

Budget Message

James M. Arkens
County Administrative Officer



County of Sutter

Office of the County Administrator

1160 Civic Center Boulevard
Yuba City, California 95993
Phone: (530) 822-7100 Fax: (530) 822-7103

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TO: The Honorable Sutter County Board of Supervisors

RE: **Recommended Budget for Fiscal Year 2013-14**

It is my pleasure to present the attached Sutter County Recommended Budget for FY 2013-14. The budget is balanced and the County still enjoys healthy reserves because of past planning and conservative budgeting. My job as the Chief Administrative Officer is to present to the Board a budget that uses no one-time reserves to fund the on-going, daily operations of the County.

Totaling \$241 million, the budget is largely status quo in nature. Unfortunately, the economic situation in this area has not experienced a strong rebound. Going into this budget cycle our budget gap was far greater than I anticipated. It was necessary to evaluate services and look for areas that heavily impacted the General Fund. Reorganization was approved by this Board in mid-May that I believe will provide quality services for our customers and also save substantial money in this budget and years in the future. Reductions of positions in several other areas were necessary to bring the budget within our revenues. Unfortunately, this action has a negative impact to several departments and their employees.

The stagnant nature of this area's economy has resulted in few requests for planning and public works projects. The impact on certain departments resulting in lower than expected revenue is being felt and will probably continue to be in decline for the short term. Unfortunately, the elimination and reduction of internal services has also negatively impacted the General Fund in the area of A-87 reimbursements. As we all know, as we eliminate expenses we also eliminate paid services which are reimbursed through A-87. This impact was an approximate \$900,000 loss to the General Fund.

Hopefully, as we watch the housing market slowly rebound in the area we will also see our revenues stabilize and begin to rise. I am not optimistic that this will occur within the next year. I expect another lean budget in 2014-15.

Fortunately, the Sutter County Board of Supervisors and Department Heads have been extremely conservative in past years resulting in a reserve that can be used if necessary. I am not an advocate of using reserve funds for daily operations but understand that the Board of Supervisors still wants to provide the community with the best possible services while holding down expenses.

Summary of the Recommended Budget

The Recommended Budget for FY 2013-14 totals \$241 million. The General Fund comprises \$54.4 million of this amount. The Adopted Budget for FY 2012-13 consisted of a total countywide budget of \$252.5 million and a General Fund budget of \$60.3 million. The recommended figures therefore represent a decrease of \$11.5 million, or 4.6% for the total budget. The General Fund has been decreased \$6.0 million, or 10%, when compared to the FY 2012-13 Adopted Budget.

Revenues essentially remain stagnant, with decreases in A-87 reimbursements and negative impacts of lower planning fees and other departmental revenues. Although the County Administrative Office is estimating no increase or decrease in sales tax revenue for FY 2013-14, property tax values are projected in this budget to increase by 3%, which is a bright spot in our projected revenue stream.

The County Administrative Office has reviewed all aspects of this budget and is presenting the Board of Supervisors with a balanced budget utilizing no drawdown of reserves for daily operating expenses.

The following chart summarizes the relative change in the County’s major operating funds.

	2012-13 ADOPTED	2013-14 RECOMMENDED	CHANGE	
			DOLLARS	PERCENT
General	\$60,334,562	\$54,367,202	(\$5,967,360)	-9.89%
Road	\$13,820,919	\$6,722,191	(\$7,098,728)	-51.36%
Special Aviation	\$1,091,995	\$520,524	(\$571,471)	-52.33%
Fish & Game	\$21,701	\$21,430	(\$271)	-1.25%
Bi-County Mental Health	\$24,104,948	\$24,995,381	\$890,433	3.69 %
Mental Health Services Act	\$8,551,238	\$9,635,971	\$1,084,733	12.69%
Health Services	\$12,736,979	\$12,416,961	(\$320,018)	-2.51%
Welfare/Social Services	\$36,737,772	\$39,116,119	\$2,378,347	6.47%

	2012-13	2013-14	CHANGE	
	ADOPTED	RECOMMENDED	DOLLARS	PERCENT
Trial Courts	\$8,147,472	\$8,985,095	\$837,623	10.28%
Public Safety	\$24,885,521	\$24,355,588	(\$529,933)	-2.13%

Staffing Changes

The Recommended Budget includes reductions to the county workforce. Overall, the total number of employee positions has decreased by 22.5 Full Time Equivalent (FTE) positions from the FY 2012-13 Adopted Budget. It includes only 8.8 new positions, primarily for Human Services related functions within the County, where State and Federal funds have been directed to counties for specific purposes.

The charts on the following pages summarize the recommended staffing changes and the net impact on the General Fund.

DEPARTMENT	ELIMINATED POSITIONS	POSITION REDUCTIONS	
		GENERAL FUND IMPACT	FTE
Anti-Drug Abuse 2-302	Deputy District Attorney III	(\$151,590)	(1.0)
	Deputy Probation Officer III	(\$110,295)	(1.0)
	Deputy Sheriff	(\$88,199)	(1.0)
District Attorney 2-125	Assistant Chief Investigator	(\$143,483)	(1.0)
	Senior Criminal Investigator	(\$122,632)	(1.0)
	Senior Criminal Investigator	(\$89,973)	(1.0)
Engineering Services 1-920	Director of Public Works	(\$209,687)	(1.0)
	Deputy Director of General Services	(\$160,723)	(1.0)
	Executive Secretary II	(\$85,013)	(1.0)
	Senior Engineering Technician	(\$93,724)	(1.0)
Environmental Health 2-725	Engineering Technician II	\$0	(1.0)
	Environmental Health Specialist II	(\$80,198)	(1.0)
Information Technology 4-581	Director of Information Technology	(\$93,008)	(1.0)
Library Services 6-207	Library Technician	(\$41,464)	(1.0)
Planning & Building 2-724	Planning Manager	(\$167,984)	(1.0)
	Principal Planner	(\$150,718)	(1.0)
	Building Manager	\$0	(1.0)
Sheriff-Coroner 2-201	Deputy Sheriff	(\$81,607)	(1.0)
	Deputy Sheriff	(\$81,607)	(1.0)
	Deputy Sheriff	(\$81,607)	(1.0)

DEPARTMENT	ELIMINATED POSITIONS	POSITION REDUCTIONS	
		GENERAL FUND IMPACT	FTE
Emergency Services 2-401	Emergency Services Manager	(\$69,514)	(0.5)
Child Support Services 0-112	Information Systems Coordinator II	\$0	(1.0)
Development Services Admin 2-721	Hazardous Materials Specialist	\$0	(1.0)
TOTAL		(\$2,103,026)	(22.5)

DEPARTMENT	CHANGED POSITIONS	ADDED OR DELETED	POSITION CHANGES	
			GENERAL FUND IMPACT	FTE
Assessor 1-203	Assessment Technical Services Manager	Deleted	(\$94,061)	(1.0)
	Supervising Assessment Technician	Added	\$73,136	1.0
Child Support Services 0-112	Child Support Specialist I/II	Deleted	\$0	(1.0)
	Child Support Specialist III	Added	\$0	1.0
Development Services Administration 2-721	Director of Community Services	Deleted	(\$176,859)	(1.0)
	Director of Development Services	Added	\$185,353	1.0
TOTAL			(\$12,431)	0.0

DEPARTMENT	NEW POSITIONS	VACANT OR FILLED	NEW POSITIONS	
			GENERAL FUND IMPACT	FTE
General Services Administration 1-205	Director of General Services	N/A	\$155,909	1.0
Information Technology 4-581	Computer Operator (80% position)	N/A	\$53,077	1.0
Planning & Building 2-724	Deputy Director of Planning and Building	N/A	\$150,758	0.8

DEPARTMENT	NEW POSITIONS	VACANT OR FILLED	NEW POSITIONS	
			GENERAL FUND IMPACT	FTE
Welfare Administration 5-101	Public Assistance Specialist I/II	N/A	\$0	1.0
	Public Assistance Specialist I/II			1.0
	Public Assistance Specialist I/II			1.0
	Public Assistance Specialist I/II			1.0
	Public Assistance Specialist I/II			1.0
	Public Assistance Specialist I/II			1.0
TOTAL			\$359,744	8.8

Major Budget Impacts

This section includes discussions of a number of issues which have had a significant impact on the Recommended County budget for FY 2013-14.

Department Reorganizations	<p>On May 14, 2013, the Sutter County Board of Supervisors approved a reorganization of the Community Services, Public Works, General Services and Information Technology functions of the County. The reorganization is effective July 1, 2013, and the actions approved on May 14 have been reflected in this Recommended Budget. This reorganization is designed to create efficiencies in the management structure and delivery of services to internal and external customers. The Recommended Budget, which reflects the spending and organization plan for the County effective July 1, 2013, is presented with the reorganization of the three affected departments in place.</p> <p>The reorganization actions not only provide for a consolidation of management functions, creating efficiencies in the overall structure, but also allows for better public services by providing a single department which will serve the public related to development and other outside services.</p> <p>The new Development Services Department provides a one-stop development center for the public, and is responsible for the following functions:</p> <ul style="list-style-type: none"> • Road Maintenance • Engineering Services • Planning & Building • Environmental Health & CUPA
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	<ul style="list-style-type: none"> • Code Enforcement • Fire Services • Emergency Services • Water Resources • Special Districts <p>It is envisioned that the newly created General Services Department will be able to help the County improve efficiency by coordinating current and new projects such as the purchase and implementation of a county-wide purchasing and budget system and the development of a records management system that encompasses digital as well as physical storage.</p>
<p>Replacement Vehicles</p>	<p>The County has deferred most vehicle replacement purchases during the economic downturn. Although the County has saved the money required to purchase new vehicles during that time period, deferring replacement of an aging fleet inevitably leads to increasing maintenance costs in the short-term, and a ballooning financial burden to provide County departments with suitable transportation in the long-term. It has been estimated by the County’s Fleet Management division that the deferred 5-year total cost for replacing vehicles exceeds \$4.7 million for the total County, and \$3.3 million for the General Fund and Sheriff’s departments only. Using the County’s current fleet statistics and replacement policies, the average annual replacement expenses would be \$940,000 for the total County, and \$667,000 for the General Fund and Sheriff’s departments.</p> <p>In an effort to reduce the deferred costs for replacement of Sheriff’s patrol vehicles, the County Administrative Office is recommending the replacement of five patrol vehicles in the Sheriff’s Department. For this year, it is recommended that the purchase be funded with one-time monies.</p> <p>It is also recommended that six passenger vehicles be replaced this year; four for Bi-County Mental Health, one for Welfare and Social Services, and one for the Child Support Services Department. The Road Division of Development Services will be replacing two heavy-duty trucks. County Service Area F will be purchasing one fire equipped pick-up truck to replace an aging passenger vehicle, and in the process improving the functionality for the Department.</p>

<p>Health Insurance</p>	<p>For FY 2013-14, the County will experience an 8% increase in Health Insurance premium costs. The County's participation in the Tri-County Schools Insurance Group (TCSIG) has benefitted the County and its employees over the past ten years that the County has been a member. There were no increases in health insurance premiums for a seven year period. However, for a number of years, TCSIG was drawing down on reserves to keep health insurance costs stable. The County faced premium increases of 14% in FY 2010-11 and 13.3% in FY 2011-12, and again no increase for FY 2012-13.</p>
<p>Animal Control Transition</p>	<p>In November 2011, Sutter County and the cities of Live Oak and Yuba City entered into a Joint Powers Agreement (JPA) to form the Sutter Animal Services Authority (SASA) with Sutter County designated as the lead agency for operations and Yuba City designated as the lead agency to construct a new facility. The agreement specified that, at the completion of construction, the County's historical management of Animal Services operations would transfer to Yuba City. Construction of the new facility is set to be completed by August of 2013.</p> <p>It has been agreed that the transition of lead agency duties for SASA from Sutter County to Yuba City will occur on July 1, 2013, in conjunction with the new fiscal year. Sutter County's FY 2013-14 Recommended Budget reflects this change.</p> <p>Based on the transition of lead agency duties for the Animal Services operations from Sutter County to Yuba City, the County's Animal Control budget unit has changed to one which solely appropriates the remaining permanent staffing and the County's proportionate share of the approved SASA budget. This budget unit has been moved to the Human Resources Department to reflect the change in Sutter County's responsibility. The recommended budget contains residual costs related to A-87 Overhead and Workers' Compensation and Liability insurances. These costs will not be shared with all SASA members. It is expected that these costs will decrease over the next two to ten years.</p>

<p>Plant Acquisition Projects and Jail Expansion Project</p>	<p>Major structural improvements (generally those costing over \$15,000) are classified as Plant Acquisition projects. Because of the size and complexity of these projects, they tend to span two or more fiscal years before they are completed. This year’s recommended projects include \$218,400 for the second phase of the expansion of the Agriculture Commissioner’s building, approximately \$610,000 to replace portions of the roof at the 446 and 463 2nd Street buildings (the cost for both projects will be shared with the Courts), \$32,855 for ADA Improvements at various County facilities, and \$19,000 for repairs to the Jail.</p> <p>The largest of the projects is the expansion of the Main Jail. The envisioned project will remodel and expand the Medical Services and Kitchen Areas, and will expand the capacity of the Maximum Security facility by 42 beds. In response to the California Department of Corrections and Rehabilitation Request for Applications, in January of 2012, Sutter County submitted a financing application for funds made available through the AB 900 Phase II Construction or Expansion of County Jails program.</p> <p>The project was selected by the State for funding, with \$9,741,000 requested in state financing and the County providing \$514,000 as the required 5% funding match. The County’s Criminal Justice Development Impact Fees will be used to cover any required local match and to advance funds to complete the initial phases of the project prior to receiving reimbursement.</p> <p>The County has awarded a design contract to an Architectural / Engineering Design team based in Sacramento and is working with the Design team to satisfy all state bond financing criteria so the project will be officially accepted by the State Public Works Board and the project’s design can begin. The project’s design is expected to take approximately 12 months followed by construction lasting approximately 18 months.</p>
<p>Zoning Code Update</p>	<p>The Planning and Building Division of the Community Services Department reviews and processes general plan and zoning applications, land divisions, use permits, variances, and other development related requests in conformance with all applicable state law requirements, and addresses code enforcement violations relative to the Zoning Code.</p>

	<p>As the result of the recent completion of the General Plan Update, a comprehensive review and update is needed of the Zoning Code. The Planning and Building Division’s budget includes \$100,000 to fund the second year of a two-year project to update the Zoning Code.</p>
<p>Special Revenue Funds</p>	<p>For the past three years, Departments that had funds available were directed to use those funds over the three-year period to help offset further reductions due to General Fund funding losses. If departments had special revenue funds that could legally be used for discretionary purposes, those funds were recommended to be drawn in the same proportions that the General Fund was drawing down its reserves. This year, many of those funding sources have been used and the revenue source is not available. A limited number of departments are recommended to continue to draw down remaining Special Revenue Fund monies. Those include: \$60,000 from Sheriff’s Assessment Fees, \$131,450 from the Assessor’s property tax administration program fund, \$51,000 from the Tax Collector’s Office of Revenue Collection enhancement fund, and \$41,000 from the District Attorney’s Asset Forfeiture and Local Anti-Drug Abuse funds. The Sheriff will again be using his Assessment Fees to fund a Legal Specialist position and avoid additional staffing reductions.</p> <p>As has been done in the past, it is recommended that the special revenue funds be transferred to the General Fund at the beginning of the fiscal year. Any unexpended funds in the departments’ budgets at the end of FY 2013-14 should be used to decrease the County’s General Fund contribution to that budget.</p>
<p>SunGard Personnel-Payroll-Financial Management-Budget-Purchasing System</p>	<p>On March 31, 2009, your Board approved a contract with SunGard LLC to update and integrate the County’s aging financial management systems. The new system will ultimately combine all five functions into one integrated and up-to-date software system. The project was split into two phases: Phase I includes the majority of the Personnel and Payroll modules, as well as an intermediate upgrade of the financial management system. Phase II will include the Purchasing and Budget modules, the remainder of the Personnel and Payroll modules, and conversion to the most current version of the Financial Management system. Phase I is over a year behind schedule. It is now expected that Phase I of the project will “go live” in July of 2013. Phase II will be</p>

	<p>implemented following the successful implementation of Phase I. A total of \$46,620 is being budgeted in FY 2013-14.</p> <p>These costs include:</p> <ul style="list-style-type: none"> • \$9,720 in the Auditor-Controller’ budget for temporary help staffing; • \$6,900 in the Auditor-Controller’s budget for training related to the new system; • A re-budget of \$30,000 in the County Administrative Office to implement the budget module.
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Future Considerations

<p>Labor Agreements</p>	<p>The Board of Supervisors will be negotiating new bargaining agreements with all employee groups starting in FY 2013-14. The results of these agreements have yet to be determined, and therefore no changes have been included in this Recommended Budget.</p>
<p>Realignment Phase II - Public Health</p>	<p>At the time of this writing, State Budget subcommittees are considering the Governor’s May Revision proposals, focusing on the Administration’s proposals for calculating county savings associated with the Medi-Cal expansion and the redirection of those funds to a new realignment of certain social services programs. County advocates have communicated unanimous opposition to the Administration’s provisions associated with realignment and continue to express significant concerns with the proposed formula for determining county savings.</p> <p>The Administration’s approach includes a reduction in 2013-14, before any evidence of county savings is produced. Counties are concerned that the \$300 million estimated redirection for 2013-14 is too much, too soon and will result in immediate reductions to the county health care safety net.</p> <p>The fiscal impact to Sutter County would be a redirection of \$1,196,051 in FY 2013-14, \$3,588,154 in FY 2014-15, and \$5,182,889 in FY 2015-16. While the FY 2013-14 amount essentially does not “touch” the County’s budget, as it would come from our current \$2,996,118 mandatory contribution to CMSP, subsequent years would clearly impact those remaining Realignment dollars that come directly to the County and support current programs. Under this scenario,</p>

	Sutter County would lose \$592,036 from current direct 1991 Realignment dollars in FY 2014-15, and would lose all but \$400,000 in FY 2015-16. For perspective, \$400,000 leaves Sutter County with just enough to administer a limited Environmental Health program. All other Public Health programs that are currently funded with 1991 Realignment funds would be eliminated, or would need to be covered directly by the County's General Fund.
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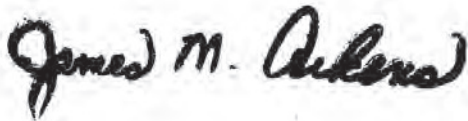
The State Budget

The Governor released his revised 2013-14 budget proposal on May 14, 2013. The Governor emphasized his plans to increase education funding, the implementation of health reform, and the importance of prudence. The impact of proposed State health reform efforts on Sutter County is discussed above.

State General Fund receipts have reportedly exceeded expectations by approximately \$4.5 billion. This is a marked difference from the past several years' budgets, where, as your Board is aware, the State has reported repeated deficits and had counties planning for dramatic cuts and State budget changes. Some may perceive that we have "turned a corner," though it may be small. However, the improvement that the State may be experiencing at this time is not a sign that all areas of the economy or that the State budget itself has recovered.

As we caution each year, County government is greatly affected by the decisions made in Sacramento. It is not possible to predict what will ultimately be included or excluded from the State's budget, so the Recommended Budget you see before you does not attempt to anticipate potential State budget changes. If the State budget that is ultimately adopted by the Legislature has significant impacts on the County budget, we will return to your Board with recommended revisions at that time.

Respectfully Submitted,



JAMES M. ARKENS
COUNTY ADMINISTRATIVE OFFICER

