



COUNTY OF MADERA

ADMINISTRATIVE MANAGEMENT

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June 7, 2021

HONORABLE BOARD OF SUPERVISORS COUNTY OF MADERA

In accordance with the requirements of State Law and Madera County Code Section 2.24.030C, I hereby submit my recommendations for the Fiscal Year 2021-22 Proposed Budget. The proposed county operating budget of \$414,984,007 reflects a net increase of \$19,497,195 over the current fiscal year across all operating funds. These are summarized below.

COUNTY BUDGET APPROPRIATIONS SUMMARY (EXCLUDES SPECIAL DISTRICTS)

<u>Fund Name</u>	<u>Actual Expenditures 2019-20</u>	<u>Board Adopted 2020-21</u>	<u>Department Request 2021-22</u>	<u>CAO Proposed Budget 2021-22</u>	<u>Change from 2020-21 to 2021-22</u>
General Fund	\$268,643,564	\$311,189,267	\$333,571,554	\$333,061,380	\$21,872,113
Fish and Game Fines	3,842	5,000	5,000	5,000	0
Refuse Disposal	7,169,213	12,003,300	13,203,755	13,203,755	1,200,455
Flood Control	3,873,025	3,628,809	1,398,246	1,398,246	(2,230,563)
AB 109 & Community Corr. Performance Inc.	7,705,823	8,519,912	8,241,662	8,241,662	(278,250)
Road Fund and Transit	18,316,826	56,451,992	55,116,029	55,116,029	(1,335,963)
Other (ISF ⁽¹⁾ & Public Authority)	2,986,245	3,688,532	3,957,935	3,957,935	269,403
GRAND TOTAL BUDGET REQUIREMENTS	<u>\$308,698,538</u>	<u>\$395,486,812</u>	<u>\$415,494,181</u>	<u>\$414,984,007</u>	<u>\$19,497,195</u>

(1) ISF - Internal Service Funds – Fleet Services and Microwave Radio

GENERAL FUND FINANCIAL OUTLOOK

The County General Fund will continue to face significant financial challenges over the next four fiscal years. The FY 2021-22 Budget is proposed to be balanced through utilization of one-time federal fiscal recovery funds from the American Rescue Plan Act (ARPA) of 2021. As shown on Table 1, one-time ARPA funds will be necessary to balance the budget over the next four fiscal years to prevent drastic workforce reductions that would otherwise be necessary. The current projections also assume that departments will be able to achieve a 9% salary savings rate over the next four fiscal years. This is twice the actual salary savings rate of 4.5% in the current year. While I believe this rate is achievable, each Department will need to maintain vacancies for longer periods or reduce utilization of extra help staff and other resources to achieve equivalent budgetary savings results.

The financial outlook accounts for major inflationary factors that impact discretionary spending, which includes retirement and health benefit costs, retiree health insurance costs and routine steps and promotions. It does not take into consideration any potential negotiated salary adjustments or benefit enhancements that may occur through the course of successor contract negotiations. Discretionary revenues are projected to grow at a modest but realistic pace of 2.5% across all sources beginning in FY 2022-23. If revenue growth exceeds 2.5%, it is my recommendation that it be earmarked for reducing the \$5.5 Million in structural deficit projected for FY 2024-25 to ensure that the general fund operating budget will be balanced once the one-time ARPA funding runs out in 2024.

HONORABLE BOARD OF SUPERVISORS

June 7, 2021

TABLE 1: COUNTY GENERAL FUND 5-YEAR FINANCIAL OUTLOOK

	Projected FY 2020-21	Proposed FY 2021-22	Estimated FY 2022-23	Estimated FY 2023-24	Estimated FY 2024-25	
<u>GENERAL FUND BUDGET</u>						
Adopted Appropriations	311,194,180	333,061,480	346,383,939	360,239,297	374,648,869	
Estimated 3 rd Party Revenues	226,107,693	243,220,779	254,792,238	266,896,596	279,555,168	
Net County Cost (NCC)	85,086,487	89,840,701	91,591,701	93,342,701	95,093,701	
<u>NET COUNTY COST/STRUCTURAL DEFICIT</u>						
Budgeted NCC	85,086,487	89,840,701	91,591,701	93,342,701	95,093,701	
Less 9% Salary Savings Target	(2,552,595)	(5,306,809)	(5,495,502)	(5,600,562)	(5,705,622)	A
Actual/Target Net County Cost	82,533,892	84,533,892	86,096,199	87,742,139	89,388,079	
Discretionary Revenue (Funds NCC)	76,221,310	77,874,390	79,821,250	81,816,781	83,862,201	
Structural Operating Deficit						
(Discretionary Revenues - Actual NCC)	(6,312,582)	(6,659,502)	(6,274,949)	(5,925,358)	(5,525,878)	
<i><u>One-Time Revenues Offsetting Deficit</u></i>						
CARES Act Revenue Used in GF	4,122,177	0	0	0	0	B
ARPA-Preservation of Services	2,190,405	6,659,502	6,274,949	5,925,358	0	C
Projected End of Year Deficit	0	0	0	0	(5,525,878)	
<u>FUND BALANCE/GENERAL FUND SOLVENCY</u>						
Beginning Fund Balance	7,422,824	7,422,824	7,422,824	7,422,824	7,422,824	D
Less Projected Operating Deficit	0	0	0	0	(5,525,878)	D
Ending Fund Balance	7,422,824	7,422,824	7,422,824	7,422,824	1,896,946	

A - FY 2020-21 salary savings is 4.5%, the target of 9.0% will require departments to keep positions vacant for twice the amount of time than normal to achieve the target or reduce other general fund expenditures of the same value.

B - CARES Act eligible general fund expenditures in public safety functions, which helped offset deficits in FY 2020-21.

C - American Rescue Plan Act (ARPA) allows the use of funds to offset revenue losses and prevent layoffs of essential workers. A total of \$ 21 Million will be needed through 2024 to allow the County to eliminate the structural deficit without a drastic negative impact to critical public safety services.

D - Using one-time funding from CARES Act and ARPA, the general fund can maintain its solvency; however, if discretionary revenues do not outperform projections through FY 2024-25, then an additional \$5.5 Million in cost reductions will need to be made over the next three fiscal years to ensure a balanced operating budget once ARPA funds run out in 2024.

FUNDED POSITIONS

Historical Funded Positions Growth

The Proposed FY 2021-22 Budget reflects a total of 1,524 recommended funded positions, an increase of 198 positions when compared to the lowest funded staffing levels during the great recession. Over the past eleven fiscal years, the County's funded positions have grown to address the increasing service demands brought on by new development, population growth and state and federal regulatory changes. While the 11-year increase is certainly substantial, it is important to put that into context. Table 2 illustrates the County's funded positions by department since FY 2010-11. Of the 198 additional positions that were funded, 153 were fully covered by state and federal human services programs, new grants or directly funded through new regulatory fees such as those needed for groundwater sustainability compliance. Ten (10) positions were for internal services functions that are necessary to support the growing demands of service departments and to comply with regulatory mandates: these included four (4) positions that were added to IT in FY 2018-19 to establish a cyber security program, one (1) Risk Management Analyst, which is fully offset by the insurance program, one (1) Grant Services Manager, and one (1) Program Assistant for Fleet Services.

The remaining 35 positions reflect the true growth in discretionary revenue demand over the past eleven fiscal years. These positions include the following:

- 22 Positions from the Sheriff's Office, which reflect the gradual restoration of positions that were unfunded during the great recession and are necessary to ensure the minimum public safety coverage for the county.
- 10 Positions from the District Attorney, which reflect the gradual restoration of positions that were unfunded during the great recession and the current DA's successful efforts at addressing the department's historical reliance on extra help staffing.
- 3 Positions that are new and proposed for FY 2021-22 for the Board's consideration: one (1) Deputy Sheriff to be assigned as a homelessness liaison; one (1) Office Assistant for the Fire Department to eliminate extra help use; and one (1) Animal Services Assistant to also eliminate extra help use

New Positions Proposed for FY 2021-22

The proposed budget recommends an increase of 45 funded positions over the current fiscal year. The proposed positions are the following:

- 21 positions from the Departments of Behavioral Health, Public Health, Social Services and Child Support Services. These positions are 100% funded through State and Federal funding sources with no net County cost.
- 20 positions from various general fund departments that are 100% funded with new grant and fee revenues or direct funding from subvented departments, developer agreements or enterprise funding sources. These include five (5) positions from the Community & Economic Development, one (1) Deputy Sheriff for Riverstone, five (5) positions for Public Works for Liner Fund Operations, three (3) positions for Water & Natural Resources, and six (6) positions for Human Resources for disability program compliance, which are fully offset with subvented revenues.
- 4 positions from general fund departments that are partially funded with discretionary revenue sources. These proposed increases include the following: one (1) Deputy Sheriff position to be assigned as a homelessness liaison (general fund); one (1) Facilities Superintendent for General Services to address critical oversight and workload issues in the building maintenance and grounds maintenance functions (60% subvented offset); one (1) Animal Services Assistant position to reduce extra help utilization (fully offset with extra help appropriations reduction); and one (1) Office Assistant for the Fire Department to eliminate extra help costs in the department (fully offset with extra help appropriations reduction).

HONORABLE BOARD OF SUPERVISORS

June 7, 2021

TABLE 2: COUNTY FUNDED POSITIONS 5-YEAR ACTUALS

Department	Positions Funded FY 2009-10	Positions Funded FY 2010-11	Positions Funded FY 2017-18	Positions Funded FY 2018-19	Positions Funded FY 2019-20	Positions Funded FY 2020-21	FY 2021-22 Proposed Positions	Increase 2010-11 to Proposed 2021-22
Administration	16	10	11	11	14	13	13	3
Ag Commissioner	19	15	15	15	15	15	15	0
Animal Services	17	13	12	12	12	12	13	0
Assessor	38	32	27	27	26	26	24	(8)
Auditor-Controller	29	22	20	20	20	20	20	(2)
Behavioral Health	143	122	141	143	150	165	170	48
Board of Supervisors	16	15	13	14	14	14	14	(1)
CAPMC	1	1	1	1	1	1	1	0
Child Support Services	55	55	34	35	35	35	36	(19)
Clerk-Elections	18	14	14	15	16	17	17	3
Community & Economic Development	50	38	42	44	44	48	54	17
Corrections	121	107	114	114	114	115	115	8
County Counsel	1	1	1	1	1	1	1	0
District Attorney	38	34	37	39	41	47	47	13
Fire Department	6	5	4	5	5	5	6	1
General Services	32	26	22	23	23	25	27	1
Human Resources	11	9	11	11	12	12	18	9
Information Technology	23	20	25	29	29	28	28	8
Library	22	15	13	14	14	14	14	(1)
Probation	118	101	119	119	118	118	118	17
Public Health	108	108	108	107	102	108	115	7
Public Works	126	126	120	121	126	128	132	6
Sheriff	131	112	119	119	135	145	148	36
Social Services	317	315	333	339	339	341	348	33
Treasurer-Tax Collector	9	9	11	15	16	16	16	7

COMMENTS ON THE 2021-22 RECOMMENDED BUDGET

Key Infrastructure & Community Highlights

Despite the unprecedented challenge brought by the pandemic and its lingering economic impacts, it is worth noting the following positive outcomes of the past twelve months:

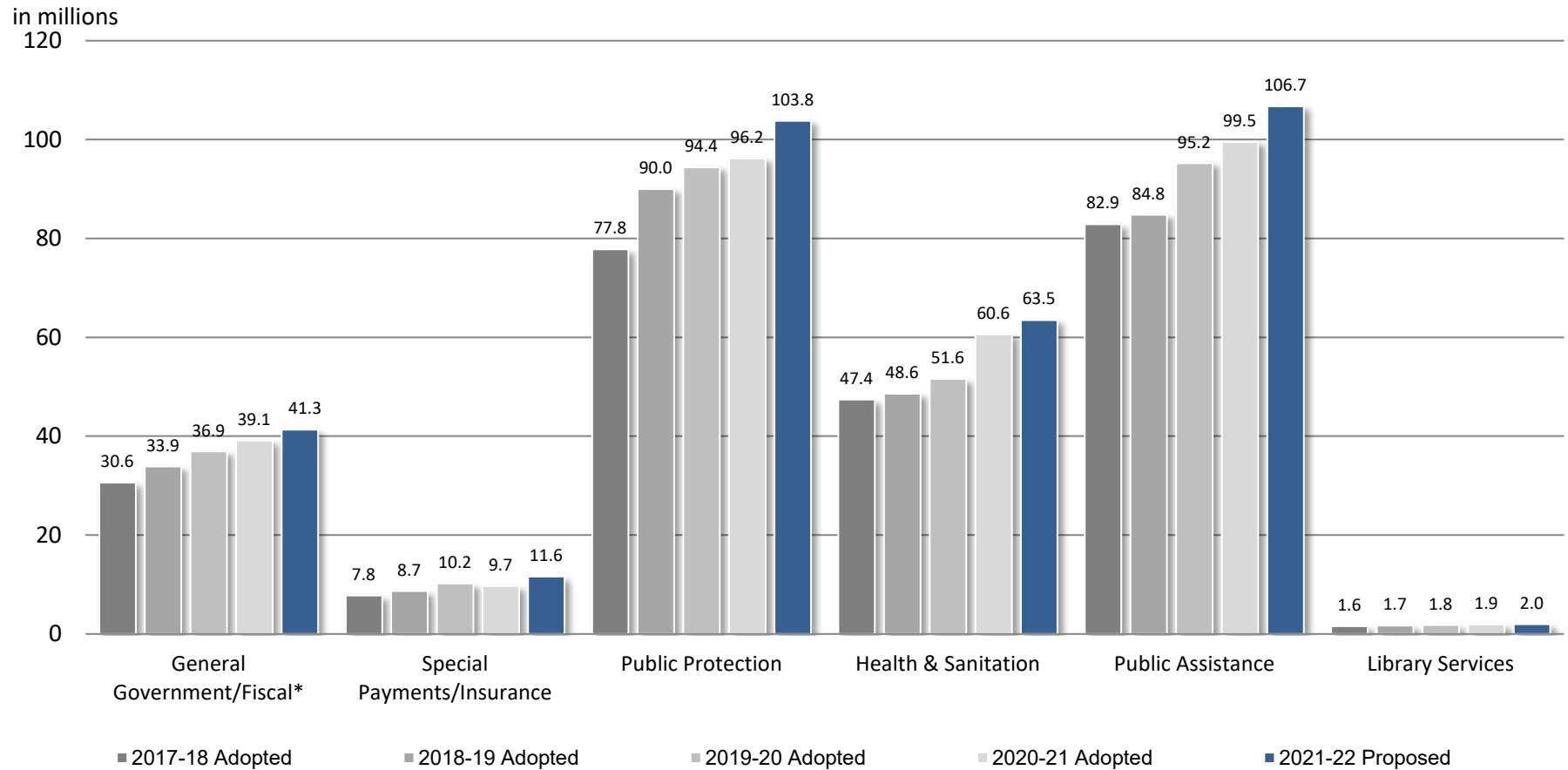
- In partnership with Madera County Economic Development Corporation (MCEDC), the County issued over \$3.6 Million in small business assistance grants that were funded through the CARES Act. These grants assisted small businesses in both the incorporated and unincorporated areas of the County that operated in sectors that have been heavily impacted by pandemic orders.
- Through CAPMC and the Madera Coalition for Community Justice, distributed \$0.5 Million in direct food assistance to seniors and provided housing support in the form of eviction assistance services or rental and utility assistance.
- The new Agricultural Commissioner's facility was completed and occupied by County staff and the Cooperative Extension on February 2021.
- The construction of the Hall of Justice Facility (District Attorney & Probation Building) is well under way with undergrounding of utilities nearing completion.
- Fire Station 3 design phase is complete and construction bids anticipated in August 2021.
- Phase 3 Energy Efficiency Project is 50% complete with construction of Road 28 solar field slated to begin late 2021.

Economic development efforts continue to make progress. The establishment of Enhanced Infrastructure Financing Districts (EIFD) and 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 consistent with the extremely robust housing market nationwide.

Overview of Proposed FY 2021-22 Appropriations

The following section provides an overview of the proposed appropriations for the Fiscal Year 2021-22 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.

General Fund Appropriations 5-Year Comparison



Overview of Proposed FY 2021-22 Appropriations (continued)

The 2021-22 General Fund Budget is an overall increase of \$21.8 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 2020-21. The majority of this increase is due to investments made by subvented departments to increase support from Human Resources (\$770,217), which are fully funded by state and federal revenues, the ongoing cost of maintaining IT infrastructure (\$907,539) and actual costs to support Special Districts (\$400,260). Other increases in this category include the necessary cost of maintaining and operating the County's facilities and grounds and projected cost of utilities.
- The Public Protection category has increased \$7.6 Million over Fiscal Year 2020-21. This increase reflects the projected benefit cost increases of current service levels for the public safety operations (\$4.5 Million), contracted increases for CAL FIRE services (\$1.3 Million), Community & Economic Development positions to address building activity (\$1.4 Million), and Water & Natural Resources positions to address groundwater sustainability (\$0.5 Million).
- The Health and Sanitation category has increased \$2.9 Million over Fiscal Year 2020-21. The majority of the increase is related to the Public Health Department's ongoing pandemic response costs (\$2.5 Million) and the cost of operating and maintaining Mental Health Programs for Behavioral Health Services (\$1.2 Million).
- The Public Assistance category has increased \$7.2 Million over Fiscal Year 2020-21. The increase in this category is primarily due to increases in projected public assistance aid costs (\$3.1 Million) and the cost of staffing for administering benefit payments and running adult and child protective services functions (\$3.8 Million).
- The Library Services category (Library) has increased \$120,346 over Fiscal Year 2020-21. This increase is entirely due the benefits cost increases for current service level staffing.
- The preliminary General Fund Balance for the period ending June 30, 2021 is \$7,422,821. The Auditor's Office is scheduled to complete the final June 2021 Fund Balance calculation in the fall of this year after the close-out of the 2020-21 Fiscal Year. As illustrated in Table 1, the one-time revenues received from the CARES Act and one-time revenues anticipated through ARPA will allow the County to maintain its fund balance level despite the operating revenue deficit in the current year.

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 7, 2021, 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

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