

# **Overview FY 2014-15 Budget Addenda**

September 15, 2014

# Budget adoption process

Board adopts the Recommended Budget in June after budget workshops

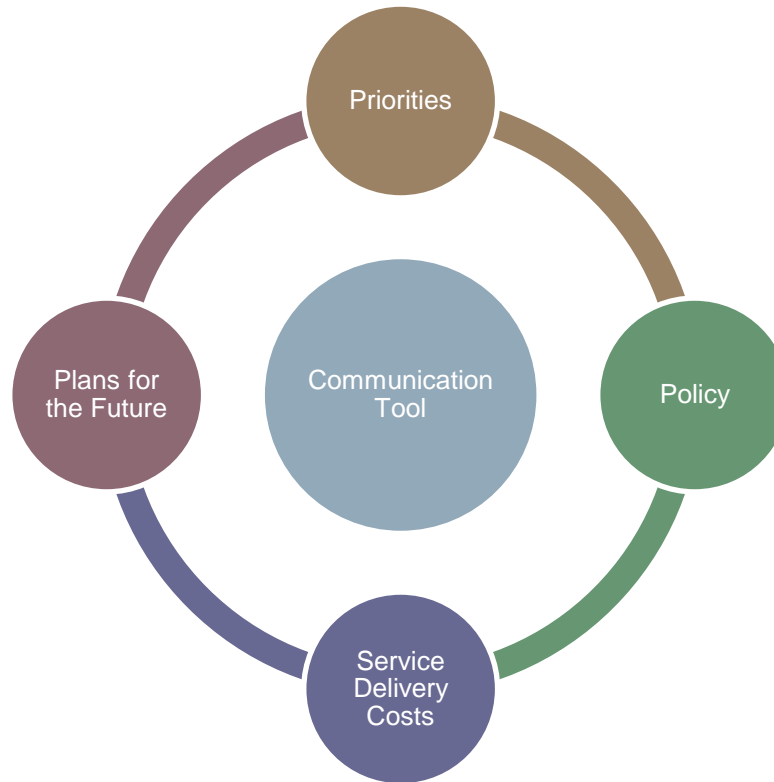


Books close in late August. Departments submit budget changes based on revised fund balance and encumbrance carryover balances



Budget hearings held in September. Board approves changes to the Recommended Budget and adopts Budget Resolution by the end of the month.

# How the budget is used



# Primary Policy Tool

- Budget discussions are continuous
- As we work on Strategic Planning we want to make program and policy decisions first and then match the budget to those decisions
- The Budget is based on the Investment Strategy the Board has adopted
- The Budget is based on the policies of:
  - **Spend Conservatively**
  - **Invest Wisely**
  - **Be Flexible**

# Our Budget Challenge

- Significant cash investments in Facilities, Investment Technology and Employees
- Year end fund balance fell short of the projection by approximately \$3.5M
- Salary and benefit increases went into effect after the Recommended Budget was approved for a total increase of \$1.2M
- New facilities investments related to deferred maintenance of approximately \$800K

# CAO Recommendations to Balance the Budget

- No increase to the General Reserve
- \$663K decrease to Contingency
- No new positions or new purchases
- Forced 3% Salary Savings across all General Fund departments

# Salary Savings

- 3 Year historical average is 8%
- Typically we see departments return large “savings” at the end of the year which increases our available fund balance
- CAO is recommending a 3% forced salary savings in FY 2014-15 to help balance the budget
  - Equals \$3.7M in General Fund savings

# Caution

- Taking salary savings in the beginning of the year means that departments will return less “savings” at the end of the year
- Structural deficit currently projected becomes more real as there may not be additional fund balance to close the gap
- Strategic planning becomes vital to ensure that performance measures are met to reduce future year on-going costs and increase revenues





**Let's review the numbers**

# General Fund Fund Balance Calculation

Summary of Fund Balance Estimates	Projected Change to Fund Balance	Actual Change to Fund Balance	Variance
Department Savings	\$8,256,010	\$9,997,709	\$1,741,699
Department 15 Savings	21,129,136	21,520,160	391,024
Department 15 Revenue	4,140,510	732,373	(3,408,137)
Audit Adjustments	0	(4,855)	(4,855)
Use of Designations	2,239,438	0	(2,239,438)
<b>Total Fund Balance</b>	<b>\$35,765,094</b>	<b>\$32,245,387</b>	<b>(\$3,519,707)</b>

# Department Savings

- Salary savings due to staff vacancies
  - Total salary savings of approximately \$12M or 9%
- Savings in services and supplies
  - \$615K of savings in services and supplies are due to carry-over appropriations for items not received in FY 2013-14. These appropriations are “re-budgeted” in FY 2014-15
- Some of these “savings” are offset by reduced revenues

# Department 15

- \$391K savings adding to fund balance
- Revenue shortfalls totaling \$3.4M
  - Taxes \$2M (Property & Sales Tax)
  - A87 Charges \$1.7M
    - One-time hit due to Audit finding related to Information Technology charges in FY 2011-12

# Use of Designation for Capital Projects

- Recommended budget included \$2.2M in use of fund balance designated for Capital Projects
- The revised Facilities Workplan required no additional use of fund balance due to carry-over funding remaining at the end of FY 2013-14 and a revised project schedule

# Other General Fund Addenda changes

	Revenue	Appropriations	Net County Cost
General Government	(\$758,413)	\$429,087	\$1,187,500
Law & Justice	1,220,276	2,530,260	1,309,984
Land Use & Development Services	488,735	533,940	45,205
Health & Human Services	2,426,411	3,352,150	925,739
Non-departmental	(2,920,957)	(2,621,691)	299,266
<b>Total</b>	<b>\$456,052</b>	<b>\$4,223,746</b>	<b>\$3,767,694</b>

# Addenda changes to Dept 15

- Revenue decrease of \$2.9M
  - Decreased fund balance of \$1.3M
  - Decreased fund balance related to Designation for Capital Projects of \$2.2M
  - Decreased sales tax \$685K
  - Decreased realignment \$239K (pass-thru)
  - Increased property taxes \$945K
  - Increased mandate reimbursement \$419K

# Addenda changes to Dept 15

- Appropriation decrease of \$2.6M
  - Decrease contingency \$663K
  - Decrease additional funding of General Reserve \$739K
  - Decrease General Fund contribution to Accumulative Capital Outlay Fund \$1.7M
  - Increase GF contribution to Housing, Community and Economic Development (HCED) \$173K
  - Add RCD funding \$148K



# Non General Fund Significant Changes – Increase of \$50M

- Road Fund \$21.5M – primarily related to increased Capital Improvement Program (CIP)
- Countywide Special Revenue funds \$16.5M – primarily fund balance adjustments due to DOT CIP
- Public Health \$4.3M – primarily fund balance adjustment
- Mental Health \$2.7M – primarily fund balance adjustment
- Economic Development \$2.9M due to addition of Housing Community Economic Development (HCED) function from Human Services

# Reserve

	Recommended	Addenda	Change
General Reserve	\$10,741,788	\$10,002,422	(\$739,366)
Designated Reserve for Capital Projects	4,876,355	7,480,174	2,603,819
<b>Total</b>	<b>\$15,618,143</b>	<b>\$17,482,596</b>	<b>\$1,864,453</b>

General Reserve Equals 4.6% of adjusted GF appropriations

# Contingency

- Standard Contingency recommendation is 3% of adjusted General Fund appropriations
- Recommended budget included \$6,450,000
  - \$877,500 was allocated during the budget workshop reducing this to \$5,572,500
- Addenda includes \$4,909,368
  - \$663,132 reduction to balance budget
    - Offset's one-time costs of retroactive salary adjustments and a portion of one-time revenue decreases

# 5 year projection

- 5 year projection shows a structural deficit each year
- Fund balance includes \$2M in department savings each year as well as savings related to the investment strategy

# 5 Year Addenda changes

- All discretionary revenues were adjusted to reflect FY 2013-14 actuals
- Property taxes were increased from 2% growth to 5% growth
- Departmental revenues and appropriations have been adjusted based on addenda changes

# 5 Year Projection as of September 11, 2014

<b>Recommended</b>	<b>FY 2014-2015</b>	<b>FY 2015-2016</b>	<b>FY 2016-2017</b>	<b>FY 2017-2018</b>	<b>FY 2018-2019</b>
Revenues	254,356,517	234,386,645	243,048,621	251,194,908	256,530,897
Appropriations	254,356,517	246,878,125	255,909,670	265,204,995	274,830,740
Total	0	(12,491,480)	(12,861,049)	(14,010,087)	(18,299,843)
<b>Addenda</b>					
Revenues	254,812,568	240,368,440	253,142,409	264,033,412	272,297,031
Appropriations	254,812,568	257,403,643	265,615,190	275,292,528	285,314,826
Total	0	(17,035,203)	(12,472,781)	(11,259,116)	(13,017,795)
<b>Variance</b>					
Revenues	456,051	5,981,795	10,093,788	12,838,504	15,766,134
Appropriations	456,051	10,525,518	9,705,520	10,087,533	10,484,086
<b>Total</b>	0	4,543,723	-388,268	-2,750,971	-5,282,048

# Remember.....

- Future year shortfalls are primarily structural
  - Related to insufficient revenue to fund ongoing operational expenses
- Use of one-time revenue or one-time savings to fund on-going operational expenses will not help future year deficit, but will only “buy time”
- The County’s biggest on-going expense is salaries and benefits

# Balanced Budget

- For any items that the Board wishes to add to the budget, something must come out of the budget or a new funding source must be identified





# Next steps

- Monday a.m.
  - Presentations on Investment areas
- Monday p.m.
  - Department presentations
- Wednesday
  - Review of parking lot items
  - Additional discussion of future year projections
  - Strategic planning
  - Board recommendations for Adopted Budget



*Questions or Board Comments?  
Thank you!*