



COUNTY OF MADERA

ADMINISTRATIVE MANAGEMENT

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May 18, 2018

**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 2018-19 RECOMMENDED PROPOSED BUDGET. The following is a summary of budget appropriation totals:

**APPROPRIATION SUMMARY
 (Exclusive of Special Districts)**

<u>Fund</u>	<u>Actual 2016-17</u>	<u>Board of Supervisors Approved Expenditures 2017-18</u>	<u>Department Request 2018-19</u>	<u>CAO Recommendation 2018-19</u>	<u>Change from 2017-18 to 2018-19</u>
General	\$205,238,398	\$250,627,472	\$269,240,371	\$268,913,167	\$18,285,695
Fish and Game Fines	2,371	5,000	5,000	5,000	0
Refuse Disposal & Flood Control	7,046,784	8,537,459	9,386,194	9,386,194	848,735
AB 109 & Community Corr. Performance Inc.	6,771,473	7,091,984	7,384,581	7,384,581	292,597
Road	13,429,305	21,832,082	28,481,655	28,481,655	6,649,573
Other (ISF ⁽¹⁾ & Public Authority)	2,030,012	3,035,785	3,360,956	3,360,956	325,171
GRAND TOTAL BUDGET REQUIREMENTS	<u>\$234,518,343</u>	<u>\$291,129,782</u>	<u>\$317,858,757</u>	<u>\$317,531,553</u>	<u>\$26,401,771</u>

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

HONORABLE BOARD OF SUPERVISORS

May 18, 2018

The recommended Fiscal Year 2018-19 General Fund (GF) appropriation of \$268,913,167 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>2017-18</u>	CAO Recommended Estimated Revenues <u>2018-19</u>
Taxes	\$ 49,276,843	\$53,464,055
Licenses, Permits, & Franchises	5,067,885	5,942,084
Fines, Forfeits, & Penalties	4,276,230	1,900,645
Revenue from Use of Money and Property	155,846	155,646
Intergovernmental Revenues	135,743,698	143,938,436
Charges for Current Services	16,812,574	20,645,889
Other Revenue	<u>28,518,486</u>	<u>33,625,311</u>
REVENUE TOTAL	\$239,851,562	\$259,672,066
FUND BALANCE ESTIMATE	15,500,000	16,600,000 ⁽¹⁾
RELEASE OF RESERVE FOR IT SYSTEMS	118,998	0
RELEASE OF PY REVENUE CARRYOVER	<u>563,925</u>	<u>563,925⁽²⁾</u>
GRAND TOTAL AVAILABLE REVENUES	<u>\$256,034,485</u>	<u>\$276,835,991</u>
 <u>RECOMMENDED USES:</u>		
REVENUES TO FUND GF APPROPRIATIONS	\$250,627,472	\$268,913,167
ALLOCATE TO FIRE EQUIP. RESERVE	500,000	500,000
FUND BALANCE POLICY RESERVE	4,907,013	7,422,824
TOTAL RECOMMENDED USES	<u>\$256,034,485</u>	<u>\$276,835,991</u>

(1) Preliminary projected General Fund Balance for the period ending June 30, 2018

(2) Reflects fund balance carryover from the prior year that was designated by you Board as match for the Tree Mortality Project

GENERAL FUND DISCRETIONARY REVENUE/FUND BALANCE SUMMARY

	ADOPTED FY 2017-18	PROPOSED FY 2018-19
FUND BALANCE ESTIMATE	\$15,500,000	\$16,600,000⁽¹⁾
FUND BALANCE INCLUDED IN PROPOSED BUDGET	(10,092,987)	(8,677,176)
ALLOCATE TO FIRE EQUIP. RESERVE	(500,000)	(500,000) ⁽²⁾
FUND BALANCE POLICY RESERVE	\$4,907,013	\$7,422,824⁽³⁾
PROJECTED DISCRETIONARY REVENUES	\$66,194,810	\$70,730,107⁽⁴⁾
FUND BALANCE INCLUDED IN PROPOSED BUDGET	10,092,987	8,677,176
TREE MORTALITY FUNDING	563,925	563,925
TOTAL DISCRETIONARY REVENUES IN BUDGET	\$76,851,722	\$79,971,208

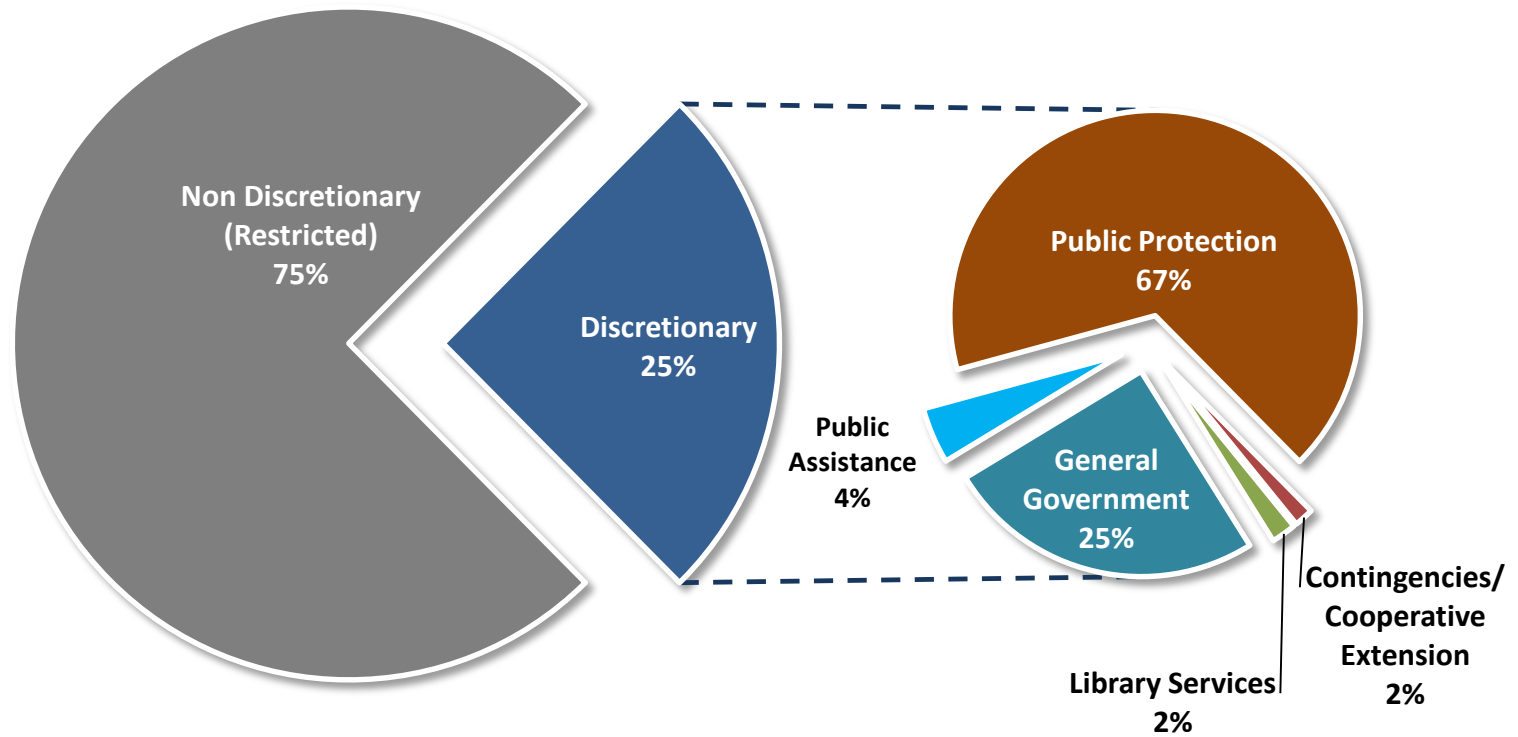
(1) Reflects the preliminary General Fund Balance (Fund Balance) for the period ending June 30, 2018, as projected by the Auditor's Office in cooperation with the Administrative Office. Fund Balance represents carryover prior year discretionary revenues.

(2) Approval of this amount in the proposed budget will increase the Fire Equipment Reserve Balance to \$1,000,000.

(3) Reflects an increase of \$2,515,811 (51%) over the fiscal year 2017-2018 Fund Balance Policy Reserve.

(4) Reflects projected discretionary revenues to be received in fiscal year 2018-2019.

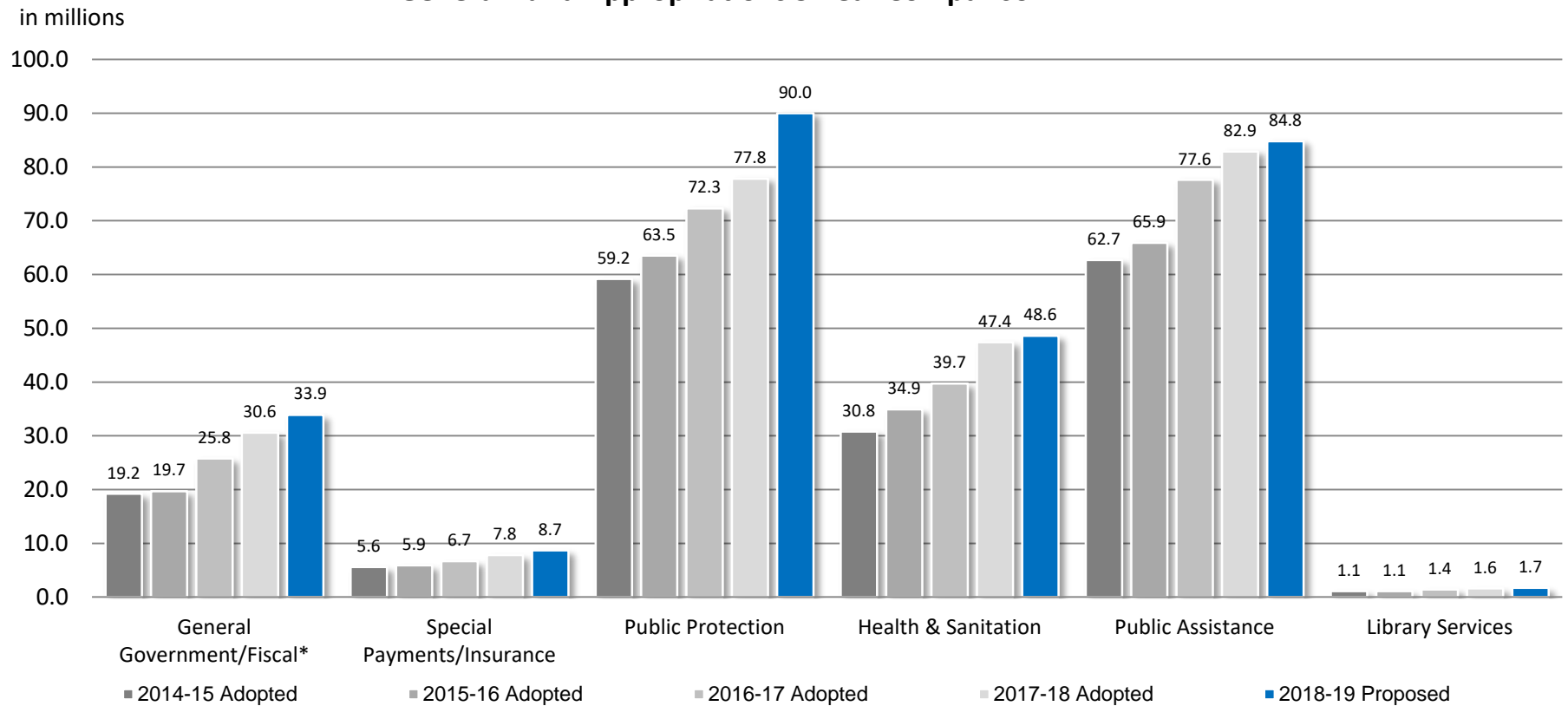
Fiscal Year 2018-19 Recommended Proposed Budget Discretionary and Restricted Funding



COMMENTS ON THE 2018-19 RECOMMENDED PROPOSED BUDGET

The Recommended Proposed Budget for Fiscal Year 2018-19 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 2018-19 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 General Fund Reserves by \$2,515,811 to a total of \$7.4 million. This total meets the targeted reserve level that is specified in the County's Fund Balance Reserve Policy that was approved by your Board on March 13, 2018. In addition, the recommended budget sets aside an additional \$500,000 to the Fire Equipment Replacement Reserve, bringing the total balance to \$1,000,000. The proposed budget also reflects your Board's commitment to public safety by allocating 67% of available discretionary revenues to public protection activities. This commitment will allow the Madera County Fire Department to increase its staffing by one (1) Full Time Equivalent (FTE) firefighter.

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. On April 3, 2018, your Board committed \$300,000 in unanticipated revenues to a Reserve 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 development in Tesoro Viejo accelerated with the groundbreaking of a new school that will be opening fall of 2018.

It is worth noting that the 2017-18 Fiscal Year brought significant accomplishments: the Board approved a Fund Balance Policy, which formalized the budgetary reserve and established target levels that will help ensure the financial stability of the general fund for the coming years; the County formed three Enhanced Infrastructure Financing Districts (EIFD), which will provide the necessary tools to fund public infrastructure that will facilitate new job creating commercial and industrial investment in the county; design work was initiated and substantially completed for the new Agriculture Department Building; construction commenced on the new Health and Social Services Office Complex; and design work has begun on the new Hall of Justice Facility that will house the District Attorney and Probation Departments once complete.

The continuation of a selective hiring freeze is recommended again in 2018-19 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 2018-19 General Fund Budget:

COMMENTS ON THE 2018-19 RECOMMENDED PROPOSED BUDGET (continued)

The 2018-19 General Fund Budget has an overall increase of \$18.3 million over the 2017-18 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 \$4.2 million over Fiscal Year 2017-18. The majority of the increase is due to upgrades to the County network to comply with Federal and State information security requirements (\$1.7 million). Other major reasons for the increase are retiree health costs, which increased by \$390,000, and the first annual payment of the financing costs to replace the Jail HVAC system (\$546,782). Other factors contributing to the cost are increases in workers compensation, general liability, and retirement contribution rates; and projected costs of various building maintenance agreements and repairs.
- ✓ The Public Protection category has increased \$12.1 million over Fiscal Year 2017-18. The increase is primarily due to the following: grant funded costs for the development of the Groundwater Sustainability Plan (\$4.1 million); grant funded costs for the tree mortality project (\$2.7 million); estimated costs of opening the Tesoro Viejo Fire Station (\$1.1 million); negotiated increases in the Fire Protection Agreements with CAL FIRE (\$0.3 million) and the ongoing cost of fire equipment leases. Other factors contributing to the cost are increases in the workers compensation, general liability, 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 \$1.2 million over Fiscal Year 2017-18. The increase is primarily due to the Public Health Department's continued 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 \$2.5 million 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 \$1.8 million over Fiscal Year 2017-18. The increase in this category is primarily due to increases in projected public assistance aid costs and the increases in workers compensation, general liability, and retirement contribution rates. Additional resources were also recommended for the Veteran's Services Office to allow them to convert a part time Office Assistant position into a full time position.

COMMENTS ON THE 2018-19 RECOMMENDED PROPOSED BUDGET (continued)

- ✓ The Library Services category (Library) has increased \$0.1 million over Fiscal Year 2017-18. This increase is due to updated workers compensation and general liability rates, additional resources to augment the Library's books and subscription appropriations, and funding for various capital projects in the Madera Branch Library.
- ✓ The preliminary General Fund Balance for the period ending June 30, 2018, as projected by the Auditor's Office in cooperation with the Administrative Office, is estimated at \$16.6 million. The Auditor's continued timely completion of the County's Financial Statements has allowed for a more accurate beginning balance at June 30, 2017. The Auditor's Office is scheduled to complete the final June 2018 Fund Balance calculation in the fall of this year after the close-out of the 2017-18 Fiscal Year.
- ✓ The Public Employees' Retirement System (PERS) notified the County that the miscellaneous employee rate will increase from 25.077% to 26.692% for Fiscal Year 2018-19. The current PERS rate for Law Enforcement employees is 30.463% and will increase to 32.409%. 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 \$3.6 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 \$1,151,941 and is a reduction of \$1.2 million from Fiscal Year 2017-18. 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	\$300,000	<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: There are no recommended uses of these funds included in the Fiscal Year 2018-2019 Proposed Budget.</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: This reserve was increased by \$2,515,811 in the proposed budget. There are no recommended uses of these funds included in the Fiscal Year 2018-2019 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:	It is recommended that the funding source for this reserve be derived from the projected fund balance of the Fire Protection budget. An additional \$500,000 was recommended to be added to the reserve in the proposed fiscal year 2018-2019 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 Proposed Budget and submit recommendations for adjustments to be considered at the Final Budget Public Hearings.
2. Set MONDAY, JUNE 4, 2018, 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

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