Fiscal Impact Narrative

COUNTY BUDGET OVERVIEW

The FY 2017-18 Recommended Budget for all County funds totals $223,713,787, including:

GOVERNMENTAL FUNDS
- $ 55,542,932 General Fund
- $104,590,522 Special Revenue Funds
- $ 12,606,775 Capital Project Funds
- $ - Debt Service Funds
- $172,740,229 Total Governmental Funds

OTHER FUNDS
- $ 8,421,324 Internal Service Funds
- $ 3,607,044 Enterprise Funds
- $ 38,945,190 Special Districts and Other Agencies
- $ 50,973,558 Total Other Funds

This represents an increase of $4,082,212 or 1.8 percent when compared to the FY 2016-17 Adopted Budget amount of $219,631,575.

GENERAL FUND APPROPRIATIONS

As noted above, recommended FY 2017-18 General Fund appropriations total $55,542,932, which is an increase of $377,824 compared to the prior year Adopted Budget amount of $55,165,108.

General Fund Appropriations						
	FY 17/18	**FY 16/17**	**FY 15/16**	**FY 14/15**	**FY 13/14**	**FY 12/13**
Budget	55,542,932	56,962,563*	56,245,415*	55,839.782*	57,346,621*	54,695,704*
Actual		49,500,000est	48,653,780	44,612,235	45,497,663	42,620,249
Difference		7,462,563	7,591,635	11.227.547	11,848,958	12,075,455

*reflects mid-year adjustments

Although the bottom line appropriations remain relative stable, their composition in FY 2017-18 reflects a significant increase in appropriations to support on-going expenses. To put this in perspective, in FY 2016-17, the total General Fund appropriation in the Adopted Budget was $55,165,108, of which $47,599,609 reflected the amount of appropriations needed to support on-going operations. In the FY 2017-18, the recommended General Fund appropriation remains almost unchanged but the amount needed to support on-going general fund operations is $50,215,591. That is an increase of over $2.6 million dollars in on-going appropriations and that is after making substantial reductions in departmental budgets. In fact, the Recommended Budget reflects that most general fund operational budgets have been reduced to below their prior year net county cost (appropriations less revenues).

The fact is, the amount of 1012

General Fund revenues are simply not keeping pace with the increase in on-going appropriations. Consequently, those revenues set aside for one-time expenses, such as fund balance carryover and contingencies have been used in recent years to cover on-going appropriations. The result of that practice is that year-end fund balance carryover in the General Fund continues to decline as reflected in the table below:

E=Estimated, A=Actual

Unreserved Fund Balance Carryover						
FY 17/18E	**FY 16/17A**	**FY 15/16A**	**FY 14/15A**	**FY 13/14A**	**FY 12/13A**	**FY 11/12A**
6,312,000	8,951,889	9,478,946	10,250,000	11,031,823	9,149,905	12,257,773

Structural Imbalance: The Recommended Budget for the General Fund is not structurally balanced, meaning that it reflects the use of unreserved fund balance carryover to support on-going operational costs. Because unreserved fund balance carryover is not an ongoing source of funding, it should not be used to fund on-going expenses and instead is typically used only to support non-recurring (i.e. one-time) costs. In FY 2016-17, the General Fund relied on $1,386,390 of such one-time funding to support on-going operations. Consistent with your Board's commitment to incrementally reduce this reliance, the FY 2017-18 General Fund budget proposes to use $985,332 of unreserved fund balance carryover to support ongoing operations.

Staffing: In addition to slashing services, supplies and fixed asset requests, the Recommended Budget reflects the elimination and/or unfunding of more than 20 general fund positions (most being vacant) as well as a number of positions being at risk.

Contingencies: Appropriations include Contingencies totaling $1,000,000 which can be used for unanticipated requirements that may occur in the fiscal year including unexpected shortfalls in revenue. The recommended Contingencies appropriation reflects a reduction of $453,389 compared to the prior year.

General Reserve: The general reserve remains at $7 million. This is approximately 12.5% of total General Fund appropriations. Subsequent to the fire and again in the FY 2016-17 budget your Board granted the Auditor-Controller the authority to cancel up to $5 million of such reserves in order to manage cash flow challenges resulting from the high cost of disaster-related expenses and the slow reimbursements from FEMA and CalOES.

GENERAL FUND DISCRETIONARY REVENUE

General Fund discretionary revenues continue to be impacted by the disaster and its recovery. In particular, property taxes from the disaster areas have been slow to recover. Likewise, the transient occupancy taxes continue to reflect the loss of a major resort and remain $150,000 below pre-disaster figures. Geothermal revenues also continue to be $300,000 below pre-disaster receipts. The good news is that sales tax revenue has continued to grow, likely reflecting the increase sale of building products. Although there is a long-term concern that sales tax growth is skewed because of disaster recovery, for now it is a welcome offset to the reduced TOT and Geothermal revenues.

FY 2017-18 general fund discretionary revenues are estimated at $48,678,447.

R=Recommended, B=Budgeted, A=Actual

GENERAL FUND REVENUE SOURCES					
	FY 17/18 R	**FY 16/17 B**	**FY 15/16 A**	**FY 14/15 A**	**FY 09/10 A**
Taxes	$ 26,452,130	$ 26,503,706	$ 27,915,598	$ 26,857,356	$ 27,421,537
Licenses, Permits, Franchises	$ 903,700	$ 796,245	$ 806,092	$ 784,585	$ 939,920
Fines, Forfeitures, Penalties	$ 992,700	$ 939,250	$ 941,437	$ 1,061,961	$ 1,171,531
Use of Money & Property	$ 716,463	$ 502,940	$ 514,001	$ 496,488	$ 763,212
Intergovernmental Revenues	$ 12,914,150	$ 12,488,445	$ 12,812,142	$ 13,197,639	$ 9,209,313
Charges for Services	$ 5,762,476	$ 4,713,657	$ 4,183,847	$ 4,083,047	$ 5,131,368
Miscellaneous Revenues	$ 936,828	$ 640,962	$ 1,847,454	$ 802,135	$ 286,411
Grand Total	$ 48,678,447	$ 46,585,205	$ 49,020,571	$ 47,283,211	$ 44,923,292

As illustrated in the table above, overall general fund discretionary revenues have been hovering in the $47-$48 million range for several years and property tax revenues have not recovered pre-recession levels. Were it not for the recent increases associated with the master fee schedule, total General Fund revenues would have been in-line with pre-disaster total.

Policy change: The Marketing budget provides no appropriation of TOT funds to reimburse the Sheriff's budget for cost of local law enforcement services. Current Board policy specifies that $150,000 per year from TOT funds be allocated to support law enforcement. TOT receipts have been in decline for a number of years and have fallen sharply subsequent to the wildfires. In light of the decline, the Marketing budget can no longer support this law enforcement allocation absent the elimination of the majority of funding earmarked for promotional initiatives. Consequently, the FY 2017-18 Marketing budget does not allocate any TOT funding to support the Sheriff's Office. This is not the first time that the policy has been suspended by your Board pursuant to the budget process. In light of the persistent decline in TOT funding, staff is intends to agendize further discussion to consider a formal amendment to the policy on the allocation of transient occupancy tax revenues.

CAPITAL ASSETS

Capital Improvements: The Recommended Budget includes continued funding for a number of ongoing capital projects, including projects necessitated by the Valley Fire, including the South Main Street (Lakeport) Water System Project; the Clearlake Oaks Sidewalk Project (including the recent $1.9 million additional funding commitment from Caltans); the Seismic retrofitting of the Lower Lake Museum; development of a multi-use trail adjacent to Hammond Park; replacement of the Lower Lake Shop building that was lost in the Clayton Fire; almost $11 million in road and bridge improvement projects; and funding for various water and wastewater system improvements including over $10 million for the Anderson Springs Septic to Sewer Project. Most of the Recommended Capital Improvements are funded by grants or other special funding.

There were numerous additional capital improvement requests that are not reflected in the Recommended Budget including, a restroom for Hinman Park; replacement commercial mower; a cover for the minimum security yard at the jail; a canopy for the vehicle sally port at the jail; upgraded security fencing at the jail; metal building to provide protection from the weather for vehicles and equipment seized as evidence; a metal building located at the Sheriff's Administration complex that would be used to store administration files which are currently stored at the jail; various parking lot repairs and roofing replacements. .

Fixed Assets: The Recommended Budget provides for the purchase a relatively modest list of fixed assets such as vehicles and equipment which is delineated in the Capital Asset list attached hereto. Funding for most rely on special funding sources.

Early Authorization: County departments are not allowed to purchase new capital assets between July 1st and the time the budget is formally adopted (scheduled for September 12, 2017), unless specifically authorized by motion of the Board of Supervisors. The attached Capital Asset list reflects those capital assets that are recommended for such authorization.

COUNTY WORKFORCE

All Funds: The Recommended Budget provides for a total workforce of 997.90 full-time equivalents (FTE's) which is a reduction of 11.35 FTE's. An additional 18.5 positions are unfunded.

General Fund: Positions funded with General Fund discretionary revenues total 375.5 FTE's which is a net reduction of 9.85 FTE's. An additional 13.5 General Fund positions are unfunded.

In lieu of a formal hiring freeze, the CAO will continue to review all requests to fill positions. This is in part to reduce expenditures but also to preserve positions for employees facing a layoff situation. The AO will also continue to review all requests for new positions to ensure they are offset by long-term reliable funding.

DISASTER RESPONSE AND RECOVERY

Based on actual costs incurred and estimated total project costs identified to date, the estimated costs for the recent disaster events is estimated as follows:

Rocky:	$ 357,603
Valley:	$16,371,670
Clayton:	$ 395,722
Winter Storms#1-3:	$ 9,116,936
Total:	**$26,241,931**

The County share of costs associated with these events ranges from 6.25% to 25% of eligible costs. Any costs deemed ineligible are a 100% County cost. Based on the total cumulative estimate of $26,241,931, the actual net county cost will range anywhere from $1,640,120 to $6,560,483 of eligible costs.

By comparison, to date the total cumulative reimbursement received is $6,845,591 and consists of $5,279,521 in Federal disaster assistance, $1,318,437 in State disaster assistance and $247,633 in State Administrative cost reimbursement.