds totaled \$935.9 million, a decline of \$30.6 million (3.2%) from the prior year. Total financing sources included \$46.8 million from cancellation of assignments (i.e., designations) and encumbrances, and revenue totaling \$889.1 million. Adopted countywide staffing levels totaled 4,306.8 full-time equivalent (FTE) positions.

The general fund is the County's largest fund, and supports basic governmental functions related to public safety, land use and environment, public assistance, health and sanitation, recreation and education, and finance and administration requirements. The adopted budget for the general fund provided \$534.4 million in appropriations. Subsequent modifications for additional appropriations, financed by additional estimated revenues, resulted in a final (modified) budget of \$550.2 million. For comparison, actual year-end expenditures totaled \$521.2 million, resulting in unused appropriations of \$29.0 million. The unused appropriations are directly attributable to departmental cost reduction efforts to stretch resources in response to diminishing revenues. Actual year-end revenues totaled \$528.8 million or \$10.0 million below budget. The net result of the lower revenues and expenditures was an operating surplus of \$7.6 million, the first surplus in five years and a tribute to a County culture of responsible financial management. After setting aside \$5.0 million for a 2011-12

assignment to help meet future obligations associated with employee leave accruals and the Vehicle Replacement Program (VRP), the general fund is expected to end 2011-12 with a positive unassigned fund balance of \$2.6 million.

The year that ended June 30, 2012 marks the final year of the Board's three-year plan to end reliance on use of fund balance for ongoing expenditures, understanding the diminishing nature of these funds. In June 2009, County staff projected that a \$65.4 million operating gap would emerge by 2011-12 without corrective actions. The estimated surplus of \$2.6 million in 2011-12 represents a major accomplishment that would not have been possible without the Board's leadership in adopting responsible financial policies and departmental efforts over the past three fiscal years to achieve efficiencies and find new ways to meet service level goals amid declining revenues.

The County also ended 2011-12 with a strategic reserve of \$52.3 million, consistent with Board policy, the previously mentioned \$5.0 million additional assignment towards the employee leave accrual liability and VRP, a \$3.4 million payment towards post-employment health benefits, and a strong credit rating. These accomplishments are discussed in detail in the BEYR.

The BEYR also provides analysis of each department's year-end results. Financial data as of October 15, 2012 indicate that 17 departments ended the fiscal year below budgeted General Fund Contributions (GFC) by a combined \$10.4 million. This positive year-end performance was partially offset by six departments that ended 2011-12 over their budgeted GFC by a total of \$2.1 million. Unbudgeted use of GFC diminishes resources available to support departments in future years, further straining the County's ability to maintain service capacity. Nevertheless, the overall 2011-12 results are an improvement over 2010-11, when 10 departments exceeded their budgeted GFC by a combined \$3.1 million.

Full details of general fund year-end results, including financial performance of other major funds, is provided in the attached BEYR.

#### OTHER AGENCY INVOLVEMENT:

The County Administrative Office works with all County departments throughout the course of the fiscal year to maintain an understanding of budget-related conditions and emerging issues.

#### FINANCING:

The general fund is expected to end 2011-12 with an unassigned fund balance of \$2.6 million. The County Administrative Office recommends increasing 2012-13 revenue by \$1.7 million for monies earned in 2011-12 but received after the 2011-12 accrual period ended on September 30, 2012. The County Administrative Office recommends using the \$4.3 million (\$2.6 million in 2011-12 unassigned fund balance and \$1.7 million increase in 2012-13 revenues) to finance various assignments and appropriations in 2012-13, as outlined in the BEYR.

Prepared by: Paul Lewis, Principal Administrative Analyst

Approved by: Dewayne Woods, County Budget Director

Attachments: FY 2011-12 Budget End of Year Report