



Legislation Text

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MEMORANDUM

TO: Board of Supervisors

FROM: Carol J. Huchingson, County Administrative Officer

DATE: September 18, 2018

SUBJECT: 9:00 A.M. - PUBLIC HEARING - Consideration of the Final Recommended Budget for Fiscal Year 2018/2019 for the County of Lake and Special Districts Governed by the Board of Supervisors

EXECUTIVE SUMMARY:

I am pleased to present, for your consideration, the FY 2018-19 Final Recommended Budget. While the State's economic environment has improved from the time of the Great Recession, Lake County's is still severely challenged fiscally as a result of slow recovery from the recession and the unprecedented series of disasters including:

- Rocky Fire - 2015
- Jerusalem Fire - 2015
- Valley Fire - 2015
- Clayton Fire - 2016
- Winter Storm Event of 2017
- Sulphur Fire - 2017
- Pawnee Fire - 2018
- River Fire - 2018
- Ranch Fire - 2018

The County budget is also constrained by ten (10) years of stagnate revenue and the mandated increases in retirement contributions and minimum wage rates which will surpass entry level salaries and must be addressed. Consistent with recent budgets, the FY 2018-19 budget provides very little additional discretionary revenue to support new positions or new initiatives. In fact, General Fund appropriations reflect only a 3/10ths of 1% increase over the prior year. Consequently, the net County cost of General Fund budgets remains relatively unchanged from prior year(s). The cost of any new General Fund positions were, therefore, absorbed within previous year's funding levels.

While the near-term outlook may appear bleak, the budget reflects focus on long-term solutions, addressing both budgetary and staffing requirements by investing in operational efficiencies and replenishing reserves. In order to strengthen revenue, the budget continues to emphasize the ongoing administration of the Master Fee Schedule and provides for continuation of the recently implemented grant-writing position.

The budget provides for consultant support to identify opportunities for improved operational efficiencies in departments. The total classification and compensation study is also expected to contribute to this goal. Another essential component to enhancing operational efficiency is to invest in upgraded technological systems through our Technology Modernization Reserve.

In addition to strengthening revenue streams and identifying operational efficiencies, planning for the future also necessitates addressing future increases in the cost of retirement contributions. Although the exact fund balance is still pending at this time, our high number of vacant positions is likely to provide sufficient unassigned fund balance carryover to provide additional funding to the Pension Stabilization Reserve. While recently mandated increases in retirement contributions have been fiscally challenging, the required contributions will start increasing at an otherwise unsupportable rate beginning in FY 2019-20. Setting aside available funding now in the Pension Stabilization Reserve reflects your Board's commitment to protecting employee pensions in the years to come. Available funding for this purpose will be reflected in the mid-year budget revision.

As required by law, the Recommended Final Budget is balanced, meaning that there is sufficient revenue to support recommended appropriations. Like the FY 2017-18 Adopted Budget, the FY 2018-19 Final Recommended Budget is not structurally balanced, meaning that it reflects the use of approximately \$750,000 of unreserved fund balance carryover to support on-going operational costs in the General Fund. However, consistent with your Board's commitment to incrementally reduce reliance on such one-time funds, the amount of unreserved fund balance carryover used to balance the FY 2018-19 budget is less than the amount required to balance the FY 2017-18 budget.

In the face of such unprecedented challenges, County staff continue to reflect extraordinary dedication to providing public programs and services, despite diminishing operational budgets and employee recruitment and retention issues. However, the challenges we face in the years to come are significant. I am, nonetheless, confident that with your Board's thoughtful direction, and through the efforts of your dedicated Department Heads and staff, we can confront this fiscal year with positive momentum, a time of opportunity as well as exploration of new ways of doing business.

FISCAL IMPACT (Narrative):

Your approval of this Recommended Final Budget will enable the County to meet its statutory obligations and continue operations for FY 2018-19.

RECOMMENDED ACTION:

- 1) Adopt the Resolution Adopting the Budget for Fiscal Year 2018-19 as detailed in the attached, incorporating any changes desired by your Board following budget hearings.
- 2) Adopt the Resolution Establishing New Classifications, the Effective Date Thereof and Amending the Position Allocation Chart for Fiscal Year 2018-19 to Conform to the Final Recommended Budget.
- 3) Adopt the Resolution Cancelling General Reserves for the FY 2018-19 Final Recommended Budget.
- 4) Approve Continuation of the Informal Hiring Freeze for General Fund departments, delegating authority to the County Administrative Officer to waive as appropriate.