



COUNTY OF MADERA

ADMINISTRATIVE MANAGEMENT

200 WEST 4TH STREET, SUITE 4200, MADERA, CALIFORNIA 93637-3548
 (559) 675-7703 / FAX (559) 675-7950 / TDD TELEPHONE (559) 675-8970

June 30, 2016

**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 2016- 2017 RECOMMENDED PROPOSED BUDGET. The following is a summary of budget appropriation totals:

APPROPRIATION SUMMARY (Exclusive of Special Districts)

<u>Fund</u>	<u>Actual 2014-15</u>	<u>Board of Supervisors Approved Expenditures 2015-16</u>	<u>Department Request 2016-17</u>	<u>CAO Recommendation 2016-17</u>	<u>Change from 2015-16 to 2016-17</u>
General	\$172,543,191	\$197,685,292	\$230,269,403	\$230,024,744	\$32,339,452
Fish and Game	3,270	5,000	5,000	5,000	0
Refuse Disposal & Flood Control	7,483,175	8,894,551	8,466,529	8,466,529	(428,022)
AB 109 & Community Corr. Performance Inc.	5,427,197	6,586,273	7,325,704	7,325,704	739,431
Road	<u>16,923,902</u>	<u>22,159,667</u>	<u>20,226,009</u>	<u>20,226,009</u>	<u>(1,933,658)</u>
GRAND TOTAL BUDGET REQUIREMENTS	<u>\$202,380,735</u>	<u>\$235,330,783</u>	<u>\$266,292,645</u>	<u>\$266,047,986</u>	<u>\$30,717,203</u>

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The recommended General Fund 2016-17 appropriation of \$230,024,744 is balanced with projected revenue and fund balance shown in the following estimates:

REVENUE SUMMARY - GENERAL FUND

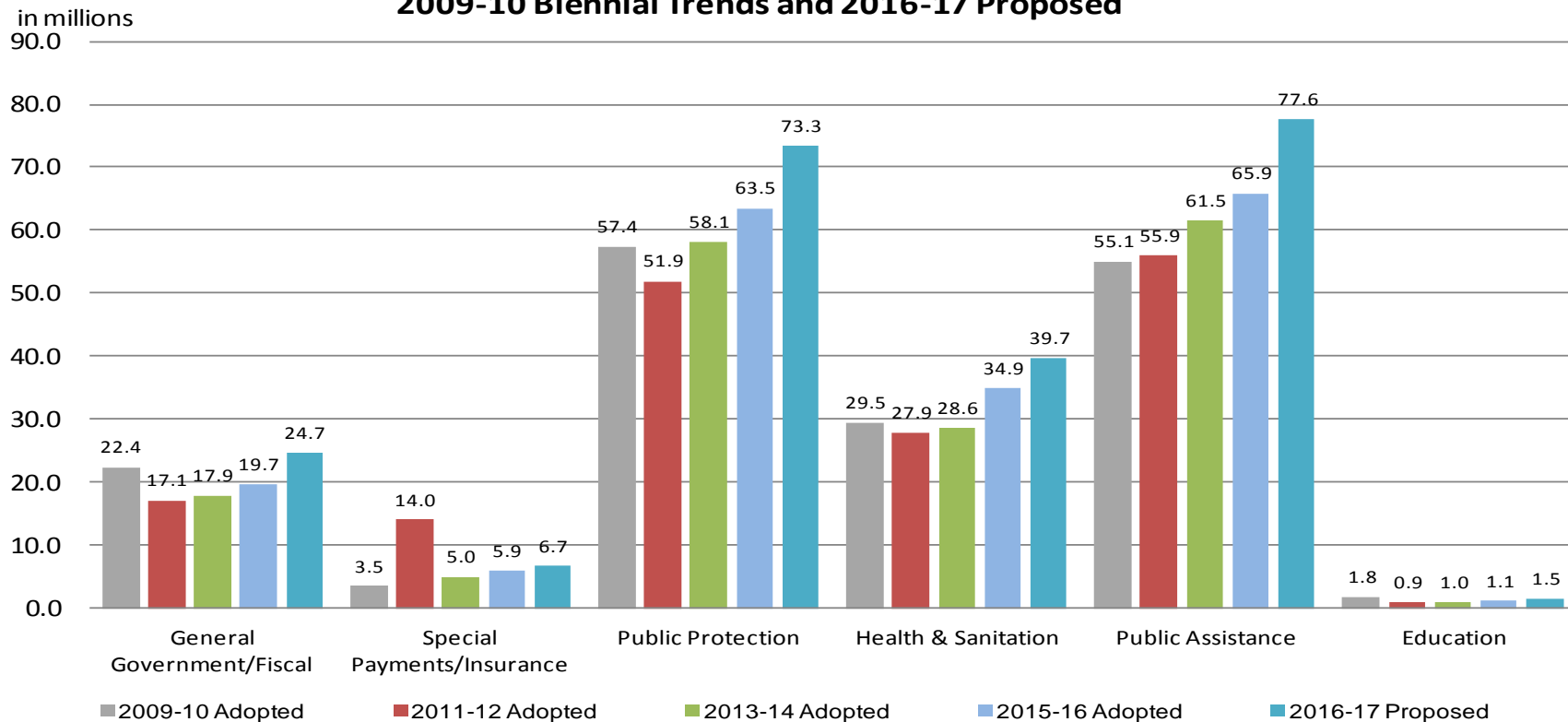
<u>Classification</u>	Board of Supervisors Approved Revenues <u>2015-16</u>	CAO Recommended Estimated Revenues <u>2016-17</u>
Taxes	\$ 45,738,512	\$47,153,867
Licenses, Permits, & Franchises	4,233,740	4,613,884
Fines, Forfeits, & Penalties	3,515,381	4,127,230
Revenue from Use of Money and Property	115,950	175,760
Aid from Other Government Agencies	102,043,978	120,044,372
Charges for Current Services	9,537,133	14,459,518
Other Revenue	<u>24,800,598</u>	<u>28,363,268</u>
REVENUE TOTAL	\$189,985,292	\$218,937,899
FUND BALANCE	7,700,000	10,500,000⁽¹⁾
RELEASE OF RESERVE FOR IT SYSTEMS	0	258,345⁽²⁾
RELEASE OF PY REVENUE CARRYOVER	<u>0</u>	<u>328,500⁽³⁾</u>
GRAND TOTAL	<u>\$197,685,292</u>	<u>\$230,024,744</u>

- (1) The preliminary General Fund Balance for the period ending June 30, 2016, as projected by the Auditor's Office in cooperation with the Administrative Office, is estimated at \$10.5 million. The Auditor's timely completion of the County's 2014-15 Financial Statements has allowed for a more accurate beginning balance at June 30, 2015 than was possible in the last several years.
- (2) Represents the use of the Reserve for IT System Replacement for phase II of the One Solution Financial Upgrade.
- (3) Represents revenues received in the prior year to fund operations for the Sheriff's Emergency Operations Budget 04041 (\$250,000) and donations received in the prior year dedicated to the Sheriff's Canine Operations Budget 04033 (\$78,500).

COMMENTS ON THE 2016-17 RECOMMENDED PROPOSED BUDGET

The Recommended Proposed Budget for Fiscal Year 2016-17 is a balanced budget that provides funding consistent with your Board’s priorities, continuing in the attempt to begin to restore funding levels within the Public Safety Departments and provide funding necessary for information technology system upgrades and replacements. 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 Appropriation Comparison
2009-10 Biennial Trends and 2016-17 Proposed**



COMMENTS ON THE 2016-17 RECOMMENDED PROPOSED 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 maintains the \$4.1 million Reserve for Future Budgetary Needs as well as a \$2.4 million Contingency budget. Based on the economic growth, revenues continue to be strong in the Community Economic Development Department and County Clerk/Recorder's Office. The proposed budget includes a new Sheriff's Canine Program financed through donations; Fire services to be provided to the new Riverstone Development; the newly created Water and Natural Resources Department and associated groundwater sustainability program which will be fully reimbursed by grants; and funding to begin the necessary task of replacing critical Information Technology systems.

As directed by your Board, efforts are well underway to strengthen the County's longer term financial condition by focusing on economic development opportunities. Though the community benefit and financial benefits from these efforts will be longer term, in 2016-17, the County should begin to realize some economic benefit from new developments countywide, including the start of the Riverstone development project in the Rio Mesa Area. Economic development efforts will continue this year with a continued focus on new residential/commercial/industrial development opportunities and ramped up efforts in the area of sports tourism.

It is worth noting that the 2015-16 Fiscal Year brought significant accomplishments: the Board approved an MOU with Chukchansi allowing the Casino to reopen and resume the reimbursement of costs related to services provided by the Sheriff and Fire Departments; the Board approved salary increases based on a compensation study for all classifications countywide as prepared by Cooperative Personnel Services – this action was necessary to address pay disparities that could lead to an increasing number of employees leaving to work for other agencies; the new kitchen for the Department of Corrections, paid primarily from State grant monies, was opened and created significant efficiencies within their operation; the Sheriff's Department completed their move into the new Sheriff's Headquarters; and the Opterra Energy Savings Project became fully operational.

The continuation of a selective hiring freeze is recommended again in 2016-17 as a cost containment measure. It is important to note that the proposed budget is consistent with your Board's direction to avoid the use of the limited Teeter Fund reserve and borrowed funds to finance the operations of the County.

Governor Brown signed the 2016-17 State budget into law on June 27, 2016. Part of the State Budget impacting counties is still being modified through trailer bills and will be brought before your Board once details are finalized.

The following are general comments concerning the Recommended Proposed 2016-17 General Fund Budget:

COMMENTS ON THE 2016-17 RECOMMENDED PROPOSED BUDGET (continued)

The 2016-17 General Fund Budget has an overall increase of \$32.3 million over the 2015-16 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 \$5.8 million over Fiscal Year 2015-16. The increase is primarily from the compensation study and related salary adjustments given to County employees, costs related to Information Technology Projects and full year payment on the Energy Savings Project.
- ✓ The Public Protection category has increased \$9.8 million over Fiscal Year 2015-16. The increase is primarily due to the following: the compensation study and related salary adjustments given to County employees; the addition of the Sheriff's Canine Program and Emergency Operations budgets; increases in the contract with CAL FIRE and the new services related to the Riverstone Project; increased costs associated with the Public Defender's contract; increases resulting from the creation of the Water and Natural Resources Department and a grant related to the Groundwater Sustainability program.
- ✓ The Health and Sanitation category has increased \$4.8 million over Fiscal Year 2015-16. The increase is primarily related to the compensation study and related salary adjustments given to County employees, and costs necessary to care for patients within the Behavioral Health System.
- ✓ The Public Assistance category has increased \$11.6 million over Fiscal Year 2015-16. The increase in this category is primarily related to the compensation study and related salary adjustments given to County employees, In Home Supportive Services MOE increase, the administration of the Housing Support Program, Subsidized Employment, Affordable Care Act, Protective Services programs and changes in the IT rate restructure, which are generally financed by State and Federal funds.
- ✓ The Education category (Library and Agricultural Extension) has increased \$0.3 million over Fiscal Year 2015-16. This increase is primarily related to compensation study and related salary adjustments given to County employees and an increase necessary for augmenting the Library's books and subscription appropriations.

COMMENTS ON THE 2016-17 RECOMMENDED PROPOSED BUDGET (continued)

- ✓ The preliminary General Fund Balance for the period ending June 30, 2016, as projected by the Auditor's Office in cooperation with the Administrative Office, is estimated at \$10.5 million. The Auditor's timely completion of the County's 2014-15 Financial Statements has allowed for a more accurate beginning balance at June 30, 2015 than was the case in the last several years. The Auditor's Office is scheduled to complete the final June 2016 Fund Balance calculation in the fall of this year after the final close-out of the 2015-16 fiscal year.
- ✓ The Public Employees' Retirement System (PERS) recently notified the County that the miscellaneous employees rate will increase from 23.080% to 24.523% for Fiscal Year 2016-17. The current PERS rate for Law Enforcement employees is 25.932% and will increase to 29.776%. It is anticipated that the rates will increase again in the 2017-18 Fiscal Year.
- ✓ 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.
- ✓ The first payment of a ten-year payment plan is included for the Government Center debt service payment of \$1,552,938. The original bonds for this building were refunded in 2015-16 resulting in lower annual payments. A total of \$694,426 is also included for the payment associated with the Energy Savings Project. The 2015-16 Fiscal Year included an interest payment only.
- ✓ Appropriations for Contingency is budgeted at \$2,424,416, which is unchanged from the previous year. 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. This reserve amount may change at Final Budget depending on any reductions in State funding or changes in Fund Balance.
- ✓ In 2015-16 an independent firm completed a Compensation Study for all classifications countywide. Based on the results of the study, your Board approved salary increases in an effort to address such pay disparities that could lead to an increasing number of employees leaving to work for other agencies. The County invests a significant amount of time and resources into training and developing its employees, and that investment will be lost if steps aren't taken to retain employees.
- ✓ 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 Information Technology System (IT)/Asset Replacement	\$118,998*	<p>Type: Discretionary One-Time Funds</p> <p>Use: This funding was designated by the Board of Supervisors in the 2013-14 Adopted Budget for future One-Time IT System/Asset Replacement Projects in the amount of \$850,908. *Approved uses of these funds are: 5/13/14 - financed the investment in the current Financial/HR System (\$383,910); 5/12/15 - replacement of the audio system in the Board Room (\$15,400); 1/26/16 - Data Classification Study (\$74,255).</p> <p>Comments: It is recommended that \$258,345 be used to offset the General Fund portion of the One Solution Financial Upgrade in 2016-17 leaving a balance of \$118,998*.</p>
Reserve for Future Budgetary Needs	\$4,063,654	<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 2016-17 proposed budget. On June 21, 2016 the Board approved a Cash Flow Loan to the County Landfill of \$900,000. Since it is considered a short-term loan, it has no impact on the reserve balance; however, a long-term loan of over a year would result in a reduced reserve balance.</p>

HONORABLE BOARD OF SUPERVISORS

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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 Proposed Budget and submit recommendations for adjustments to be considered at the Final Budget Public Hearings.
2. Set MONDAY, JULY 11, 2016, 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:

Eric Fleming, County Administrative Officer

Kevin Fries, Deputy CAO

Nicole Desmond, Senior Administrative Analyst

Yvette Gomez, Executive Assistant to the CAO