

Date: March 4, 2014  
To: Members of the Board of Supervisors  
From: Williams J. Goodwin, Chief Administrator  
Re: Fiscal Year 2013-2014 Mid-Year Budget Report

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## **GENERAL FUND PERFORMANCE**

The Mid-Year Budget Report for Fiscal Year 2013-14 is being presented to the Board of Supervisors on Tuesday, March 4<sup>th</sup>. This report covers the first two quarters of the fiscal year, and is intended to provide a general overview of the fiscal performance of the County over that time, and also discusses significant events or developments affecting the county during that period. Administration has met with department heads to review mid-year budget requests and to identify specific actions needed to meet any projected revenue shortfalls or over-expenditures. I wish to acknowledge the efforts of each department to limit the requested actions to items that could not have been anticipated during the final budget process.

General Fund revenues are meeting or exceeding projections used during the FY 2013-14 budget process. Higher sales tax, both locally and statewide have resulted in increased state funding for public safety, offsetting the General Fund contribution requirement. However, as stated in the Final Budget report, tax receipts in the General Fund are nearly \$1.4 million less than the FY 2006-07 peak, resulting in a persistent wedge between revenues and expenditures.

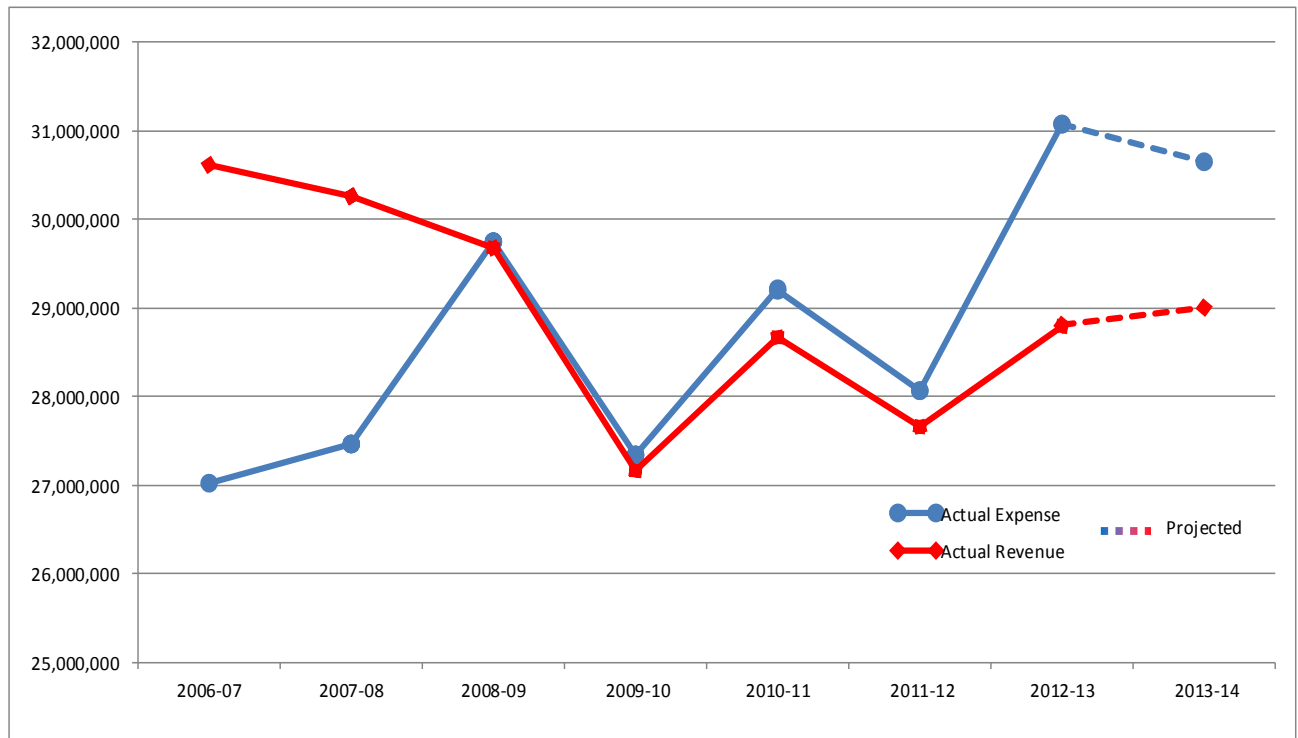
The primary driver of the deficit is the cost of employee benefits, as both the employer-share of CalPERS and health insurance have increased each year since the last recession began. Even when considering the impact of previously negotiated concessions and excluding the effect of step increases, the cost of employing a typical position has increased by just over 5% since FY 2009-10. Despite the number of budgeted allocations remaining fairly static, the result is

that expenditures for salary and benefits are increasing faster than revenue collection.

Recognizing the need to invest in capital projects, the FY 2012-13 budget included a General Fund contribution (transfer) of \$1,173,607 to the ACO budget. This was the first general fund contribution to the ACO fund since FY 2008-09. The ongoing discussion regarding the issuance of Certificate of Participation Bonds would result in some of the previously budgeted ACO funds becoming available for other discretionary projects, such as major software purchases in the future. Significant reserves were set aside in FY 2005-06 through FY 2008-09. The graph below shows actual expenditures and revenues in the General Fund from FY 2006-07 to FY 2012-13, with a projection of how the General Fund will finish FY 2013-14

### General Fund -- Expenditures & Revenues

Actuals for FY 2006-07 to FY 2012-13 -- Projected for FY 2013-14



The table below displays the same information in a different format, along with the size of the total General Fund surplus or deficit:

General Fund -- Expenditures & Revenues								
Fiscal Year	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	Projected 2013-14
<b>Actual Expense</b>	27,018,144	27,451,913	29,745,209	27,330,874	29,207,295	28,059,883	31,070,959	30,646,376
<b>Actual Revenue</b>	30,624,453	30,269,183	29,687,586	27,166,850	28,667,453	27,661,556	28,803,043	29,010,170
<b>Surplus / Deficit</b>	3,606,310	2,817,270	(57,623)	(164,025)	(539,842)	(398,327)	(2,267,916)	(1,636,206)

The graph and tables do not reflect the new programs and offsetting revenue that have resulted from AB 109, the Affordable Care Act, and Proposition 30 funding which funds the 2011 Public Safety Realignment. These revenues are not included in the General Fund.

## STATE ISSUES

The State of California has made significant strides in reducing its own revenue to expenditure deficit. This has been accomplished by the increasing stock value of technology firms, increasing sales tax, eliminating redevelopment agencies, and realigning significant programs to counties. The projected \$2.2 billion of operating surplus instills confidence that the economy may be improving and reducing concern that the State will once again borrow funds from the County. There is little chance important funding to rural California, such as the Williamson Act or Fair District subventions will return.

Subsequent to the Final Budget, Tehama County has been awarded \$6.5 million through SB 1022 for a Community Corrections Re-Entry and Day Reporting Center. The Board has directed staff to continue preliminary work for the full \$22 million project identified in the Jail Needs Analysis with the hope that additional funding will be available. Proceeding with this project will require relocation of the Red Bluff branch of the County Library.

Funding to local governments for the 2011 Public Safety Realignment (known as AB 109) is constitutionally guaranteed through Proposition 30 passed by the

voters even after the temporary state sales tax and tax on higher incomes expire. This guarantee has allowed the County through a multi-department, multi-agency community partnership to develop alternatives to incarceration and services to reduce repeat offenders.

**SUMMARY OF RECOMMENDED MID-YEAR ADJUSTMENTS**

Attachment A is a summary of the mid-year budget submittals. The adjustments requested by departments are generally routine in nature and, in keeping with Board Resolution No. 68-2001, are being made on the basis of new information becoming available since the final budget process in September. The recommended net total mid-year adjustments by fund are shown in the chart below, along with the adjusted budget amount:

**-- FY 2013-14 Mid-Year Adjustments by Fund --**

Fund	Expenditures		Revenue	
	Adjustments	Adjusted Budget	Adjustments	Adjusted Budget
General	-61,778	35,423,493	723,711	26,973,978
Public Safety	229,685	23,950,652	87,062	23,801,365
Air Pollution	18,000	302,180	1,000	188,000
Social Services	0	38,830,620	-218,634	38,611,986
Building & Safety	79,524	557,165	70,918	532,499
Health Services	278,140	20,568,511	278,139	20,569,891
TRAX	152,500	3,733,924	363,155	2,015,518
TC Flood & Water	17,904	159,340	0	125,489
TC Flood & Water Zone #3	50,000	449,332	0	89,300
Road	390,000	16,023,382	362,542	15,220,221
<b>Total</b>	<b>1,153,975</b>	<b>139,998,599</b>	<b>1,667,893</b>	<b>128,128,247</b>

In every instance where a department requested an expenditure or revenue adjustment, the request was accompanied by a brief narrative describing the impetus for and implications of the adjustment. In lieu of detailing each departmental request in this report, these requests and associated narratives are available for review at the Board office and at the Clerk/Recorder’s office in binder format. The requests that are unanticipated, non-routine are discussed below:

- The Jail relies on a grinder for waste prior to discharges to the public sewer system to avoid costly and inconvenient stoppages. A recent emergency repair has resulted in a \$15,000 budget request.
- The Sheriff's Department has requested an additional expenditure appropriation of \$35,000 in order to purchase fuel. The rising cost of fuel has also magnified the effect of the additional miles being driven on patrol.
- The Public Guardian/Public Administrator has requested a one-time expenditure of \$30,000 for a vehicle with a cage to safely transport conservatees to and from locations such as Riverside, Modesto, Eureka and Santa Cruz where appropriate full time secure care is available. An increase in departmental activity has resulted in sufficient funds to cover this cost. In addition, the PG/PA is seeking an increase of \$28,244 to fund this higher level of service, including \$13,000 for Auditor office support.
- The Building and Safety Department has requested an allocation increase of \$79,524, which includes a new vehicle and a .5 Account Technician. An increase in activity and associated Permit Fees will offset most of these expenses.
- The Auditor has requested an increase of \$64,000 for an upgrade of the countywide financial accounting and payroll software. The County is currently using a basic version of the accounting software. By upgrading the software, the Auditor's office will be able to accommodate more users and implement new programs that the current system does not currently support.
- The Assessor's Office is requesting \$17,407 for a Chief Cadastral Drafting position. The current employee serving as the Chief Cadastral is retiring in December 2014, and has 35 years of experience. Adding another position will allow a smoother transition in the Assessor's office. This position will also allow the Assessor's office to take the lead in projects requiring mapping legal lot determinations.

- Community Action Agency (CAA) is requesting an increase in appropriations of \$48,967 in their budget unit for vehicle maintenance, a new vehicle to replace a vehicle that was involved in a severe car accident, and the cost of two (2) Americorp contracted employees. Social Services Interfund revenue and deferred revenue will cover these expenditures for FY 2013-14. Since 2011, CAA has grown from a Final Budget amount of \$577,579 to \$912,416 which is a 58% increase over the past three (3) years
- Administration is requesting \$15,000 for a consultant to establish a Tehama County Continuum of Care Council. Administration has been working with members of the commission on Aging, Social Services, Community Action Agency, Planning, and Community Groups to replace our long time affiliation with Dos Rios located in Glenn County. Ongoing funding for the COC is being solicited.
- The Marijuana Ad Hoc Committee has recommended that the County hire one new Deputy Sheriff Officer and one full time Code Enforcement Officer in addition to the two part-time Code Enforcement officers. The annual cost of a DSO is \$68,457, and will require \$36,000 for a Sheriff patrol vehicle. The annual cost for a Code Enforcement Officer is approximately \$61,840, which will be shared by Building (50%), Planning (25%), and Environmental Health (25%). It is hoped that the need for the two part-time officers may be reduced over the next one to two years.
- The Road Department is requesting \$35,000 for a tilt bed trailer. This new tilt bed trailer will replace the existing shorter tilt bed involved in the September 2013 accident at Public Works. The Solid Waste Collection Fee, which is collected in the General Fund, will offset the \$35,000 request.
- TRAX is requesting to increase their vehicle budget by \$90,000 for an additional bus purchase. Busses before the 2002 model(s) need to be replaced due to the high equipment repair costs.

- The Air Pollution Control District and Agriculture Commission will need to be relocated to temporary facilities until the new Ag Center is built. The Air Pollution Control District proposes to increase their budget expenditures by \$9,000 to cover these costs for the remainder of this fiscal year. The Ag Commissioner would like to recognize \$50,000 in additional unclaimed gas tax to be transferred to ACO to offset building construction costs and another \$50,000 for the temporary relocation.

### **OTHER ITEMS OF NOTE**

Due to the increased sales tax at the State level, the revenue in the Public Safety Augmentation Fund (PSAF) would exceed estimates by approximately one million dollars. It is not unusual for this funding to exceed estimates and the additional funds contribute to fund balance carryover. This year's increase is higher than normal and \$510,000 was used to pay off the 1998 COP.

There is an immediate need to improve the computer servers, switches and shared storages (SANS) located in the courthouse annex. The system serves multiple departments, including Administration, and has become less reliable. The recommended fix and cost is still under investigation. Sufficient funds are available in the Fixed Asset Assigned funds, but future Board action will be required to transfer the appropriation once the project scope is determined.

The Assessor has informed Administration that the software that his department uses to maintain the property tax roll may need to be replaced within the next 3 to 5 years. The outlay of funds for acquiring a new software system to perform the same function may be 1.7 to 2 million dollars. The need to purchase this software and a method of designating funds for the purchase of this and other software systems will be further addressed during the FY 2014-15 preliminary budget, as mentioned in the earlier discussion of issuing COP bonds for capital projects.

The Health Services Agency has applied for emergency relief funding from the State for additional county dollars to pay claims. Without adequate funding,

physicians and other medical providers would go unreimbursed for the services they provide to Tehama County children in the California Children's Service program for the last two quarters of this fiscal year.

The County provides animal shelter services to the City of Red Bluff through an outdated agreement. Both agencies have formed ad-hoc committees to meet and discuss a restructured agreement. The County has had an agreement for the City to operate the shared Community Center since 1995. The Board may want to create or re-establish a Community Center ad-hoc committee to update this agreement as well.

Risk Management's Workers Compensation Premium has increased 22% from FY 2012-13 to FY 2013-14. CSAC-EIA early estimates indicate that our premium will increase by another 25-30% for FY 2014-15. This is the highest the premium has been since FY 2006-07. Counties are not the only government agencies that are feeling the increase; the State's largest carrier, the government-run State Compensation Insurance Fund plans to raise its rates roughly 6.5% beginning in March 2014.

## **RECOMMENDATIONS**

The Administrative Office supports and recommends the adjustments proposed within **Auditor Form A-118 #B-43** and Attachment One (attached thereto) and requests the Board's approval that the Auditor-Controller be authorized to make the adjustments as presented.

Attachments:

- A. Summary of Mid-Year Budget Submittals
- B. Table of Actual Expenditures and Revenues for the General Fund