



**Contra
Costa
County**

To: Board of Supervisors
From: David Twa, County Administrator
Date: March 1, 2016

Subject: 2015/16 FY MID-YEAR BUDGET STATUS REPORT

RECOMMENDATION(S):

ACCEPT report regarding the mid-year status of the FY 2015/16 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 19, 2016.

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

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY
ADMINISTRATOR

☐ RECOMMENDATION OF BOARD
COMMITTEE

Action of Board On: **03/01/2016** ☒ 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
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 1, 2016

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

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

By: June McHuen, Deputy

cc: Robert Campbell, County Auditor-Controller

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 2015/16 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 19. 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 2015/2016 Budget as of December 31, 2015. Included in this report are tables that summarize the County's mid-year fiscal condition (Attachments A, B, and C).

As of December 31, 2015, with 50% of the fiscal year having passed, actual expenditures for all County funds totaled 40.8% of planned spending, while actual revenues totaled 44.1% of amounts anticipated for the year. Both our expenditure and revenue positions are improved compared to the same period last year (43.5% and 44.0% respectively). Comparison data for the same period in prior years are 43.6% and 38.1% in fiscal year 2013/14, 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 41.6% of planned spending, and actual revenues totaled 38.2% of amounts anticipated for the year. As with the all fund comparison, our expenditure and revenue positions have improved compared to the same period last year (43.7% and 37.1% respectively). Comparison data for the same period in prior years are 43.0% and 34.4% in FY 2013/14, 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, 2015, the specific dollar amounts were as follows:

ALL FUNDS			
Second Quarter Summary			
	Budget	Actual	Percent
Expenditures	\$ 3,209,282,914	\$ 1,308,195,498	40.8%
Revenues	\$ 3,030,170,772	\$ 1,335,551,247	44.1%

GENERAL FUND			
Second Quarter Summary			
	Budget	Actual	Percent
Expenditures	\$ 1,504,945,900	\$ 626,669,612	41.6%
Revenues	\$ 1,425,274,836	\$ 544,076,360	38.2%

GENERAL FUND			
Second Quarter Expenditure Summary			
	Budget	Actual	Percent
Wages & Benefits	788,422,357	363,056,616	46.0%
Services & Supplies	496,693,586	191,145,024	38.5%
Other Charges	235,987,430	109,395,751	46.4%
Fixed Assets	65,417,199	5,578,495	8.5%
Inter-departmental Charges	(88,402,902)	(42,506,274)	48.1%
Contingencies	6,828,230	0	0.0%
Total Expenses	\$ 1,504,945,900	\$ 626,669,612	41.6%

GENERAL FUND			
Second Quarter Revenue Summary			
	Budget	Actual	Percent
Taxes	\$ 341,240,000	\$ 217,200,887	63.7%
Licenses, Permits, Franchises	11,476,050	3,211,651	28.0%
Fines, Forfeitures, Penalties	26,422,960	2,062,975	7.8%
Use of Money & Property	11,300,770	1,158,972	10.3%
Federal/State Assistance	551,535,886	155,988,059	28.3%
Charges for Current Services	217,491,580	88,916,696	40.9%
Other Revenue	265,807,590	75,537,120	28.4%
Total Revenues	\$ 1,425,274,836	\$ 544,076,360	38.2%

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 2014. The County's sales tax consultant continues to project positive growth for FY 2015/16 and it is expected that the budgeted amount will be exceeded in the current year even though the County's pro-rata share of the State pool decreased marginally in FY 2015/16. However, the County's pro-rata share of the State pool is expected to increase by 1.322% in FY 2016/17.
- AB109/Public Safety Realignment revenue is budgeted at \$21.5 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 retirements,

which tend to occur in March, however, the majority of these savings will be spent in retiree pay-outs.

- Employee benefit costs are normally 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. Actual expenses for employee health insurance will increase the second half of the year. These increases will be more significant this year due to negotiated changes to healthcare subsidies, which began January 1, 2016 for the majority of represented employees.
- 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 \$385.9 million spread over 28 accounts. These revenues consist primarily of \$320.6 million in taxes for current property. Of the taxes for current property, \$191.5 million is current secured, \$4.5 million is supplemental, \$8.8 million is unitary, \$108.8 million is Property Tax in Lieu of Vehicle License Fees (from non-realignment vehicle license fees) and \$7.0 million is current unsecured. The current year budget included a 6.0% property tax growth rate. The actual growth rate was 7.53%. Other significant budgeted revenue is real property transfer tax (\$7.0 million), sales tax (\$14.1 million), and earnings on investments (\$1.1 million). Based on six months of experience, General Purpose Revenues are expected to exceed budgeted amounts by approximately \$10 million, \$5.7 million due to the growth in assessed valuation.

In summary, the over-all County General Fund budget is balanced and all individual departments, with the exception of the Public Defender, balance. At mid-year the Public Defender's Office is projecting a \$125,000 department-wide over expenditure. The department's expenditures are currently projected to exceed the budget for salaries by \$145,000; however, the impact on net County cost is offset by reduced expert witness costs. The County Administrator has recommended reductions in spending in a variety of accounts and expects the department to achieve very close to a balanced budget by year-end.

Conclusion

As noted, the overall County budget including the General Fund budget is balanced. Due to the large number of bargaining groups that will have open contracts July 1, 2016, a hiring freeze was recommended for all departments. County department heads have been provided 2016/17 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 19 with the Recommended Budget for FY 2016/17 and the Planning Budget for FY 2017/18. It is anticipated that the Board will adopt a Final Budget on May 10.

CONSEQUENCE OF NEGATIVE ACTION:

Not applicable.

ATTACHMENTS

Attachments A-C