



COUNTY OF MADERA

ADMINISTRATIVE MANAGEMENT

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May 24, 2019

**HONORABLE BOARD OF SUPERVISORS
 COUNTY OF MADERA**

In accordance with the requirements of State Law and Madera County Code Section 2.24.030C, submitted herewith are my recommendations for the 2019-20 Recommended Budget. The following is a summary of budget appropriation totals:

APPROPRIATION SUMMARY (Not Including Special Districts)

<u>Fund</u>	<u>Actual 2017-18</u>	<u>Board of Supervisors Approved Expenditures 2018-19</u>	<u>Department Request 2019-20</u>	<u>CAO Recommendation 2019-20</u>	<u>Change from 2018-19 to 2019-20</u>
General	\$230,433,333	\$268,913,167	\$290,919,274	\$290,919,274	\$22,006,107
Fish and Game Fines	2,300	5,000	5,000	5,000	0
Refuse Disposal & Flood Control	6,156,854	9,386,194	14,248,574	14,248,574	4,862,380
AB 109 & Community Corr. Performance Inc.	6,753,278	7,384,581	7,833,909	7,833,909	449,328
Road	14,486,513	28,481,655	28,930,707	28,930,707	449,052
Other (ISF ⁽¹⁾ & Public Authority)	2,174,328	3,360,956	3,400,145	3,400,145	39,189
GRAND TOTAL BUDGET REQUIREMENTS	<u>\$234,518,343</u>	<u>\$317,531,553</u>	<u>\$345,337,609</u>	<u>\$345,337,609</u>	<u>\$27,806,056</u>

(1) ISF - Internal Service Funds - Central Garage and Microwave Radio

HONORABLE BOARD OF SUPERVISORS

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The recommended Fiscal Year 2019-20 General Fund (GF) appropriation of \$290,919,274 is balanced with projected revenue and fund balance shown in the following estimates:

REVENUE SUMMARY - GENERAL FUND

<u>Classification</u>	Board of Supervisors Approved Revenues <u>2018-19</u>	CAO Recommended Estimated Revenues <u>2019-20</u>
Taxes	\$53,464,055	\$57,219,059
Licenses, Permits, & Franchises	5,942,084	6,000,569
Fines, Forfeits, & Penalties	1,900,645	2,189,789
Revenue from Use of Money and Property	155,646	356,175
Intergovernmental Revenues	143,938,436	149,944,893
Charges for Current Services	20,645,889	26,358,949
Other Revenue	<u>33,625,311</u>	<u>39,422,664</u>
REVENUE TOTAL	\$259,672,066	\$281,492,098
PY CARRYOVER FUND BALANCE	17,963,925	17,850,000 ⁽¹⁾
GRAND TOTAL AVAILABLE REVENUES	<u>\$277,635,991</u>	<u>\$299,342,098</u>
<u>RECOMMENDED USES:</u>		
REVENUES TO FUND GF APPROPRIATIONS	\$268,913,167	\$290,919,274
INCREASE FIRE EQUIP. RESERVE	500,000	0
REMAINING FUND BALANCE	<u>\$8,222,824</u>	<u>\$8,422,824</u>

(1) Preliminary projected General Fund Balance for the period ending June 30, 2019, which includes \$563,925 in fund balance carryover from the prior year that was designated by your Board as match for the Tree Mortality Project in Fiscal Year 2016-17 and \$300,000 from the reserve for enhanced economic development activities.

HONORABLE BOARD OF SUPERVISORS

May 24, 2019

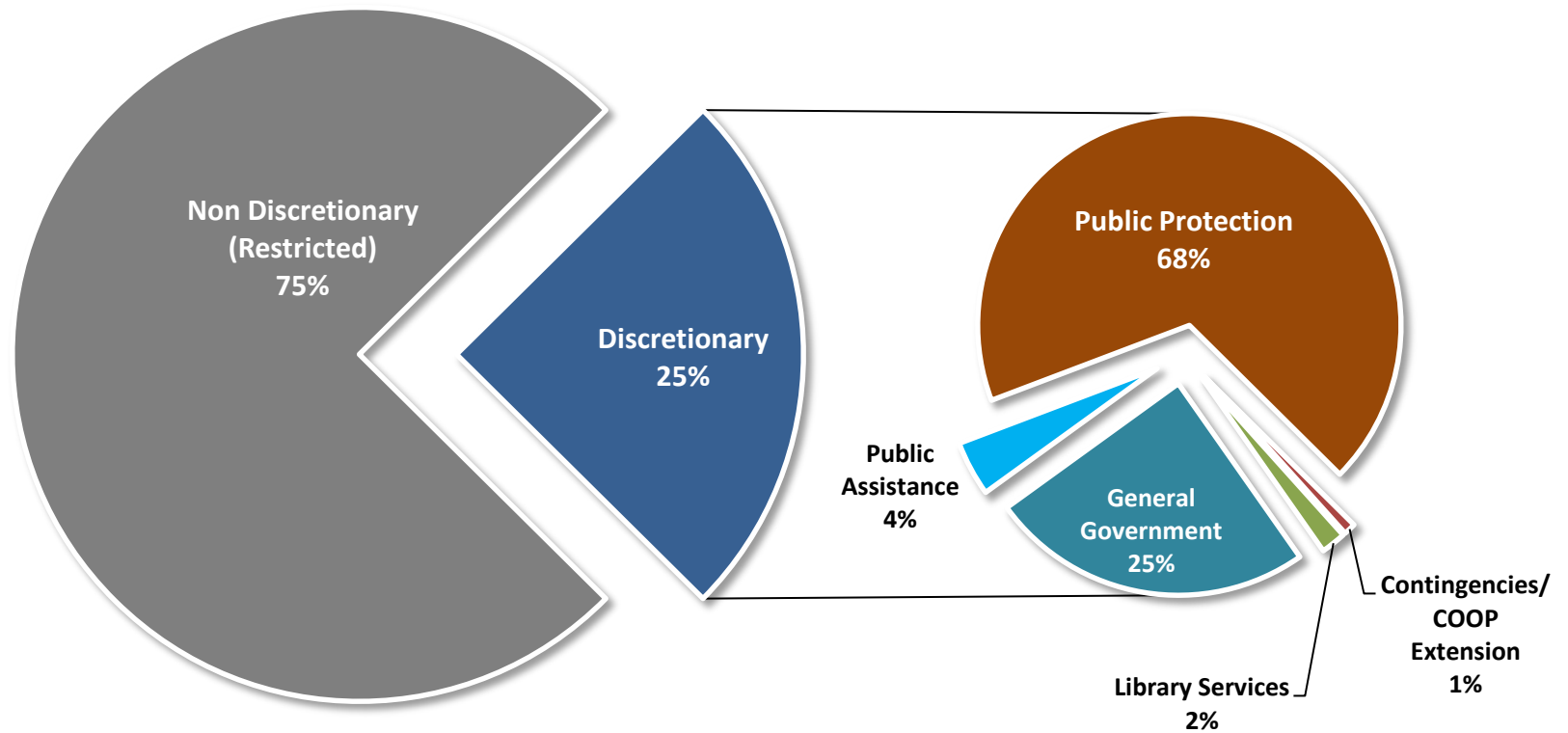
GENERAL FUND DISCRETIONARY REVENUE/FUND BALANCE SUMMARY

	ADOPTED FY 2018-19	RECOMMENDED FY 2019-20
PRIOR YEAR CARRYOVER FUND BALANCE	\$17,963,925	\$17,850,000⁽¹⁾
FUND BALANCE INCLUDED IN PROPOSED BUDGET	(8,677,176)	(8,563,251)
INCREASE TO THE FIRE EQUIP. RESERVE	(500,000)	0
USE OF ENHANCED ECON. DEVT. RESERVE	0	(300,000)
USE OF TREE MORTALITY DESIGNATION	(563,925)	(563,925)
REMAINING FUND BALANCE	\$8,222,824	\$8,422,824
 REMAINING FUND BALANCE COMPRISED OF:		
FIRE EQUIPMENT RESERVE	\$500,000	\$1,000,000
ENHANCED ECONOMIC DEVELOPMENT RESERVE	\$300,000	0
FUND BALANCE POLICY RESERVE	\$7,422,824	\$7,422,824
PROJECTED DISCRETIONARY REVENUES	\$70,730,107	\$76,392,378⁽²⁾
FUND BALANCE INCLUDED IN PROPOSED BUDGET	8,677,176	8,563,251
USE OF RESERVE & DESIGNATIONS	563,925	863,925
TOTAL DISCRETIONARY REVENUES IN BUDGET	\$79,971,208	\$85,819,554

(1) Reflects the preliminary General Fund Balance (Fund Balance) for the period ending June 30, 2019, as projected by the Auditor's Office in cooperation with the Administrative Office. Fund Balance represents carryover prior year discretionary revenues.

(2) Reflects projected discretionary revenues to be received in fiscal year 2019-20.

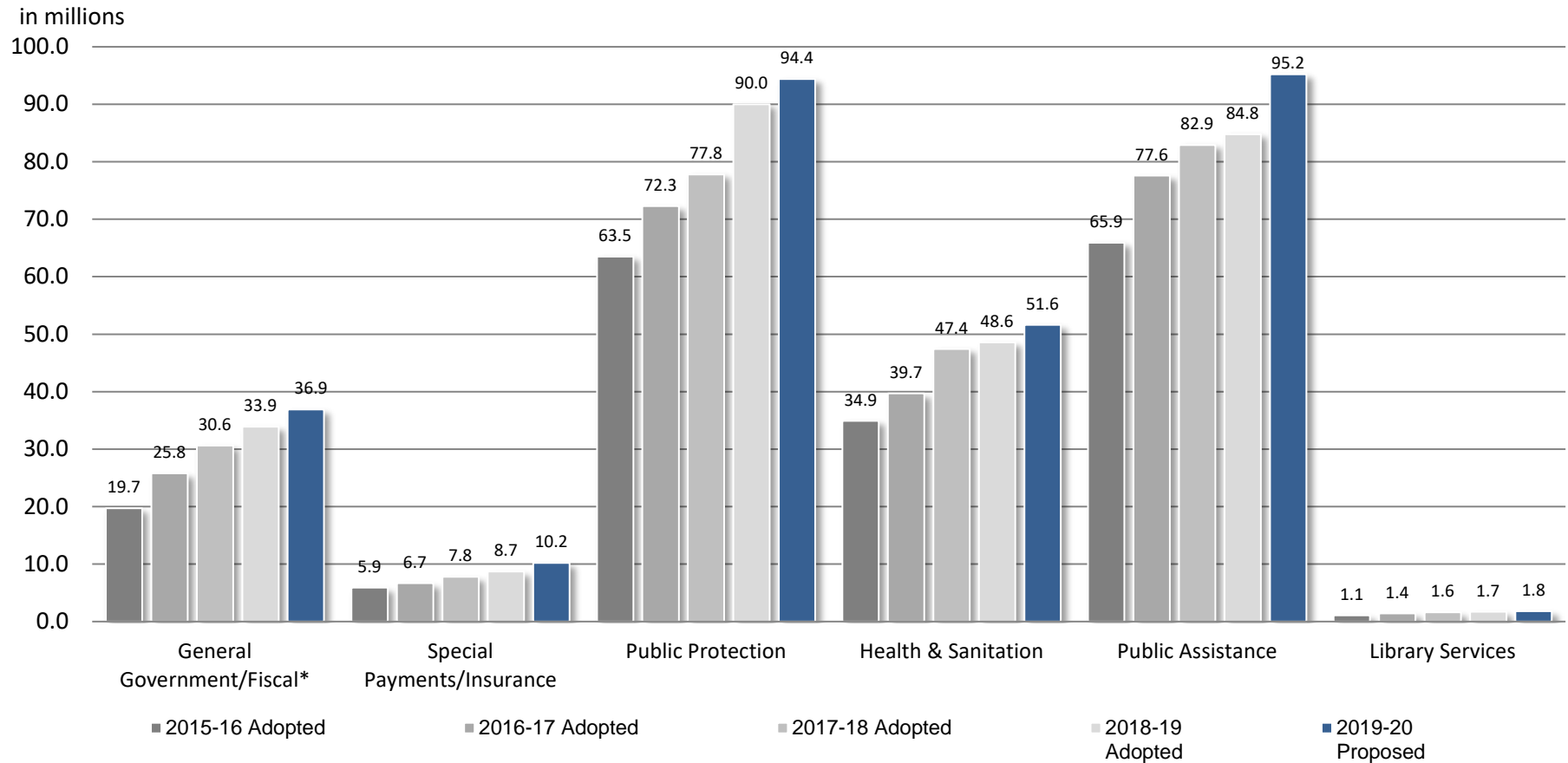
Fiscal Year 2019-20 Recommended Budget Discretionary vs. Restricted Funding



COMMENTS ON THE 2019-20 RECOMMENDED BUDGET

The Recommended Budget for Fiscal Year 2019-20 is a balanced budget that provides funding consistent with your Board's priorities, continuing the growth in funding levels within the Public Safety Departments and providing funding necessary for information technology system upgrades to address information security across the county network. Restricted funding for Health and Welfare programs continues to increase this fiscal year, but is dictated by the State and Federal Governments without much discretion at the local level.

General Fund Appropriations 5-Year Comparison



COMMENTS ON THE 2019-20 RECOMMENDED BUDGET (continued)

Due to the fiscal prudence of your Board, exceptional efforts of the County Management Team and steady economic growth, the County Budget is balanced and reflects a general fund reserve of \$7.4 Million and a Fire Equipment Replacement Reserve of \$1 Million. The recommended budget also reflects your Board's ongoing commitment to public safety by allocating 68% of available discretionary revenues to public protection activities. This commitment has allowed the Madera County Sheriff's Office to fully fund all Deputy Sheriff Position allocations in the proposed budget. In addition, the Madera County Fire Department was able to further increase its fire fighter staffing by one (1) Full Time Equivalent (FTE) firefighter through a combination of federal grant funding and county match funds.

Economic development efforts continue to progress throughout the county and will continue this year with a continued focus on new residential, commercial and industrial development opportunities. The recommended budget appropriates the \$300,000 in reserves set aside for enhanced economic development activities. This reserve will support economic development efforts by providing additional resources to support the growth of commercial and industrial opportunities within the county. The Rio Mesa Area continues to be the most active development area countywide. More specifically, there has been continued growth in residential development in the Riverstone Community, while Tesoro Viejo opened its new school and has begun selling homes.

It is worth noting that the 2018-19 Fiscal Year brought significant accomplishments: construction is well under way on the new Health and Social Services Office Complex; design work has been completed for the new Agriculture Department Building and the Ranchos Library/Sheriff Substation and will soon begin construction; and initial design work has been completed for the new Hall of Justice Facility that will house the District Attorney and Probation Departments once complete.

The recommended budget includes funding for the Cost of Living Adjustment (COLA) that went into effect January 2019 and the COLA that will go into effect January 2020. This supports the Board's commitment to keep county salaries competitive with neighboring counties in order to minimize the cost of turnover. The continuation of a selective hiring freeze is recommended again in 2019-20 as a cost containment measure.

The State Budget has not been signed into law at the time the budget went to print. Components of the State Budget that will be impacting counties will be brought before your Board once details are finalized.

The following are general comments concerning the Recommended 2019-20 General Fund Budget:

COMMENTS ON THE 2019-20 RECOMMENDED BUDGET (continued)

The 2019-20 General Fund Budget has an overall increase of \$22.0 Million over the 2018-19 Fiscal Year. The following is a brief recap of General Fund functions and other points of interest:

- ✓ The General Government category reflects an increase of \$3.0 Million over Fiscal Year 2018-19. The majority of the increase is due to upgrades to improve the security of the county network and to comply with state and federal information security requirements as well as the initial phase of converting the county's phone system to Voice over IP technology (\$1.2 Million). Other major reasons for the increase are retiree health costs, which increased by \$410,000, the ongoing debt service for the fire equipment replacement program (\$440,000), appropriations for enhanced economic development activities (\$300,000) and an increase in contribution to Visit Yosemite: Madera County for promoting and growing tourism within the county. Other factors contributing to the cost are increases in workers compensation, general liability, COLAs and retirement contribution rates; and projected costs of various building maintenance agreements and repairs.
- ✓ The Public Protection category has increased \$4.5 Million over Fiscal Year 2018-19. The increase is primarily due to the following: negotiated increases in the Fire Protection Agreements with CAL FIRE plus the cost of one (1) Full Time Equivalent (FTE) fire fighter (\$1.3 Million); funding of the two (2) remaining unfunded Deputy Sheriff Positions and the addition of three (3) key positions in the Sheriff's Office; and the addition of three (3) Deputy District Attorney positions to alleviate workload in the District Attorney's Office. Other factors contributing to the cost are increases in the workers compensation, general liability, COLAs and retirement contribution rates, which have a greater impact on public safety positions due to safety retirement rates.
- ✓ The Health and Sanitation category has increased \$2.9 Million over Fiscal Year 2018-19. The increase is primarily due to the projected cost of operating Health & Mental Health Programs in the county as well as the impacts of increases in workers compensation, general liability, COLAs and retirement contribution rates. Health and Mental Health Programs are fully funded through realignment and have no net County cost.
- ✓ The Public Assistance category has increased \$10.4 Million over Fiscal Year 2018-19. The increase in this category is primarily due to increases in projected public assistance aid costs (\$5.8 Million). Other major reasons for the increase includes the projected partial year lease cost of the new Health & Social Services facility (\$1.5 Million) and increases in workers compensation, general liability, COLAs and retirement contribution rates.

COMMENTS ON THE 2019-20 RECOMMENDED BUDGET (continued)

- ✓ The Library Services category (Library) has increased \$76,097 over Fiscal Year 2018-19. This increase is due to updated workers compensation and general liability rates, COLAs, additional resources to augment the Library's books and subscription appropriations, and funding for various projects in the Madera Branch Library.
- ✓ The preliminary General Fund Balance for the period ending June 30, 2019, as projected by the Auditor's Office in cooperation with the Administrative Office, is \$17,850,000. The Auditor's Office is scheduled to complete the final June 2019 Fund Balance calculation in the fall of this year after the close-out of the 2018-19 Fiscal Year.
- ✓ The Public Employees' Retirement System (PERS) notified the County that the miscellaneous employee rate will increase from 26.692% to 26.952% for Fiscal Year 2019-20. The current PERS rate for Law Enforcement employees is 32.409% and will increase to 35.370%. PERS has lowered its long term rate of return from 7.50% to 7.00%, which is implemented over three years beginning the 2018-19 Fiscal Year. This change in the rate of return has significantly increased employer contributions in the PERS system. In the proposed budget, the increase in total benefits costs, which includes health and retirement benefits, is \$2.7 million and is primarily due to the new PERS rates.
- ✓ Employee Compensation Increases All compensation adjustments that have been agreed to in a Memorandum of Understanding (MOU) have been budgeted in the individual Departmental budgets.
- ✓ Appropriations for Contingency is budgeted at \$710,922 and is a reduction of \$441,019 from Fiscal Year 2018-19. Funds are included in the contingency account to cover costs associated with multi-defendant special circumstance cases being handled by appointed Public Defense Attorneys; payout costs related to retirements; county matches associated with grants and other unanticipated events. The amount is recommended reduced based on recent experience and continued efforts to enhance departmental budgets at the line item level, which has reduced the need for a high level of contingency funding.
- ✓ All previous fiscal commitments by your Board have been included in this Budget.

COMMENTS ON RESIDUAL/DESIGNATED FUND BALANCE

<u>Funds</u>	<u>Balance</u>	<u>Type, Proposed Use, and Comments on Funds</u>
A Reserve for Enhanced Economic Development	\$0	<p>Type: Discretionary One-Time Funds</p> <p>Use: This funding was designated by the Board of Supervisors on April 3, 2018. The reserve is intended for activities that will attract new businesses to locate their operations within the county or to help facilitate existing businesses to expand or retain operations within the county.</p> <p>Comments: The entire amount of this reserve is recommended to be appropriated in the Fiscal Year 2019-2020 Proposed Budget as a contingency amount should a need be identified during the fiscal year.</p>
Fund Balance Policy Reserve	\$7,422,824	<p>Type: Discretionary one-time funds.</p> <p>Use: These funds are set-aside for future budgetary needs.</p> <p>Comments: There are no recommended uses of these funds included in the Fiscal Year 2019-2020 Proposed Budget.</p>

COMMENTS ON RESIDUAL/DESIGNATED FUND BALANCE (continued)

<u>Funds</u>	<u>Balance</u>	<u>Type, Proposed Use, and Comments on Funds</u>	
A Reserve for Fire Equipment Replacement	\$1,000,000	Type:	Discretionary One-Time Funds
		Use:	This funding was established to ensure the stability of funding available for the annual debt service costs of acquiring replacement fire equipment pursuant to the approved Fire Equipment Replacement Policy.
		Comments:	There are no recommended uses for these funds included in the proposed fiscal year 2019-2020 budget.

COMMENTS ON FINAL BUDGET HEARINGS

The Government Code provides that estimates submitted by an official or person shall not be addressed or reduced until they have had a hearing before your Board sometime during or prior to the Final Budget Hearings. In addition, your Board (1) must hear any taxpayer, during consideration of the Final Budget, regarding the increase, decrease, or omission of any item in the Proposed Budget, or for the inclusion of additional items; (2) may add any items at the Final Budget Hearings for which a written request is filed; and (3) may delete any items at the Final Budget Hearings.

Therefore, it is recommended that your Board:

1. Instruct the County Administrative Officer to review the budget accounts approved in the Recommended Budget and submit recommendations for adjustments to be considered at the Final Budget Public Hearings.
2. Set MONDAY, JUNE 10, 2019, as the date Final Budget Public Hearings to begin.
3. Instruct the County Administrative Officer to schedule specific items to be heard during Final Budget deliberations for persons indicating a desire to be heard regarding the Budget.

Respectfully submitted,



Eric Fleming
County Administrative Officer

County of Madera Budget Staff:

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