



COUNTY OF MADERA

ADMINISTRATIVE MANAGEMENT

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September 2, 2020

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 2020-21 Proposed Budget. The following is a summary of budget appropriation totals:

COUNTY BUDGET APPROPRIATION SUMMARY (All Funds Excluding Special Districts)

<u>Fund Name</u>	<u>Board Approved 2019-20</u>	<u>CAO Baseline Budget 2020-21</u>	<u>Department Request 2020-21</u>	<u>CAO Proposed Budget 2020-21</u>	<u>Change from 2019-20 to 2020-21</u>
General Fund	\$290,919,274	\$294,976,523	\$307,120,307	\$307,120,307	\$16,201,033
Fish and Game Fines	5,000	5,000	5,000	5,000	0
Refuse Disposal & Flood Control	14,248,574	14,004,658	15,632,109	15,632,109	1,383,535
AB 109 & Community Corr. Performance Inc.	7,833,909	7,833,909	8,519,912	8,519,912	686,003
Road Fund	29,017,174	29,017,174	56,451,992	56,451,992	27,434,818
Other (ISF ⁽¹⁾ & Public Authority)	3,400,145	3,363,565	3,688,532	3,688,532	288,387
GRAND TOTAL BUDGET REQUIREMENTS	<u>\$345,424,076</u>	<u>\$349,200,829</u>	<u>\$391,417,852</u>	<u>\$391,417,852</u>	<u>\$45,993,776</u>

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

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The proposed Fiscal Year 2020-21 General Fund (GF) appropriation of \$307,120,307 is funded with projected revenues and carryover fund balance shown in the following estimates:

REVENUE & APPROPRIATIONS SUMMARY - GENERAL FUND

<u>Classification</u>	Board of Supervisors Approved Revenues 2019-20	CAO Proposed Estimated Revenues 2020-21
Taxes	\$57,219,059	\$57,987,010
Licenses, Permits, & Franchises	6,000,569	6,591,453
Fines, Forfeits, & Penalties	2,189,789	2,439,124
Revenue from Use of Money and Property	356,175	75,528
Intergovernmental Revenues	149,944,893	162,107,286
Charges for Current Services	26,358,949	31,332,976
Other Revenue	<u>39,422,664</u>	<u>42,121,773⁽¹⁾</u>
PROJECTED GENERAL FUND REVENUES	\$281,492,098	\$302,655,150
Projected Prior Year Unrestricted General Fund Balance Carryover	\$16,850,000	\$7,422,824 ⁽²⁾
AVAILABLE GENERAL FUND REVENUES	\$298,342,098	\$310,077,974
General Fund Appropriations Requirements	\$290,919,274	\$307,120,307
ESTIMATED UNRESTRICTED FUND BALANCE	\$7,422,824	\$2,957,667⁽³⁾

⁽¹⁾Includes \$4.3 Million in one-time CARES Act Coronavirus Relief Funds (CRF) revenue offsetting cost of staff resources that were substantially redirected to pandemic response activities.

⁽²⁾Projected Unrestricted General Fund Balance Carryover for fiscal year ending June 30, 2020

⁽³⁾Recommends use of \$4,465,157 of the \$7,422,824 Fund Balance Policy Reserve to offset discretionary revenue deficit

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NET COUNTY COST/DISCRETIONARY REVENUE SUMMARY

	ADOPTED FY 2019-20	PROPOSED FY 2020-21
PROPOSED NET COUNTY COST REQUIREMENTS	\$85,819,554	\$79,553,436
DISCRETIONARY REVENUES TO FUND NET COUNTY COST	(\$76,392,378)	(\$75,088,279)
USE OF CARRYOVER FUND BALANCE IN OPERATIONS	(8,563,251)	(4,465,157)
SUMMARY OF REMAINING FUND BALANCE RESERVE AND OTHER RESERVES:		
FUND BALANCE POLICY RESERVE	\$7,422,824	\$2,957,667
FIRE EQUIPMENT RESERVE	\$1,000,000	\$1,000,000

COMMENTS ON THE 2020-21 RECOMMENDED BUDGET

Discretionary Revenues and Net County Cost

The Proposed Budget for Fiscal Year 2020-21 is balanced through a combination of departmental reductions, recognition of one-time revenues and recommended utilization of the County's budget reserves. The COVID-19 crisis and its resulting economic impact quickly and significantly reduced the available discretionary revenues that fund critical county essential services. In addition to reduced revenues, departments were faced with the full year impact of the second of two negotiated Cost of Living Adjustments (COLA) and higher retirement and health insurance costs. These inflationary factors would have required a Fiscal Year 2020-21 net County cost of \$87,601,192 to maintain prior year service levels. In response, departments identified \$3.7 Million in expenditure reductions through a combination of hiring controls, service efficiencies and tightening of operating expenses. In addition, \$4.3 Million in one-time CARES Act Coronavirus Relief Fund (CRF) revenues helped reduce the net County cost requirement for Fiscal Year 2020-21 to \$79,553,436. The projected discretionary revenues of \$75,088,279 is \$4,465,157 short of funding the total net County cost requirements. It is my recommendation that your Board authorize the use of the County's budget reserves to fund the deficit in discretionary revenues and meet the statutory requirement of passing a balanced budget.

Over the next several months, my office will work with each department to ensure the following:

1. Continue to reduce the deficit between operating expenses and revenues with the goal of minimizing the use of the fund balance reserves to a level lower than what your Board has authorized during adoption of the proposed budget
2. Monitor projected revenues and take the necessary steps to adjust the budget to ensure no additional fund balance reserves are used during the fiscal year
3. Make restoration of the fund balance policy reserve a priority

Due to the unpredictable impacts of COVID-19 on the County's operations and finances, my office will provide a mid-year update to your Board on January 2021, which will detail the County's progress towards the goals presented above and provide a forecast for Fiscal Year 2021-22. At that time, necessary mid-year budget adjustments will be made to align actual spending to updated projections.

Key Infrastructure & Economic Development Highlights

Despite the unprecedented challenges we are experiencing during this pandemic, it is worth noting the following accomplishments of the past twelve months. Over the past year, the County has either completed or initiated the following capital improvement projects:

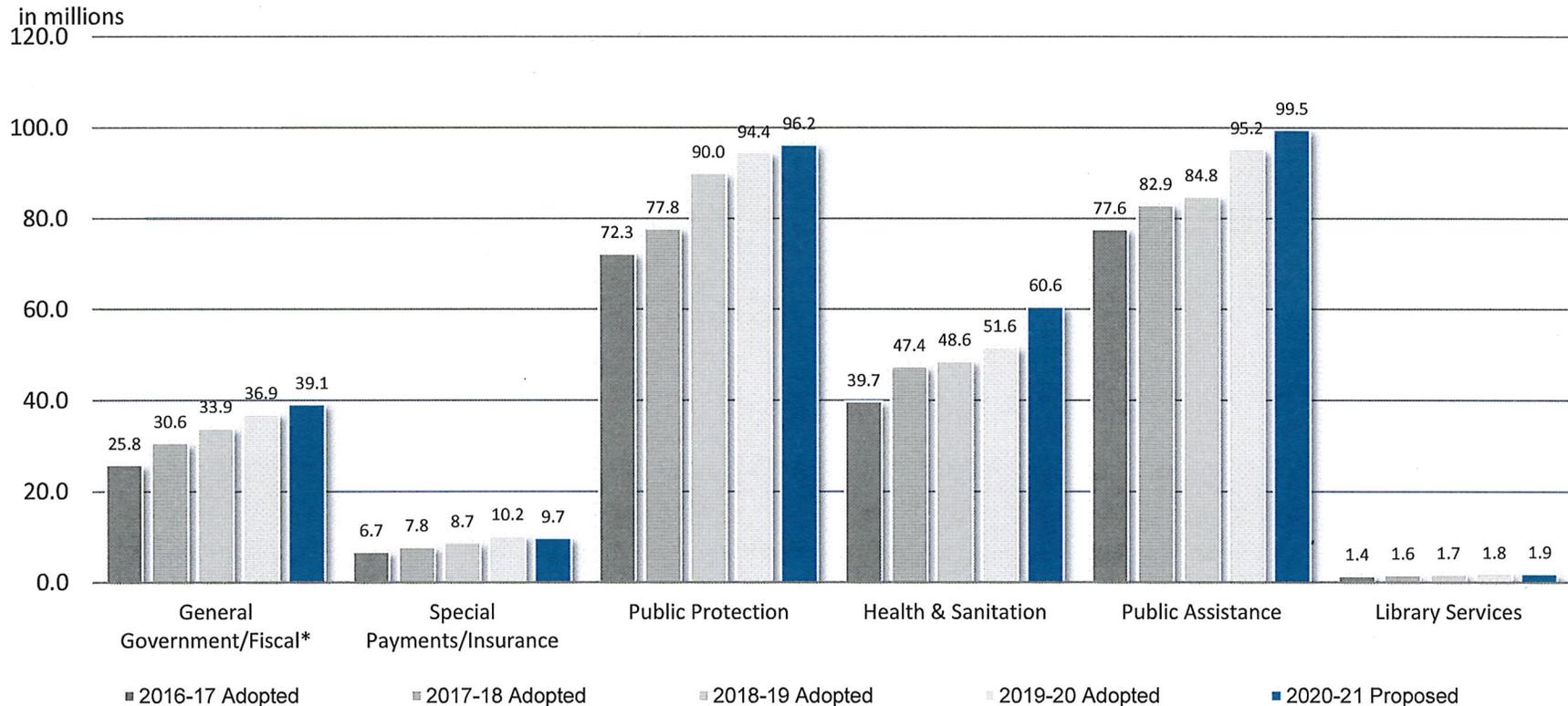
- The Health & Social Services Campus was fully completed on March 2020, with the Department of Social Services fully occupying the final three buildings of the campus on April 2020
- The new Ranchos Library and Sheriff's substation were completed; the new library opened its doors December 2020 while the Sheriff's substation had its soft opening September 2020
- The new Agricultural Commissioner's facility is nearing completion and is expected to be occupied by November 2020
- The contract and financing package for the design and construction of the Hall of Justice Facility (District Attorney & Probation Building) was approved by your Board on August 2020 and construction is expected to begin March 2021
- Fire Station 3 entered the design phase with your Board's approval of the architecture and design contract on July 2020. The SB 1022 Jail Project started the design phase of the project as well.
- Finally, the Phase 3 Energy Efficiency Project began the design phase on August 2020. It is a multi-phase project, which includes an expansion of the solar field on Road 28 that serves the jail facility. The final phase of this project is expected to be completed on October 2021

Economic development efforts continue to make progress. The establishment of Enhanced Infrastructure Financing Districts (EIFD) and the future efforts on attracting Opportunity Zone investments represents part of the County's focus on job creating commercial and industrial development opportunities. Residential construction continues to be strong in the Rio Mesa Area, with Tesoro Viejo selling homes and Riverstone beginning construction of its first commercial area.

Overview of Proposed FY 2020-21 Appropriations

The following section provides an overview of the proposed appropriations for the Fiscal Year 2020-21 Budget. This budget continues your Board’s focus on prioritizing public safety, which is reflected in the five-year trend of public protection appropriations below. The budget also makes key technological investments in improving the County’s Geographic Information System (GIS) mapping capabilities and includes the appropriations necessary to address the pandemic and assist low-income households by providing necessary state and federal funded safety net services.

General Fund Appropriations 5-Year Comparison



Overview of Proposed FY 2020-21 Appropriations (continued)

The 2020-21 General Fund Budget is an overall increase of \$16.2 Million over the 2019-20 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 \$2.2 Million over Fiscal Year 2019-20. The majority of this increase is due to the cost of updating the County's GIS Base Layer Map (\$1.2 Million). This project will be completed over the course of two fiscal years; 66% of the estimated cost will be funded with State grants. The 34% local match will be split equally between net County cost and automation revenues received by the Community & Economic Development Department. Other increases in this category include the necessary cost of maintaining and operating the County's facilities and grounds. A portion of these facility costs are related to the pandemic response and will be eligible for reimbursement through the CARES Act – CRF funds.
- The Public Protection category has increased \$1.8 Million over Fiscal Year 2019-20. The increase is primarily due to the Community Oriented Policing Services (COPS) Hiring Grant, which will add five (5) Full Time Equivalent (FTE) positions to the Sheriff's Office, and the contracted increases in the Jail Medical and Food Service agreements.
- The Health and Sanitation category has increased \$9.0 Million over Fiscal Year 2019-20. The majority of the increase is related to the Public Health Department's pandemic response costs (\$5.6 Million) the cost increases related to operating Health & Mental Health Programs in the county.
- The Public Assistance category has increased \$4.3 Million over Fiscal Year 2019-20. The increase in this category is primarily due to increases in projected public assistance aid costs (\$1.9 Million). Other major reasons for the increase includes the full year lease cost of the new Health & Social Services facility (\$1.5 Million) and a new Medi-Cal Navigator Program for DSS.
- The Library Services category (Library) has increased \$152,417 over Fiscal Year 2019-20. This increase is entirely due to the Madera County Library's Mobile Library Unit Project, which is funded through a State grant.

Overview of Proposed FY 2020-21 Appropriations (continued)

- The preliminary General Fund Balance for the period ending June 30, 2020, as projected by the Auditor's Office in cooperation with the Administrative Office, is \$7,422,821. The Auditor's Office is scheduled to complete the final June 2020 Fund Balance calculation in the fall of this year after the close-out of the 2019-20 Fiscal Year. The proposed budget recommends the use of \$4,465,157 of the projected fund balance to offset the projected deficit in discretionary revenues.
- The Public Employees' Retirement System (PERS) notified the County that the miscellaneous employee rate will increase from 26.952% to 30.056% for Fiscal Year 2020-21. The current PERS rate for Law Enforcement employees is 35.370% and will increase to 39.980%. 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 \$5.4 million and is primarily only due to the new PERS rates (\$4.7 Million).
- 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, including the full year impact of the 3.00% Cost of Living Adjustment (COLA) that went into effect January 1, 2020.
- Appropriations for Contingency is currently not budgeted for Fiscal Year 2020-21. The amount is recommended eliminated based on the current budget crisis and 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.

COMMENTS ON RESIDUAL/DESIGNATED FUND BALANCE

<u>Funds</u>	<u>Balance</u>	<u>Type, Proposed Use, and Comments on Funds</u>
Fund Balance Policy Reserve	\$2,957,667	<p>Type: Discretionary one-time funds.</p> <p>Use: These funds are set-aside for future budgetary needs.</p> <p>Comments: For Fiscal Year 2020-21, \$4,465,157 is recommended to be used to offset the deficit in discretionary revenues</p>
A Reserve for Fire Equipment Replacement	\$1,000,000	<p>Type: Discretionary One-Time Funds</p> <p>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.</p> <p>Comments: There are no recommended uses for these funds included in the proposed fiscal year 2020-21 budget.</p>

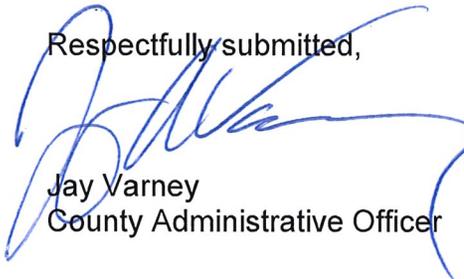
COMMENTS ON FINAL BUDGET HEARINGS

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, September 14, 2020, 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,



Jay Varney
County Administrative Officer

County of Madera Budget Staff:

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