



**Contra
Costa
County**

To: Board of Supervisors
From: David Twa, County Administrator
Date: March 14, 2017

Subject: 2016/17 FY MID-YEAR BUDGET STATUS REPORT

RECOMMENDATION(S):

ACCEPT report regarding the mid-year status of the FY 2016/17 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 18, 2017.

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: **03/14/2017** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF SUPERVISORS

AYE: John Gioia, District I Supervisor
Candace Andersen, District II
Supervisor
Diane Burgis, 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 14, 2017

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 2016/17 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 18. 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 2016/2017 Budget as of December 31, 2016. Included in this report are tables that summarize the County's mid-year fiscal condition (Attachments A, B, and C).

As of December 31, 2016, with 50% of the fiscal year having passed, actual expenditures for all County funds totaled 42.89% of planned spending, while actual revenues totaled 43.49% of amounts anticipated for the year. Both our expenditure and revenue positions are within acceptable levels although slightly less positive compared to the same period last year (40.8% and 44.1% respectively). Comparison data for the same period in prior years are 43.5% and 44.0% in fiscal year 2014/15, 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 42.47% of planned spending, and actual revenues totaled 38.62% of amounts anticipated for the year. As with the all fund comparison, our expenditure and revenue positions are within acceptable levels compared to the same period last year (41.6% and 38.2% respectively). Comparison data for the same period in prior years are 43.7% and 37.1% in FY 2014/15, 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
Total Expenditures	\$3,392,248,278	\$1,454,970,376	42.89%
Gross Revenue	\$3,234,153,761	\$1,406,467,968	43.49%

GENERAL FUND			
Second Quarter Summary			
	Budget	Actual	Percent
Total Expenditures	\$1,557,245,599	\$661,433,864	42.47%
Gross Revenue	\$1,463,298,882	\$565,197,072	38.62%
E1000 - Salaries And Benefits	\$816,162,179	\$373,703,086	45.79%
E2000 - Services And Supplies	\$521,983,114	\$210,190,080	40.27%
E3000 - Other Charges	\$230,924,427	\$107,855,910	46.71%
E4000 - Fixed Assets	\$79,514,132	\$11,218,888	14.11%
E5000 - Expenditure Transfers	(\$100,703,588)	(\$41,534,101)	41.24%
E6000 - Provisions For Contingencies	\$9,365,335	\$0	0.00%
Total Expenses	\$1,557,245,599	\$661,433,864	42.47%
R9000 - Taxes Current Property	\$343,791,000	\$219,462,335	63.84%
R9100 - Taxes Other Than Cur Prop	\$20,683,000	\$11,621,879	56.19%
R9200 - License/Permit/Franchises	\$10,828,498	\$2,298,758	21.23%
R9300 - Fines/Forfeits/Penalties	\$26,212,754	\$2,230,847	8.51%
R9400 - Use Of Money & Property	\$3,259,444	\$2,023,892	62.09%
R9500 - Intergovernmental Revenue	\$544,849,272	\$173,534,913	31.85%
R9600 - Charges For Services	\$229,560,096	\$96,056,192	41.84%
R9800 - Miscellaneous Revenue	\$284,114,818	\$57,968,256	20.40%
Total Revenues	\$1,463,298,882	\$565,197,072	38.62%

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 down compared to the same months in 2015. The County's sales tax consultant projected little growth for FY 2016/17 and it is expected that the budgeted amount will not be realized in the current year.
- 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 significant this year due to negotiated changes to healthcare subsidies.

- 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 \$409.2 million spread over 28 accounts. These revenues consist primarily of \$341.3 million in taxes for current property. Of the taxes for current property, \$204.6 million is current secured, \$5.0 million is supplemental, \$8.3 million is unitary, \$116.6 million is Property Tax in Lieu of Vehicle License Fees (from non-realignment vehicle license fees) and \$6.8 million is current unsecured. The current year budget included a 5% property tax growth rate. The actual growth rate was 6.01%. Other significant budgeted revenue is real property transfer tax (\$7.0 million), sales tax (\$14.0 million), and earnings on investments (\$2.0 million). Based on six months of experience, General Purpose Revenues are expected to exceed budgeted amounts by approximately \$19 million, almost half of that is due to one-time RDA subordinated pass through payments from prior years.

The over-all County budget is balanced and individual departments, with the exception of the District Attorney and Public Defender, balance as summarized below:

District Attorney

At mid-year the District Attorney's Office is projecting an over expenditure of approximately \$585,260. The department's expenditures are currently projected to exceed the budget for temporary salaries by \$1.66 million and for outside professional services by \$542,845; however, the impact on net County cost is partially mitigated by cost savings from vacancies within the department. In addition, Proposition 172 sales tax revenue is estimated be under budget \$475,573. The County Administrator's Office has been providing quarterly updates to the District Attorney's Office on the status of Proposition 172 sales tax revenue during the year and will continue to work with the District Attorney's Office in an attempt to achieve a balanced budget by year-end.

Public Defender

At mid-year the Public Defender's Office is projecting an under expenditure of \$2,865. The department's expenditures are currently projected to exceed the budget for temporary salaries by \$92,000 and for witness fees and expenses by \$53,000; however, the impact on net County cost is slightly mitigated by cost savings from minimal vacancies within the department during the year. The Public Defender's budget is highlighted in this report due to the sensitivity of the two cost drivers discussed above and the potential for each to result in an over expenditure for the department at year-end. The County Administrator will continue to work with the Public Defender's Office in an attempt to achieve a balanced budget by year-end.

Conflict Defense

At mid-year the Conflict Defense program is projecting an over expenditure of \$1,300,000. The Contra Costa County Bar Association provides indigent defense services the accused in cases where the Public Defender has declared a conflict of interest or refuses to represent a client due to caseloads. Over the course of FY 2016-17, the Public Defender has continued the practice of refusing representation due to caseloads for misdemeanors, but has increased this practice for felony filings, which generally take substantially longer to adjudicate and at a higher cost than misdemeanors. The County has a statutory obligation to provide for indigent defense services, including for defendants represented by the Bar Association.

Conclusion

As noted, the overall County budget including the General Fund budget is balanced. The County Administrator will return to the Board of Supervisors on April 18 with the Recommended Budget for FY 2017/18 and the Planning Budget for FY 2018/19. It is anticipated that the Board will adopt a Final Budget on May 9.

CONSEQUENCE OF NEGATIVE ACTION:

Not applicable.

ATTACHMENTS

Attachments A-C