

The County Administrative Office Presents:

MANAGEMENT AND LEADERSHIP TRAINING

Budget Overview And Development

Introductions:

- Instructor
- Course logistics
 - ◆ Breaks
 - ◆ Lunch
 - ◆ Cell phones
 - ◆ Restrooms →



Self Introductions

- Background, department, position, etc.
- Level of budget experience
- Why are you taking the class

Course Objectives

- Provide a general overview of the county budget process
- Look at how your department fits into the larger budget picture
- Provide an understanding of the factors that influence the county budget
- Provide an introduction to some basic budgeting tools and skills

Overview

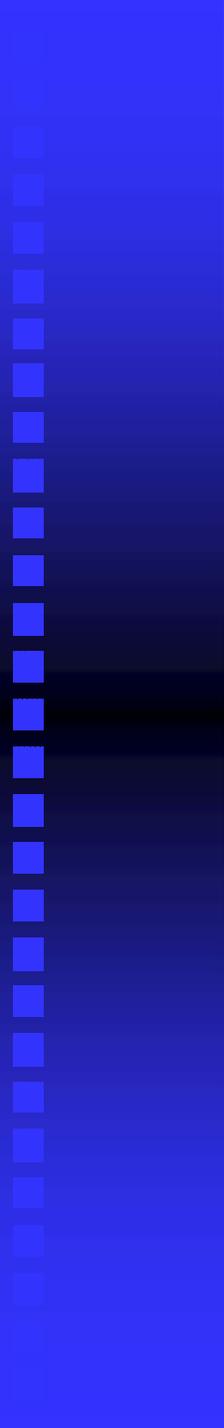
What is a budget?

Why do we have them?



Overview (continued)

- Required by the County Budget Act (Tab 2)
- Conforms to guidelines of State Controller
- Agreement between the Board of Supervisors and Department Head
- Describes the department's operations, function, and service levels
- Method to establish fiscal control
- Guide for program and project administration
- Statement of policy implementation



Budget Development and Review Process

Annual Budget Process

- Typical 12 month budget cycle (Tab 3)
- Budget development schedule (Tab 4)
- Internal CAO budget evaluation and development timeframes (Tab 5)

Budget Development Challenges

- Balancing Board priorities
- Limited resources vs. inflationary pressure
- Evaluation of service level impacts
- Consideration of outside factors
 - ◆ National/State/Local Economy
 - ◆ State Budget Impact
 - ◆ Assessment Roll
- Backlog of needs (Tab 6)

Internal CAO Budget Evaluation and Development Process

- Revenue determination
 - ◆ Evaluation of Department provided program revenue
 - ◆ Discretionary revenue determination
- Evaluation of program specific impacts
- Budget balancing
- Preparation of Recommended Budget (Tab 7)
- Budget Hearings
- Board changes and final balancing

Final Budget!



FY 2005-06 Adopted County Budget

■ Four Numbers to Remember

- ◆ Total County Budget - \$1.6 Billion
 - ◆ Includes Internal Service funds, Enterprise Funds, and Federal Programs
- ◆ Regular County Budget - \$1.1 Billion
- ◆ Amount of Discretionary Revenue - \$275 million
- ◆ Bottom Line Amount of Totally Discretionary Services - \$43 million

Total County Spending: \$1.6 Billion



**Special Budgets:
\$450 million**

- Public Employment grants
- Community Development grants
- Internal Service Funds
- Enterprise Funds

**Regular County Budget:
\$1.1 billion**

Most County Funds are Program-Specific

**General Fund No Flexibility
\$866 million**

- Health, Mental Health & Welfare subventions
- Prop. 172 public safety funds
- Restricted Fire Fund
- Restricted Road Fund
- Child Support subventions
- Sheriff's service contracts
- Community Development, Employers Training Resource administration
- Aging & Adult Services subventions
- Other cost reimbursements and service fees

**Special budgets
\$447 million**



**General Fund
Discretionary
\$275 million**

Even "Discretionary" Spending is Limited



Discretionary
Limited Flexibility:
\$184 million

Criminal Justice:
Sheriff, D.A., Public Defender,
Probation, etc.

Other Public Protection:
Public & Env. Health, Animal Control,
Code Compliance, Planning, Recorder,
General Fund Fire Contribution, etc.

General Government:
Board of Supervisors, CAO, Clerk of
the Board, County Counsel, Auditor-
Controller-County Clerk, Assessor,
Treasurer-Tax Collector, etc.

Discretionary
No Flexibility: \$48 million

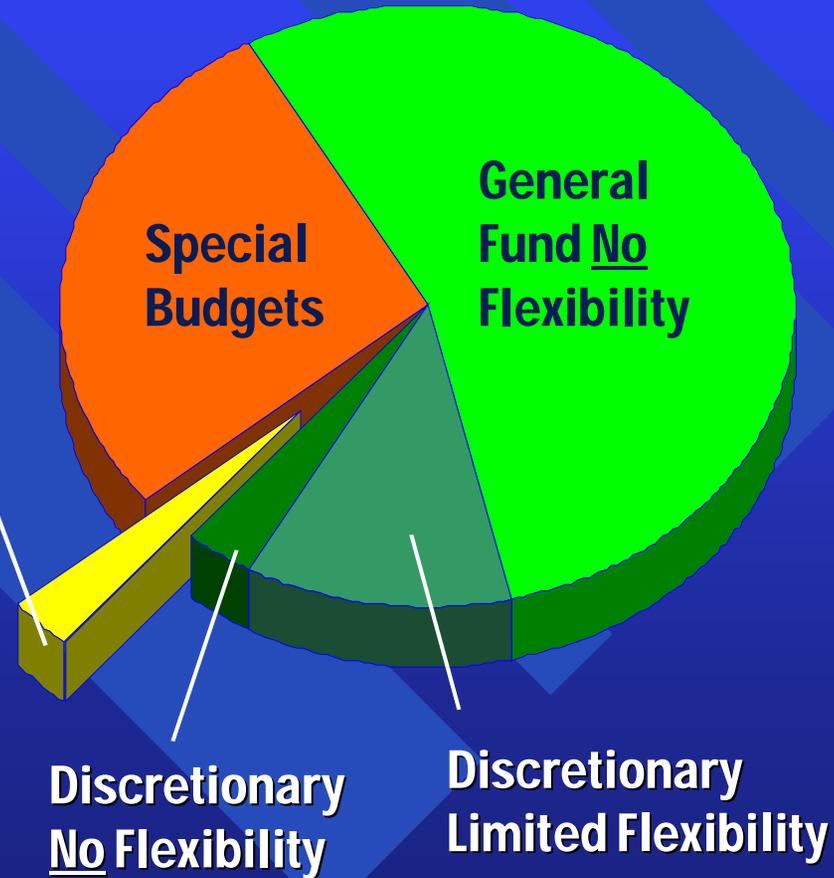
Required local match for: Welfare,
Aging/Adult Services, Courts, Mental Health

Fixed Obligations: Inmate Health Care, Debt
Service, Utilities

Totally Discretionary Funds Are Scarce

Total Flexibility
\$43 million

- Parks & Recreation
- Libraries
- Farm & Home Adviser
- Veterans Services
- Board of Trade
- Camp Owen
- Juvenile Delinquency Prevention
- General Fund Reserve Additions
- Contingencies



FY 2005-06 Adopted Budget

- Budget and Fiscal Summary (Tab 8)
- Budget and Fiscal Profile (Tab 9)
- Discretionary Budget Chart (Tab 10)
- Final budget charts and graphs (Tabs 11-15)

Appropriations

- Object Level Control (Tab 16)
- Appropriations, Adjustments, Expenditures, and Encumbrances (Tabs 17 & 18)
- Cash vs. Appropriations
- Established Spending Authority/Limits

Salaries and Benefits

■ Regular Salaries

- ◆ System (BPS) projects increments
- ◆ System does not project promotions within flex classes

■ Extra Help

- ◆ Reasons for Extra Help
- ◆ Uses of Extra Help
- ◆ Limitations and inappropriate use

Employee Benefits (Tab 19)

■ FICA

- ◆ Social Security – 6.2% (up to maximum)
- ◆ Medicare – 1.45% (no maximum)

■ Retirement

- ◆ General
- ◆ Safety
- ◆ Calculated on regular and special pay categories (Ventura II Court Case)
- ◆ Includes an amount to repay Pension Bonds

Employee Benefits (continued)

- Employee Health Benefits
 - ◆ Composite rate for medical/dental/vision
 - ◆ Rates are only for County's contribution
- Retiree health insurance

Employee Benefits (continued)

- Unemployment Compensation
- Workers' Compensation Insurance
- Qualified Flexible Benefits (Kern\$Flex)
 - ◆ 5% Confidential Employees
 - ◆ 10% Management / Mid-Management

Pay Allowances and Types

- Examples of Special Allowances:
 - ◆ SWAT
 - ◆ Canine
 - ◆ Tool Allowance
 - ◆ Uniform Allowance
- Examples of Other Pay Categories:
 - ◆ Call Time
 - ◆ Shift Differential
 - ◆ Stand-by

Salary Savings

- Required for Departments of 50 or more
- Generally calculated at 2% of base
- Base comprised of salaries, health, retirement, FICA, retiree health, and flexible benefits
- Represents normal attrition
- Exceptions
- Does not take into account unfunded positions

Expenditure Objects

- Services and Supplies
- Other Charges
 - ◆ Current Portion – Capital Leases
 - ◆ Interest – Capital Leases
- Fixed Assets
 - ◆ Additional Equipment
 - ◆ Replacement Equipment

Expenditure Objects (continued)

- Other Financing Uses
 - ◆ Budget Savings Incentive
 - ◆ CoWCAP – Countywide Cost Allocation Plan

- Expenditure Reimbursements
 - ◆ Reimbursements from other departments within same operating fund

Capital and Major Maintenance Projects

- Priorities
- Backlog
- Request and Approval Process

Budget Savings Incentive

- 60% of unspent appropriations
- 50% of excess revenues
- Lose prior year amount equivalent to NCC deficiency if departments don't meet current year budgeted Net County Cost

New Position Exercise



New Position Exercise

Step 1: Calculate Cost of Fiscal Support Technician

Salary @ "A" Step ($\$991.71 \times 26.089$)	\$25,873
FICA 1 ($\$25,873 \times .0620$)	\$375
FICA 2 ($\$25,873 \times .0145$)	\$1,604
Retirement ($\$25,873 \times .3052$)	\$7,896
Health Benefits (annual cost)	\$9,522
Retiree Health (annual cost)	\$339
Flexible Benefits	\$0
Total Cost at "A" Step	\$45,610

New Position Exercise

Step 2: Calculate Cost of Psychiatrist I Position

Salary @ "A" Step ($\$4,724.57 \times 26.089$)	\$123,259
FICA 1 ($\$90,000 \times .0620$)	\$5,580
FICA 2 ($\$123,259 \times .0145$)	\$1,787
Retirement ($\$123,259 \times .3052$)	\$37,619
Health Benefits (annual cost)	\$9,522
Retiree Health (annual cost)	\$339
Flexible Benefits	\$0
Total Cost at "A" Step	\$178,107

REVENUES

\$ \$ \$ \$

Program Revenues

- Forecasting Methods
- Revenue Flow Forecast
- Revenue Categories (Tab 21)
 - ◆ Fines, Forfeitures, and Penalties
 - ◆ Revenue from Use of Money
 - ◆ Intergovernmental
 - ◆ Charges for Services
 - ◆ Miscellaneous
 - ◆ Other Financing
 - ◆ Non-Revenue Receipts

Program Revenues (continued)

- Charges for Services/User Fees
- Other Source of Financing
- Special Purpose Funds
 - ◆ Prop 172
 - ◆ EMS
 - ◆ Tobacco
 - ◆ Litter cleanup



Revenue Forecasting Exercise



Revenue Forecasting Exercise

Step 1: Account 4550: Agricultural Services

Projected for 1 st 3 months	\$201,215
Actual for 1 st 3 months	(\$180,781)
Difference	<hr/> \$20,434
% Variance ($\$180,781/\$201,215$)	89.84%
Original Annual Estimate	\$792,753
Revised Est. Based on Current Trend	(\$712,209)
Projected Year-end Revenue Shortfall	<hr/> \$80,544

Revenue Forecasting Exercise

Step 2: Account 3388: Food Permits

Projected for 1 st 3 months	\$714,474
Actual for 1 st 3 months	(\$713,559)
Difference	<hr/> \$915
% Variance ($\$713,559/\$714,474$)	99.87%
Original Annual Estimate	\$836,216
Revised Est. Based on Current Trend	(\$835,145)
Projected Year-end Revenue Shortfall	<hr/> \$1,071

Revenue Forecasting Exercise

Step 3: Account 5268: Hazardous Materials

Projected for 1 st 3 months	\$344,286
Actual for 1 st 3 months	(\$317,348)
Difference	<hr/> \$26,938
% Variance ($\$317,348/\$344,286$)	92.18%
Original Annual Estimate	\$543,767
Revised Est. Based on Current Trend	(\$501,244)
Projected Year-end Revenue Shortfall	<hr/> \$42,523

Revenue Forecasting Exercise

Final Step: Summarize Total Projected Shortfall

Projected Shortfall in Revenue Acct. 4550	\$80,506
Projected Shortfall in Revenue Acct. 3388	\$1,071
Projected Shortfall in Revenue Acct. 5268	\$42,523
Total Projected Year-end Revenue Shortfall	<hr/> \$124,100

Now, the hard question

What action(s) are you going to take?

NET COUNTY COST

- Components
 - ◆ Appropriations – Program Revenues – Special Purpose funds
 - ◆ Calculation
 - ◆ Balancing at year-end
- Special Operating Funds
 - ◆ Focus is on amount of General Fund contribution or allocation of discretionary sources of revenue (realignment)



Net County Cost Exercise



Net County Cost Exercise

Step 1: Determine Adopted NCC and Calculate Guideline Amount

Current Net County Cost	\$9,855,457
Less: 5%	(\$492,773)
NCC Guideline Amount	<hr/> \$9,362,684

Net County Cost Exercise

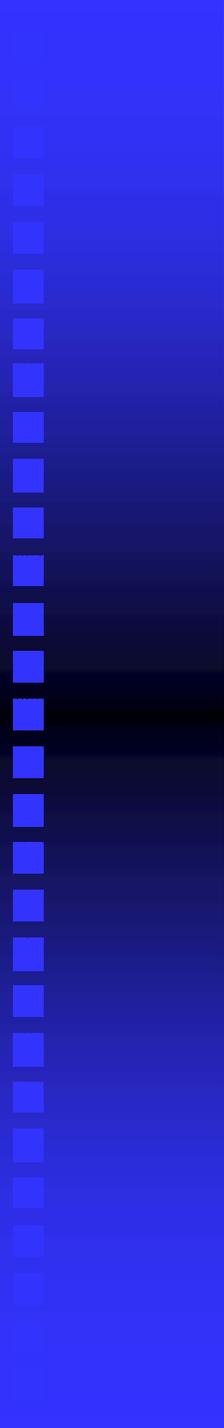
Step 2: Calculate Cost/Revenue Impacts on NCC

Health Benefits (15% of \$4,512,358)	\$676,854
Retirement (6% of \$5,370,470)	\$322,228
Services & Supplies (3% of \$3,728,526)	\$111,856
Program Revenue (5% of \$22,655,111)	(\$1,132,756)
Public Safety Funds (16.68% of \$448,022)	(\$74,730)
Domestic Violence Funds	\$110,000
Training Funds (10% of \$250,000)	(\$25,000)
Net Impact of Changes on NCC	(\$11,548)

Net County Cost Exercise

Step 3: Compare Status Quo Budget to Guideline

Current NCC	\$9,855,457
Impact of Changes	(\$11,548)
“Status Quo” Budget	<u>\$9,843,909</u>
“Status Quo” Budget	\$9,843,909
Guideline Amount	<u>(\$9,362,684)</u>
Reduction Needed to Meet Guideline	\$481,225



Review Topics Discussed

Summary of Topics for Budget Management and Administration

- Day-to-day budget administration
- Appropriation of unanticipated revenue
- Budget transfers between expenditure objects
- Year-end accruals and reverse accruals
- Encumbrances
- Expenditure projections
- Grant budget development
- Request for changes in authorized positions

Evaluation . . .

HAPPY
BUDGETING!