



**Contra  
Costa  
County**

To: Board of Supervisors  
From: David Twa, County Administrator  
Date: March 10, 2015

Subject: 2014/15 FY MID-YEAR BUDGET STATUS REPORT

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**RECOMMENDATION(S):**

ACCEPT report regarding the mid-year status of the 2014/15 County Budget.

**FISCAL IMPACT:**

This report is informational and will be used for planning purposes and budget development. Additional recommendations will be presented to the Board during Budget Hearings on April 21, 2015.

**BACKGROUND:**

The Administrator's Office annually reports the status of the Budget as of December 31 to determine whether departmental expenses and revenues to date are consistent with the spending plan adopted, and amended from time to time, by the Board of Supervisors. Mid-year reviews provide an opportunity to identify variances from anticipated expenditures and revenue receipts, and permit budget staff to confer with departments regarding the potential need for budgetary adjustments. The following report is a status of the current year.

The mid-year budget status report is important in that it is based on a sufficient amount of

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☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY  
ADMINISTRATOR

☐ RECOMMENDATION OF BOARD  
COMMITTEE

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Action of Board On: **03/10/2015** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

**VOTE OF SUPERVISORS**

AYE: John Gioia, District I Supervisor  
Candace Andersen, District II Supervisor  
Mary N. Piepho, District III Supervisor  
Karen Mitchoff, District IV Supervisor

ABSENT: Federal D. Glover, District V  
Supervisor

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: March 10, 2015

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

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

By: June McHuen, Deputy

experience during the budget year to permit a reasonably accurate assessment of how closely actual expenses and revenues are likely to track with the approved budget.

## BACKGROUND: (CONT'D)

Our review of departmental budgets at this mid-year juncture suggests that departmental expenditures and revenues are performing in accord with expectations and are not projected to exceed the FY 2014/15 Adjusted Budget in any major area. However, as noted later in this report, there are several variables which are affecting this projection. The Board is not being asked to take any corrective action at this time. Recommendations, if needed, will be made as part of the Budget Hearings on April 21. This assessment could change based on intervening factors – e.g., revenue curtailments or program shifts by the State – that could affect current year costs and revenues and negatively impact our outlook for the ensuing fiscal year.

This report provides an overview of the status of the County's FY 2014/2015 Budget as of December 31, 2014. Included in this report are tables that summarize the County's mid-year fiscal condition (Attachments A, B, and C).

As of December 31, 2014, with 50% of the fiscal year having passed, actual expenditures for all County funds totaled 43.5% of planned spending, while actual revenues totaled 44.0% of amounts anticipated for the year. Our expenditure position is the same but revenues are improved compared to the same period last year (43.6% and 38.1% respectively). Comparison data for the same period in prior years are 42.6% and 38.0% in fiscal year 2012/13, 41.5% and 39.1% in fiscal year 2011/12, 42.9% and 42.8% in fiscal year 2010/11, 45.3% and 44.5% in fiscal year 2009/10, 45.6% and 43.6% in fiscal year 2008/09, 44.5% and 47.9% in fiscal year 2007/08, 43.8% and 45.5% in fiscal year 2006/07, and 42.6% and 44.2% in fiscal year 2005/06.

For the General Fund alone, actual expenditures totaled 43.7% of planned spending, and actual revenues totaled 37.1% of amounts anticipated for the year. As with the all fund comparison, our expenditure position is basically the same and revenue has improved compared to the same period last year (43.0% and 34.4% respectively). Comparison data for the same period in prior years are 45.5% and 31.7% in fiscal year 2012/13, 46.1% and 32.5% in fiscal year 2011/12, 47.0% and 36.3% in fiscal year 2010/11, 47.7% and 36.9% in fiscal year 2009/10, 50.1% and 37.7% in fiscal year 2008/09, 47.5% and 39.0% in fiscal year 2007/08, 47.0% and 39.7% in fiscal year 2006/07, and 46.4% and 38.6% in fiscal year 2005/06. At mid-year, December 31, 2014, the specific dollar amounts were as follows:

ALL FUNDS			
Second Quarter Summary			
	Budget	Actual	Percent
Expenditures	\$ 2,841,414,173	\$ 1,236,176,873	43.5%
Revenues	\$ 2,694,641,354	\$ 1,186,413,559	44.0%

GENERAL FUND			
Second Quarter Summary			
	Budget	Actual	Percent
Expenditures	\$ 1,417,483,765	\$ 618,917,518	43.7%
Revenues	\$ 1,358,527,515	\$ 504,238,809	37.1%

GENERAL FUND			
Second Quarter Expenditure Summary			
	Budget	Actual	Percent
Wages & Benefits	773,026,108	355,153,145	45.9%
Services & Supplies	438,889,648	181,234,538	41.3%
Other Charges	230,752,887	117,769,426	51.0%
Fixed Assets	51,759,773	7,830,204	15.1%
Inter-departmental Charges	(81,000,304)	(43,069,795)	53.2%
Contingencies	4,055,653	0	0.0%
Total Expenses	\$ 1,417,483,765	\$ 618,917,518	43.7%

GENERAL FUND			
Second Quarter Revenue Summary			
	Budget	Actual	Percent
Taxes	\$ 312,017,000	\$ 204,486,725	65.5%
Licenses, Permits, Franchises	11,313,690	3,053,668	27.0%
Fines, Forfeitures, Penalties	26,691,183	1,872,448	7.0%
Use of Money & Property	2,146,252	1,285,565	59.9%
Federal/State Assistance	531,906,514	156,092,907	29.3%
Charges for Current Services	223,519,143	70,541,530	31.6%
Other Revenue	250,933,733	66,905,966	26.7%
Total Revenues	\$ 1,358,527,515	\$ 504,238,809	37.1%

As noted above, County expenditures and revenues at mid-year were within acceptable parameters given the Board approved budget. The difference between budgeted expenditures and revenues are due to prior year encumbrances, restricted reserves, and other carry forwards. The variances in anticipated expenses and revenue receipts are noted at the mid-year.

## Revenues

- Revenue from State and federal sources are typically late in being realized because much of it is based on expenditure claims paid in arrears. Normally departments that rely on State and federal revenue experience a two to three-month lag in revenues.
- Prop 172 combined public safety sales tax revenues were up compared to the same months in 2013. This is due mainly to the one-time countywide adjustment of \$2,443,255 due to a State allocation error. The County's sales tax consultant continues to project positive growth for FY 2015/16 and it is expected that budget will be exceeded in the current year even though the County's pro-rata share of the State pool decreased marginally in FY 2014/15 and will decrease again in FY 2015/16.
- AB109/Public Safety Realignment revenue is budgeted at \$24.0 million and is being allocated by the State on a monthly basis as anticipated.

## Expenditures

- Normally salary costs are understated at mid-year. Some reduction in permanent salary costs is anticipated in the second half of the fiscal year due to additional retirements, which tend to occur in March, however, the majority of these savings will be spent in retiree pay-outs.
- Employee benefit costs are understated at mid-year because the budget includes appropriations for health insurance cost increases that do not become effective until the end of the second quarter, December 31, 2014. Actual expenses for employee health insurance will increase the second half of the year. It should be noted that the second quarter transfer to the County's OPEB trust did not occur until January in fiscal year 2013/14 therefore this year's figures appear slightly higher in comparison to last year.
- Service and supplies costs are generally understated throughout most of the fiscal year because of the time required to process payments to vendors and contractors. This payment cycle averages one month in arrears. Additionally, departments tend to wait later in the year to make purchases to ensure that resources are not needed elsewhere.

## **General Purpose Revenue**

General Purpose budgeted revenues total \$351.9 million spread over 29 accounts. These revenues consist primarily of \$291.2 million in taxes for current property. Of the taxes for current property, \$173.3 million is current secured, \$3.5 million is supplemental, \$8.5 million is unitary, \$98.7 million is Property Tax in Lieu of Vehicle License Fees (from non-realignment vehicle license fees) and \$7.2 million is current unsecured. The current year budget included a 5.0% property tax growth rate. The actual growth rate was 9.09%. Other significant budgeted revenue is real property transfer tax (\$5.0 million), sales tax (\$13.9 million), and interest income (\$750 thousand). Based on six months of experience, General Purpose Revenues are expected to exceed budgeted amounts, due to the 9.09% growth in assessed valuation.

In summary, the over-all County General Fund budget is balanced. The following is more detailed information on individual departments that were projecting over-expenditures at mid-year. If appropriate, these departments were given correction action memos to correct the expenses in the second half of the year.

### **Clerk-Recorder**

Due to a requirement to conduct one, and potentially two, unscheduled elections this fiscal year, the Clerk-Recorder Department is expected to exceed its budget allocation by an estimated \$2.1 million. A special election was called by the Governor to occur on May 19, 2015 for California State Senate District 7. The vacancy is due to former State Senator Mark DeSaulnier being sworn into Congress, leaving the Senate position vacant midway through the term. Since more than two candidates filed to run for the Senate vacancy, a Primary Election will be held on Tuesday, March 17. If none of the candidates receive a majority of votes in the March election, then the top two candidates

will compete during a run-off on May 19. These elections were neither budgeted nor does the State provide reimbursement for the additional County costs. A fiscal year-end transfer from other County departments will likely be necessary to fund the special election(s).

### **District Attorney**

At mid-year the District Attorney's Office is projecting a straight-line department-wide over expenditure of approximately \$300,000. The department's expenditures are currently projected to exceed the budget for temporary salaries by \$880,000 and for contracted temporary help by \$317,000; however, the impact on net County cost is offset by a significant number of vacancies within the department. The County Administrator has recommended reductions in spending in a variety of accounts and expects the department to achieve a balanced budget by year-end.

### **Public Defender**

At mid-year the Public Defender's Office is projecting a \$129,000 department-wide over expenditure. The department's expenditures are currently projected to exceed the budget for temporary salaries by \$218,000; however, the impact on net County cost is offset by a number of vacancies within the department. The County Administrator has recommended reductions in spending in a variety of accounts and expects the department to achieve a balanced budget by year-end.

### **Treasurer-Tax Collector**

Although the Treasurer-Tax Collector is showing expenditures of 51.9% at mid-year, mainly due to increased Bankruptcy attorney services for unsecured tax objections filed, it is balanced by increased revenues from Levy collection fees. The department is expected to maintain a balanced budget.

### **Conclusion**

As noted, the overall County budget including the General Fund budget is balanced. While a hiring freeze remains in effect for a department or two, only one lay-off is expected at this time. County department heads have been provided 2015/16 budget direction that includes compensation increases due to negotiated wage increases. A portion of the increase will be covered by increased revenues. The County Administrator will return to the Board of Supervisors on April 21 with the Recommended Budget for FY 2015/16 and the Planning Budget for FY 2016/17. It is anticipated that the Board will adopt a Final Budget on May 12.

### **CONSEQUENCE OF NEGATIVE ACTION:**

Not applicable.

### **ATTACHMENTS**

Attachment A

Attachment B

