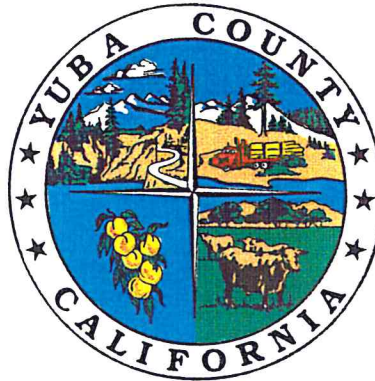


The County of Yuba

OFFICE OF THE COUNTY ADMINISTRATOR

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June 23, 2015

Yuba County Board of Supervisors
915 8th Street
Marysville, CA 95901

FISCAL YEAR 2015-2016 PROPOSED BUDGET

INTRODUCTION

In accordance with local ordinance and State Law, presented to the Board of Supervisors is the Fiscal Year 2015-2016 Proposed Budget, as recommended by the County Administrator.

With the current fiscal year nearing an end, our organization has numerous accomplishments to be proud of over the last twelve months. One of those accomplishments is stability. After enduring several years of declining revenues, we have reached a point where our primary revenue sources are increasing slightly or remaining static.

Overall, a conservative budget approach by the Board of Supervisors over the last several years has enabled the organization to continue providing a reasonable level of service to our residents. Unfortunately the limited rebound in general fund revenue sources does not allow for the replacement of many key positions lost during the great recession. A majority of the revenue increases allow us to provide for increased costs of doing business.

Necessary funding for public safety departments is a concern. The Sheriff's Department, District Attorney, Probation and Juvenile Hall are complex operations that have workload peaks requiring immediate resources in order to protect lives and property. In addition, the physical demands and twenty four hour a day operations create myriad complications. These departments are appropriated approximately 68% of all available general fund revenues. Recognizing the Board's priority of public safety, without an additional funding source identified in the near future, basic government functions such as technology, recording, administration, financial management, public guardian services and property assessments will continue to languish with limited resources.

As with Fiscal Year 2014-2015, it is recommended that we continue to move forward by making investments in our future. Of note are two particular capital projects, the new Sheriff's Facility and the new Tri-County Juvenile Hall. The new Sheriff's Facility is slated to be complete by the end of the current calendar year. Juvenile Hall, while in the initial planning and design stages, will be a tremendous project in which Yuba County led the effort to secure over \$15 million in grant funds to build it. Both of the new facilities are sorely needed and will benefit current and future taxpayers by not having to consistently repair and modify half a century old buildings and associated infrastructure.

I am also happy to report that in the upcoming year, our new Health Officer will be on board and leading an unprecedented Board directed effort to have our communities become healthier. I believe all of us look forward to developing new community partnerships that will provide a healthier direction for our residents.

In the last decade, we have seen tremendous residential growth in the County and conversely, a near stoppage of all growth. The same has been seen with General Fund revenues. Through all of the instability, your staff has continued to remain focused on accomplishing your strategic priorities and initiatives, while at the same time keeping a positive attitude about our organization and those we serve.

Our image as an organization and a county are very important to us. As ambassadors for Yuba County, I would encourage everyone to begin and end our conversations about the great things Yuba County has to offer such as our rich history, community and regional partnerships, our defense community, work ethic and more importantly the value we place on maintaining and developing great communities.

The following budget document represents the hard work and dedication of dozens of department heads, managers, and fiscal and support staff. I would personally like to thank Grace Mull for her tireless efforts of managing the budget process over the last decade.

EXECUTIVE SUMMARY

The Proposed Budget is technically balanced, but again requires the use of one-time funds.

TOTAL BUDGET

Fiscal Year 2014-2015 (Final Budget)	\$190,747,826
Fiscal Year 2015-2016 (Proposed Budget)	\$168,295,990

Unfortunately, a balanced budget is a misnomer of sort considering department workloads and the inability to fund resources previously lost to the great recession. As an example, departments submitted requested budgets that would have required nearly 5 million dollars of additional general fund revenue. A majority of the requests are to meet the base level business cost increases, replace allocated positions lost during the last several years of cuts or replace aging infrastructure.

The FY 2015-16 Proposed Budget is approximately \$22,500,000 less than the FY 2014-15 Final Budget. This is attributed primarily to the anticipated completion of the Feather River Boulevard and Hwy 70 Interchange project previously budgeted in the Public Works budget and the close out of the NSP program which should occur in FY 2015-16.

Departments were again asked to absorb cost increases where possible, particularly those that receive a general fund revenue appropriation. While some larger departments were able to absorb those increases, most were not without an augmentation of revenue. Projected cost increases for general fund and non-general departments were estimated in January as follows:

Health Insurance/Salary/Pension Cost Increases	\$ 1,853,773
General Fund Portion	\$ 619,889
Non-General Fund Portion	\$ 1,233,884

Expenditure increases are attributable to similar categories as seen in previous years, with the main categories being employee salaries and benefits. For example, the County's share of pension costs as a percentage of salary are;

	FY 2014-2015	FY 2015-2016	FY 2016-2017 (Projected)
SAFETY	20.050%	22.247%	26.0%
MISCELLANEOUS	15.956%	17.604%	18.8%

Use of One-Time Revenues

We anticipate receiving one-time revenue in the amount of \$1,244,905 next fiscal year. The one-time revenue sources consist of repayment of pre-2004 state mandated costs recently approved by the State of California, anticipated proceeds from the Treasurer's Tax Auction to occur in February 2016 and a one-time true up from the wrap up of the state's Triple Flip.

While a difficult recommendation to make, use of one-time revenue in the amount of \$364,078 is recommended to help balance the budget. The remainder was used to increase General Fund Reserves, maintain General Fund Contingencies at the current fiscal year's level and setting aside approximately \$587,000 in the County Capital Fund.

General Fund contingencies and General Fund Reserve levels remain slightly above budgeted policy levels. A more detailed summary is provided later in the budget message.

The recommended budget assumes a carryover General Fund balance of approximately \$1.2 million. The amount may increase based on closing of the financials in July/August. Should additional funding become available between adoption of the Proposed and Final budgets, it is recommended that the funds be evaluated as one-time or ongoing and also recommend they be budgeted according to policy at Final Budget.

REVENUES

General Fund Revenues

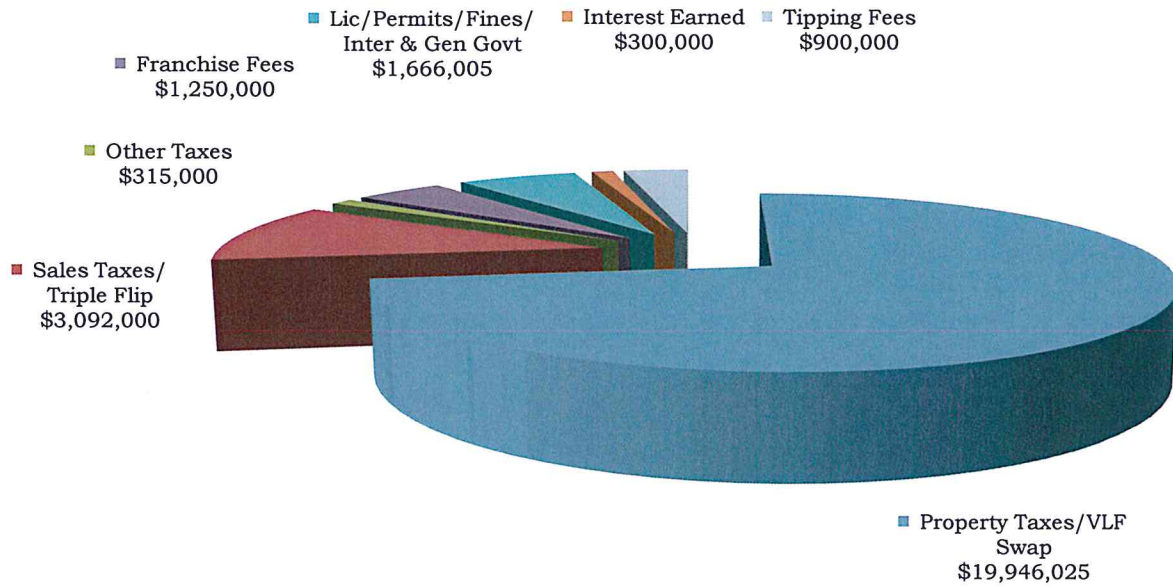
The positive trend that began last year is projected to continue into the upcoming fiscal year. Secured Property Tax revenues are projected to increase by a factor of approximately 4% or \$400,000. There are three primary factors contributing to the increase; re-assessment of Prop 8 properties, new home construction (still only a fraction of growth compared to 6-10 years ago) and an increase in the CPI factor for assessing properties. Regarding the latter, the maximum CPI adjustment is 2%. In Fiscal Year 2014-2015 the factor was .04%. For the Fiscal Year 2015-2016 property tax roll, the factor is approximately 1.9%. The year over year change is seen as a positive for agencies relying on Property Tax revenue, however it is important to note that it is nearly capped, therefore there will be minimal growth attributable to this factor in Fiscal Year 2016-2017.

As a result of the increase in property tax, the Motor Vehicle in Lieu fees are projected to increase for the upcoming fiscal year. Also, the unwind of the Triple Flip and a slight increase projected for Sales Tax should result in an increase in annual sales tax revenue. The current fiscal year lacked stability in quarterly sales tax receipts comparing previous year quarters. Fuel price decreases and building and construction material sales appeared to be the most volatile.

Type of Revenue	FY 14/15 Budgeted	FY 15/16 Budgeted	Increase/Decrease
Secured Property Tax	\$9,800,000	\$10,198,921	4.07%
Supplemental Prop Tax	\$100,000	\$150,000	50.00%
Motor Vehicle in Lieu	\$7,288,000	\$7,800,000	7.03%
Sales Tax	\$2,250,000	\$2,442,000	8.53%
Trans Occupancy Tax	\$280,000	\$280,000	0.00%
Franchise Fees	\$1,199,000	\$1,250,000	4.25%

Not listed in the above chart are interest earnings for the General Fund. At its peak in 2008 interest earnings were budgeted at approximately 2.7 million dollars. The projection for Fiscal Year 2015-2016 is \$300,000.

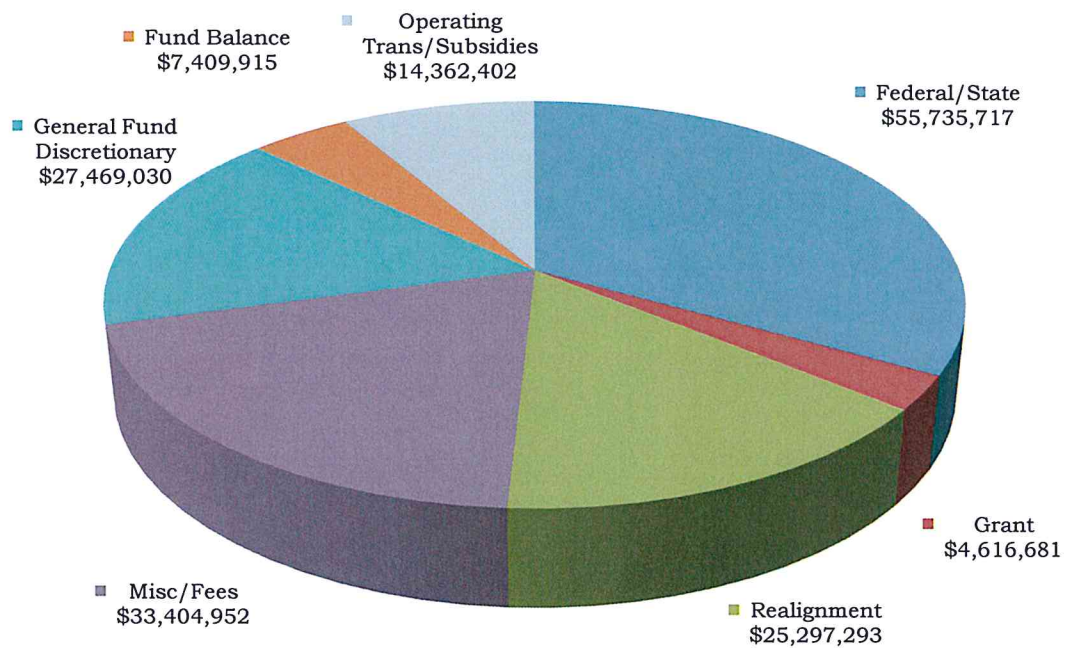
FIGURE 1: Total General Fund / Discretionary Revenue Sources \$27,469,030



Non-General Fund Revenues

Non-General Fund revenues are received primarily from State and Federal sources and a portion of the state sales tax. These revenues support department such as Health and Human Services Agency, Child Support Services, Public Works and Public Safety. It is important to note that nearly 100% of the operational costs for the first three listed are funded through Non-General Fund sources. However, Public Safety consisting of the Sheriff, District Attorney, Probation and Juvenile Hall require nearly 70% of all available General fund revenue to augment state and federal sources.

**FIGURE 2: Total of All Revenue Sources \$168,295,990
(General Fund and Non-General Fund)**



EXPENDITURES

Departments have reduced their operating budgets in several different ways. Reducing operating expenses such as office supplies, travel, training and fixed asset purchases have occurred, however the most significant reductions relate to our workforce.

**FIGURE 3: Total Expenditures \$168,295,990
(General Fund and Non-General Fund)**

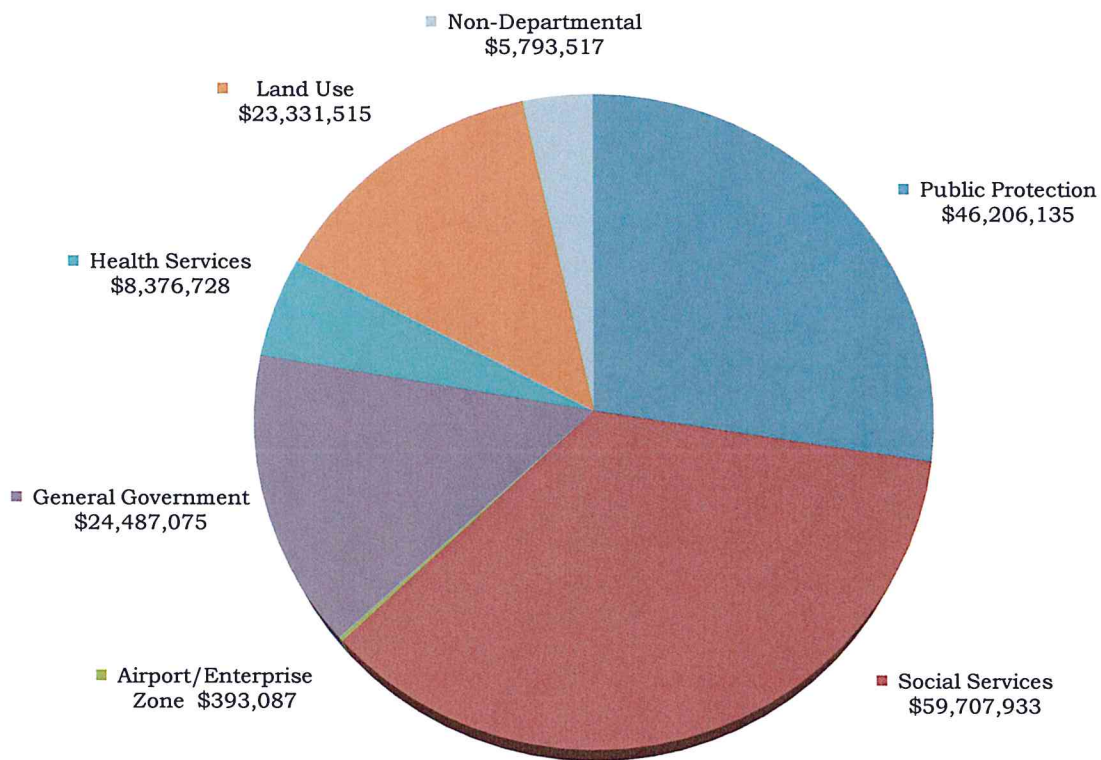
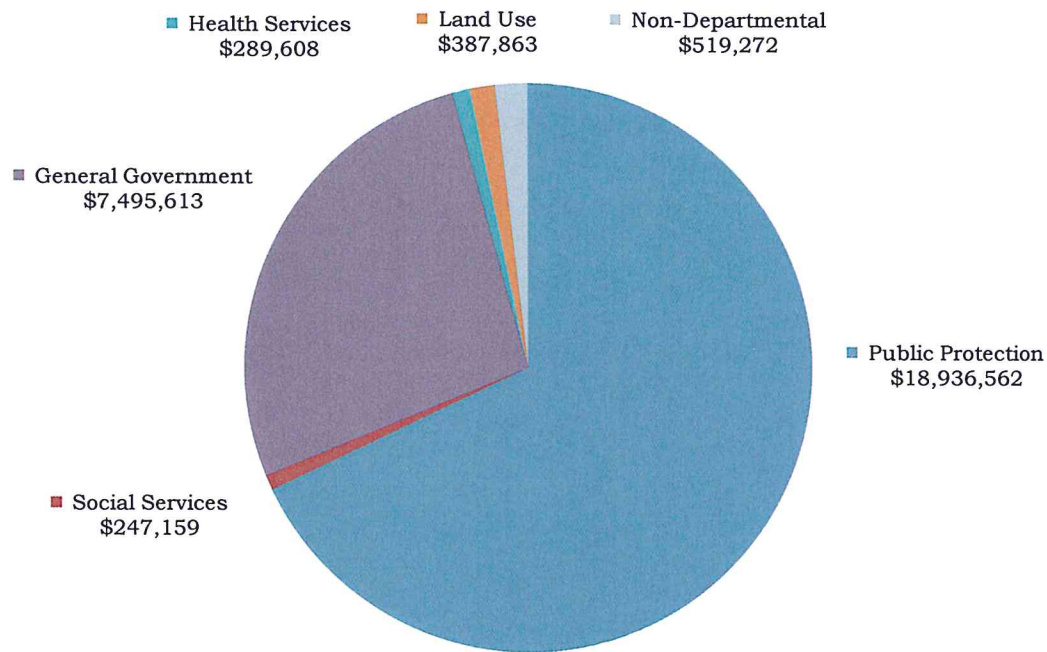


FIGURE 4: Total General Fund Expenditures by Function \$27,876,077



Functional groups are identified based on type of County service provided and grouped according to the County Budget Act.

Public Protection

Sheriff
Jail
Juvenile Hall
Probation
District Attorney
Ag Commissioner
Code Enforcement
Public Defender
County Share Court
Child Support Services

Land Use

Planning
Public Works
Building Department
Roads
Surveyor

General Government

Board of Supervisors
County Administrator
County Counsel
Library
Treasurer-Tax Collector
Auditor-Controller
Human Resources
Clerk-Recorder
Clerk of the Board
Assessor
Administrative Services
Information Technology

Non-Departmental

Contingencies
Reserves
Debt Service

Health Services

Health Department
Environmental Health
CMSP

Social Services

Welfare Administration
Veterans Services
Housing Programs
Child Welfare Services
CalWorks
Public Guardian

RESERVES & CONTINGENCIES

Several years ago, staff recommended and the Board approved policies for General Fund Contingencies and Reserves. Those policies were refined approximately two years ago with fiscal goals of increasing the funding for contingencies and reserves.

General Fund Reserves

The Board approved policy for General Fund Reserves states in part; the General Fund's total General Reserve and Designation for Economic Uncertainties should be accumulated over time until 5% of the annual operating budget reserve level is achieved.

General Fund reserves are recommended to increase with a contribution of one-time general fund revenues. For Fiscal Year 2015-2016, reserve levels are again recommended to be above the stated policy level of 5%. This recommendation is consistent with Board direction in 2014 to achieve a stated goal of a 10% reserve funding level within the next five years. The proposed budget increases the reserve funding level by \$ 200,000, or approximately 2.62% above the minimum policy level.

FY 2014-2015	\$ 1,742,588	General Fund Reserves (7.05%)
FY 2015-2016	\$ 1,942,588	Recommended General Fund Reserves (7.62%)

As stated previously to the Board, reducing reserve levels or not meeting stated goals may impact the County's credit rating, results in having fewer reserves if an emergency occurs, and impacts interest earnings.

General Fund Contingencies

The Board approved policy for General Fund Contingencies states in part; the General Fund's Appropriation for Contingencies should be budgeted at not less than 1.5% of the operating budget.

General Fund Contingencies are recommended at the same level as FY 2014-2015. This equates to 1.9% which is slightly above the 1.5% base policy level.

FY 2014-2015	\$ 519,272	General Fund Contingencies
FY 2015-2016	\$ 519,272	Recommended General Fund Contingencies

DEBT SERVICE

Debt Service

For Fiscal Year 2015-2016, the County will be making debt service payments in the amount of \$5,274,245 for the following ongoing and new projects.

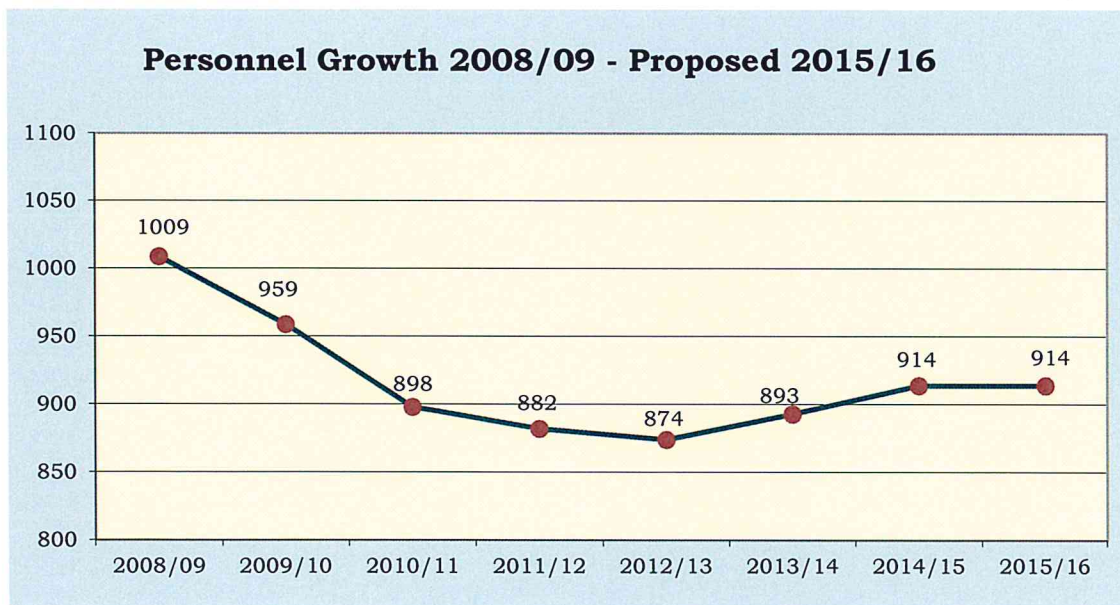
<u>Ongoing Project</u>	<u>Amount</u>	<u>Payment Source</u>
Solar Project	\$ 925,936	Energy Savings through Solar Generation
Levee Bonds	\$ 4,047,583	Levee Impact Fees, TRLIA CFDs, YCWA
 <u>New Project</u>	 <u>Amount</u>	 <u>Payment Source</u>
Sheriff's Facility	\$ 300,726	Public Safety Fund, Radio Tower Lease (YCWA), County Capital Fund

WORKFORCE

For Fiscal Year 2015-2016 there are reductions to our workforce in a few particular areas and slight increases in others. The net allocated position total of 914 is the same as the current fiscal year. Recommended decreases are primarily due to a reduction in grant funds and/or general fund revenues. Recommended increases are attributable to additional or expanded state and/or federal programs and program mandates. The following is a summary for all departments. The detailed recommendation is provided in the attached budget document.

- Adding 8 new positions
- Deleting 6 vacant positions
- Deleting 2 filled positions
- Funding 4 vacant positions
- Un-funding 1 vacant position

FIGURE 5: Annual Position Allocation Totals



POLICY ISSUES AND CHALLENGES

Gas Tax – Earlier this year, the State Board of Equalization reduced the gas tax by six cents. This impacted funding provided to local governments for road repairs and construction. For Yuba County, the negative impact is approximately one-third of revenue, or \$1 million. This impact was unexpected and caused a severe reduction in planned road work repair and maintenance for Fiscal Year 2015-2016. There has been legislative efforts to propose an alternative tax or make counties whole eventually; however nothing has yet to be completed in final form. Staff will continue to monitor any developments.

Affordable Care Act & Legislative Actions Regarding Sick Leave – Implementation of the Affordable Care Act has been a challenge for many departments. Health and Human Services has done a tremendous job in their creation of a call center and performing quality outreach to our residents. However, implementation of the Act is impacting our organization, requiring the County to implement certain requirements as an employer and also to closely monitor its membership in CMSP.

Effective July 1, 2015, California employers are required to provide sick leave to all employees. While the County already provides sick leave to permanent and part-time employees, the approval of AB 1522 now requires that sick leave be provided to extra help and reserve employee classifications. The County cannot measure the fiscal impact until data is reviewed post July 1, 2015.

Stagnant Public Safety Revenues - Public Safety revenues like the Public Safety Sales Tax are no longer keeping pace with required services. Similar to the Gas Tax that funds critical road work throughout the County, if positive changes don't occur soon, we will be in a position where all County services will be affected negatively.

Pensions – Mentioned in previous budget messages, a new assumption related to mortality rates of members in the pension system poses a severe challenge for local governments and affordability of pension costs. The County is already seeing an increase in the FY 2015-2016 rates and as indicated previously, the CalPERS projected increases are significant for the next few years.

Proposition 30 – Governor Brown's ballot measure passed in 2012, increasing the sales tax rate by a quarter cent is due to expire in December 2016. Revenues from the tax have gone to schools and community colleges and funded public safety services that were transferred from the state to local government in 2011. There is uncertainty as to whether or not there will be an effort to continue the additional quarter cent sales tax or if it will simply expire. Staff will be following discussions related to legislative proposals or initiatives, as this funding is critical to all counties.

SUCSESSES AND OPPORTUNITIES

Credit Rating - In 2008, Yuba County had its credit rating increased from an A- to an A by Standard & Poors rating agency. Since that time, the County endured one of the most difficult financial periods in decades but were able to maintain the same credit rating. In 2014, the County began an effort to finance a portion of the new Sheriff's facility. Through another rating evaluation done by the same agency for issuance of bonds for the Sheriff's facility, the County's credit rating was upgraded from an A to an A+, allowing us to obtain an insured bond issuance and saving taxpayers several million dollars over the course of the borrowing. Staff will continue to focus on financial stability by recommending additional financial management policies with respect to increasing reserves and setting aside funds for economic uncertainties.

Capital Projects – Several capital investments totaling approximately \$40 million are underway in Yuba County. The projects are being led by the Public Works Department and Administrative Services.

Feather River Boulevard and Highway 70 Interchange – This project is scheduled to be completed in the upcoming year, making it the second County interchange project completed in the last ten years. At a cost of approximately \$14 million, this project removes the last signal light between the Marysville city limits the Yuba County/ Sutter County line.

Sheriff's Facility Project – Scheduled for completion near the end of the current calendar year, this approximate \$10.5 million project will be the new home for Sheriff's operations, including dispatch, patrol, investigations, administration and training.

Tri-County Juvenile Hall – This project replaces the forty plus year old juvenile hall facility with a new 48 bed facility located on property adjacent to the Juvenile Camp Program and Secured Housing Unit. The County was awarded \$15.2 million in grant funds from the State of California. This project is a three county effort between Yuba, Sutter and Colusa counties. The new juvenile hall is in the initial planning and design stages.

Development Code Update - Completion of the County's Zoning/Development Code is scheduled to be completed in July of 2015. As stated in the previous budget document, it is a necessary project as a result of our General Plan Update. It will assist in clarifying land use / development policies for our communities as well as advance future development goals.

Financial Policies – Key financial staff continue to refine and recommend policies to the Board of Supervisors. In the upcoming year, it is anticipated that a policy will be recommended to create a reserve for economic uncertainties and we will continue to refine existing policies to make sure we are able to respond to economic downturns, emerging community needs and organizational requirements.

Health Initiatives – Beginning with the current fiscal year and under the direction of our Interim Health Officer, Dr. Kinnison, we began our first ever employee wellness initiative. Through participation in numerous organizational and community events, production of newsletters and attending workshops, our employees have embraced the program and are setting a tremendous example. The Health Department also produced its first ever annual report, summarizing the state of health within our County with a roadmap that identifies key issues to tackle in the upcoming months and years.

STATE BUDGET

The State budget appears to be more stable than at any time in recent years. The increased set aside for a “rainy day” fund and the payment of some monies owed to counties, cities and special districts indicates the budget is heading in the right direction.

Pre- 2004 State Mandate Repayment - In this year’s State Budget (May Revise) the Governor has included full payback of the pre-2004 mandate amounts owed to counties, cities and special districts. Yuba County received a portion of the amount owed in the current fiscal year and full payback is expected in June and/or July of 2015. The additional amount owed to Yuba County is \$702,000. It is recommended that a portion of the reimbursement be used to support the current year budget. However, since these are one-time funds, it is recommended that a majority of the funds be budgeted for our two primary public safety facility projects, (Sheriff and Juvenile Hall).

Drought – The Governor has appropriated 2.2 billion in funding for drought-related programs, on top of the \$1.9 billion already appropriated. The County is looking at ways to access funding for potential community areas. Also included is \$60 million to support local groundwater planning efforts.

Payment in Lieu of Taxes (PILT) – The Governor has appropriated approximately \$6 million to reimburse counties for State acquired County property. This amount is only a fraction of what is owed statewide and as a result, Yuba County will receive a very small portion of the approximately \$700,000 owed, dating back to FY 2002/2003. Legislation that would allow for full reimbursement has been met with little support from the legislature.

SUMMARY

It is recommended that the Board of Supervisors:

1. Accept and adopt the Proposed Budget for Fiscal Year 2015-2016 as the County's interim spending plan, including position allocation changes, and direct staff to make available copies for public review, and;
2. Acknowledge that:
 - a. The Proposed Budget estimated expenditures are balanced with estimated revenues, a carry forward cash balance and one-time revenues;
 - b. Although the Proposed Budget is balanced, it is accomplished with the use of limited one-time revenues, therefore is not structurally balanced.
 - c. Actions by the State of California may require adjustments to the Proposed Budget during Final Budget Hearings.
 - d. Restoration of recommended reductions will require equivalent reductions in funds from other County priorities.
3. Set dates for the Fiscal Year 2015-2016 Budget Workshops for August 18th and August 19th.
4. Set public hearings to commence September 15th for consideration and adoption of the Fiscal Year 2015-2016 Final Budget.

Sincerely,



Robert Bendorf
County Administrator