

The County of Yuba

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June 26, 2018

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

FISCAL YEAR 2018-2019 PROPOSED BUDGET

INTRODUCTION

In accordance with local ordinance and state law, presented to the Board of Supervisors is the Fiscal Year 2018-2019 Proposed Budget, as recommended by the County Administrator.

Yuba County has endured budget challenges since the housing market crash. From laying off employees, reducing and deferring salaries, to funding reductions for capital projects, we attempted to meet the need of providing critical services to the public. These solutions and other cost savings are taxing on an organization and are complex, particularly when operating as an arm of the State of California and receiving funding from the aforementioned and the federal government.

Each year, our focus has been to balance the budget with services to the public being the top priority. From the Board to our workforce we work collaboratively with both our external and internal partners to find solutions in a complex environment. Our team in Yuba County is remarkable for its energy, creativity and dedication to public service, making us proud to accomplish what most would think is not possible for a rural county.

Accomplishments for FY 2018-2019

- Hired a Clerk of the Board, Administrative Services Director and County Counsel as key members of our leadership team.
- Our Sheriff's Department has had its first full year of occupancy at their new facility, which has been met with very positive results, allowing our public safety members to have the resources necessary to do their jobs.

- A Smaller, Well Trained and Better Compensated Workforce. Comparing the number of allocated positions in 2007-2008 of 1,068 to fiscal year 2018-19 of approximately 884 total allocated positions, we have reduced our workforce by 184 positions. New state and federal mandates have been added but we continue to work smarter and more effectively. We have continued to engage in examining, and adjusting where necessary, base pay scales in other surrounding counties to remain competitive, so that we can attract great quality employees. Since establishing our own in-house training program for county employees, we have had 70 graduate from the Executive Leadership Program, 109 from the Supervisory Development Program and 178 complete the Yuba County Academy which is a host of classes designed to foster collaboration and provide public service education among our many departments and employees.
- Managed one of the largest and most destructive fire resources and recovery efforts in Yuba County. This incident consumed thousands of labor hours and numerous recovery components are being worked on currently. The Cascade Fire destroyed nearly 200 structures and caused the loss of life for four foothill residents. Staff continues to process FEMA and State claims for reimbursement while importantly working closely with fire victims in need of financial or rebuilding assistance. Due to the County's readiness and abilities to work closely with other agencies, we were recognized by FEMA as having one of the best Local Assistance Centers they have ever been a part of and ultimately made our facilities their home base for many months for several disasters.
- Continue to conduct due diligence as required by the State of California to process Yuba County's awarded \$20 million SB 83 grant from the State of California for an addition to the jail. No local match is required.
- Completed our due diligence for the new Tri-County Juvenile Hall. This project is estimated to cost \$18 – 20 million with construction expected to start this upcoming fiscal year.
- Began construction at the Yuba County Airport to reconstruct the apron/ tie down area to repair severe drainage issues. This is a \$4 million project funded through grants and in part by the Yuba County Water Agency.
- Received an approximate \$1 million grant from the Economic Development Administration to extend the taxi way at the Yuba County airport. This grant was achieved through a public / private partnership with the YSEDC, Yuba County and Rice Air. Construction is expected to start this fiscal year.
- Began negotiations with Recology Yuba-Sutter, seeking an extension to the current solid waste collection franchise agreement.
- Began work on our new KRONOS Payroll, Human Resources and Time Keeping system that will be implemented in FY 18-19.
- Provided over 25 tours from California and out of state agencies to our 14Forward project and the new Coordinated Entry site, have been asked to present in person and in webinars to numerous other agencies and continue to operate the project, providing temporary shelter and services for those in need. The City of Alameda replicated our program and they are expanding it to have two sites.

- Opened our first Coordinated Entry (Life Building) in Yuba County through a collaborative between Habitat for Humanity, Hands of Hope, Marysville and Yuba County and others.
- Began our due diligence and documenting processes in advance of future implementation of a new financial and public safety software systems.
- We began the coordination of a Bi-County Homeless Memorandum of Understanding. Since that time, attendance from all four cities and both counties, as well as non-profit partners, has been high and results are being achieved through an established set of priorities.

As stated in previous years we still face slow growth in our discretionary General Fund revenues, which is the core of the entire county budget. 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 \$30 million, are much less compared to the \$34 million pre-recession amount received in FY 2007-2008.

- In FY 17-18, the County was faced with a difficult and mandatory decision to contract for jail medical and mental health services, where we were previously providing those services internally. Where it previously cost the Sheriff approximately \$1.7 million annually to provide these services, we were suddenly faced with a \$3.9 million cost approximately four months after the budget was approved, a \$2.2 million increase overnight. By using savings and reallocating funding for other programs, the gap was made up; however those methods were primarily one-time. This leaves considerable concern for FY 18-19 and beyond.
- Concurrently, the cost of business continues to rise. From gas prices to health insurance to pensions the Board of Supervisors will be faced with very difficult decisions in preparation of the FY 19-20 budget.

Again this budget 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 (Prop 172) continue to remain static, 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. With over 76% (up from 72% in FY 17/18) of General Fund revenues being provided to public protection and forecasting future public safety costs, an additional ongoing revenue source must be identified as revenue available versus revenue needed for critical services represents a large multi-million dollar gap. Simply put, without an additional revenue source, the County will need to further reduce its workforce (non-public safety employees) and be forced to use a majority of its rainy day funds (i.e. reserves, contingencies).

The following budget document represents the hard work and dedication of dozens of department heads, managers, and fiscal and support staff. We have adapted well over the years, but our continued quality of service depends on having sound and reliable revenue sources and being fiscally responsible.

EXECUTIVE SUMMARY

TOTAL OPERATING BUDGET

Fiscal Year 2017-2018 (Final Budget)	\$168,473,552
Fiscal Year 2018-2019 (Proposed Budget)	\$179,619,791

The FY 2018-2019 Proposed Budget is approximately \$11 million more than the FY 2017-18 Final Budget. Of this amount, approximately \$3.1 million is attributed to General Fund increases for Public Safety departments (there were no General Fund increases for General Fund departments. In fact, they reduced General Fund contributions to help offset increases in Public Safety). The remaining increases are in Non-General Fund programs supported by Federal, State and Non-General funds.

Departments initially submitted requested budgets that would have required nearly \$6.8 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 2018-2019.

Expenditure increases projected for FY 2018-19 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:

	FY 2016-2017	FY 2017-2018	FY 2018-2019 (Projected)
SAFETY	25.759%	27.936%	31.100%
MISCELLANEOUS	18.343%	20.168%	22.700%

Health Insurance

Health Insurance premiums continue to rise every year, with this year's estimate approximately 7% higher than projected for FY 2017-18.

Use of One-Time Revenues

Administration is recommending the use of one-time general fund dollars to balance the budget. We are recommending \$188,036 be used to balance the budget and avoid any further budget reductions and potentially layoffs.

Additional one-time funding expenditures are estimated at approximately \$1 million. The primary funding source is our capital project account, where administration has been recommending we place one-time revenues in order to fund project needs. The good news is that your Board saved this money and the bad news; there simply isn't enough of it. Below is a summary of one-time project needs for FY 2018-2019;

- KRONOS Human Resources Management Software Project
- KRONOS Payroll Software Professional Services
- Business Process Analysis for Financial and Public Safety Software Systems
- County share of Juvenile Hall Surveillance Camera Project
- Dry Rot Repair at County Airport
- Replace Commercial Kitchen Appliances and Washing Machine at Jail
- Property Tax Professional Services for Transition
- Replace Courthouse Fan Station

General Fund Reserve levels will remain slightly above budgeted policy levels while General Fund Contingency levels are slightly below stated policy goals. A more detailed summary is provided later in this document.

The recommended budget assumes a carryover General Fund balance of approximately \$1.7 million. The estimate may increase or decrease, 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. A decrease will require further cuts to the County budget.

REVENUES

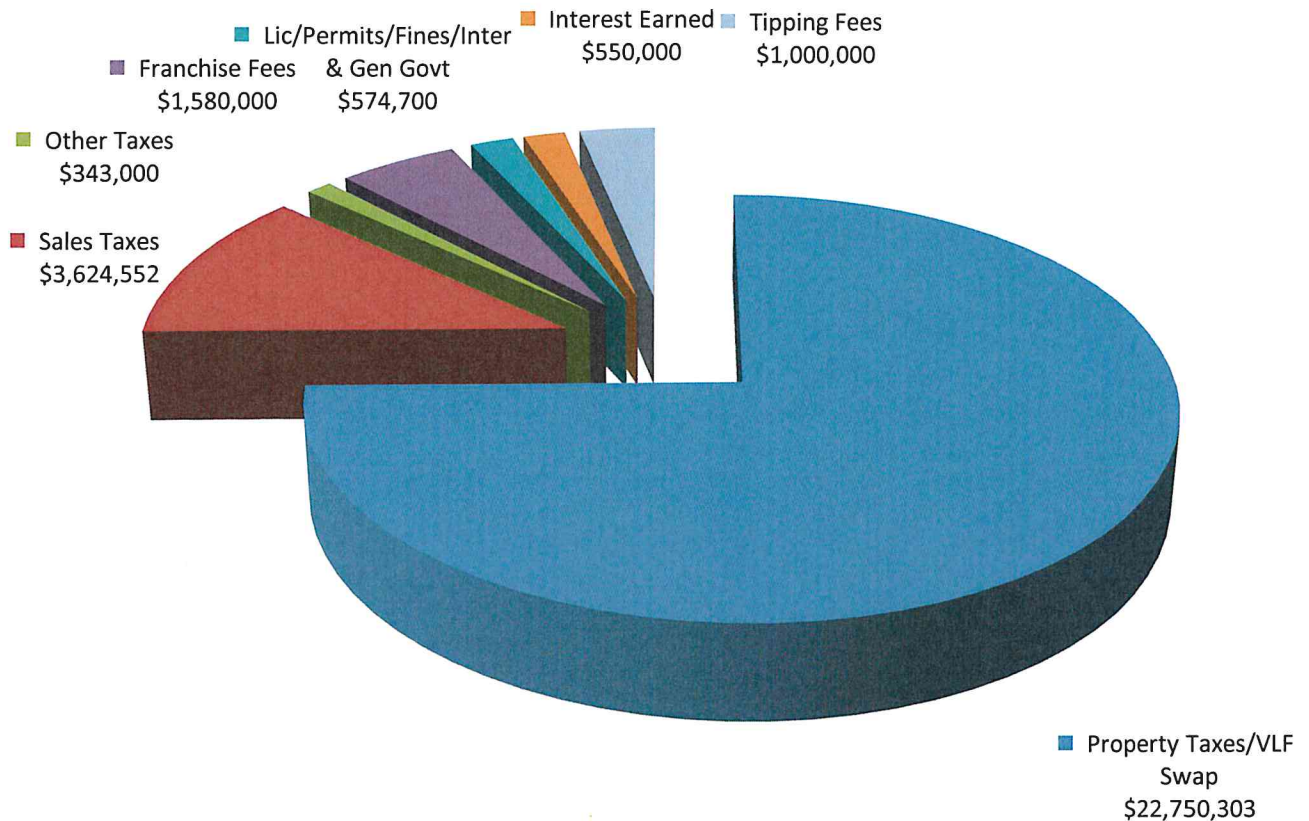
General Fund Revenues

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 approximately 5.6% or \$631,405. 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 2019-2020.

As a result of the increase in property tax, the Motor Vehicle In-Lieu Fees are projected to increase for the upcoming fiscal year. Court Fines and Fees are projected to decrease again this year due to recent legislation which provides the Court discretion to reduce or waive fines and fees based on the indigent defendant's inability to pay.

Type of Revenue	FY 17/18 Budgeted	FY 18/19 Budgeted	Increase/Decrease
Secured Property Tax	\$11,195,000	\$11,826,405	5.64%
Tipping Fees	\$900,000	\$1,000,000	11.11%
Motor Vehicle in Lieu	\$8,300,000	\$8,838,898	6.49%
Sales Tax	\$3,366,391	\$3,624,552	7.67%
Trans Occupancy Tax	\$280,000	\$280,000	4.64%
Court Fines and Fees	\$410,000	\$338,000	(17.56%)
Franchise Fees	\$1,480,000	\$1,580,000	6.76%

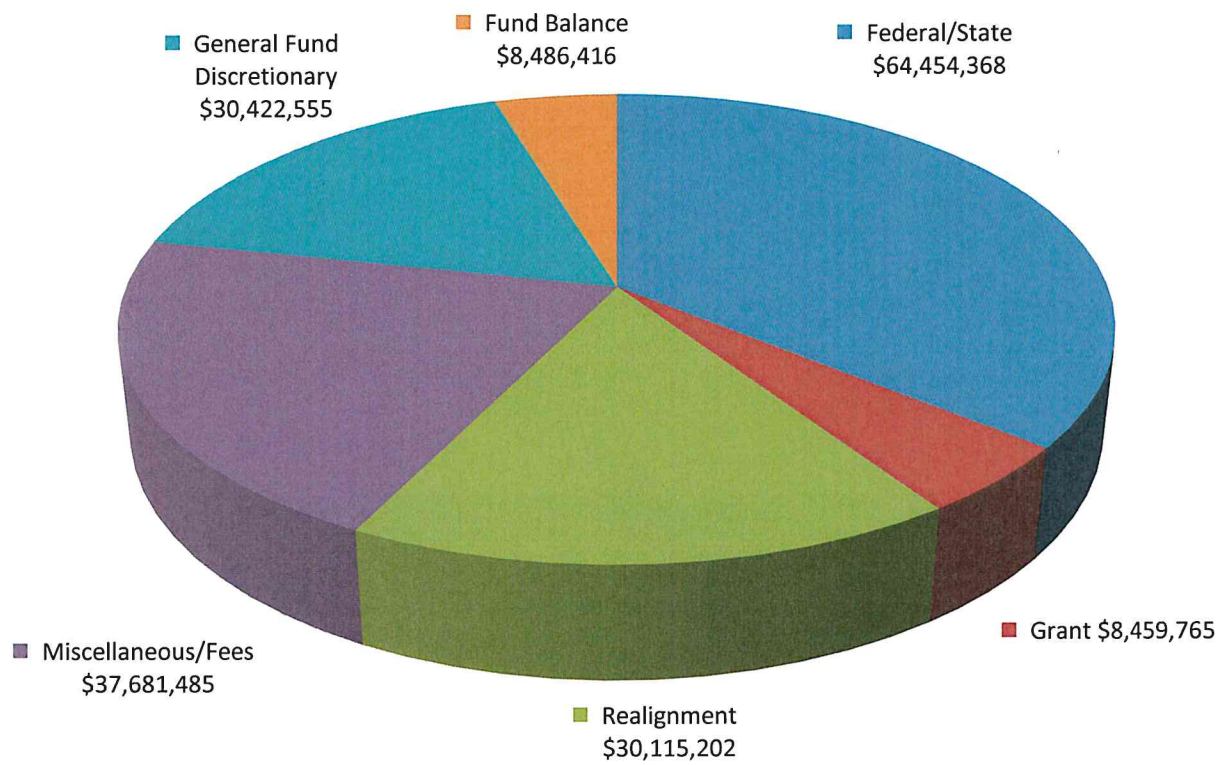
FIGURE 1: Total General Fund / Discretionary Revenue Sources \$30,422,555



Non-General Fund Revenues

Non-General Fund revenues are received primarily from State and Federal sources and a portion of state sales tax (commonly referred to as Realignment Revenue). 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 Health and Human Services Agency, Child Support Services and Public Works are funded through Non-General Fund sources. Public Protection – consisting of the Sheriff, District Attorney, Probation, Juvenile Hall, Public Defender, Agricultural Commissioner, Code Enforcement, etc. – requires approximately 76%, or \$24.6 million, of all available General Fund revenue to augment state and federal revenue.

**FIGURE 2: Total of All Revenue Sources \$179,619,791
(General Fund and Non-General Fund)**



EXPENDITURES

General Fund 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 \$179,619,791
(General Fund and Non-General Fund)**

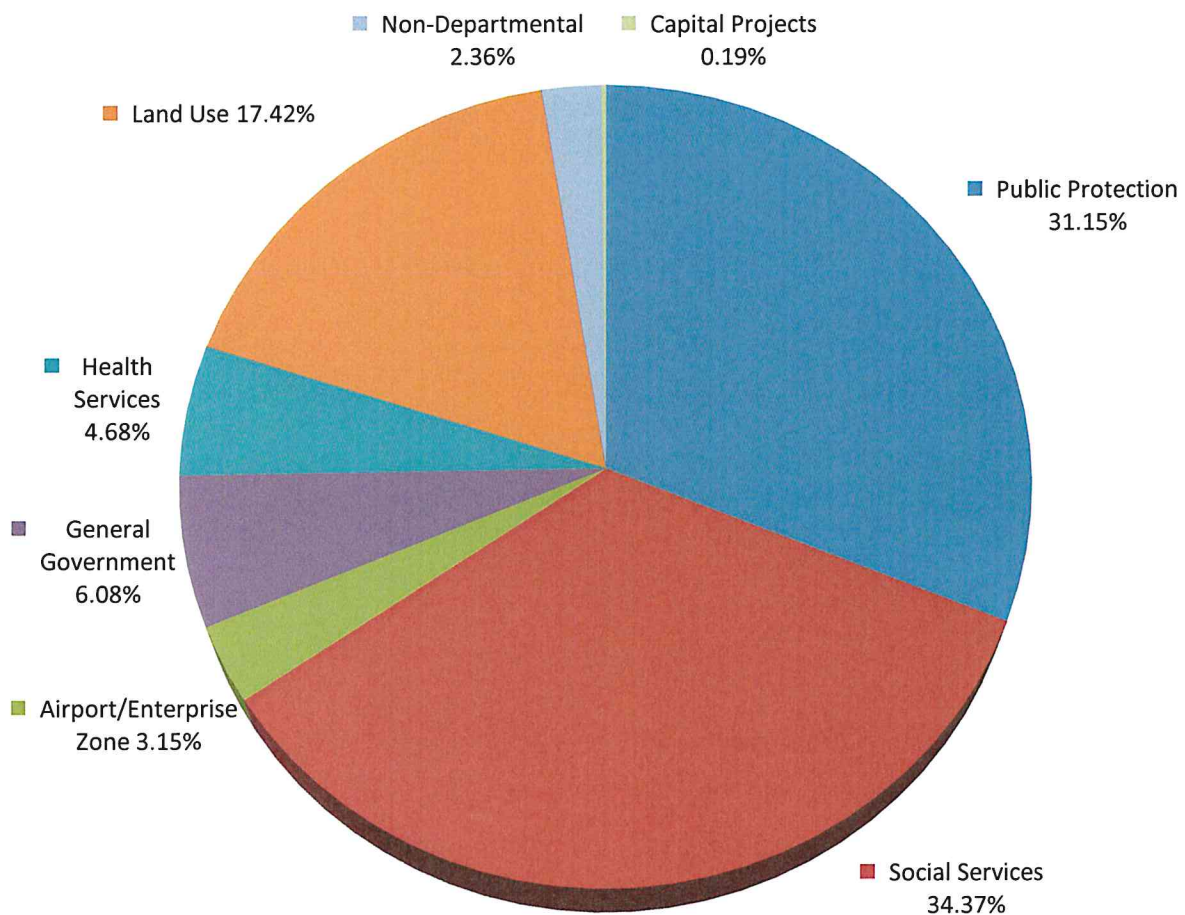
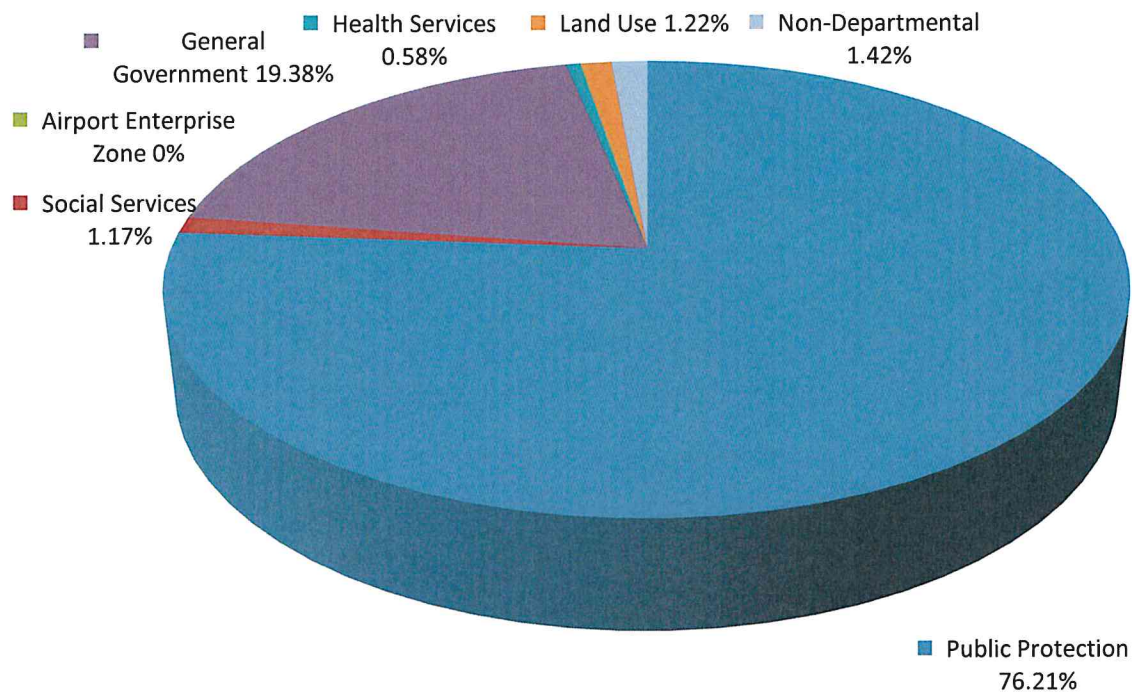


FIGURE 4: Total General Fund Expenditures by Function \$32,305,591



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 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 2018-2019 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 7.09%. 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 2017-2018	\$ 2,100,000	General Fund Reserves (7.74%)
FY 2018-2019	\$ 2,100,000	Recommended General Fund Reserves (7.09%)

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 2017-2018. This year's amount of \$460,000 is slightly under the base policy level of 1.5% by -\$24,584 or 1.42%.

FY 2017-2018	\$ 960,000	General Fund Contingencies
FY 2018-2019	\$ 460,000	Recommended General Fund Contingencies

Similar to General Fund Reserves, 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 meet the 1.5% goal.

DEBT SERVICE

Debt Service

For Fiscal Year 2018-2019, the County will be making debt service payments through its Debt Service Budget in the amount of \$3,781,306 for the following projects.

<u>Project</u>	<u>Amount</u>	<u>Payment Source</u>
Levee Bonds	\$ 3,262,148	Levee Impact Fees, TRLIA CFDs, YCWA
Sheriff's Facility	\$ 391,550	Public Safety Fund, Radio Tower Lease (YCWA)
PW Equip Lease	\$ 127,608	Public Works Road Fund

In addition, the Utility ISF Budget will be making debt service payments in the amount of \$1,110,188 for the following solar projects.

<u>Project</u>	<u>Amount</u>	<u>Payment Source</u>
Solar Project #1	\$ 724,200	Energy Savings through Solar Generation
Solar Project #2	\$ 385,988	Energy Savings through Solar Generation, Federal Energy Subsidy Credit

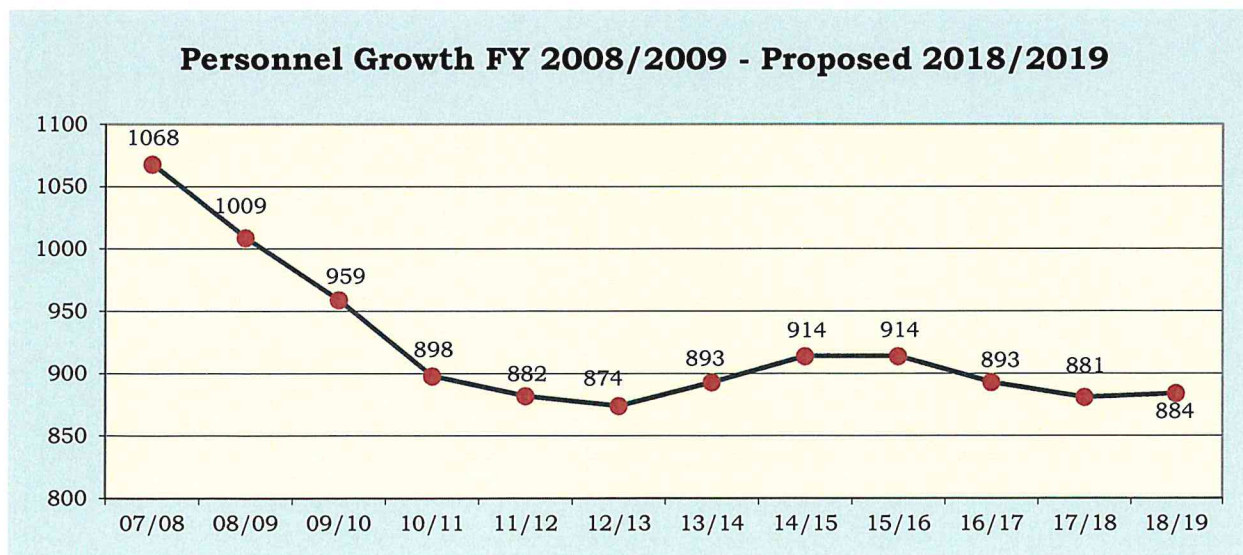
WORKFORCE

For Fiscal Year 2018-2019, there are reductions to our workforce in a few particular areas and slight increases in others, resulting in a net allocated position total of 884, which are three (3) positions more than the current fiscal year. Recommended decreases are primarily due to a reduction in federal, state and general fund program revenues. The resulting increases are attributable to 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.

In summary, the Proposed Budget includes the addition of eight (8) new positions in Health & Human Services and Community Development and the deletion of seven (7) positions in Health & Human Services, Community Development and the District Attorney. The budget also includes the unfunding of six (6) vacant funded positions in Health & Human Services, Probation, Clerk of the Board, Administrative Services and Information Technology. Lastly, there are requests to delete and re-establish seven (7) vacant positions to meet program needs for Health & Human Services and Community Development. The savings to the General Fund associated with these personnel requests is anticipated to be \$588,000.

It is important to note Yuba County has approximately 184 (or 21%) fewer positions than it had in Fiscal Year 2007-2008.

FIGURE 5: Annual Position Allocation Totals



SUMMARY

It is recommended that the Board of Supervisors:

1. Accept and adopt the Proposed Budget for Fiscal Year 2018-2019 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 2018-2019 Budget Workshops for August 14th and August 15th.
4. Set public hearings to commence September 11th for consideration and adoption of the Fiscal Year 2018-2019 Final Budget.

Respectfully Submitted,



Robert Bendorf
County Administrator