



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 12, 2017

**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 2017-18 RECOMMENDED PROPOSED BUDGET. The following is a summary of budget appropriation totals:

APPROPRIATION SUMMARY (Exclusive of Special Districts)

<u>Fund</u>	<u>Actual 2015-16</u>	<u>Board of Supervisors Approved Expenditures 2016-17</u>	<u>Department Request 2017-18</u>	<u>CAO Recommendation 2017-18</u>	<u>Change from 2016-17 to 2017-18</u>
General	\$177,578,934	\$230,024,744	\$256,285,052	\$256,034,485	\$26,009,741
Fish and Game	4,791	5,000	5,000	5,000	0
Refuse Disposal & Flood Control	6,471,227	8,466,529	8,537,459	8,537,459	70,930
AB 109 & Community Corr. Performance Inc.	6,171,036	7,325,704	7,091,984	7,091,984	(233,720)
Road	16,242,918	20,226,009	21,832,082	21,832,082	1,606,073
Capital Projects	0	0	1,183,200	1,183,200	1,183,200
GRAND TOTAL BUDGET REQUIREMENTS	<u>\$206,468,906</u>	<u>\$266,047,986</u>	<u>\$294,934,777</u>	<u>\$294,684,210</u>	<u>\$28,636,224</u>

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The recommended Fiscal Year 2017-18 General Fund appropriation of \$256,034,485 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>2016-17</u>	CAO Recommended Estimated Revenues <u>2017-18</u>
Taxes	\$ 47,153,867	\$49,276,843
Licenses, Permits, & Franchises	4,613,884	5,067,885
Fines, Forfeits, & Penalties	4,127,230	4,276,230
Revenue from Use of Money and Property	175,760	155,846
Aid from Other Government Agencies	120,044,372	135,743,698
Charges for Current Services	14,459,518	16,812,574
Other Revenue	<u>28,363,268</u>	<u>28,518,486</u>
REVENUE TOTAL	\$218,937,899	\$239,851,562
FUND BALANCE	10,500,000	15,500,000⁽¹⁾
RELEASE OF RESERVE FOR IT SYSTEMS	258,345	118,998⁽²⁾
RELEASE OF PY REVENUE CARRYOVER	<u>328,500</u>	<u>563,925⁽³⁾</u>
GRAND TOTAL	<u>\$230,024,744</u>	<u>\$256,034,485</u>

(1) The preliminary General Fund Balance for the period ending June 30, 2017, as projected by the Auditor's Office in cooperation with the Administrative Office, is estimated at \$15,500,000.

(2) Represents the use of the remaining Reserve for IT Systems to cover the general fund share of the information security project.

(3) Represents fund balance carryover from the prior year that was designated by your Board as match for the Tree Mortality Project.

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GENERAL FUND DISCRETIONARY REVENUE

Funding Sources

Carryover from Prior Year ⁽¹⁾	15,500,000
Carryover of Tree Mortality Funding ⁽²⁾	563,925
FY 2017-18 Projected Revenues ⁽³⁾	<u>66,194,810</u>
Total Available Funding Sources	82,258,735

Recommended Funding Uses:

County Operations	73,819,181
Mandated Matches for Social Services Programs	3,032,541
Fire Asset Replacement Reserve	500,000
FY 2017-18 Reserve for Future Budgetary Needs	<u>4,907,013⁽⁴⁾</u>
Total Recommended Funding Uses	82,258,735

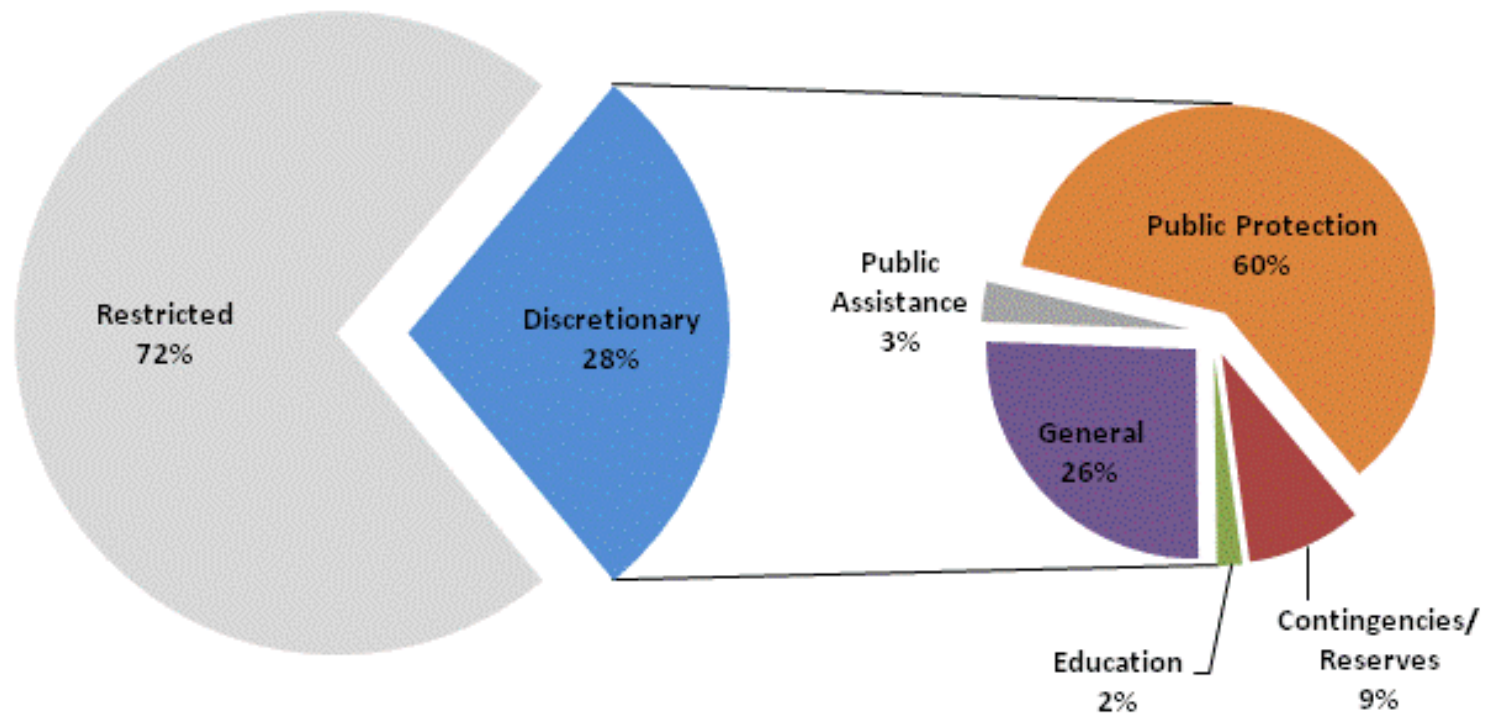
(1) Reflects the preliminary General Fund Balance (Fund Balance) for the period ending June 30, 2017, as projected by the Auditor's Office in cooperation with the Administrative Office. Fund Balance represents carryover prior year discretionary revenues.

(2) Revenue designated in the prior fiscal year for tree mortality operations

(3) Discretionary revenue from taxes, fines, fees and other sources projected to be collected in Fiscal Year 2017-18

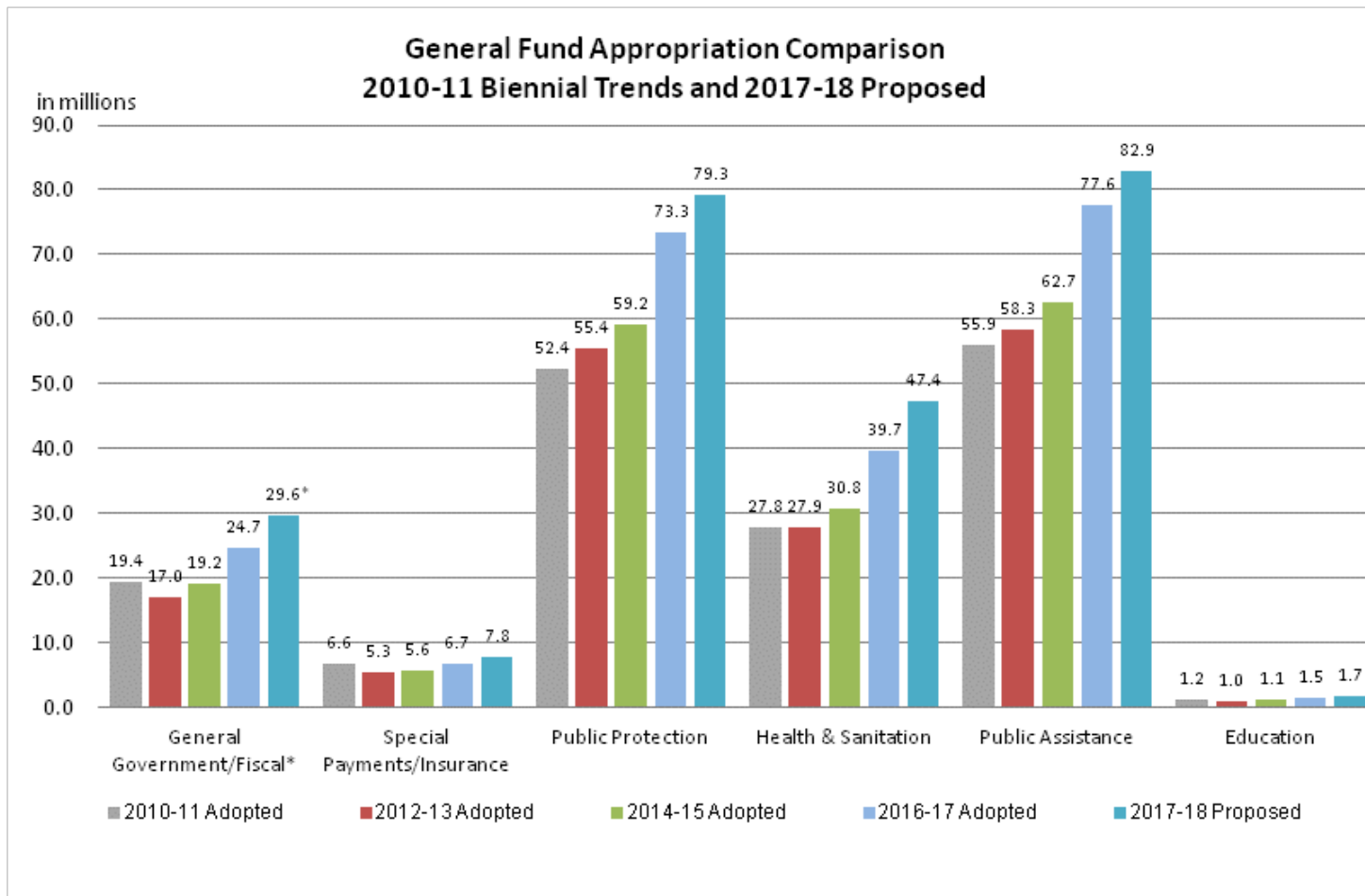
(4) Reflects an increase of \$843,359 from the current budgetary reserve

Fiscal Year 2017-18 Proposed Budget Discretionary vs Restricted Funding



COMMENTS ON THE 2017-18 RECOMMENDED PROPOSED BUDGET

The Recommended Proposed Budget for Fiscal Year 2017-18 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 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.



- Due to a reorganization, beginning Fiscal Year 2017-18, General Government/Fiscal appropriations includes a shift of existing road fund and enterprise fund appropriations that were previously budgeted in Public Works’ non-general fund Orgs. This is not an increase in cost to the general fund.

COMMENTS ON THE 2017-18 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 increases the Reserve for Future Budgetary Needs by \$843,359 to a total of \$4.9 million and maintains a \$2.4 million Contingency budget. In addition, the recommended budget sets aside \$500,000 for the Fire Asset Replacement Reserve. The proposed budget also includes funding to restore key public safety positions in the Sheriff's Department that were previously unfunded during the fiscal crisis and addresses necessary facility security requirements in the County Jail. The recommended budget also includes funding for several key capital projects, including: funding for the design and engineering work for the new Agriculture Building; schematic design consultant costs for the District Attorney and Probation Building; and demolition costs for the 35-year old Jail Annex Building at Courthouse Park.

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 Rio Mesa Area continues to be the most active development area countywide. More specifically, there has been significant new residential development in the Riverstone Community, while development in the Tesoro Viejo Community accelerated with the formation of a Community Facilities District (CFD). The County's economic development team participated in an effort that successfully attracted Community Medical Centers (CMC) to acquire 200 acres of land in the Rio Mesa Area for a future medical campus similar to those in Fresno and Clovis. The CMC project will help attract other businesses and help maintain a balance of jobs and housing in the area.

It is worth noting that the 2016-17 Fiscal Year brought significant accomplishments: the Board approved a Fire Equipment Replacement and Reserve Policy, which established a process by which equipment acquisitions are prioritized systematically and are done on an ongoing basis to facilitate a more cost efficient method of funding; the County received a conditional award of \$19 million from the State under the SB 1022 - Adult Local Criminal Justice Facilities Construction Program, funds will be utilized for jail construction and renovation to address requirements identified in a needs assessment; design work was initiated and is substantially completed for the new Health and Social Services Office Complex; and facility work was completed and operations are about to begin at the new County Morgue.

The continuation of a selective hiring freeze is recommended again in 2017-18 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.

The State Budget has not been signed into law at this time. Components of the State Budget that will be 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 2017-18 General Fund Budget:

COMMENTS ON THE 2017-18 RECOMMENDED PROPOSED BUDGET (continued)

The 2017-18 General Fund Budget has an overall increase of \$26.0 million over the 2016-17 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 \$4.9 million over Fiscal Year 2016-17. The majority of the increase, \$2.7 million, is due to a change in how appropriations for the Public Works Department are budgeted and is not a real year to year increase in proposed expenditures. Other major factors contributing to the increase include: upgrades to the County network to comply with Federal and State information security requirements; continued implementation of the County's One Solution Financial System; increases in workers compensation, general liability, and retirement contribution rates; projected costs of various building maintenance agreements and repairs; and increases in the cost of printing ballots and other election related resources.
- ✓ The Public Protection category has increased \$6.0 million over Fiscal Year 2016-17. The increase is primarily due to the following: updated workers compensation, general liability and retirement contribution rates; the recommended funding of five previously unfunded Deputy Sheriff positions based on the Sheriff's recommendations; accelerated replacement cycle for Sheriff patrol vehicles to improve officer safety; funding for fire equipment replacements; increases in the fire protection services contract with CAL FIRE; addition of one Building Inspector position to align building inspection resources with the workload; and the projected annual financing costs for the Jail Heating, Ventilation and Air Conditioning (HVAC) Project.
- ✓ The Health and Sanitation category has increased \$7.7 million over Fiscal Year 2016-17. The increase is primarily due to the Public Health Department's participation in the Intergovernmental Transfer Rate (IGT) Program. Under IGT, the County Public Health Department must allocate its Health Realignment under the IGT agreement; the State will then match the amount minus fees and send that amount back to the County, including the original Health Realignment match allocated. It is projected that the County will net \$2,664,758 per fiscal year through the IGT Program under the current two-year agreement. Other increases in this category include increases in the cost of providing the necessary care for patients within the Behavioral Health System.
- ✓ The Public Assistance category has increased \$5.3 million over Fiscal Year 2016-17. The increase in this category is primarily due to increases in projected public assistance aid costs, specifically, in the Aid to Adoptions and KinGap Programs, and the full year cost of Social Services positions that were added and funded during the current fiscal year. These programs are generally financed by State and Federal funds. A 3.5% increase in the In Home Supportive Services

COMMENTS ON THE 2017-18 RECOMMENDED PROPOSED BUDGET (continued)

(IHSS) MOE was also included in the proposed budget. However, the State budget contained several changes that impact the funding structure of the IHSS Program. These impacts are not anticipated to significantly increase the net IHSS MOE cost to the County but it may require some changes in how it is accounted for. These changes will be brought to your Board for approval during the 2017-18 Fiscal Year.

- ✓ The Education category (Library and Agricultural Extension) has increased \$0.2 million over Fiscal Year 2016-17. This increase is primarily due to updated workers compensation and general liability rates, increases necessary to augmenting the Library's books and subscription appropriations, and funding to replace the carpet at the main library, which is currently beyond repair.
- ✓ The preliminary General Fund Balance for the period ending June 30, 2017, as projected by the Auditor's Office in cooperation with the Administrative Office, is estimated at \$15.5 million. The Auditor's continued timely completion of the County's Financial Statements has allowed for a more accurate beginning balance at June 30, 2016. The Auditor's Office is scheduled to complete the final June 2017 Fund Balance calculation in the fall of this year after the final close-out of the 2016-17 Fiscal Year.
- ✓ The Public Employees' Retirement System (PERS) notified the County that the miscellaneous employee rate will increase from 24.523% to 25.077% for Fiscal Year 2017-18. The current PERS rate for Law Enforcement employees is 29.776% and will increase to 30.463%. PERS has also notified its participants that the PERS Board has approved lowering its long term rate of return from 7.50% to 7.00% over three years beginning the 2018-19 Fiscal Year. This change in the rate of return is anticipated to increase employer contributions in the PERS system, with the County's annual impact estimated at \$1 million based on currently available information. While this change will not impact the FY 2017-18 Proposed Budget, it will be factored into the subsequent fiscal years' budget proposals.
- ✓ 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 \$2,424,416, which is unchanged from Fiscal Year 2016-17. 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.

COMMENTS ON THE 2017-18 RECOMMENDED PROPOSED BUDGET (continued)

- ✓ The recommended budget takes into account the impacts of the compensation study that was implemented in 2015-16. The study addressed the pay disparities that were causing employees to leave and work for other agencies, wasting the amount of time and resources that were spent to train employees that leave. The study has had a positive effect with increased retention of employees.

- ✓ All previous fiscal commitments by your Board have been included in this Budget.

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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	\$0*	<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); 7/11/16 – One Solution Financial Upgrade (\$258,345).</p> <p>Comments: It is recommended that the \$118,998 balance in this reserve be used to offset the General Fund portion of the IT – Information Security Project in 2017-18.*</p>
Reserve for Future Budgetary Needs	\$4,907,013	<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 2017-18 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 Asset Replacement	\$500,000	Type:	Discretionary One-Time Funds
		Use:	This funding is proposed to be established and used to fund the annual debt service costs of acquiring replacement fire equipment pursuant to the approved Fire Equipment Replacement Policy.
		Comments:	It is recommended that the funding source for this reserve be derived from the projected fund balance of the Fire Protection budget.

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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, JUNE 26, 2017, 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

Joel Bugay, Deputy CAO-Finance

Sean Kirkpatrick, Senior Administrative Analyst

Yvette Gomez, Executive Assistant to the CAO