

Auditor's Report

TO: COUNTY COUNCIL
FROM: F. MILENE HENLEY, AUDITOR
SUBJECT: 2% REDUCTION, 2010 CURRENT EXPENSE BUDGET
FOR MEETING OF: Tuesday, June 29, 2010

ISSUE:

Shall the Council approve a reduction of approximately 2% in the 2010 Current Expense budget as currently adopted?

ATTACHMENTS:

Ordinance and Exhibits

BACKGROUND:

At the time that the 2010 budget was adopted, in November of 2009, the County Council recognized that although technically balanced, the budget would require additional reductions. The problem was twofold: first, in an effort to balance the budget, some expenditures were omitted which could realistically be expected to be incurred, whether they were in the budget or not. Second, the budget achieved neither the 10% year-beginning operating cash, nor the minimum 8% year-end operating cash, required by the county's 2009 reserve ordinance.

The Council committed at the time that it adopted the budget to make reductions to the budget in 2010 which would put those necessary expenditures back into the budget, and which would meet at least the 8% year-end operating cash target. The purpose of the current budget amendment is to achieve those objectives.

Today the Council will see a long-range budget forecast which illustrates the urgency of moving toward a sustainable budget. The small budget reduction proposed for adoption today is the first and easiest step in what will be a long and difficult process.

It's worth repeating that a substantial amount of the current reduction has been achieved by voluntary employee furloughs, at all levels and in all departments of the organization. In some departments, 100% of the departmental reductions came from furloughs. For this, our employees are to be thanked.

CHANGES SINCE JUNE 8:

The Council received background information, analysis, and detail on the proposed budget reduction on June 8. At that time, the proposed reductions in Current Expense were stated

separately from the proposed reductions in IS. Allocating the IS reductions to Current Expense further reduced the total CE budget. Reducing the CE budget in turn reduced the amount of operating cash required to meet the target of 8% ending cash. The additional reduction needed therefore decreased from the \$1196 reported on June 8 to a mere \$347. The Auditor asked the Prosecutor if he would contribute that last amount of reduction, and he said that he would.

One note about Exhibit A: Every department gave something. General Administration, which is a no-employees "department" of general government expenditures that apply to all departments, shows a net increase because of increases in leave payouts, general equipment, and unemployment insurance. County Administration also shows an increase, because a much-needed increase in transfers to the Insurance Cumulative Reserve Fund is larger than the substantial savings from furloughs realized by the department. Communications, which appears to have no reduction, participated through its affiliated departments, Sheriff and Jail.

As a result of such wide participation, the objectives of the current budget reduction have been fully met. Reduction amounts by fund and by department are shown in the exhibits.

RECOMMENDED MOTION:

I move that we adopt the attached ORDINANCE AMENDING ORDINANCES 39-2009, 7-2010, 8-2010, AND 9-2010 BY REDUCING THE SAN JUAN COUNTY 2010 BUDGET.