

# *The County of Yuba*

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## OFFICE OF THE COUNTY ADMINISTRATOR

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June 27, 2017

Yuba County Board of Supervisors  
915 8<sup>th</sup> Street  
Marysville, CA 95901

## **FISCAL YEAR 2017-2018 PROPOSED BUDGET**

### **INTRODUCTION**

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In accordance with local ordinance and State Law, presented to the Board of Supervisors is the Fiscal Year 2017-2018 Proposed Budget, as recommended by the County Administrator.

Yuba County has weathered its share of challenges during and since the "Great Recession." Catastrophic reductions in revenues, layoffs, significant increases in the cost of doing business and the retirement of dozens of long-term employees possessing a wealth of knowledge were just a few of the challenges we faced. While our organization continued to move forward by working harder and becoming more efficient, the collaborative effort of employees, our management team, the Board of Supervisors and our residents and businesses have made it possible for Yuba County to continue to serve our communities well.

County budgets over the last decade reflect those challenges, as General Fund revenues have not met or exceeded increased costs of business. To be more efficient and fiscally sound, our team has expanded the use of technology, launched internal development programs for our employees, developed fiscal and internal control policies where very few existed, invested in our aging buildings, advocated for local control and took a conservative approach to setting funds aside for future needs and potential downturns in the economy. These are just a few examples of the work being done by the entire Yuba County team.

In FY 2016-2017, the County has had several key accomplishments

- Completed construction of the new Sheriff's Department that provides adequate and necessary space for their 24/7 operations and a new radio tower that increases transmitting capability for staff and provides support for the Yuba County Water Agency.
- Awarded a \$20 million dollar SB 83 grant from the State of California for an addition to the jail that does not require a local funding match.
- Received project approval on a new Tri-County Juvenile Hall. This project is estimated to cost \$18 million and is funded through an awarded grant to Yuba County of over \$15 million with the counties of Sutter, Yuba, and Colusa combining to meet the local match of approximately \$3 million.
- Our Solar Phase II project, located near the Yuba County Airport was activated and has been in use for several months. Energy savings are making the debt service payment and it is estimated to save the County over \$100,000 annually. Additional savings will occur when the financing is exhausted.
- The Community Development and Services Agency implemented its "Express Trak" for consumers applying for building permits, thus providing certainty for permit applicants, establishing staff efficiencies and taking a significant step toward online permitting.
- Developed a multiple point strategy to recruit and retain deputy sheriffs and public safety dispatchers.
- Led the collaborative effort to combat homelessness in Yuba County and regionally with our Sutter County partners, resulting in the development of 14Forward and consolidating our resources to provide more efficiency and community involvement.
- Handled the Oroville Dam crisis and evacuation by working with our countywide and regional partners. Staff continues to assess damage caused by the high rivers and rains while working with the California Office of Emergency Services and the Federal Emergency Management Agency to document and submit nearly \$20 million in reimbursement claims.
- Maintained our "A" credit rating which allowed us to achieve significant savings for our Solar and Sheriff's Department projects.

Our fiscal health has improved since the recession, but we still face slow growth in our discretionary General Fund revenues. Included in this budget are estimated General Fund revenues, which the Board of Supervisors can allocate for any legitimate government purpose in serving the public. Those revenues, estimated at approximately \$28.5 million, are much less compared to the \$34 million pre-recession amount received in FY 2007-2008. Unfortunately, revenue growth is often countered by cost of business increases.

Again this year, departments were asked to prioritize service delivery to meet the Board's policy directives and maximize the use of Non-General Fund revenue where possible.

Public Safety revenues continue to remain stagnant, impacting the Sheriff, District Attorney and Juvenile Hall departments, as well as several pre-Prop 13 fire districts that receive a portion of these revenues. Without significant growth in this revenue source, an additional funding source must be identified in the near future.

Our employees have been steadfast in their commitment to serving our residents. We continue to evaluate our processes and refine them. While the list of what needs to be accomplished is ever evolving, the discipline and innovation displayed by our employees grows along with it. None of this is possible without the leadership of the Yuba County Board of Supervisors.

As I remarked last year, our employees have displayed an extraordinary ability to provide exceptional customer service despite the fiscal limitations of the last decade. 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.

The following budget document represents the hard work and dedication of dozens of department heads, managers, and fiscal and support staff.

## EXECUTIVE SUMMARY

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The Proposed Budget is technically balanced but again requires the use of end of year cash balance which is technically one-time funding.

### TOTAL BUDGET

Fiscal Year 2016-2017 (Final Budget)	\$160,188,626*
Fiscal Year 2017-2018 (Proposed Budget)	\$166,986,508

The FY 2017-2018 Proposed Budget is approximately \$7 million more than the FY 2016-17 Final Budget. Of this amount, approximately \$2.7 million is attributed to General Fund increases and the remainder are increases in Non-General Fund programs supported by Federal, State and non-general funds.

Departments initially submitted requested budgets that would have required nearly \$3.9 million dollars of additional General Fund revenue. A majority of those requests were made to meet base level business cost increases, replace allocated positions lost during the last several years of cuts, additions of new positions due to increased workload or to replace aging infrastructure. Through several departmental discussions and budget revisions, this amount was reduced from departments to meet the projected General Fund revenues available for FY 2017-2018.

Expenditure increases projected for FY 2017-18 are attributable to similar categories as seen in previous years, with the main categories being employee salaries and benefits.

### CalPERS

The County's share of pension costs as a percentage of salary:

	<b>FY 2015-2016</b>	<b>FY 2016-2017</b>	<b>FY 2017-2018 (Projected)</b>
SAFETY	22.247%	25.759%	27.936%
MISCELLANEOUS	17.604%	18.343%	20.168%

### Health Insurance

Health Insurance premiums continue to rise every year, with this year's estimate approximately 4% higher than projected for FY 2016-17.

*\*The Fiscal Year 2016-2017 Final budget total budget was originally \$174,750,244. A change in the County's chart of accounts occurred after the final budget was approved which eliminated the General Fund Subsidy budget and incorporated the costs within the BOS Miscellaneous budget and the associated revenue within each department's County Contribution revenue line.*

### Use of One-Time Revenues

We anticipate not using as much one-time revenues to balance the budget this year as in previous years. This may sound inspiring, however reductions in particular areas such as departmental budgets and General Fund Contingencies are proposed.

Two projects that would require use of one-time funds are an exhaust fan replacement at the courthouse and the repaving of the parking lot at the government center. Both projects total approximately \$800,000. Further analysis is being conducted on the exhaust fan replacement and the parking lot repaving project is recommended to be performed in one of the following two fiscal years.

General Fund Contingencies and General Fund Reserve levels will remain slightly above budgeted policy levels, but below stated policy goals. A more detailed summary is provided later.

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 there be an increase, it is recommended the funds be considered one-time and budgeted, according to policy, and included in the Final Budget.

## REVENUES

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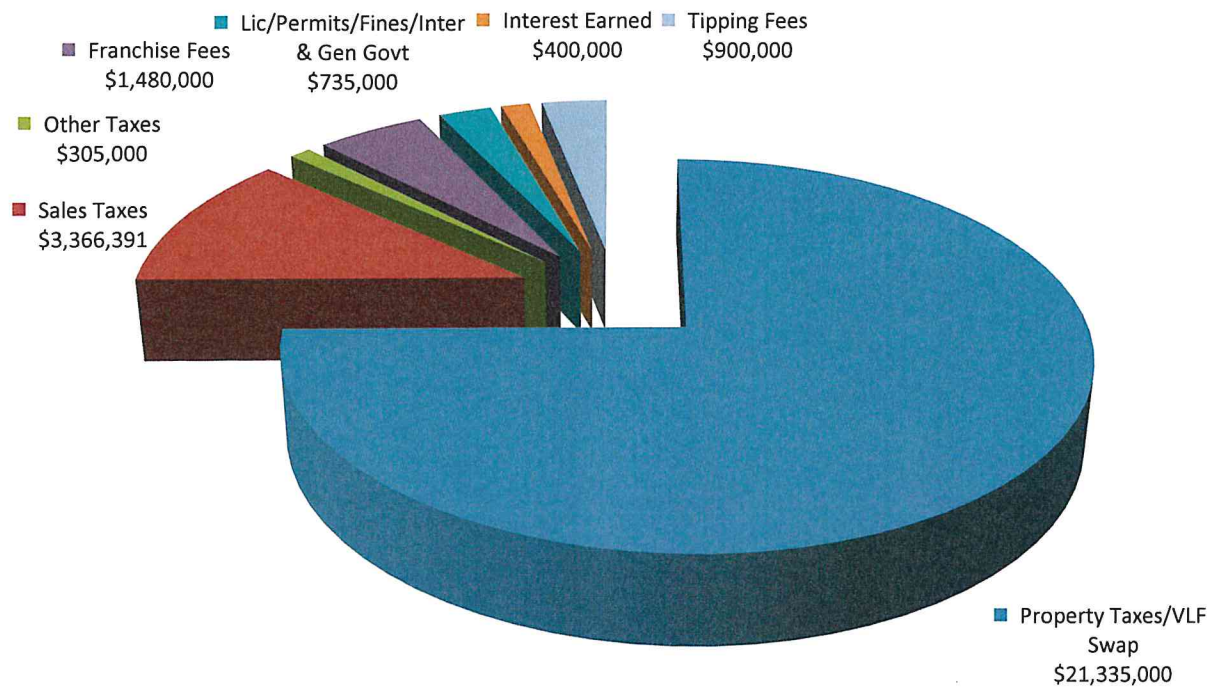
### General Fund Revenues

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 approximately 4.9% or \$527,242. Primary factors contributing to the increase are re-assessment of Prop 8 properties and new home construction. 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 and, therefore, there will be minimal growth attributable to this factor in Fiscal Year 2018-2019.

As a result of the increase in property tax, the Motor Vehicle In-Lieu Fees are projected to increase for the upcoming fiscal year. The current fiscal year lacked stability in quarterly sales tax receipts, comparing previous year quarters. Fuel prices and building and construction material sales appeared to be the most volatile.

Type of Revenue	FY 16/17 Budgeted	FY 17/18 Budgeted	Increase/Decrease
Secured Property Tax	\$10,667,758	\$11,195,000	4.94%
Supplemental Prop Tax	\$175,000	\$200,000	14.29%
Motor Vehicle in Lieu	\$8,025,000	\$8,300,000	3.43%
Sales Tax	\$3,052,944	\$3,366,391	10.27%
Trans Occupancy Tax	\$280,000	\$280,000	0.00%
Franchise Fees	\$1,350,000	\$1,480,000	9.63%

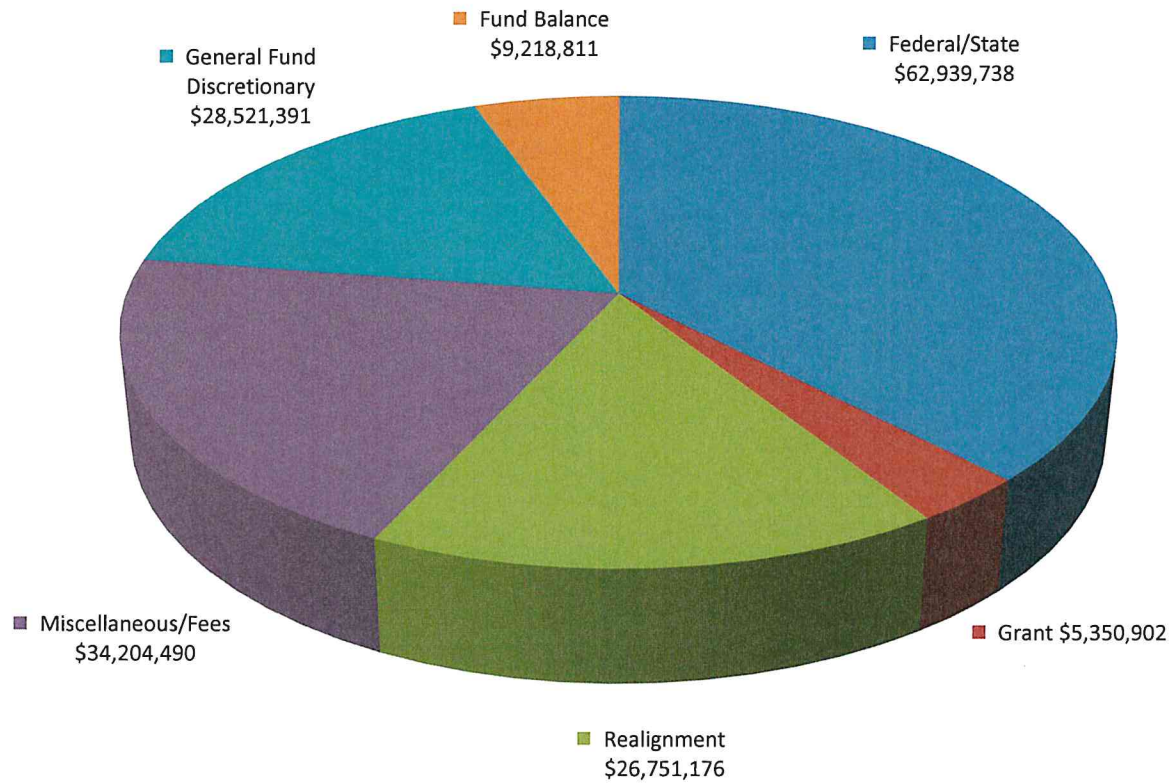
**FIGURE 1: Total General Fund / Discretionary Revenue Sources \$28,521,391**



### Non-General Fund Revenues

Non-General Fund revenues are received primarily from State and Federal sources and a portion of the state sales tax (commonly referred to as Realignment Revenues). These revenues support departments such as the Health and Human Services Agency, Child Support Services, Public Works and law enforcement. 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 Protection – consisting of the Sheriff, District Attorney, Probation, Juvenile Hall, Public Defender, Agricultural Commissioner, Code Enforcement, etc. – requires approximately 72%, or \$21 million, of all available General Fund revenue to augment state and federal revenue.

**FIGURE 2: Total of All Revenue Sources \$166,986,508  
(General Fund and Non-General Fund)**

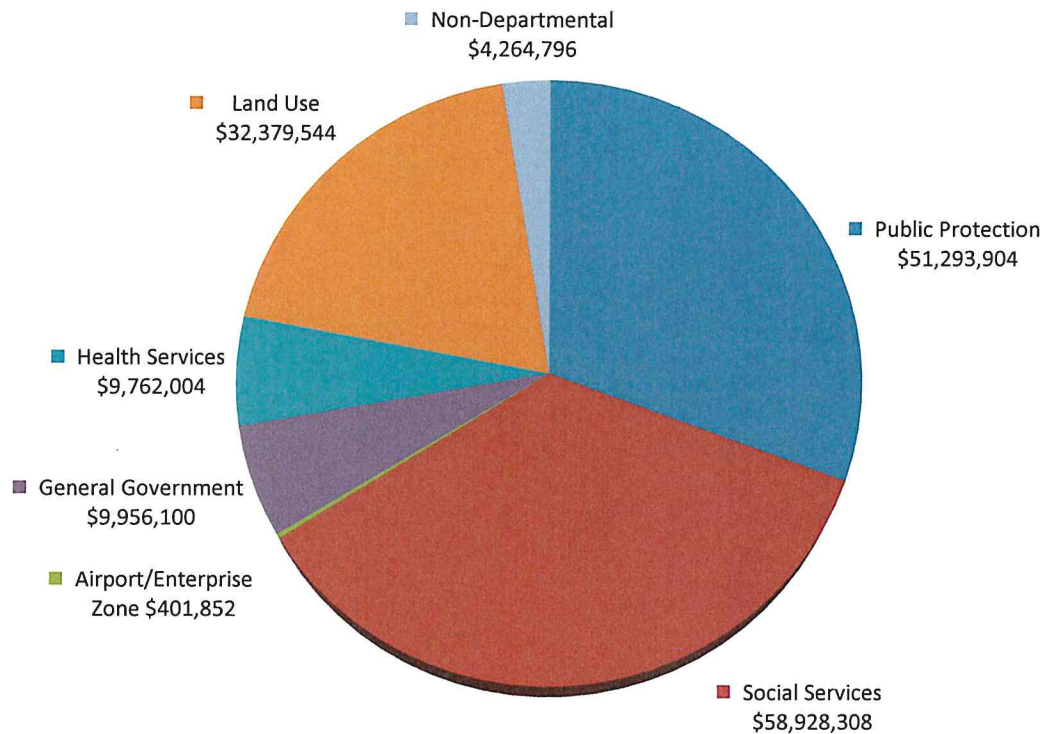


## EXPENDITURES

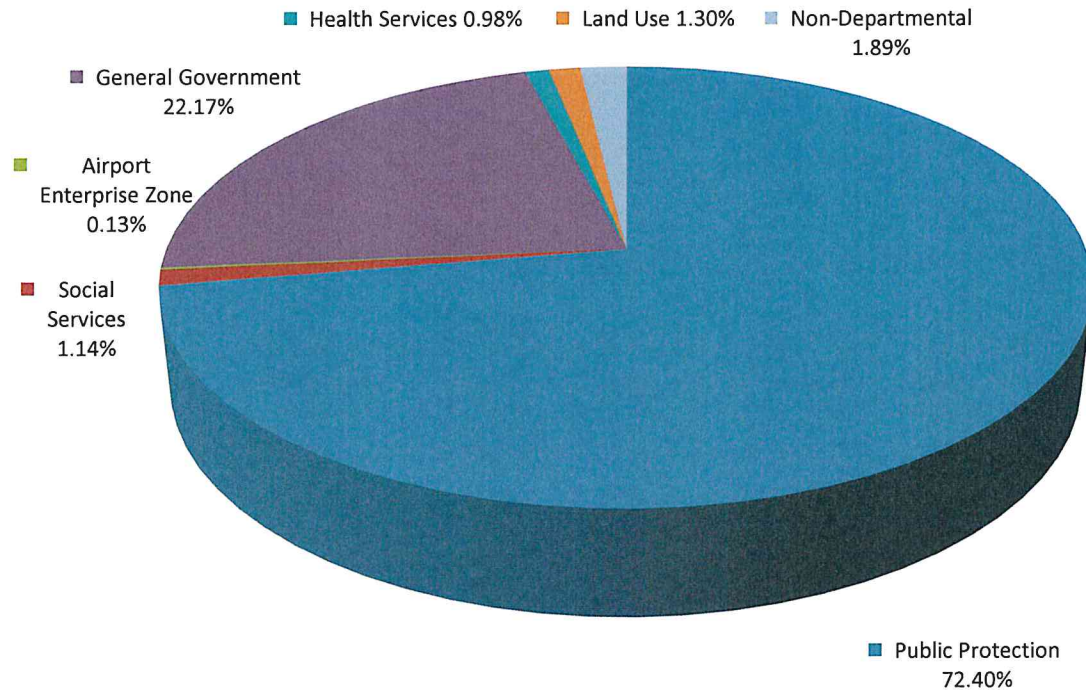
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Departments have reduced their operating budgets in several different ways. Reducing operating expenses such as office supplies, travel, training, and fixed asset purchases have occurred. However, the most significant reductions relate to our workforce.

**FIGURE 3: Total Expenditures \$166,986,508  
(General Fund and Non-General Fund)**



**FIGURE 4: Total General Fund Expenditures by Function \$28,690,948**



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

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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 levels.

### General Fund Reserves

The Board's 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.

FY 2017-2018 reserve levels are 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 maintains the current reserve amount, which is currently set at \$2,100,000 or 7.42%. Staff will review actual end of year cash balance, as well as any one-time revenue sources that may materialize between now and Final Budget. Any additional one-time funding sources are recommended to increase this level to help achieve the 10% reserve funding level goal.

FY 2016-2017	\$ 2,100,000	General Fund Reserves (7.44%)
FY 2017-2018	\$ 2,100,000	Recommended General Fund Reserves (7.42%)

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 lower than what was budgeted in FY 2016-2017. This year's amount of \$561,084 still exceeds base policy level of 1.5% by \$115,720 or 1.89%.

FY 2016-2017	\$ 943,954	General Fund Contingencies
FY 2017-2018	\$ 561,084	Recommended General Fund Contingencies

## DEBT SERVICE

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### Debt Service

For Fiscal Year 2017-2018, the County will be making debt service payments through its Debt Service Budget in the amount of \$3,663,712 for the following projects.

<u>Project</u>	<u>Amount</u>	<u>Payment Source</u>
Levee Bonds	\$ 3,260,914	Levee Impact Fees, TRLIA CFDs, YCWA
Sheriff's Facility	\$ 402,798	Public Safety Fund, Radio Tower Lease (YCWA)

In addition, the Utility ISF Budget will be making debt service payments in the amount of \$1,345,305 for the following solar projects.

Solar Project #1	\$ 975,761	Energy Savings through Solar Generation
Solar Project #2	\$ 369,544	Energy Savings through Solar Generation, Federal Energy Subsidy Credit

## WORKFORCE

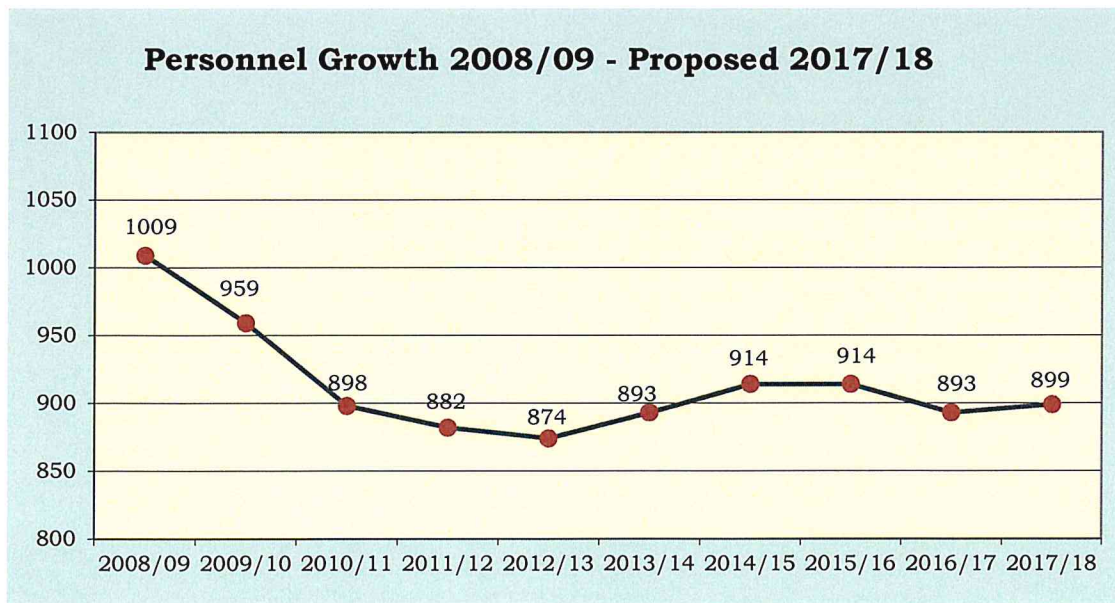
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For Fiscal Year 2017-2018, there are reductions to our workforce in a few particular areas and slight increases in others. The net allocated position total of 899 is slightly higher than FY 2016-2017. Recommended decreases are primarily due to a reduction in federal and state program 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.

- Add 16 new positions
- Delete 7 filled positions
- Delete 4 vacant positions
- Fund 1 vacant position
- Title Change 1 filled position
- Abolish/Establish 5 vacant positions

It is important to note Yuba County has approximately 169 (or 19%) fewer positions than it had in Fiscal Year 2007-2008.

**FIGURE 5: Annual Position Allocation Totals**



## BUDGET & POLICY ISSUES

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### ***Streets and Roads***

In FY 2014-15, 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 was approximately \$1.5 million annually. A few months ago the Governor signed SB 1, which essentially approved additional taxes for local roads and state highways. The primary three sources of new revenue are tax increases for gasoline, diesel and vehicle license fees. It is estimated that Yuba County will receive \$31 million over the next ten years, making up future losses due to the decrease in the gas tax from a few years ago.

### ***Public Safety Revenues***

As stated in numerous prior budget messages and presentations, providing adequate funding for critical public safety services provided to our communities is not possible unless new revenue sources are considered or substantial cuts are made to other non-public safety departments. Approximately 72% of all available discretionary revenue (approximately \$28.5 million) received by the county is provided for public safety, thus leaving the much smaller portion of revenue, approximately \$8.5 million for all other county operations.

The following example illustrates that a majority of all available discretionary revenue (Approximately \$28.5 million) is provided for Public Safety:

#### *PROPOSED FY17-18 PRIMARY GENERAL FUND REVENUE SOURCES*

*All County Property Taxes, Sales Tax, TOT Taxes, Franchise Fees, Host Fees, Interest Earnings, General Fines and Fees, Vehicle Code Fines*                      \$ 19,841,000 (rounded)

#### *PROPOSED FY17-18 PUBLIC SAFETY GENERAL FUND REVENUE APPROPRIATIONS*

*Sheriff Operations, Sheriff Jail, Probation, Juvenile Hall, District Attorney, Public Defender, Courts (Mandated Payment to State)*                      \$ 20,322,000 (rounded)

### ***Social Services***

*In-Home Supportive Services* - The California Department of Finance exercised its authority to terminate the Coordinated Care Initiative. For Yuba County, the shift has resulted in layoffs of seven employees related to In-Home Supportive Services. While the State has backfilled nearly \$400 million of the approximately \$592 million cost to counties through the Governor's May Revise, in a few years the backfill reduces significantly. Through negotiations, the California State Association of Counties (CSAC) and State has promised more discussions at that time to lessen the significant fiscal impact, however there is nothing guaranteed. It has been pointed out that the cost to counties will rise significantly in two years.

CalWorks – Social Services has experienced a nearly 20% reduction in its CalWorks allocation over the last half dozen years, from approximately \$10 million to less than \$8 million. In the last three years, Social Services has also had 26 new mandates imposed on their operations from the State of California, requiring more funding or cuts to other programs. Social Service is also experiencing a decrease in Social Service Realignment funding, necessitating a transfer from Health Realignment for FY 17-18.

**Pensions** – Last year, a new assumption related to mortality rates of members in the pension system caused a significant increase in pension costs and poses a severe challenge for local governments and affordability of pension costs.

Beginning in this fiscal year and continuing, a new CalPERS policy has caused yet more fiscal concerns for most of its member agencies. Basically, the new policy has provided for a separation of the gross percentage charged to the employer for each employee, which is a percentage of salary. The new policy now allocates a percentage for the normal share of cost and a dollar amount for the unfunded liability for miscellaneous and safety members. While CalPERS “estimated” the gross percentage for Yuba County employees, analysis by staff indicates the “estimated” gross percentage is not enough to pay what is required annually, necessitating an additional percentage increase per employee that departments were instructed to include in their budgets.

Per a CalPERS estimate, the overall increase for the Unfunded Liability portion **paid by the County over the next five years** for miscellaneous and safety employees **will increase from \$6.9 million in FY 17-18 to \$12.6 million in FY 22-23.** This figure does not account for any increases as a percentage of salary for the normal cost portion of the employer’s share.

### ***Property Tax***

The beginning assessment role value for FY 08-09 was approximately \$5.1 billion. Each year through FY 13-14, the role value declined to an eventual low of \$4.1 billion, an approximate 20% reduction. It wasn’t until FY 14-15 when the roll began to increase at a steady, but low rate. The estimated tax roll for FY 17-18 is expected to be at or near FY 08-09, which was highest year on record.

This reflects the steady, albeit slower paced, economic recovery in Yuba County. While the new housing market is very slow for many jurisdictions Yuba County has made steady progress with builders continuing to obtain permits for new construction, which assists in the overall ad valorem growth. In FY 16-17, over 200 single family dwelling units were finalized and nearly 200 new single family dwelling permits were issued. These figures are consistent with FY 15-16 permits in both categories.

Commercial development is increasing, beginning with more small businesses breaking ground in Yuba County. While lacking in new large commercial development, smaller commercial retail are beginning to locate in larger parcels of commercial land.

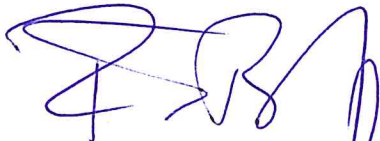
## SUMMARY

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It is recommended that the Board of Supervisors:

1. Accept and adopt the Proposed Budget for Fiscal Year 2017-2018 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. 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 and, therefore, is not structurally balanced;
  - c. Actions by the State of California may require adjustments to the Proposed Budget during Final Budget Hearings; and
  - d. Funding additions will require equivalent reductions in funds from other County priorities.
3. Set dates for the Fiscal Year 2017-2018 Budget Workshops for August 16<sup>th</sup> and August 17<sup>th</sup>.
4. Set public hearings to commence September 12<sup>th</sup> for consideration and adoption of the Fiscal Year 2017-2018 Final Budget.

Respectfully Submitted,



Robert Bendorf  
County Administrator