

DEPARTMENT: Administration

BY: Rick Benson
PHONE: 966-3222

RECOMMENDED ACTION AND JUSTIFICATION:

Approve the Proposed Budget Development Guidelines for Fiscal Year 2011-12. During these uncertain fiscal times, it is prudent to adopt budget development guidelines. Please see the attached guidelines for additional information.

BACKGROUND AND HISTORY OF BOARD ACTIONS:

The Board adopted Resolution 10-160 approving budget development guidelines for Fiscal Year 2010-11.

ALTERNATIVES AND CONSEQUENCES OF NEGATIVE ACTION:

Do not approve the Proposed Budget Development Guidelines for Fiscal Year 2011-12. County departments will submit proposed budgets, that in all likelihood will require the County Administrative Office to recommend reductions to their proposals.

Financial Impact? () Yes (X) No	Current FY Cost: \$	Annual Recurring Cost: \$
Budgeted In Current FY? () Yes () No () Partially Funded		
Amount in Budget: \$ _____		List Attachments, number pages consecutively _____
Additional Funding Needed: \$ _____		Memorandum _____
Source:		
Internal Transfer _____		
Unanticipated Revenue _____ 4/5's vote		
Transfer Between Funds _____ 4/5's vote		
Contingency _____ 4/5's vote		
() General () Other		

CLERK'S USE ONLY:

Res. No.: 11-156 Ord. No. _____
 Vote - Ayes: 5 Noes: _____
 Absent: _____
 Approved
 Minute Order Attached () No Action Necessary

COUNTY ADMINISTRATIVE OFFICER:

Requested Action Recommended
 No Opinion
 Comments: _____

The foregoing instrument is a correct copy of the original on file in this office.

Date: _____
Attest: MARGIE WILLIAMS, Clerk of the Board
County of Mariposa, State of California

By: _____
Deputy

CAO: RB

MARIPOSA COUNTY


Richard J. Benson
County Administrative Officer



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April 19, 2011

TO: Board of Supervisors

FROM:  Rick Benson, County Administrative Officer

SUBJECT: Proposed Budget Development Guidelines for Fiscal Year 2011-12

The County has begun its annual budget planning process for the coming fiscal year. Our preliminary financial forecast indicates this will be one the most fiscally challenging years ever.

In order to get the process started, this office has requested that all departments submit budgets without an increase in General Fund contribution other than the increase dictated by the adjustment to employee benefits. Departments have also been instructed that no additional positions will be considered unless they are fully funded with non-General Fund revenues. Any position requests not involving the General Fund must be submitted with adequate documentation per County policy.

We have also requested that each department prepare an internal plan to allow for a 5% reduction in their General Fund contribution, if necessary. The Budget Step-Down Plan will assist in identifying relative priorities below the established Net General Fund Cost target. Step-Down Plans identify options for making budget changes if the County's financial condition worsens as well as the specific service impacts related to those options. These Step-Down Plans may also prove to be useful should your Board choose to shift discretionary funds from one program to another. The Budget Step-Down Plans will not be required to be submitted at this time but should be completed by the end of May. These Step-Down Plans will be essential in evaluating service impacts and consequences of decreased funding levels in each department.

Some departments have the capability to generate additional program revenues, or to increase cost applied charges to other departments where appropriate. Therefore, absorbing potential cost increases does not necessarily equate to a like reduction in appropriations, or spending authority.

It should be understood that since other costs are increasing, developing a budget within these parameters will, most likely, necessitate reductions in services. Fuel costs, insurance costs, utilities, and the cost of supplies have all been increasing.

As always, we are facing several uncertainties in developing our budget. We do not know what actions the State will be taking. The State situation is dire and there are a number of issues still unresolved. What we do know is that our costs for retirement benefits will be approximately \$380,000 higher than last year and that the cost of providing medical benefits to employees will increase by approximately \$100,000 as a result of our negotiated contracts. We are optimistic, however, that our Transient Occupancy Tax (TOT) revenues will surpass last year's record level.

At a minimum, we anticipate that by keeping a status quo budget we will have a \$500,000 - \$750,000 budget imbalance. The Department Heads and I are working together to bring a recommendation to your Board as to how to address this imbalance. As directed by your Board when Mid-Year budget adjustments were addressed, the following options are being considered:

- Furloughs
- Departmental Layoffs
- A moratorium on vehicle replacement charges
- Elimination of all extra help
- Hiring Freeze
- Eliminate discretionary expenses

While none of these solutions are desirable, they will be necessary in order to avoid more drastic actions later.

Furloughs

It is estimated that one furlough day will yield approximately \$50,000 in General Fund savings. If the County were to close between Christmas and New Year's we could see a \$200,000 reduction in our General Fund expense. Additional furlough days could also be considered.

Departmental Layoffs

Across-the-board layoffs would be extremely difficult to implement given the small size of many of our departments. While no Department would be considered "off-limits," layoffs would appear to only be practical in the larger, General Fund departments.

Vehicle Replacement Charges

Placing a moratorium on vehicle replacement charges could yield in excess of \$300,000 if fire engines are included. This would ultimately lead to a reduced fleet size as an analysis of County vehicle needs would be part of the overall solution.

Extra-Help

Eliminating Extra-Help would have a dramatic impact on the Library and Parks budgets. In essence, the County would be eliminating most Park activities and programs. Library hours would be dramatically reduced.

Hiring Freeze

Although hiring freezes are a traditional solution to budget difficulties, similarly to layoffs they are difficult to implement in small departments that are common in Mariposa.

Discretionary Expenses

There are very few expenses within the Mariposa County budget that could be deemed discretionary. In the Community and Cultural Events budget there is \$75,000 that can

be deemed entirely discretionary while \$150,000 could be recovered if the County were to not provide personnel costs for the Visitor Centers. Your board also discussed the elimination of the Master Gardeners program and the possible closure of the Economic Development office.

The development of the FY 2011-12 County Budget will be extremely challenging. As often noted, Mariposa County is generally in a better financial condition than most other California counties. However, the County is again faced with many uncertainties and significant unfavorable developments regarding the fiscal outlook. Major factors impacting next year's budget are still unknown, such as actual assessed property valuation, carryover fund balance, the effects of continued reduced economic activity on tourism, and final State Budget impacts. The proposed budget development guidelines will provide this office and departments with a preliminary planning framework to develop a balanced recommended budget for the coming year.

This office is developing the budget with the understanding that any or all of the above actions may be considered. It is also understood that it is the desire of the Board that no reduction in the Tourism Bureau contribution of \$500,000 is to be considered.

Because it may be necessary to implement significant budget reductions, it is desirable to prepare a budget earlier than has been customary in Mariposa. Although budget hearings are already scheduled for mid-September, this office will endeavor to provide your Board with the opportunity to consider the budget in August. It must be noted that by doing so certain estimates will be necessary which may cause additional changes later in the year.

Therefore, it is recommended that your Board affirm FY 2011-12 Budget Development Guidelines to include:

1. No General Fund increase to any department other than to account for negotiated benefit increases.
2. All General Fund departmental budgets are to be submitted without any additional position requests.
3. All departments are to prepare a 5% step down plan as a contingency for internal use.
4. No reduction in the Tourism Bureau contribution of \$500,000 is to be considered.



COUNTY of MARIPOSA

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JIM ALLEN, CHAIR
JANET BIBBY, VICE-CHAIR
LEE STETSON
LYLE TURPIN
KEVIN CANN

DISTRICT V
DISTRICT III
DISTRICT I
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MARIPOSA COUNTY BOARD OF SUPERVISORS

MINUTE ORDER

TO: RICHARD J. BENSON, CAO
FROM: MARGIE WILLIAMS, Clerk of the Board *MW*
SUBJECT: Approve the Proposed Budget Development Guidelines for FY 2011-2012

RES. 11-156

THE BOARD OF SUPERVISORS OF MARIPOSA COUNTY, CALIFORNIA

ADOPTED THIS Order on April 19, 2011

ACTION AND VOTE:

- 5 **Administration**
Approve the Proposed Budget Development Guidelines for FY 2011-2012
BOARD ACTION: Rick Benson, County Administrative Officer, advised of his meeting held with the department heads and discussion concerning the budget; and he thanked them for their participation and willingness to help work on making things better for the County. He advised that the request from the department head meeting was that: 1) they be given as much flexibility as possible to manage their individual budgets – i.e., some departments could manage better with furloughs and others with layoffs; and in the case of Human Services, they would lose revenue with furloughs or layoffs; 2) that other revenue sources be explored – i.e., look at increasing the TOT (transient occupancy tax) and other fees; 3) that everything in the budget be reviewed when looking at reductions; 4) there was discussion about how retirement benefits are being paid and that there is pending legislation relative to the payment of the employee share; and 5) thinking outside of the box – there was a suggestion of folding some visitor center responsibilities into the Library. He reviewed the proposed budget development guidelines, advised that a five-percent reduction in General Fund contribution may be necessary to balance the budget, advised of anticipated increased costs, advised of projections for TOT revenues, and he noted that department heads have advised that there are other unmet needs that need to be considered such as IT (information technology) equipment and deferred maintenance on buildings. He reviewed the following options that he feels need to be considered: furloughs, departmental layoffs, vehicles replacement charges, elimination of extra help, hiring freeze, and discretionary expenses. He advised that unless there is an objection by the Board, he plans to impose requirements that any new hire will start at step “A” of the salary schedule, and that there will be no advanced step increases. He advised of the additional potential impact to the budget with the State change in the last emergency disaster declaration concerning funding.

Supervisor Allen stated he would like to see a list of the discretionary programs/departments and costs, and review the efficiency and effectiveness of departments and consider what can be privatized. He does not care for the furloughs because we are here to provide a public service. He feels we need to discuss the budget situation with the unions and associations to see where savings could occur.

Supervisor Turpin asked about the status of the funds that were borrowed to balance this current budget; and Mary Hodson, Deputy County Administrative Officer, responded - \$250,000 was came from the Pension Obligation Designation, \$180,000 was taken from Vehicle Replacement, and about \$150,000 is the remaining balance due the Tobacco Settlement Fund from the payment to IRS for the FICA issue.

Supervisor Bibby stated she would like a list of departments with discretionary funds. She feels that the five-percent step-down budget plan should be for anything that is funded by the General Fund, including Tourism. She would like to look at the Economic Development function and the Revenue and Reimbursement function, as they are new functions, to see if they are paying for themselves. She would like to look at new programs that have been added, including extra help and permanent positions that have been added in the last five years. She would like further discussion relative to the furlough option, including how that would affect the Road Division staffing during storms, etc. She would like the flex schedules reviewed to see whether extra help or overtime is being incurred as a result of these schedules. She feels the funds that were borrowed to balance this budget need to be paid back. She would like to look at positions that were supposed to be carried through for salary savings. She agrees with looking at possibly increasing the TOT. She feels office space issues should be reviewed – that those functions that receive reimbursement and/or grant funding be located in the rented facilities, and that the others be located in County-owned facilities. She feels that there should be a review of what is really needed for the type of vehicles that are purchased. She feels that we need to look at cost impacts to departments for providing services to events; i.e., trash, fire, law enforcement, and the use permit processing. She is supportive of looking at moving the visitor center function to the Library versus reducing hours at the Library. She feels that the Parks and Recreation function should be reviewed. She feels that the rental space for the MDIT (Multi-Disciplinary Interview Team) in the District Attorney's department should be reviewed; and that the facilities being vacated by the Human Services Department when they move to their new facilities should be reviewed. She questioned whether all maintenance associated with the Courthouse is being charged to the Courthouse Construction Fund; and she suggested that consideration be given to things like the Master Gardeners' improvements at the Courthouse. She feels there should be a review to see if there are things that can be charged to categorical funds. She expressed concern with deferring maintenance on vehicles; and she does not support deferring or not paying for the fire truck replacements. She asked for information on the status of property tax revenues and on assessment districts revenues. She referred to freezing fixed asset purchases and suggested a freeze on travel that is not required for continuing education from June 2011, to the adoption of the final budget. She feels there should be a review of the status of funds that are owed to the Water Agency, including the funds for the IRWMP (Integrated Regional Water Management Plan). She expressed concern with the Federal government passing programs to the State and programs subsequently being passed to the counties without sufficient funding and the impacts; i.e., the shift in inmates and parolee supervision.

Supervisor Cann stated he agrees with holding final budget hearings no later than the second week in August. He provided input on the importance of the IRWMP and the need to do a plan, and relative to their repayment of the funds that were loaned from the Water Agency. He stated he feels that the retirement and health benefits are strangling the County and that we should have a target of defined contribution versus defined benefit. He strongly agrees with the departments having

flexibility and he feels that they should be able to request changes in positions. He supports the County Administrative Officer coming to the Board with the commitment of funding \$500,000 for the Tourism Bureau; and that the Board review during the final budget hearings whether it can be funded at that level versus coming in with a less amount to start with. He noted the TOT is saving the County's budget and the revenue is continuing to grow because of the investment the County and the hoteliers are making in the Tourism Bureau. He is not against considering raising the TOT as most other destination areas are higher. But he would not support an increase if it is to pay personnel costs or to just keep doing what we are doing. He feels the increase needs to be targeted as an investment for the business that is making us money and would include costs such as increased expenses to safety for services being provided as a result of additional impacts from the tourists, and a small meeting and convention center that could also hopefully serve as a performing arts center. He also suggested that there be a commitment to some portion, perhaps five-percent, of the increase going to the Tourism Bureau. He cautioned against making sweeping changes such as cutting extra help, and he noted that some extra help may be necessary if permanent staff is cut. He feels that we need to review the solid waste operations.

Supervisor Stetson expressed concern with the impact of potentially not being reimbursed by the State for the March storm damages. He stated he would like more detailed information on the furlough option. He agrees with the departments having flexibility. He would like to see a list of the discretionary expenses and impacts. He feels the quality of life issues with programs provided by the Master Gardener and Arts Council programs, etc., are a positive and need to be considered. He agrees with keeping the current level of funding for the Tourism Bureau at this point. He agrees with looking at increasing the TOT, and giving consideration to whether Economic Development and Visitor Center services can be rolled into whatever contribution is being made to the Tourism Bureau; and he agrees that targeting a portion for a convention center is a reasonable idea.

Supervisor Turpin stated he feels that an increase in the TOT needs to be reviewed carefully and that a portion of the revenue should be invested back into the community to accommodate the tourists. He referred to the declining student enrollment and stated he feels that we need to be more business friendly.

Supervisor Bibby referred to work that is being done to create a grant consortium, and she feels that this may help to find grant funding for special programs – hopefully for some things that are currently being funded by the General Fund. She supports looking at the feasibility of privatization of some functions, perhaps functions in Public Works and Economic Development. She feels that more road maintenance is needed; asked about the status of the impact fees; and noted that there are future needs, i.e., with jail facilities. She supports the Assessor being able to audit properties, and looking at a code enforcement position. She extended a special thanks to the bargaining units for their continued support and commended them on recent concessions.

Input from the public was provided by the following:

Joel Bibby, Undersheriff, read a statement on behalf of Sheriff Binnewies who was unable to be present as he was attending a Sheriffs' meeting. The statement advised of the potential impact if the State doesn't provide continued funding for the Rural County Crime Prevention and the Supplemental Law Enforcement Fund – these dollars support eight positions in the department. The statement noted the additional impacts with changes in the State prison and parolee functions being transferred to the counties. The Jail budget is a skeleton budget now and it may be necessary to increase staffing. There are two front-line positions that have been frozen to meet previous budget cuts, and the department's service requests have increased. The Sheriff is willing to assist with the budget process. Joel expressed safety concerns with deferral of vehicle maintenance and replacement. Discussion was held relative to the impact with the shift of State prison inmates to counties and the Jail housing

status; being able to address the increased fuel costs and still cover the 24-hour services that are being provided.

Supervisor Bibby asked about the status of the providing a subsidy for the ambulance service, and she asked the County Administrative Officer to check on whether a subsidy will be requested.

Allen Toschi, Public Works Director, expressed concern with the impacts a five-percent reduction will have on their budgets. He commented on other potential losses of funding and increased costs for their budgets. He stated he feels that services that are provided to the public may need to be reviewed. Supervisor Bibby suggested that the Public Works' programs and utility expenses be reviewed.

Tony Madrigal stated he has found this discussion to be interesting; and he is very encouraged by the openness to consider increasing the TOT.

Bill McMurry stated he is hearing a lot of things he likes today; including the idea of finding other funds (versus General Fund dollars) for the Master Gardener program. He stated he feels there is funding available from the State for health care for the IHSS workers, and he is here to ask for that.

Rick Benson reviewed his recommendation for the Board to affirm the budget development guidelines, and he noted that this does not exclude the other suggestions made by the Board members. Supervisor Cann suggested that it be clarified that no reduction in the Tourism Bureau contribution of \$500,000 is to be considered "in the initial presentation."

(M)Turpin, (S)Stetson, Res. 11-156 was adopted approving the budget development guidelines, with the inclusion of the following: 1) no General Fund increase to any department other than to account for negotiated benefit increases; 2) all General Fund departmental budgets are to be submitted without any additional position requests; 3) all departments are to prepare a five-percent step down plan as a contingency for internal use; and 4) no reduction in the Tourism Bureau contribution of \$500,000 is to be considered – these items are a foundation for starting to address our challenges facing us. Discussion was held relative to clarifying item 4. The motion was amended, agreeable with the maker and second, to add "in the initial presentation" to item 4. Ayes: Unanimous.

Cc: All Departments (Via Email)
Mary Hodson, Deputy CAO
File