



County of Tulare
Mid-Year Budget Report
Fiscal Year 2015/16

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County Administrative Officer
(March 29, 2016)

Overview of Presentation

1- General Economic Outlook

2- State Budget: Fiscal Year 2016/17

3- Budget Protocol Plan

4- Mid-Year Budget Report: Fiscal Year 2015/16

5- Budget Schedule

6- Strategic Management

7- Fiscal Sustainability

8- Acknowledgements

9- Requested Action

General Economic Outlook

Economic Indicators

- 1- Business Cycle**
- 2- Interest Rates**
- 3- Inflation**
- 4- Unemployment**
- 5- Building Permits**

Economic Outlook

- **Looking Ahead: Cautious Optimism**
- **Prepare for Potential Correction and Downturn**
- **Budget Growth: Focus on Sustainability**

State Budget - Fiscal Year 2016/17

1 - Governor's Proposed Budget – In General

2- Administration of Justice

3- Agriculture, Environment and Natural Resources

4- Government Finance and Operations

5- Health and Human Services

6- Housing, Land Use and Transportation

State Budget (continued)

Governor's Proposed Budget – In General

- ✓ **General Fund Budget: \$122.6 Billion (\$6.5 billion or 5.6% Higher than Fiscal Year 2015/16 Budget)**
- ✓ **Proposed Budget is Balanced and Reduces State's Existing Liabilities – and Projects \$8 Billion Rainy Day Fund Balance at June 30, 2017 (Proposition 2)**
- ✓ **In November 2014, voters approved the Water Quality, Supply, and Infrastructure Improvement Act of 2014, and as such, this Budget proposes additional \$465 Million to support the Central Valley Project Improvement Act and San Joaquin River Settlement -- among other initiatives (Proposition 1)**

State Budget (continued)

Administration of Justice

- ✓ **Updates Revenue Assumptions for 2011 Realignment Programs and Details Base and Growth Assumptions**
- ✓ **AB 109 Funding Estimated to be \$1.07 Billion in Base and \$96.8 Million in Growth**
- ✓ **Citizens' Option for Public Safety, Juvenile Justice Crime Prevention Act, Rural County Sheriff Program, among others, should receive guaranteed funding level of \$489.9 Million with healthy growth funding**
- ✓ **SB 678 Funding Estimated at \$129.7 Million for Probation Departments -- \$4.7 Million above previous funding level**

State Budget (continued)

Agriculture, Environment and Natural Resources

- ✓ **Cap & Trade: Appropriates \$3.1 Billion (e.g., \$100 Million to Cal Fire for forest health and tree mortality, and \$150 Million for Climate Communities Program)**
- ✓ **California Water Action Plan: \$170.3 Million in Investments -- in addition to Proposition allocations -- to continue Five-Year Roadmap towards Sustainable Water Management**
- ✓ **Groundwater Management: \$2.5 Million for DWR to update Data and Repair Monitoring Sites**
- ✓ **Emergency Drought Response: \$323.1 Million on a One-Time Basis to Continue Critical Drought Response Efforts**

State Budget (continued)

Government Finance and Operations

- ✓ **Redevelopment Dissolution Process: Administration anticipates that in Fiscal Years 2015/16 and 2016/17 counties will receive additional \$684 Million in General Purpose Revenues (GPRs) from SB 107 implementation -- RDA Budget Trailer Bill of 2015**
- ✓ **Economic Recovery Bonds and Triple Flip: August 2015 Final Payment of the Economic Recovery Bonds ended “Triple Flip“ -- mechanism by which debt service on bonds was paid**

State Budget (continued)

Health and Human Services

- ✓ **Medi-Cal General Fund: Budget estimated to increase 8% or \$1.4Billion to \$19.1 Billion**
- ✓ **County Medi-Cal Administration: Added \$169 Million to budget for current year**
- ✓ **Cal WORKS: AB 85 redirects indigent care cost savings from Affordable Care Act to Cal WORKS, with estimated savings of \$564.5 Million in FY 2016/17, plus reimbursement of \$151.7 Million from correction for FY 2013/14**

State Budget (continued)

Health and Human Services

- ✓ **In Home Support Services (IHSS): Restoration of current 7% reduction in service hours for beneficiaries at state cost of \$236 Million**
- ✓ **Health Care Reform Implementation: Budget includes Net Costs of \$4 Billion for Mandatory Medi-Cal Expansion and \$14.1 Billion for Optional Medi-Cal Expansion**

FY 2016/17 State Budget - continued

Housing, Land Use and Transportation

- ✓ **Infrastructure Plan: Proposes Investing \$1.7 Billion in State Infrastructure in Fiscal Year 2016/17 and \$3.6 Billion Annually for Ten Years for Transportation Funding and Reform**
- ✓ **Highway User Tax Account: Revenues Decreased by More Than 25% in Two Years -- Primary Source of Funding for Local Streets and Road Maintenance.**

Budget Protocol Plan

- 1 - Historically Normal Revenues Budgeted; in which case, Conservative Revenue Estimates Budgeted**
- 2 - Proceeds from Sales of Assets Designated for Future Capital Needs**
- 3 - One-Time Funds Used for One Time Purposes when setting Departmental Budget Targets**
- 4 - Any Structural Increases to Departmental Budgets Reflect Due Diligence Analysis of Recurring Revenue Opportunities and Operational Efficiencies**
- 5 - Fiscal Sustainability of Proposed Budgets Assured**

Mid-Year Budget Report: Fiscal Year 2015/16

- ✓ **Fiscal Outlook**
- ✓ **California Consumer Price Index (CCPI)**
- ✓ **Local Assessed Value**
- ✓ **Sales and Use Tax Allocation**
- ✓ **Proposition 172 - Public Safety Sales Tax**
- ✓ **Mid-Year Budget Review: Fiscal Year 2015/16**
- ✓ **General Fund Summary, Revenues and Expenditures**
- ✓ **General Fund Overview**
- ✓ **Funds Outside General Fund**
- ✓ **Departmental Budget Overview**
- ✓ **Budget Development Schedule**

Fiscal Outlook Fiscal Year 2016/17

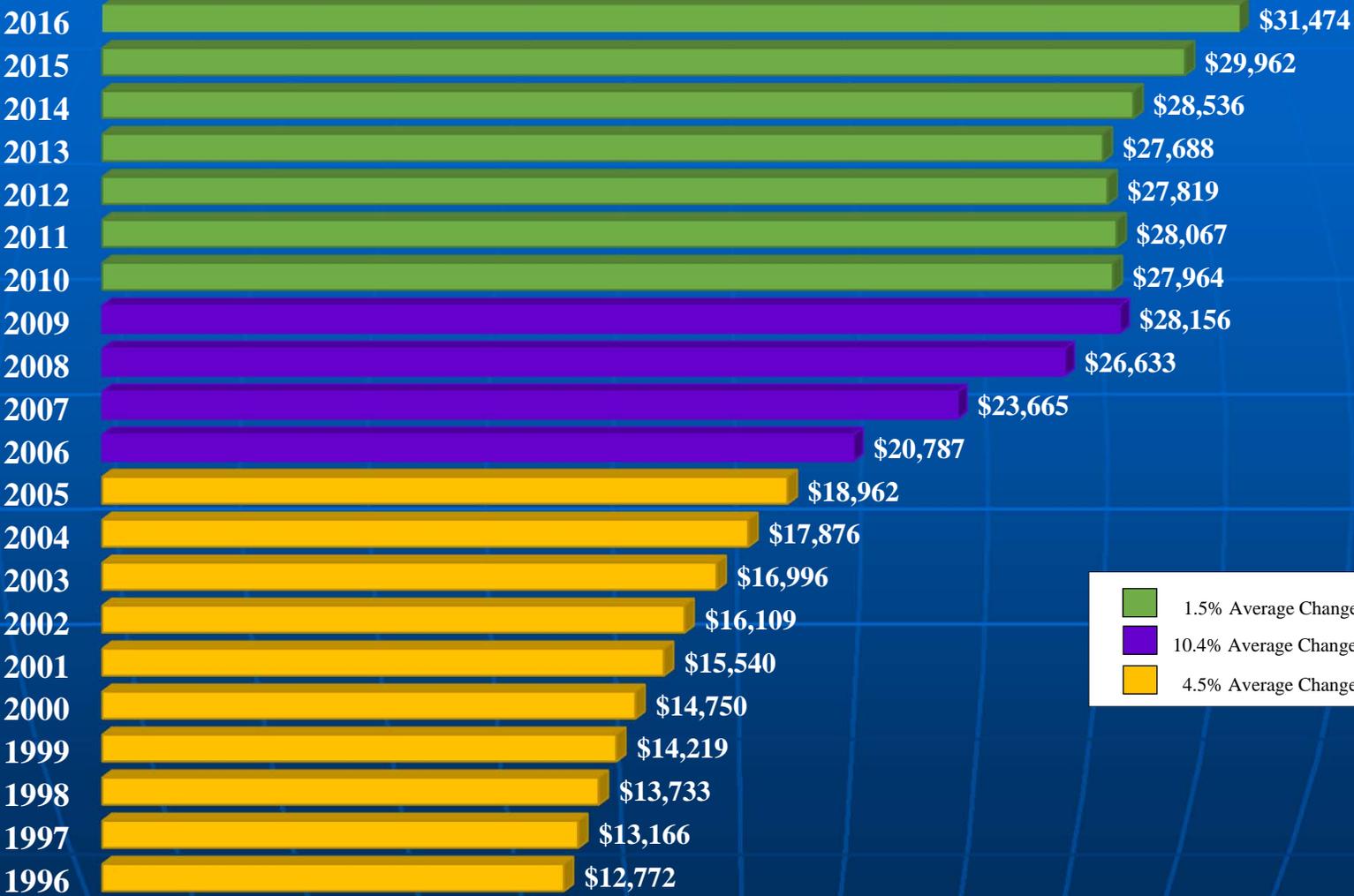
- **Cautious Optimism for Fiscal Year 2016/17**
- **Steady Recovery from Great Recession: Downturn?**
- **Stock Market Volatility and Market Correction**
- **Slow Growth in Housing and Non-Housing Markets**
- **Statewide Sales Tax Growing but Moderately**
- **Local Sales Tax: Declining Slightly**
- **Local Assessed Valuation: Flat or Marginal Growth**
- **Budget Impacts: Confidence Level Implementation**

California Consumer Price Index (CCPI) Value Change

Year	CCPI % Change	Base Year Value Change ¹
2016-17	1.525%	1.525%
2015-16	1.998%	1.998%
2014-15	0.454%	0.454%
2013-14	3.081%	2.000%
2012-13	2.889%	2.000%
2011-12	0.753%	0.753%
2010-11	-0.237%	-0.237%

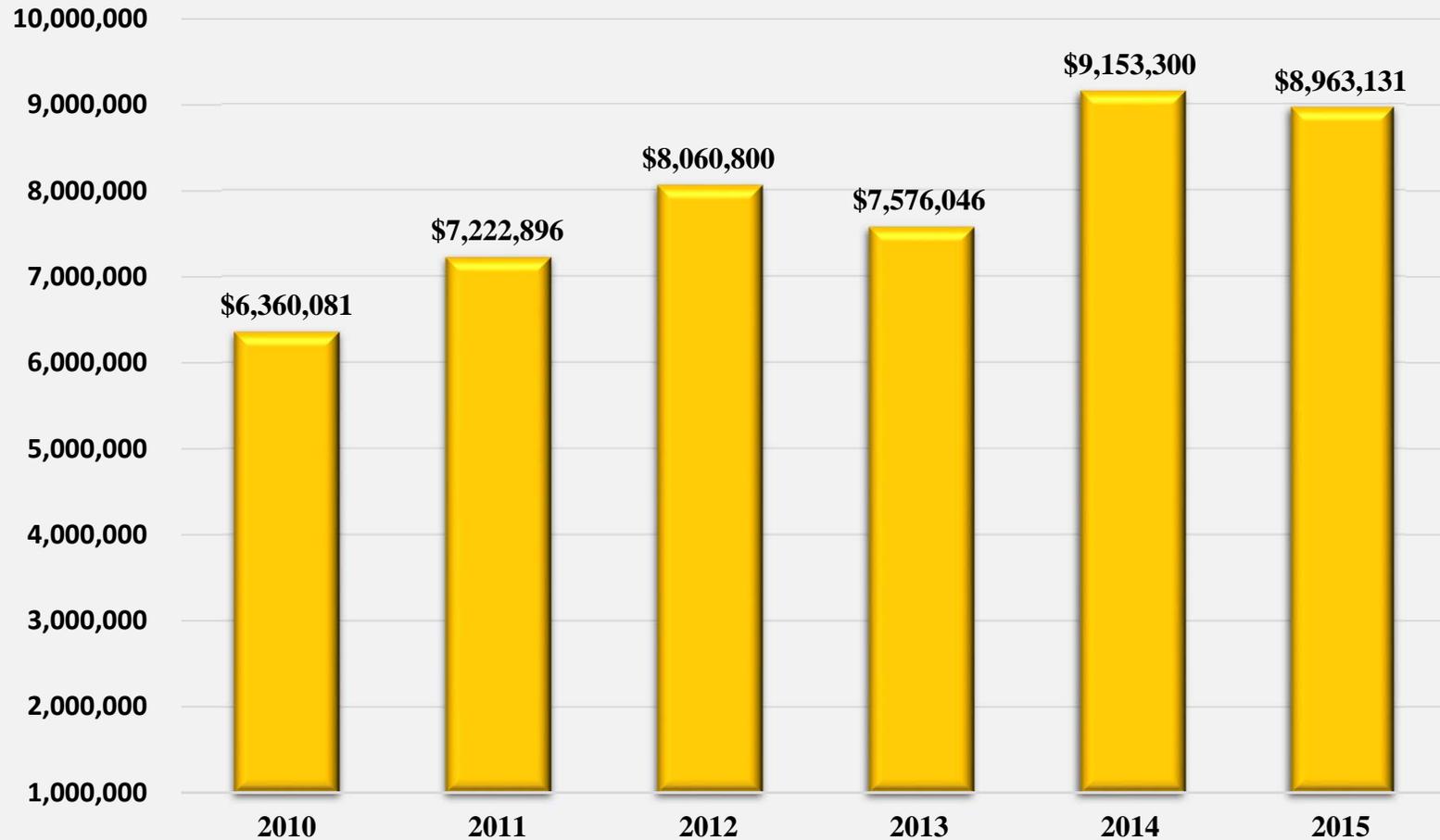
¹Increase to base year value is limited to 2% pursuant to California Constitution, article XIII A, section 2(b).

Local Assessed Value (Millions)



Source: Tulare County Assessor preliminary tax roll statistical data summary

Sales and Use Tax Allocation



Proposition 172 - Public Safety One-Half Cent Sales Tax



Mid-Year Budget Review

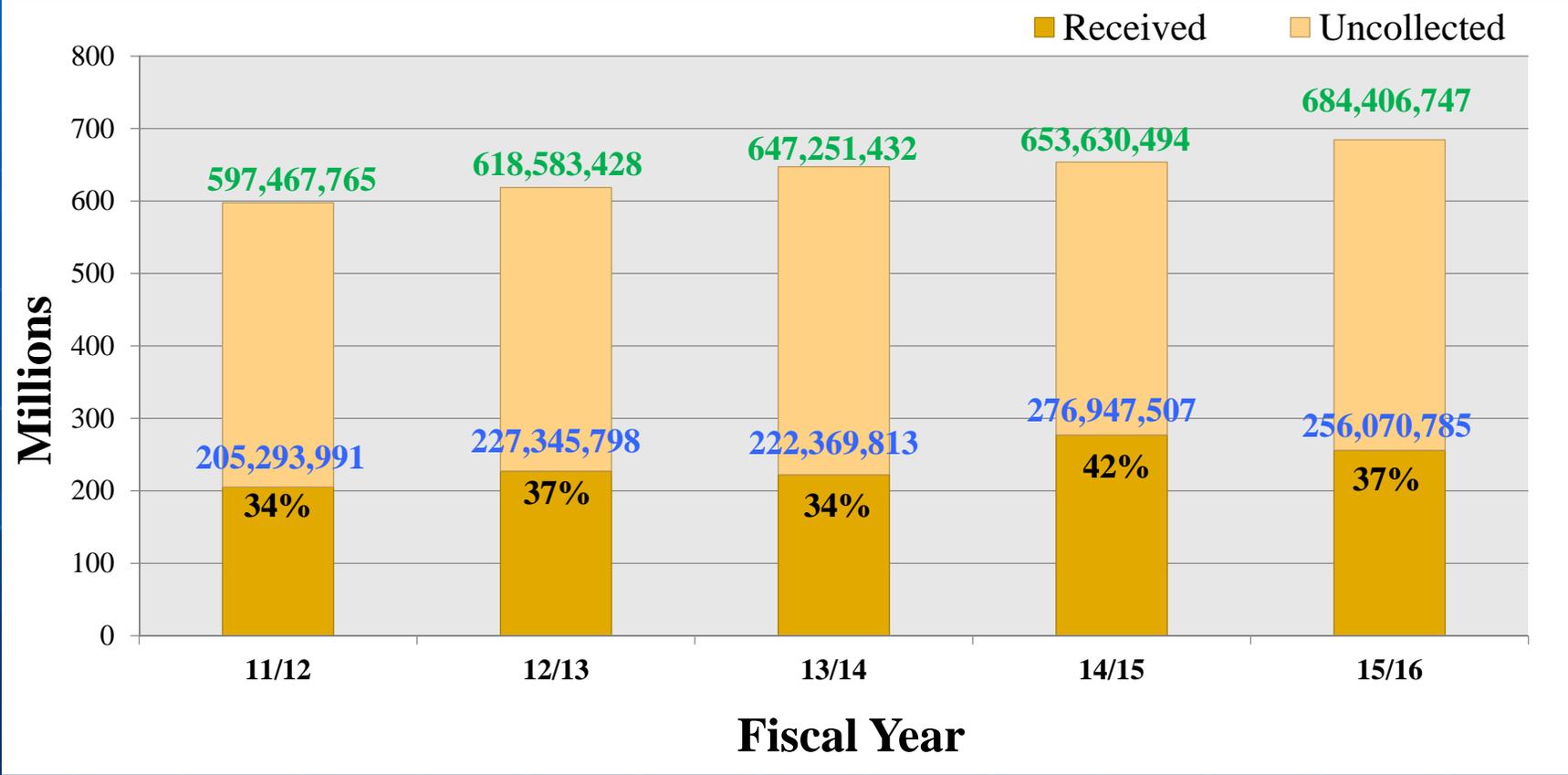
Fiscal Year 2015/16

- **General Fund Departments: Projected to be At or Below Allocated Target, except Misc. Criminal Justice**
- **General Fund Revenues: 37% Collected - 5% Lower than Last Year**
- **General Fund Expenditures: 51% Expensed - 1% Lower than Last Year**
- **Structural Carryover Fund Balance: Above Necessary Level for Fiscal Year End (\$6 Million)**

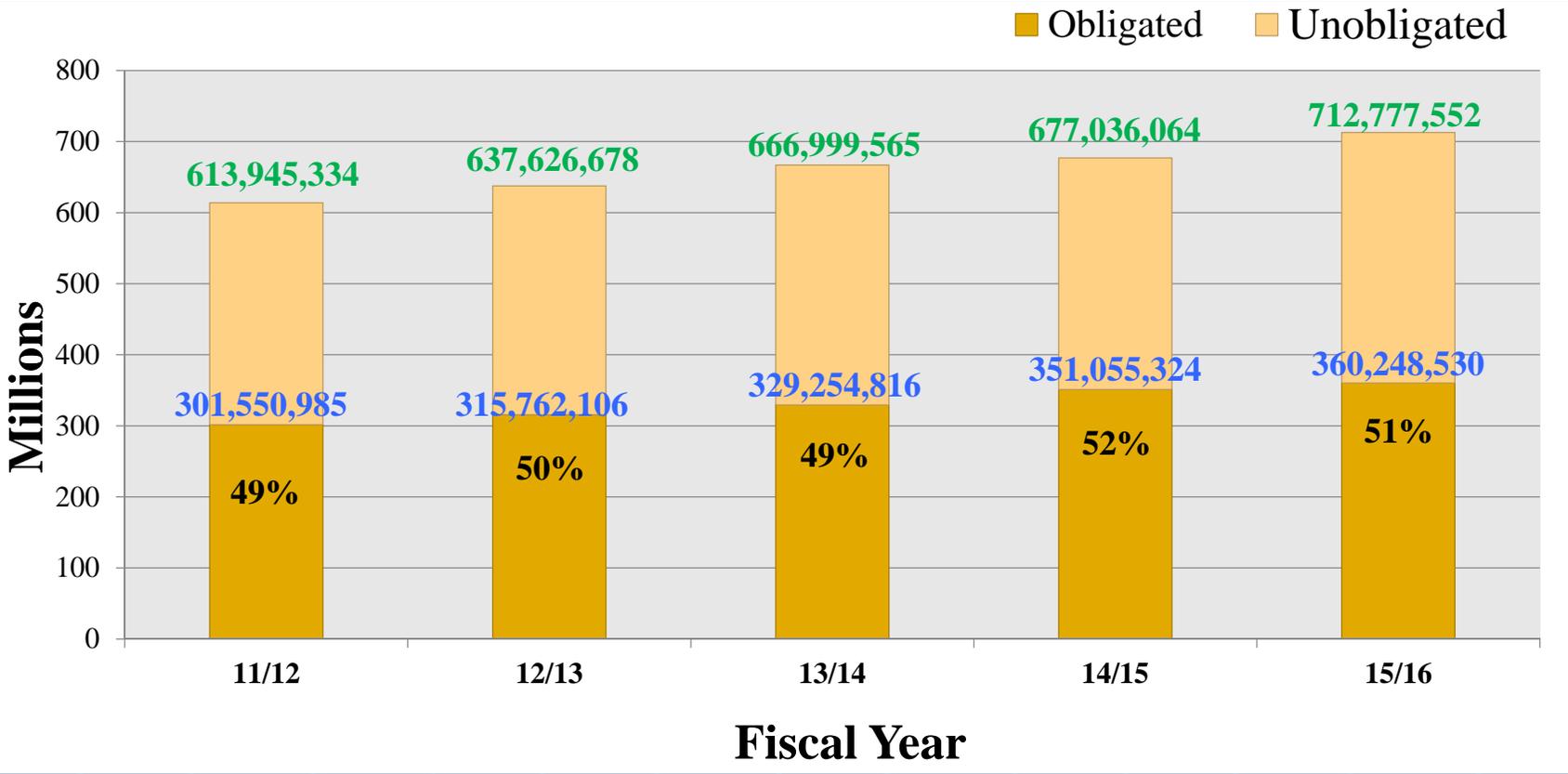
General Fund Budget Five Year Summary

Fiscal Year	Budget	Employees
2015/16	\$709,100,088	4,003
2014/15	\$674,467,830	3,950
2013/14	\$667,815,669	3,958
2012/13	\$637,125,202	3,963
2011/12	\$598,091,132	3,801

Mid-Year General Fund Revenues Over Last Five Fiscal Years



Mid-Year General Fund Expenditures Over Last Five Fiscal Years



General Fund Overview

Fiscal Year 2015/16

- **General Fund Reserve: Increased by \$1M to \$25M**
- **General Plan Implementation: \$1.2M**
- **Probation Security Cameras / Equipment: \$1M**
- **County Building Improvements and Remodels: \$3M**
- **County Parks and Restoration: \$1M**
- **Additional Funds for New Jail Facilities: \$1.5M**
- **Pension Stabilization Fund: \$1M**
- **Workers' Compensation Fund: \$2M**

Funds Outside General Fund

Fiscal Year 2015/16

- **Fire Department Fund**
- **Library Fund**
- **Internal Service Funds**
- **General Liability Insurance Fund**
- **Workers' Compensation Fund**
- **Property Insurance Fund**
- **Medical Malpractice Insurance Fund**

Departmental Budget Overview

Fiscal Year 2015/16

- **Sheriff's Office**
- **District Attorney's Office**
- **County Counsel**
- **Health and Human Services Agency**
- **Resource Management Agency**
- **Human Resources and Development**
- **County Administrative Office**
- **Other Departments**

Budget Development Schedule

Action	Date	Responsible Person
Final Budget Hearing Materials to Board of Supervisors and Public	9/2/2016	County Administrative Officer
Recommended Budget to the Board of Supervisors	9/2/2016	County Administrative Officer
Final Budget Hearing Begins and may Proceed to September 30, 2015	9/13/2016	Board of Supervisors
Resolution with all Personnel Changes to Board of Supervisors	9/30/2016	County Administrative Office
Adopted Budget Book to Board of Supervisors and Public	11/22/2016	County Auditor
Adopted Budget Book to the State	12/1/2016	County Auditor

Strategic Management

➤ Tulare County Strategic and Business Management Plan

- ✓ **Public Safety and Security**
- ✓ **Economic Well Being**
- ✓ **Quality of Life**
- ✓ **Organizational Performance**

➤ Strategic Goal Alignment with Budget Goals

- ✓ **Due Diligence: “Go” or “No Go” per Sustainability**
- ✓ **Prioritizing Goals per Funding Availability**
- ✓ **Phasing of Goals per Feasible Implementation Plan**

Fiscal Sustainability

➤ Sustainability and Budget Growth

- **Assessed Value: Flat to Marginal Increase**
 - **Sales and Use Tax: Marginal Decrease**
 - **Workers' Compensation: Refunding Costs**
 - **Retirement Costs: Annual and Unfunded Costs**
 - **Drought Impacts to Economy and General Fund**
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➤ Sustainability and Budget Plan

- 1- **One-Time Funding for One-Time Purposes**
- 2- **Due Diligence, Prioritizing and Phasing Structural Increases**
- 3- **Increase Assessed Valuation and Other General Purpose Revenue through Strategic Management and Economic Development**

Acknowledgements

- **Board of Supervisors**
- **County Administrative Office**
- **Human Resources & Development**
- **All County Departments**
 - ✓ **Public Safety, Law and Administration of Justice**
 - ✓ **Assessment, Accounting, Auditing, Public Finance, and Investment**
 - ✓ **Agriculture, Planning, Public Works, and Solid Waste**
 - ✓ **Health, Human, Social, and Environmental Services**
 - ✓ **General Services, Capital Projects and Internal Departmental Services**

Requested Action

- 1. Receive Mid-Year Budget Report for FY 2015/16;**
- 2. Approve proposed schedule for preparation and adoption of the FY 2016/17 budget, which incorporates a rollover budget as the operating budget (including the Capital Projects budget) for the period between July 1, 2016 and adoption of the FY 2016/17 budget (4/5ths vote required);**

Requested Action

- 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 subject to completion of meet and confer;**
- 4. Approve the capital asset purchase of two blade servers (\$30,000), three Cisco blade servers (\$35,000), one mainframe data storage array (\$75,000), one hardware for security event management (\$33,100), one uninterruptible power supply (\$40,000), three vehicles (\$70,500), one fork lift (\$18,000), and one trash compactor (\$28,000);**

Requested Action

- 5. Waive the bid process and authorize the Purchasing Agent to obtain purchase quotes in order to secure delivery of three vehicles prior to June 30, 2016;**
- 6. 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).**