



April 7, 2015

# County of Tulare Mid-Year Budget Report

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Fiscal Year 2014/15

Presented By:

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# Presentation Overview

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- Mid-Year budget FY 2014/15
- Fiscal outlook for FY 2015/16
- State budget impacts
- Budget development schedule
- Recommendations



# Global Budgetary Protocols

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- Budget historically normal revenue amounts, not inflated revenue amounts
- Use conservative revenue estimates to cushion impact of potential economic downturn
- Employ fiscal discipline to achieve structural fund balance target
- Use of one time revenues for one time purposes and for future budgetary challenges
- Designate all proceeds from the sale of assets for future capital needs



# FY 2014/15 General Fund Overview

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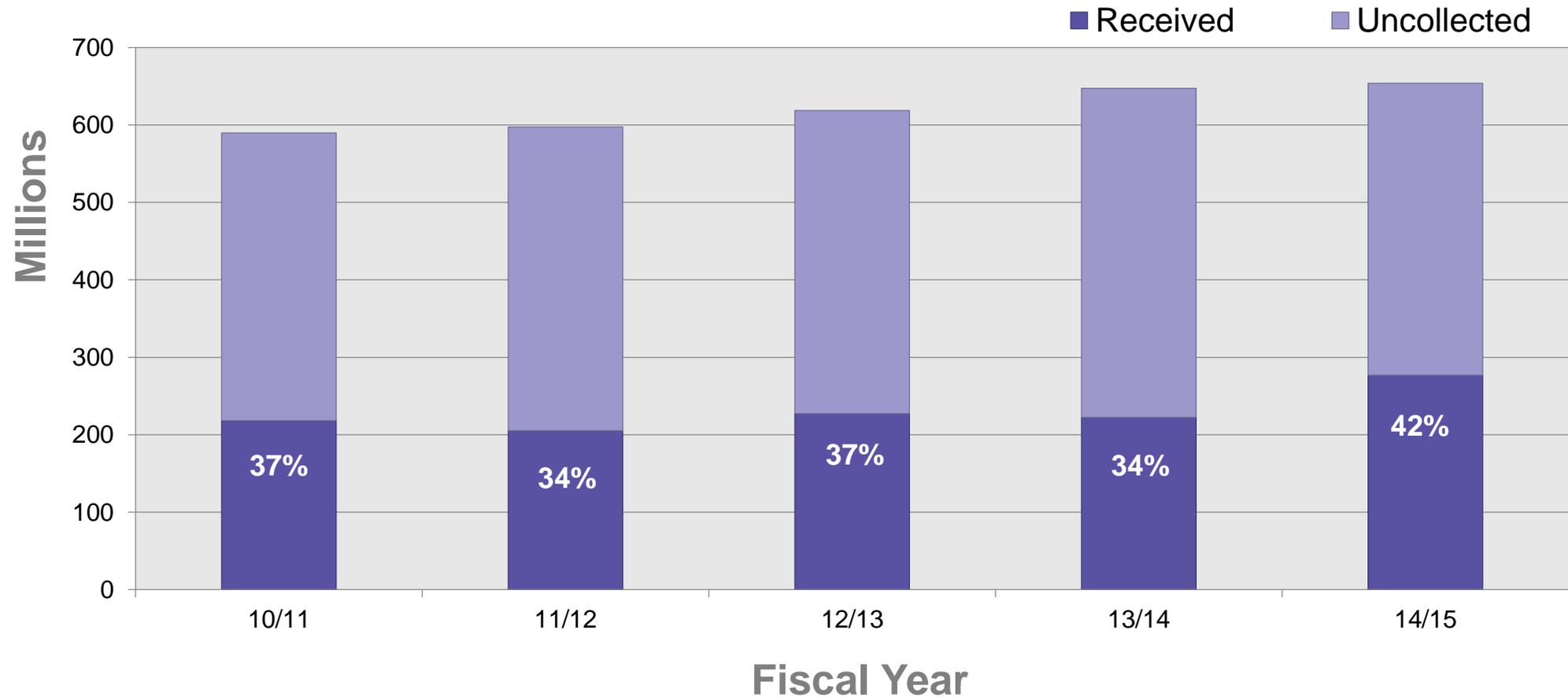
- The County continues its financial recovery
- The General Fund reserve was increased by \$2 million for the second year in a row to \$24 million
- Negotiated a 3% salary increase for specific bargaining units and gave equity adjustments to targeted job classifications
- \$3 million for County building improvements, remodels, and relocating departments
- \$3 million for the County detention facility projects
- \$683,000 of redevelopment dissolution revenues transferred to the Future Economic Development Trust Fund

# General Fund Budget Five Year Recap

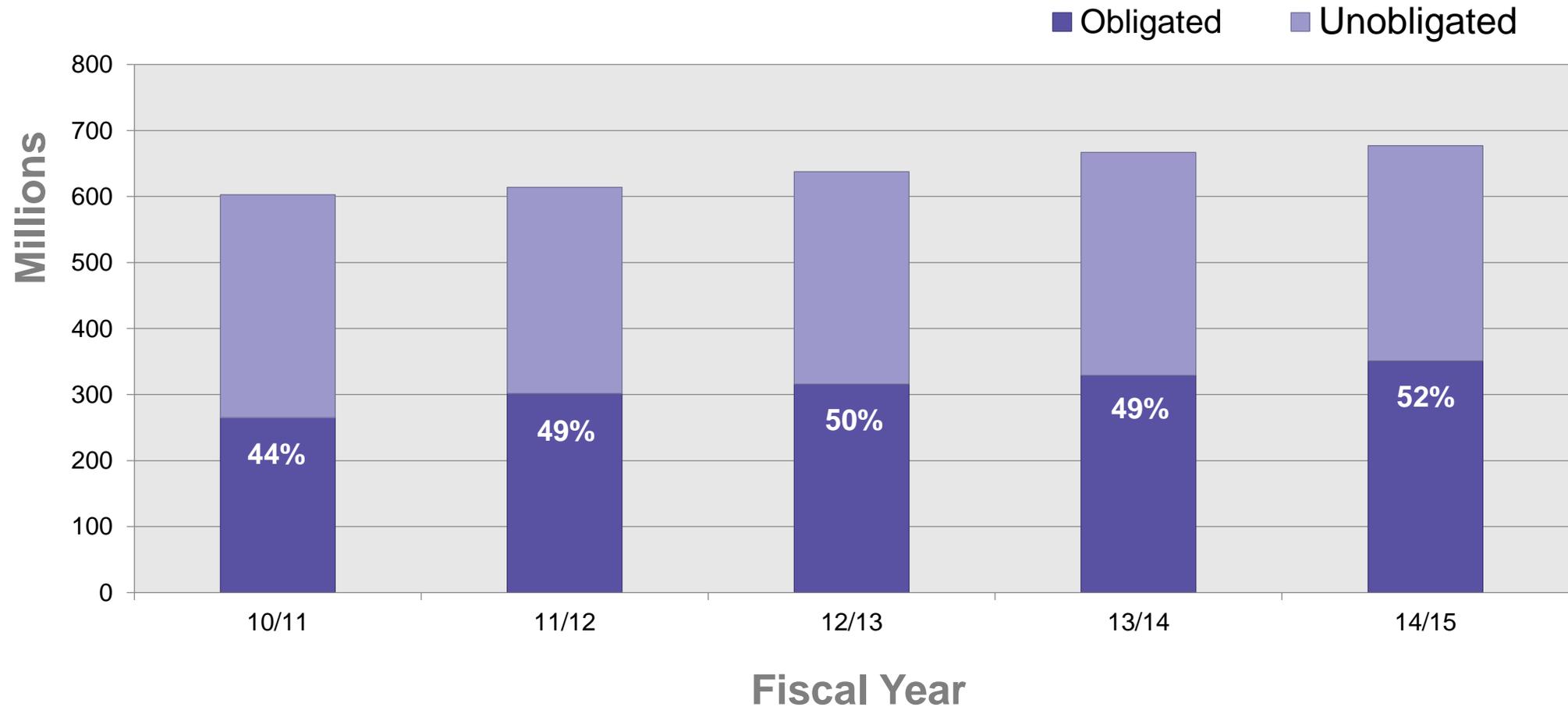
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Fiscal Year	Budget	Employees
2010/11	\$591,068,409	3,627
2011/12	\$598,091,132	3,803
2012/13	\$637,125,202	3,965
2013/14	\$667,815,669	3,958
2014/15	\$674,467,830	3,953

# Mid-Year General Fund Revenues Recognized Over Last Five Years – Exhibit A



# Mid-Year General Fund Expenditures Obligated Over Last Five Years – Exhibit B



# FY 2014/15 General Fund Mid-Year Budget Review

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- The majority of General Fund departments are projected to finish the year at or below their allocated target, with the exception of the Miscellaneous Criminal Justice budget
- Overall, General Fund revenues are 42% collected which is 8% higher when compared to prior year.
- County General Revenue estimates holding up with steady growth
- Most importantly, structural carryover fund balance is expected to be above the necessary level (\$5.8 million) needed at fiscal year end



# Funds Outside the General Fund Mid-Year Review FY 2014/15

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- Fire Department's fund balance is in good condition and for the second year in a row the department has set aside ongoing funds for future vehicle replacement needs.
- Library fund continues to maintain services and renovate branches while maintaining a strong fund balance.
- Internal service funds overall are projected to end the year in good standing.
- Workers' Compensation fund will need to be increased another \$2 million in order to increase reserves to a prudent level
- General Liability, Property, and Medical Malpractice insurance funds are in good shape



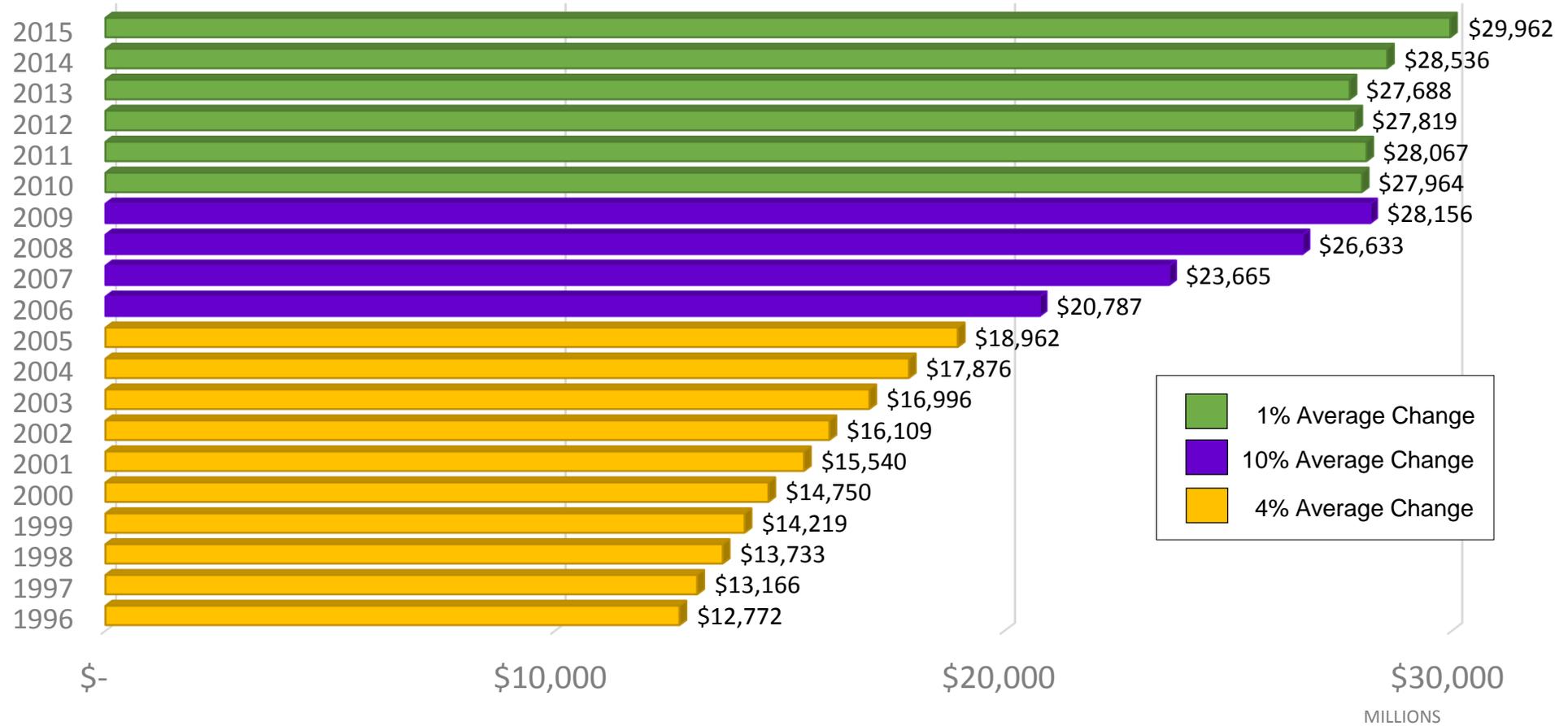
# General Fund Fiscal Outlook for FY 2015/16

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Initial assessment of FY 2015/16 looks cautiously positive

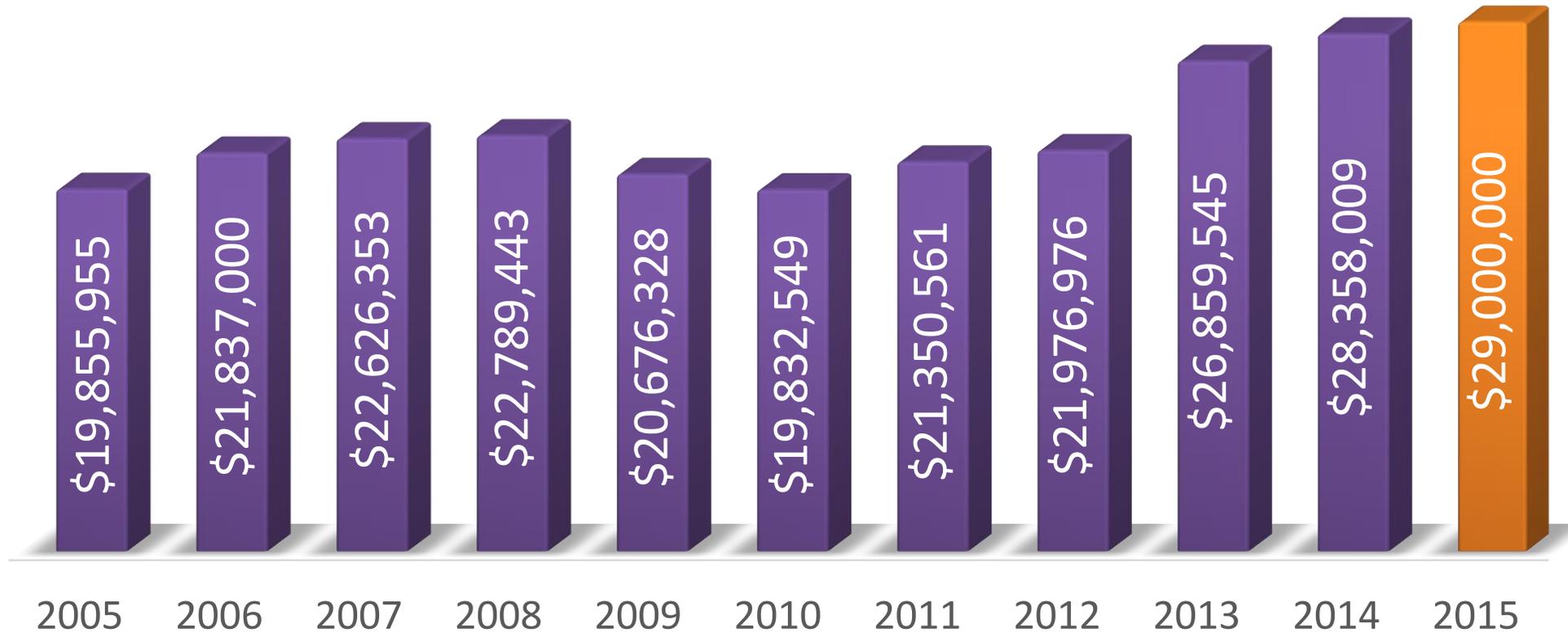
- County steadily recovering from the Great Recession
- Static to slow growth in the housing and commercial markets
- Statewide sales taxes still growing but at a moderate rate
- Increase in local sales taxes over calendar year

# Local Assessed Value



Source: Tulare County Assessor preliminary tax roll statistical data summary

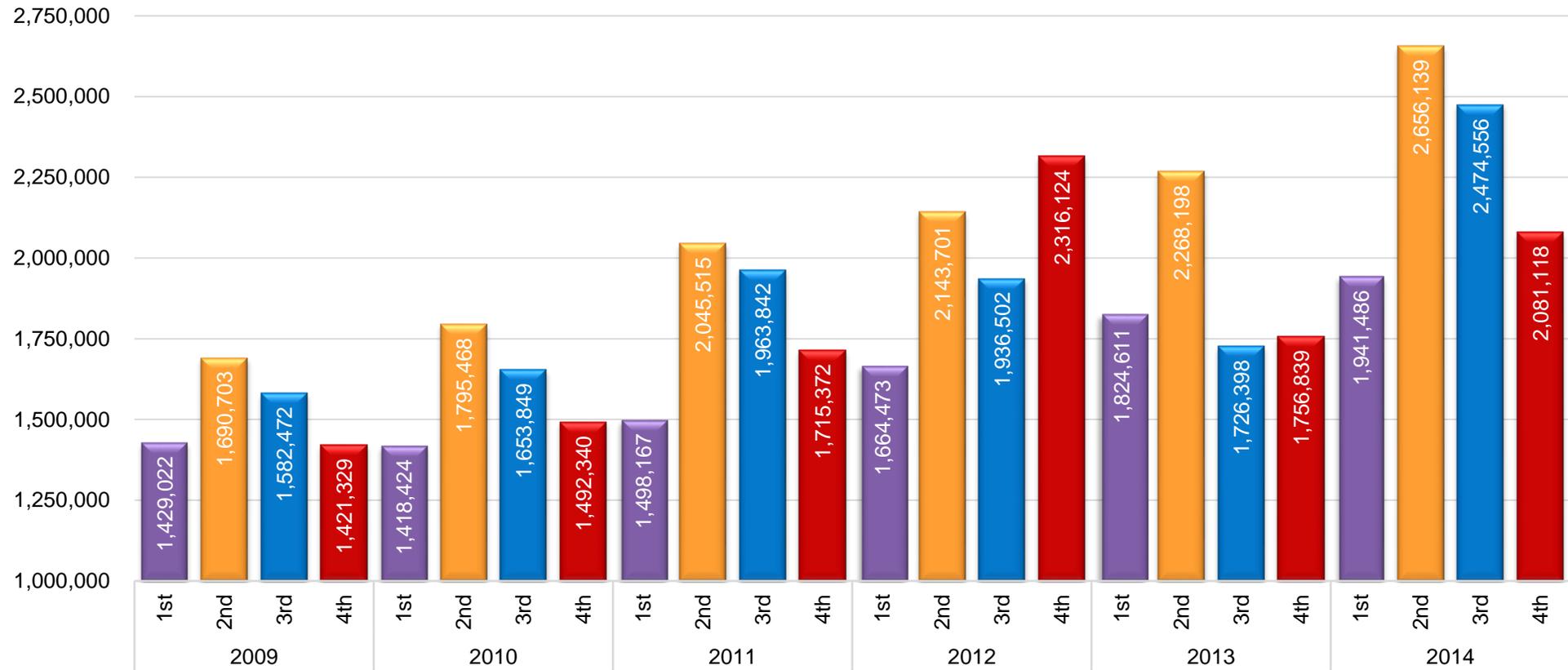
# Proposition 172 - ½ Cent Public Safety Sales Tax



 Estimate

Source: County of Tulare – Advantage Financial (AFIN) Accounting System

# Sales and Use Tax Allocation



Source: <http://www.boe.ca.gov/sutax/localdist.htm>



# FY 2015/16 State Budget Impacts

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- Governor's proposed budget
- Government Finance and Operations
- Administration of Justice
- Agriculture, Environment, and Natural Resources
- Health and Human Services
- Housing, Land Use, and Transportation

# FY 2015/16 State Budget Impacts - continued

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## Governor's proposed budget

- Proposed General Fund budget is \$113.3 billion, \$1.6 billion or 1.4% higher than the FY 2014/15 budget
- Proposed budget is balanced and continues to reduce the State's existing liabilities while projecting a \$2.8 billion Rainy Day Fund balance at June 30, 2016 (Proposition 2)
- Prop 1 – In November 2014, voters approved the Water Quality, Supply, and Infrastructure Improvement Act of 2014. The Budget proposes to utilize \$532.5 million in the first year

# FY 2015/16 State Budget Impacts - continued

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## Government Finance and Operations

- Mandates: \$533 million toward the pre-2004 mandate debt based on trigger language in the current year
- Redevelopment Dissolution Process: Administration proposes to streamline the process. Goal is to stabilize residual revenues along with the transition of all successor agencies to an annual ROPS process beginning July 1, 2016, and to create one countywide oversight board for all successor agencies
- Economic Recovery Bonds and the Triple Flip: Anticipates paying off the last of the Economic Recovery Bonds which were approved by the voters as Prop 57 and were funded by the “Triple Flip” mechanism

# FY 2015/16 State Budget Impacts - continued

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## Administration of Justice

- Updates revenue assumptions for 2011 Realignment programs and details the base and growth assumptions for FY 2015/16. AB 109 funding is estimated to be \$1.06 billion in base and \$113.7 million in growth
- Citizens' Option for Public Safety, the Juvenile Justice Crime Prevention Act, rural and small county sheriff program, among others should receive their guaranteed funding level of \$489.9 million with healthy growth funding
- SB 678 funding is estimated at \$125 million for county probation departments, which is \$3 million below FY 2014/15 funding levels

# FY 2015/16 State Budget Impacts - continued

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## Agriculture, Environment, and Natural Resources

- Cap & Trade: Appropriates \$1 billion in revenues
- 2014 Water Bond-Prop 1 proposes \$532.5 million as the first year allocation
- California Water Action Plan: \$1.7 billion in investments to implement five-year roadmap towards sustainable water management
- Groundwater Management Act: \$6 million for Department of Water Resources to provide technical assistance to local agencies for implementation of the new law
- Emergency Drought Response: \$115 million on a one-time basis to continue critical drought response efforts

# FY 2015/16 State Budget Impacts - continued

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## Health and Human Services

- Medi-Cal budget includes an additional \$150 million for current year (FY 2014/15) and an increase of \$240 million into FY 2015/16
- CalWorks: 5% increase funded by county health realignment funds, which is mostly funded by AB85
- IHSS: Restoration of the current 7% reduction in service hours for beneficiaries, which will cost \$483.1 million
- Health Care Reform Implementation: Budget assumes net costs of \$2 billion for the mandatory Medi-Cal expansion and \$14.3 billion for the optional Medi-Cal expansion

# FY 2015/16 State Budget Impacts - continued

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## Housing, Land Use, and Transportation

- 2015 Five Year Infrastructure Plan proposes investing \$57 billion in state infrastructure over the life of the plan and includes \$125 million in General Fund revenues for deferred maintenance across a broad range of categories
- Over \$9.4 million for Road Usage Charge exploration for a miles-based revenue option
- Special Distribution Fund: Continues its slide into insolvency in Fiscal Year 2015/16, with a projected fund balance of \$8.9 million

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# Future Budget Challenges for FY 2015/16 and Beyond

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- Assessed value growth (flat to slight increase)
- Retirement costs
- Workers' Compensation costs
- DROUGHT impacts

# Budget Development Schedule

## Exhibit C

Action	Date	Responsible Person
Final Budget Hearing materials to Board of Supervisors and Public	9/4/2015	County Administrative Officer
Recommended Budget to the Board of Supervisors	9/4/2015	County Administrative Officer
Final Budget Hearing begins and may proceed to September 30, 2015	9/15/2015	Board of Supervisors
Resolution with all personnel changes to Board of Supervisors	9/30/2015	Human Resources
Adopted Budget book to Board of Supervisors and Public	11/24/2015	County Auditor
Adopted Budget book to the State	12/1/2015	County Auditor

# Requested Actions

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1. Receive Mid-Year Budget Report for FY 2014/15;
2. Approve proposed schedule for preparation and adoption of the FY 2015/16 budget, which incorporates a rollover budget as the operating budget (including the Capital Projects budget) for the period between July 1, 2015 and adoption of the FY 2015/16 budget (4/5ths vote required);
3. Adopt the Personnel Resolution to add, reclassify, delete, and amend positions; and approve the required job specifications and salary adjustments stemming from the mid-year report; (“personnel actions are pending meet and confer with impacted unions”)
4. Authorize the Auditor-Controller/Treasurer-Tax Collector, with concurrence of the County Administrative Officer, to process any budget adjustments stemming from the mid-year report (4/5ths vote required).