



**Contra
Costa
County**

To: Board of Supervisors
From: David Twa, County Administrator
Date: January 15, 2013

Subject: FY 2013/14 Recommended Budget Development

RECOMMENDATION(S):

1. DECLARE THE Board's intent to adopt a FY 2013/14 General Fund budget that balances annual expenses and revenues;
2. ACKNOWLEDGE that the State of California and residents throughout the State continue to struggle to manage the negative outcomes of the current economy;
3. ACKNOWLEDGE that significant economic issues continue to challenge the Board of Supervisors in its effort to finance services and programs which Contra Costa County residents need, or expect will be provided to them by the County, especially in a time of economic downturn;
4. ACKNOWLEDGE that, in addition to the effects on the provision of services for residents, these State and local economic issues have challenged the maintenance of the Board of Supervisors' reserve policy;
5. ACKNOWLEDGE that restoration of the County's reserve funds and an improved credit rating remain a priority of the Board of Supervisors over the long term;
6. ACKNOWLEDGE that the State's significant deficit projections and structural budget imbalance are expected to mean additional and sizable reductions in State revenues to county government;
7. RE-AFFIRM the Board of Supervisors' policy prohibiting the use of County General

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY
ADMINISTRATOR

☐ RECOMMENDATION OF BOARD
COMMITTEE

Action of Board On: **01/15/2013** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF SUPERVISORS

AYE: Candace Andersen, District II
Supervisor
Mary N. Piepho, District III Supervisor
Karen Mitchoff, District IV Supervisor
Federal D. Glover, District V
Supervisor

ABSENT: John Gioia, District I Supervisor

Contact: Lisa Driscoll, County Finance
Director (925) 335-1023

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: January 15, 2013

David Twa, County Administrator and Clerk of the Board of
Supervisors

By: Carrie Del Bonta, Deputy

cc:

Purpose Revenue to back-fill State revenue cuts;

8.

RECOMMENDATION(S): (CONT'D)

DIRECT Department Heads to work closely with the County Administrator to develop a Recommended Budget for consideration of the Board of Supervisors that balances expenses with revenues, minimizes net County cost and maintains core service levels;

- ACKNOWLEDGE that the employees of Contra Costa County have already been negatively affected as a result of the requirement to balance the County's expenses with available revenues;
- ACKNOWLEDGE that this situation is expected to continue for County employees, as we work to manage and cope with the outcomes of this lengthy economic downturn;
- DIRECT the County Administrator to continue to meet with the County's union representatives and employees to explain the size, scope and anticipated length of the County's fiscal challenges and to gain their input/suggestions;
- DIRECT the County Administrator to continue to make this information readily available to the residents of the County;
- DIRECT Departments, in cooperation with Labor Relations and Union representatives, to begin, if necessary, the meet and confer process with employee representatives about the impact of potential program reductions on the terms and conditions of employment for affected employees;
- DIRECT the County Administrator to return to the Board of Supervisors on April 23, 2013 with a FY 2013/2014 Recommended Budget that meets the above requirements;
- DESIGNATE Tuesday, April 23, 2013 for FY 2013/2014 budget hearings (including Bielsonson Hearings, if needed) and Tuesday, May 14, 2013 for the adoption of the FY 2013/14 County and Special District Budgets; and
- DIRECT the Clerk of the Board to publish notice of the budget hearings and the availability of the Recommended Budget documents.

FISCAL IMPACT:

None at this time. However, the result of the recommendations herein, if implemented, are designed to maintain the County's fiscal stability in FY2013/2014 and improve it in subsequent years.

BACKGROUND:

The actions recommended in this documentation direct the County Administrator to return to the Board on April 23, 2013 with a Recommended Budget that balances expenses with revenues for FY 2013/14. This action aligns with both the Budget and Reserve Policy of the Board of Supervisors. Expiration of labor contracts with many County employees and the continuation of labor negotiations, as well as State actions to manage the reoccurring budget deficit will be taking place in the same time-frame as development of the Recommended Budget. The outcomes of all these events have the potential for significant impacts on the County's financial situation.

Recommended Budget Development

There are many challenges that the County will continue to face to create a balanced budget

in the coming fiscal year, including the State's recurring budget deficits. Although the County Administrator continues to believe that there will be slight growth in local property tax, other general purpose and program revenues used to fund the baseline cost of services into FY 2013/14 continue to be flat. Significant wage concessions were negotiated for the majority of County employees through the 2012/13 fiscal year. However, negotiations are currently underway with the Professional and Technical Engineers, IFPTE, Local 21 and Physicians and Dentists' Organization of Contra Costa Unions. Additionally, several large unions have Memorandum of Understanding that expire on July 1, 2013: Contra Costa County Deputy Sheriffs' Association, District Attorney Investigators' Association, and the Coalition Bargaining Groups. Although the County has sustained most of the structural reductions that balanced the last seven County budgets, significant one-time solutions were used to balance the previous fiscal years. It is imperative that the County achieve contract settlements in alignment with projected revenue growth; otherwise, compensation costs will continue to create a potential gap for FY 2013/14, which must be filled to achieve a balanced budget.

There are always factors over which the County has little or no control (such as federal and State budgets shortfalls, economic changes, and demographics) that will affect the size of the baseline budget and ultimately the County's budget challenge. While 'part one of the Fiscal Cliff' has been avoided, the Federal government still must resolve significant budget issues over the next several weeks. As per the norm, Department Heads will be expected to work closely with the County Administrator to design a balanced budget that restricts the growth in net County cost while minimizing service delivery cuts. Wherever possible, categorical/program revenues will be increased to offset the increased cost of doing business. Restrictions on increases in net County cost needed to balance the budget may result in the loss of federal and State program revenues, and this added loss may cause program reductions.

Meet and Confer

Departmental budget requests are due to the County Administrator's Office on February 15. At that time Department Heads will know which, if any, positions may be affected by reductions necessary to balance the budget. Departments, in cooperation with Labor Relations, will if necessary, begin the meet and confer process with employee representatives regarding the impact of potential program reductions on the terms and conditions of employment for affected employees. Early planning will allow Departments a reasonable period of time to meet and confer, and permit them to implement all budgetary required actions prior to July 1, 2013. As with the last seven fiscal years, this progress will allow the County to adopt a budget that is balanced from the first day of the new fiscal year.

Public Notice

The County Budget Act requires that the Board of Supervisors publish a notice in a newspaper of general circulation throughout the county, stating when budget documents

will be available and the date of Budget Hearings. The FY 2013/14 Budget document will be available to the public on April 9, 2013.

Conclusion

The County Administrator will return to the Board on April 23 with a FY 2013/14 Recommended Budget that meets the requirements listed above. Tuesday, April 23 will be reserved for FY 2013/14 budget hearings including Bielensohn hearings if needed. Additionally, it is recommended that the County Administrator return to the Board of Supervisors on Tuesday, May 14 for adoption of the FY 2013/14 County and Special District Budgets, including any changes the Board makes on April 23.

CONSEQUENCE OF NEGATIVE ACTION:

Delayed processing of the FY 2013/14 budget and potential impact on the fiscal stability of the County and Special Districts.

CHILDREN'S IMPACT STATEMENT:

None.