

## Board of Supervisors Special Meeting

# FY 2018-19 Budget Development

April 20, 2018

# Roadmap for Today's Meeting

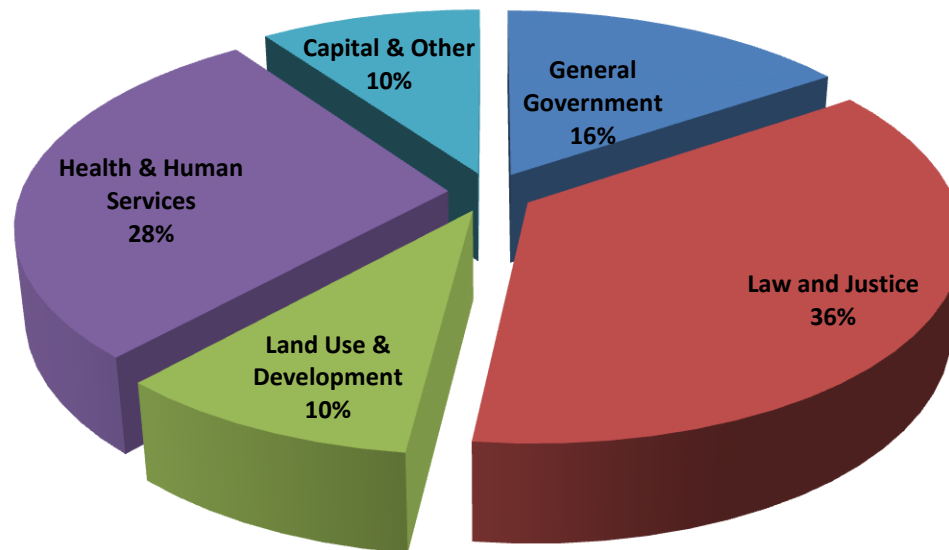
- ❑ Budget Process Overview
- ❑ BOS Adopted Budget Policies
- ❑ Discretionary General Fund Revenues vs. Restricted/Dedicated Funding
- ❑ Status of FY 2018-19 Recommended Budget
- ❑ What is Included in the Budget
- ❑ Steps So Far to Balance the Budget
- ❑ What is Not Currently Included in the Budget
- ❑ Next Steps in Budget Process – Board Feedback

# Budget Requirement

- ❑ County Budget Act – Gov't Code §29000
- ❑ Applies to County, dependent special districts, other agencies “whose affairs and finances are under the supervision and control of the board”
- ❑ Requires Single Year Balanced Budget
- ❑ §29009: In the recommended, adopted, and final budgets the funding sources shall equal the financing uses.

# County Budget Snapshot

Budget Distribution by Functional Group (approximate)



# Revenues – Broad Categories

## ❑ General Fund Revenues

- Property Tax, Sales Tax, Franchise Fees
- Discretionary Funds

## ❑ State/Federal Funding – Mandated Programs

- Counties operate as arm of the State
- Level of Service considerations

## ❑ Special Revenue Funds

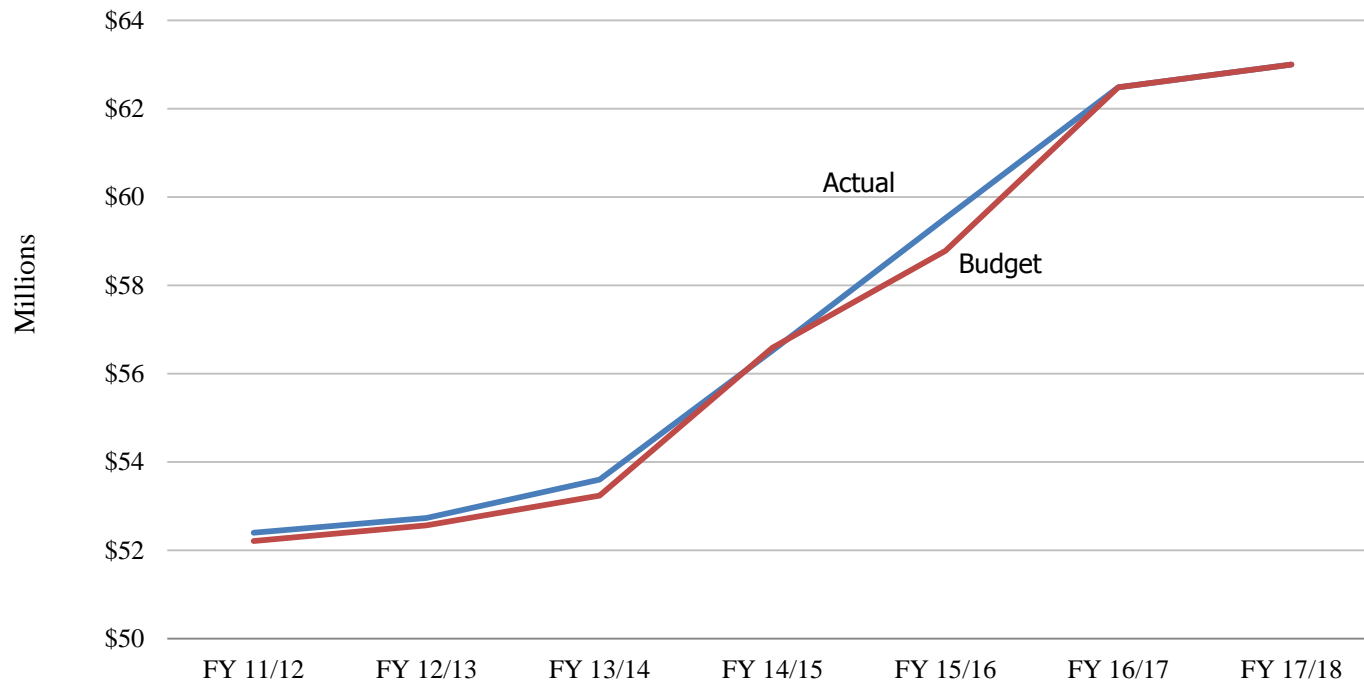
- Funds restricted for specific purposes

# Property Tax Distribution

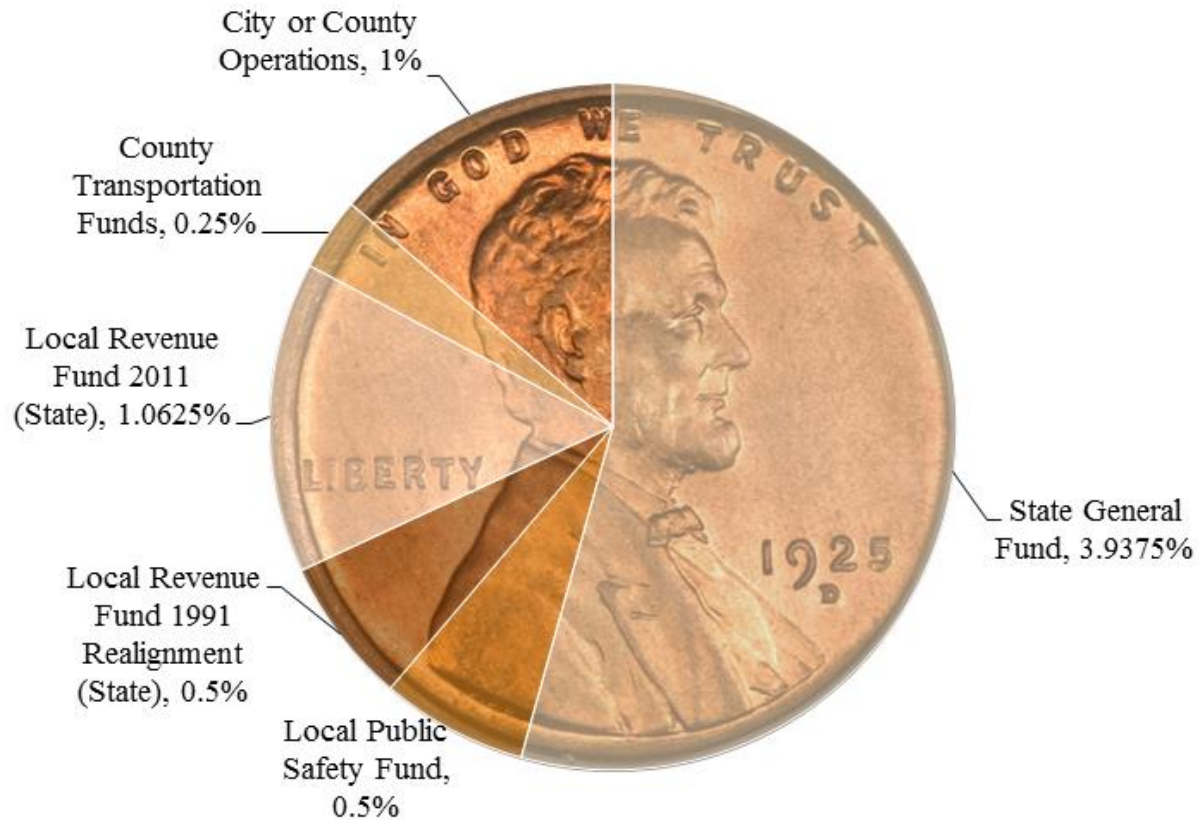


# Property Tax Trend

Property taxes are a major source of unrestricted revenue for the County general fund, schools, cities, and special districts

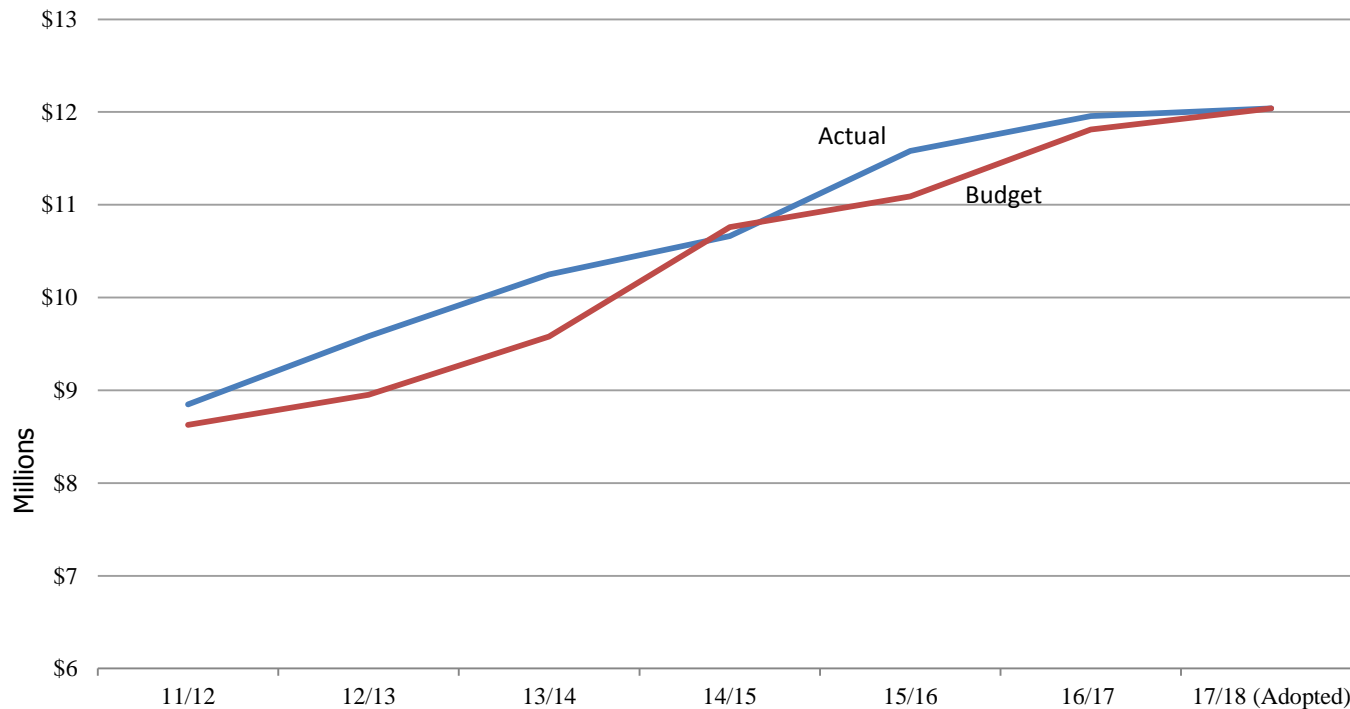


# Sales Tax Allocation



# Sales Tax Trend

The Bradley-Burns Uniform Sales and Use Tax Law provides for a city/county rate of 1.25%. One-quarter cent of the levy is sent to the county-wide regional transportation fund. The balance goes to support local government general funds.



# Other County Financing Sources

## □ General Fund Reserves

- Capital Projects & Accumulated Capital Outlay
- Designated Funds: CalPERS, Emergency Road Repairs

## □ General Fund Carry-over Fund Balance

- Operational Fund Balance estimated at \$10.5 million
- Capital Fund Balance estimated at \$7.1 million

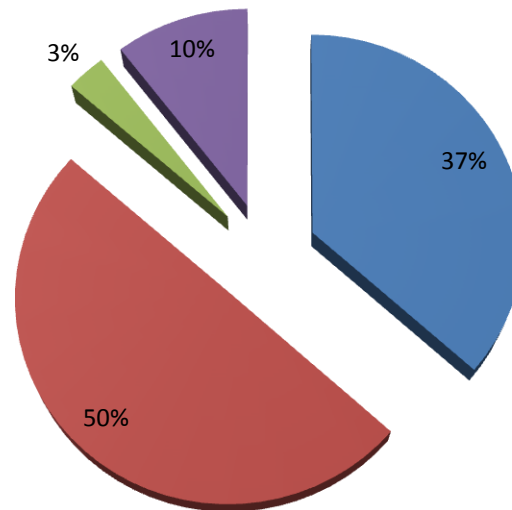
# Carry-Over Fund Balance

- ❑ Used to support following year's budget
- ❑ Rely on savings from prior year operations
- ❑ Usually project & budget conservatively
- ❑ Shrinks as budget more closely to actual needs
- ❑ Should be treated as one-time money
  - i.e., use to increase reserves or fund one-time expenses

# County Budget Snapshot

## Net County Cost by Functional Group

■ General Gov't ■ Law & Justice ■ Land/Dev Svc ■ Health/Human Svc



# Board Adopted Budget Policies

1. Pursue Operational Efficiencies
  - “Eliminate, Combine, Reorganize, Justify, Cooperate”
2. Maximize the Board’s Discretion
  - Revenues are discretionary resources, not dedicated
3. Pursuit of New Revenues
  - Total cost identification for fee setting purposes
4. Grant Funding
  - Full analysis & future implications when applying for or accepting grants
5. New or Enhanced Discretionary Programs
  - No new or enhanced programs unless new funding or reduce or eliminate lower priority programs
6. County Share
  - If funding is reduced, no increased County share unless mandated or approved Board high priority
7. Vacant and New Positions
  - New positions not considered unless funding identified or “significant” / “compelling”

# Board Adopted Budget Policies

8. General Fund Contingency
  - Minimum of 3% of adjusted General Fund Appropriations
9. Budget Controlled at Expenditure Level
  - Object of Expenditure = “Services & Supplies”
  - Focus on use of funds vs. Net County Cost
10. General Reserve
  - Minimum of 5% of adjusted General Fund Appropriations
11. Capital Reserves
  - To assist in addressing unmet capital needs & building replacement reserve
  - Set aside 2%, or \$5 million annually
12. Other Post-Employment Benefits
  - Continue pay as you go; Allocate costs to respective County departments

# Status of FY 2018-19 Recommended Budget

- CAO to Recommend a Balanced Budget
- Plan to Fund to Board Policy Levels
  - General Reserve ~ \$8.5 million
    - Slight increase from last year – funding advanced to Resource Conservation District
  - Contingency ~ \$5.4 million
    - Slight increase from prior year, based on budget
  - Designation for Capital Projects ~ \$5 million
    - Minimum Contribution

## Funded or Re-Budgeted from FY 2017-18

- Reimbursing Public Safety Facility Loan Reserve \$230,000
  - Used \$2.2 million Reserve in FY 2017-18; required to re-fund that Reserve over the 10 years
  - \$230,000 now due to increase in annual payment amount
- Community Planning: \$250,000 over 4 years starting FY 2017-18
  - Approved Sept. 2017, half in Planning & half in Econ. Dev.
- Business Park Financing Plan Study: \$100,000
  - Re-budgeted in Econ. Dev.
- Property Tax Megabyte System: \$50,000
  - FY 2018-19 GF Cost in ACO Fund
- DA Building Lease added in FY 2017-18: \$267,132
  - Cost increase in DA Budget
- Tree Mortality Grant Match
  - Approx. \$20,000 existing staff time, already included in budgets

# Funded Items, Prior Direction

- Sheriff & DA 504 salary increases: \$475,000
- Set Aside Funding: VHR/Cannabis Regulation/ Enforcement: \$315,000
  - Staffing \$200,000,
  - Permitting/Tracking Software = \$30,000,
  - Compliance Contract = \$85,000
  - Fees may be implemented to help cover the cost
- Additional Staff in HHSA for Veteran's Affairs: \$82,000
  - BOS approved 3/13/2018
- Federal Lobbyist Contract: \$70,000
  - On watch list from FY 2017-18
- Homeless Coordinator Contract in HHSA budget
  - \$82,000 potential for cost sharing
- IT Budget - Infrastructure (Year 2 of 3-year plan): \$487,000
- IT Budget - Sheriff Phone System (countywide VOIP): \$310,000
- Legal Defense Funding in County Counsel budget: \$230,000
- EMS Agency GF cost increase, no GEMT to offset: \$164,000

# Steps to Balance the Budget

- ❑ Essentially the same processes as last year
- ❑ Direction to Departments for Preparing Budget Request
  - Status Quo Definition
  - Asked Supplemental Requests to be Submitted Separately
- ❑ Still taking close look at Budget vs. Actual Expenses – “Right Sizing”
- ❑ Evaluating Scenarios for constraining or reducing expense growth
  - Asked Depts. to absorb PERS expense increases where outside funding sources are involved and/or available
  - Asked Depts. to absorb negotiated one-time payments in FY 2017-18, which affects Fund Balance Carryover
- ❑ CAO position on Salary Savings vs. Actual Reductions
- ❑ Eliminating Vacant Positions where we can, maintaining flexibility
- ❑ Holding off on adding new expenses if changes coming

# Two Funding Areas for Further Direction

## ❑ Deferred Maintenance and Capital Improvements

- Budget Policy - \$5 million Increase to Designation for Capital Projects
- New GF Request from ACO Fund, Deferred Maintenance - \$3.8 million

### CURRENT RECOMMENDATION:

- (1) Fund \$5 million increase to Designation for Capital Projects
- (2) Contribute \$2 million to ACO Fund

## ❑ Intersections at Industrial and Enterprise at Missouri Flat related to Public Safety Facility:

- Cost savings by pursuing both at the same time

Industrial Intersection- \$2.15 million estimate

- Have a way to fund this in the Recommended Budget, non-DOT Funding

Enterprise Intersection- \$2.5 million estimate

- Insufficient TIM Fees

### TWO RECOMMENDED OPTIONS FOR FUNDING ENTERPRISE INTERSECTION:

- (1) Fund 100% with Tribe Funding, or
- (2) Fund \$1.2 million TIM Fee + \$1.3 million Tribe Funding

# What is Not Currently Funded

- ❑ No Additional General Fund for Road Funding (primarily related to SB 1 Status) - - will monitor status
- ❑ EDH/Latrobe Transfer of Property Tax: Pending Agreement and Resolution
- ❑ Public Safety Facility loan payment: \$2.3 million per year (anticipated FY 2020-21)
- ❑ Funding for Add'l Staffing for Jail Expansion: \$1 million per year (anticipated increase)
- ❑ Additional Land Purchases, future County facility locations
- ❑ IHSS cost shift to Counties Impacts - - No General Fund impact in FY 2018-19

## Items to Fund in September, Pending Fund Balance Carry-over

- 1) CalPERS Payment Reserve - - **\$2,988,569** for estimated add'l payment in FY 2020-21. Increase Reserve with excess fund balance following close of books for FY 2017-18, based on two-year estimate of General Fund cost increase (see worksheet from 9/2017)
- 2) Set-Aside Funding for Broadband County Match - - **\$100,000** per year (In Econ. Dev. As Increase in Reserve from prior year unspent funds or excess TOT over budget; Build a fund over time, drawn down for projects)
- 3) Additional Contribution to Capital Projects Reserve or FY 2018-189 Deferred Maintenance, Prepare for future facility improvements and replacements or add to work list for coming year (Net of \$5 million reserve + \$3.8 million GF request)

# Next Steps in Budget Process

## Today:

- Direction on Two Identified Funding Areas
- Discussion of what is not currently funded
- Board discussion and feedback

## Next Two Months:

- Finish evaluating Department Requests
- Prepare the Budget Book (May 25<sup>th</sup>)
- Conduct the Budget Hearing (June 18<sup>th</sup>)