

Board of Supervisors Workshop 2023

Fiscal Report
County Executive Office
January 27, 2023



Fiscal Report Agenda

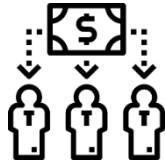
- 21/22 Year End Recap
- 22/23 Budget Update
- Next Year's Budget
- Fiscal Challenges & Opportunities
- Preparing for 23/24



2021/22 Year-End Recap

Revenue & Expense Highlights- General Fund

6/30/2022 Actuals vs. Budget



Revenue & Expense Highlights	Better/Worse Than Estimated
Revenue	
Property Taxes	Better
Transfer Taxes	Better
Transient Occupancy Tax	Better
Cannabis Tax	Better
Recording Fees	Better
Prop 172 & Sales Tax	Better
Transfers in from other funds	Worse
Expenses	
Salaries & Benefits	Better
Charges & Reimbursements	Worse
Other Revenue & Expense	Mixed
Total Net Change in GF Balance	+\$2.8M

General Fund- 21/22 Plan Update

\$39.3M Beginning Balance 6/30/2021

\$2.8M Results FY 21/22

-\$1.1M Reserved for Restricted/Nonspendable

\$41.0M Available Balance 6/30/2022

* Available Fund Balance = Net of Restricted & Nonspendable funds

Financial Results- Other Major Funds

06/30/22 Actuals

	Revenue	Expense	Variance	Est. Actual Fund Balance	Est. June 21, 2022
Roads	14.5	14.0	0.5	6.4	5.8
CDA	11.1	10.0	1.2	5.5	4.3
Transit	4.2	4.6	(0.4)	0.2	0.6
Library	7.0	5.2	1.8	8.4	8.2
Airport	1.6	1.6	(0.1)	0.4	0.6
Hlth & Human Services Agency	90.2	86.0	4.2	28.3	31.4
Realignment	31.0	27.6	3.4	19.3	20.3
Total All Funds	159.5	148.9	10.7	68.5	71.1



Update on 22/23 Budget

Total County Budget 2022-23

\$330.7M

Total Budget

\$22.3M

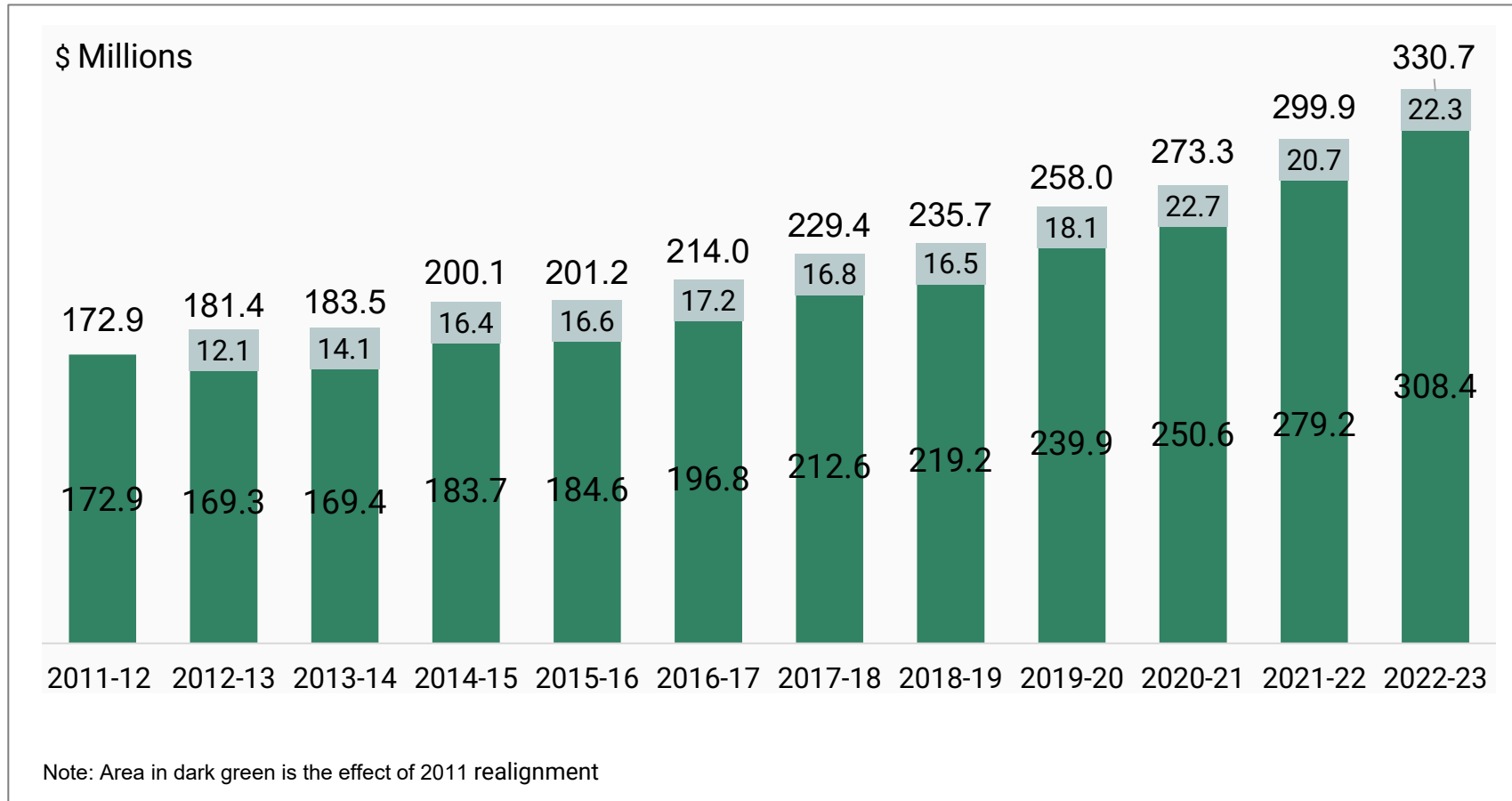
2011 Realignment Impact

10.5%

Increase Net of
Realignment

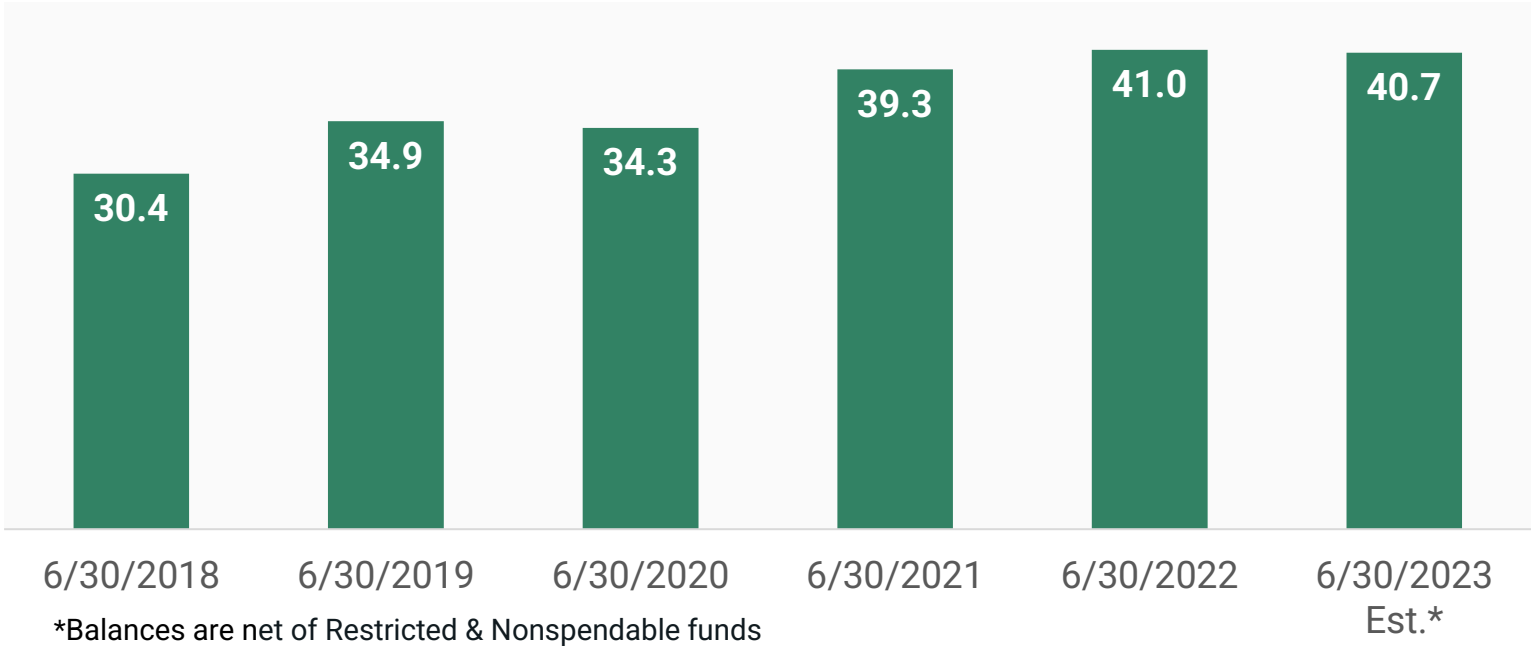
7.1%

Avg. Annual Increase Net of
Realign. past 11 years



General Fund Balance & Reserves

Updated with 6/30/2022 Actuals



*22/23 Adopted Budget includes -\$237K Net Use of GF Balance

General Fund Assignments - Current	
Total 6/30/2023 Est.	\$40.7M
General Purpose (emergencies and economic uncertainties)	\$9.9M
Economic Development Infrastructure	\$3.6M
Facilities Planning	\$5.7M
Information Systems Infrastructure	\$900K
Pension Contributions	\$4.6M
Other Assignments & Unassigned	\$12.2M

Recommendations for FY 2022/23:

- -\$425K Eliminate State Realignment & COP Payment assignments
- +\$5.6M Assign for Justice Services
- +\$288K *Assigned for Board Priorities*
- +\$500K Assigned for IS Infrastructure
- -\$6.0M Unassigned fund balance

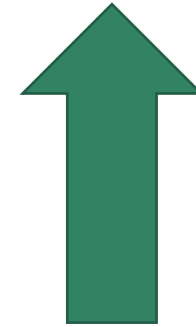
Net Zero impact on fund balance

General Fund Assignments-Recommended	
Total 6/30/2023 Est.	\$40.7M
General Purpose	\$9.9M
<i>Assigned for Board Priorities</i>	\$3.9M
Facilities Planning	\$5.7M
Information Systems Infrastructure	\$1.4M
Pension Contributions	\$4.6M
Justice Services	\$5.6M
Other Assignments & Unassigned	\$9.5M

Q2 Results 2022/23 – General Fund

General Fund Revenues

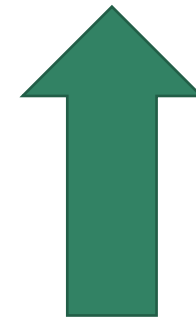
\$99.8M Budget as Amended
\$40.5M Revenue through Q2
=41% Revenue Received



On Target

General Fund Expenses

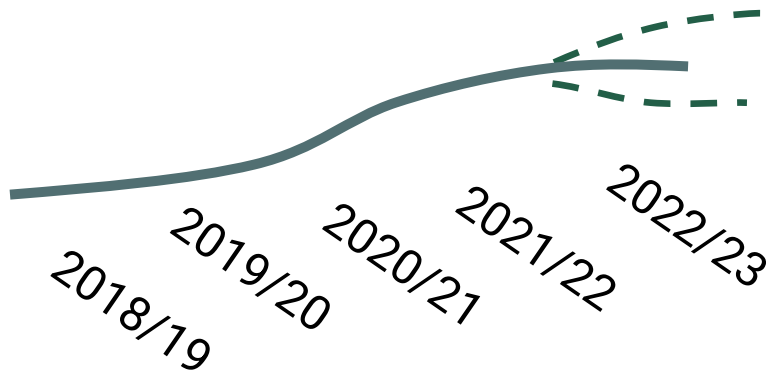
\$101.7M Budget as Amended
\$56.7M Expenses through Q2
=56% Expended



On Target

Economically Sensitive Revenue through Q2

Revenue Trends



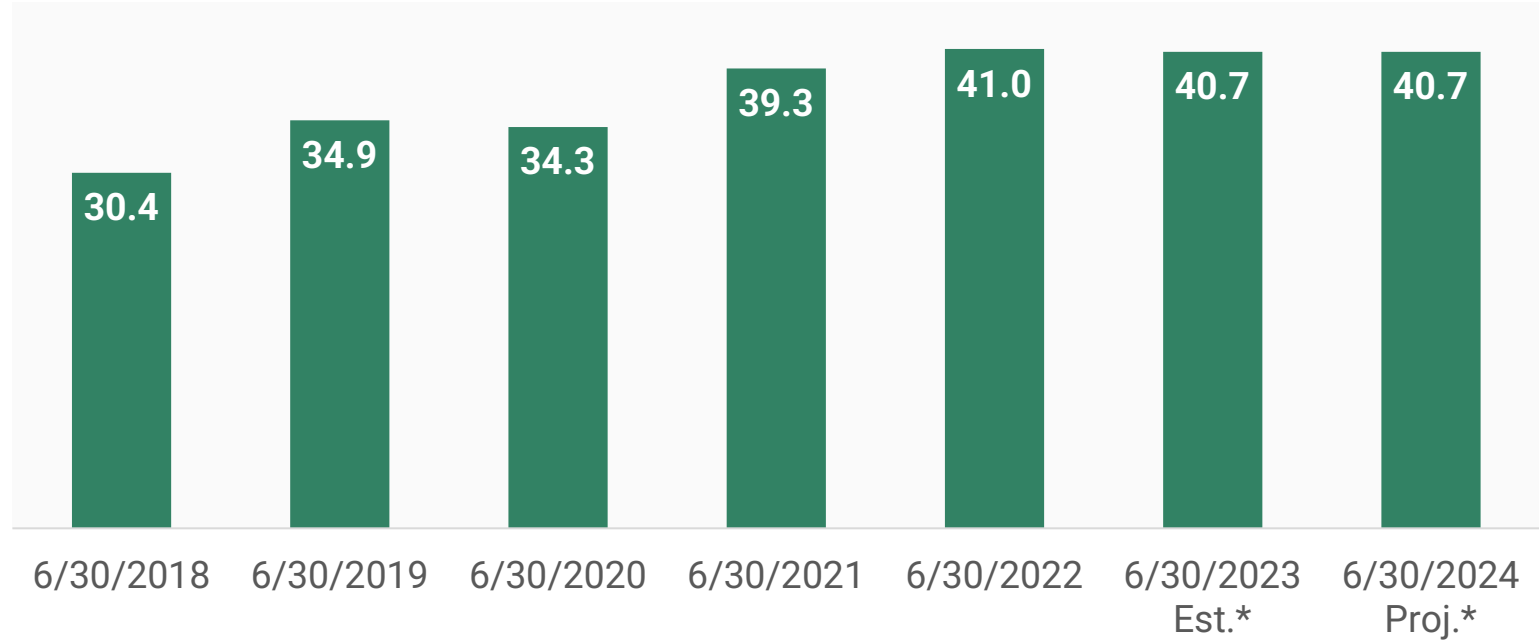
July-December 2022	Health Indicator
Revenue	
Sales Tax (General fund, Library, Prop172, Realignment)	↑
Business Activity (Recording Fees, Transfer Taxes, Building related fees)	↑ ↓
Gas Tax (Roads & Transit)	↑
Other General Fund	
Property Taxes	↑
Transfer Taxes	↓
Cannabis Taxes	↓
Federal Marshall Jail Bed \$	↑



23/24 Budget

General Fund Balance & Reserves

Updated with 6/30/2024 Projection



*6/30/2023 balance excludes \$3.7M held in Pension Trust + \$4.4M other restricted & nonspendable

General Fund Assignments-Recommended	
Total 6/30/2024 Est.	\$40.7M
General Purpose	\$10.4M
Assigned for Board Priorities	\$5.1M
Facilities Planning	\$5.7M
Information Systems Infrastructure	\$1.7M
Pension Contributions	\$4.6M
Justice Services	\$5.6M
Other Assignments & Unassigned	\$9.5M
GF Assignment Changes: <ul style="list-style-type: none"> • General Purpose +\$510k • Assigned for Board Priorities +\$1.2M • IS Infrastructure +\$300k • Unassigned -\$2M; Net Change = zero 	

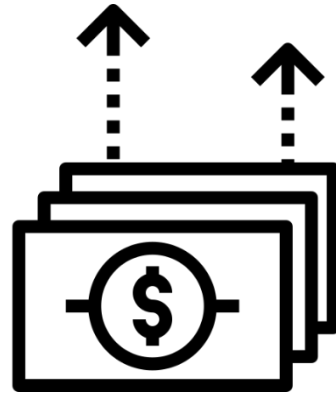
23/24 Budget Highlights – General Fund Revenue

Preliminary vs. 22/23 Adopted Budget



\$77M

Discretionary
Revenue



+6.8%
(\$4.6M)



7.8% (+4.0M)

Property Taxes



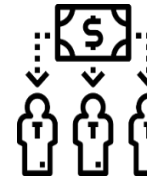
-26.5% (-615K)

Transfer Taxes



-1.0% (-64K)

Sales Tax



+39.0% (298K)

TOT

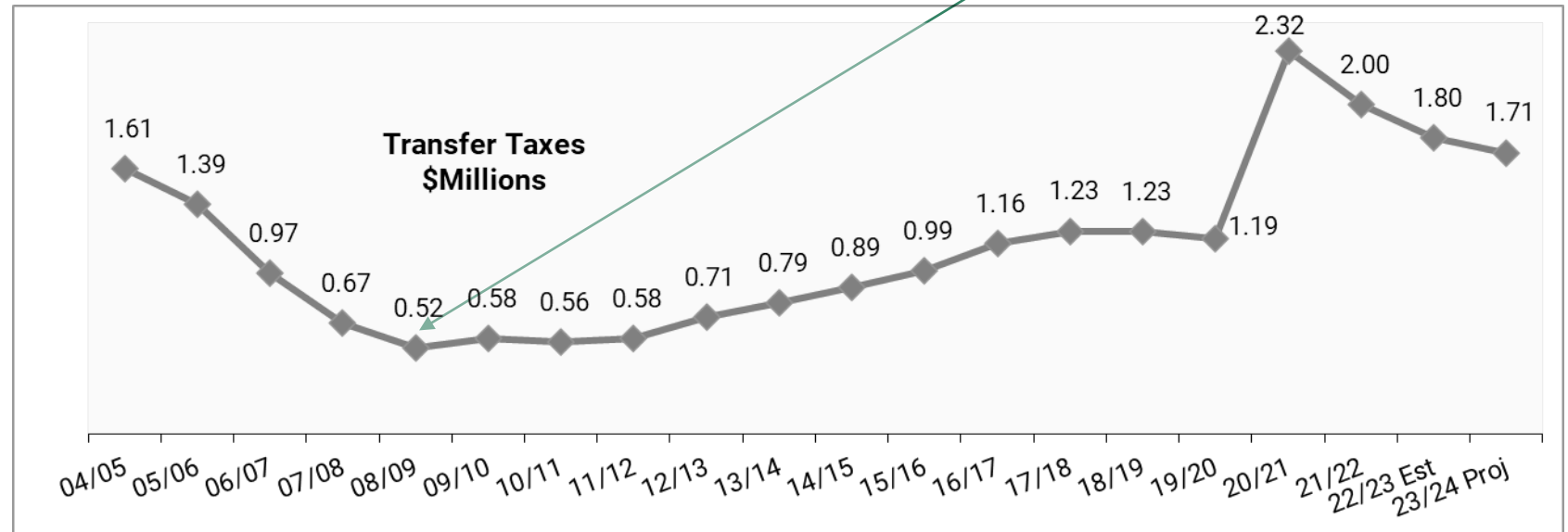
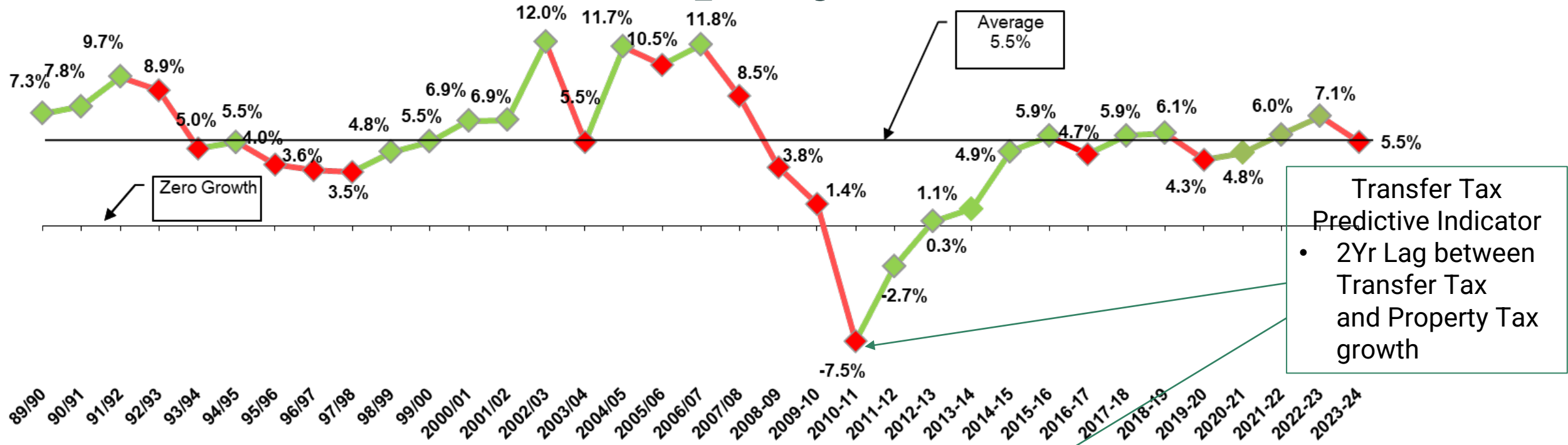


0.0% Flat

Cannabis Tax

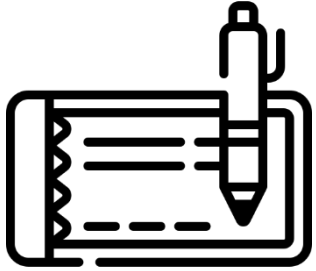
Property Tax Growth Rate

Property Tax Trend



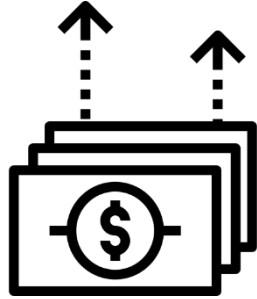
23/24 Budget Highlights – General Fund Expenses

Preliminary vs. 22/23 Adopted Budget



\$86.0M

General Fund
Department
Allocations



+6.3%
(\$5.1M)

Use of Discretionary Funds



+\$3.4M

Salaries & Benefits
(excludes 22/23 bargaining)



+\$1.1M

General Liability & Work Comp



+\$330K

Jail Medical Contract

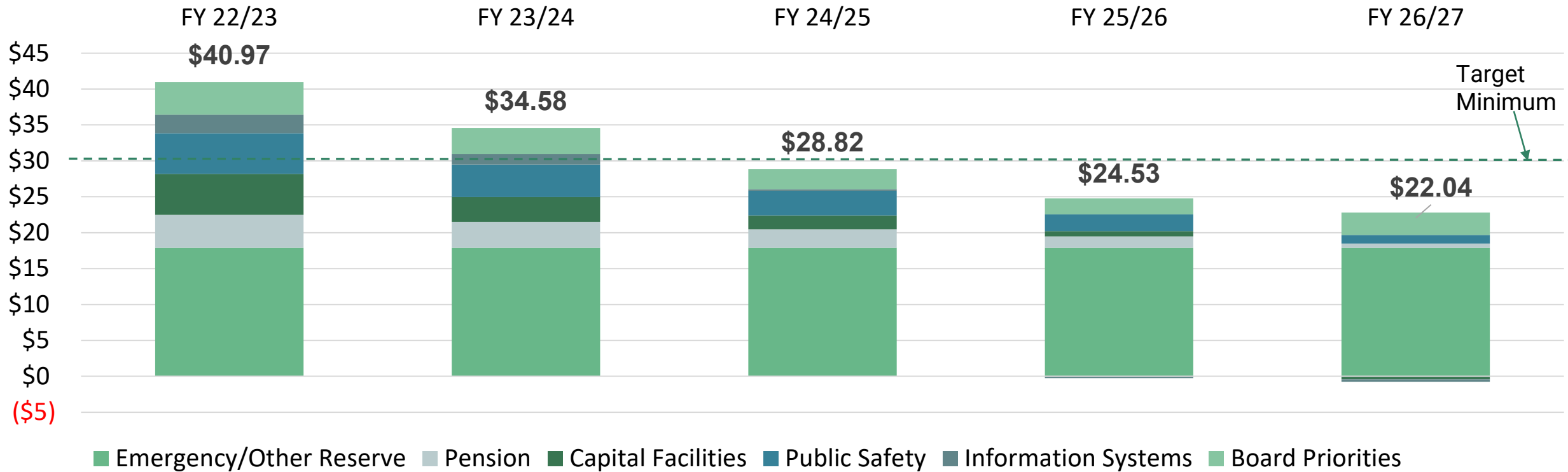


+(270K)

Other

General Fund Balance Forecast

Estimated with priority 1 projects





Fiscal Challenges & Opportunities

Core Services Definition

A core service is that which is fundamental to the mission of departments and the County to meet mandated and essential community services.

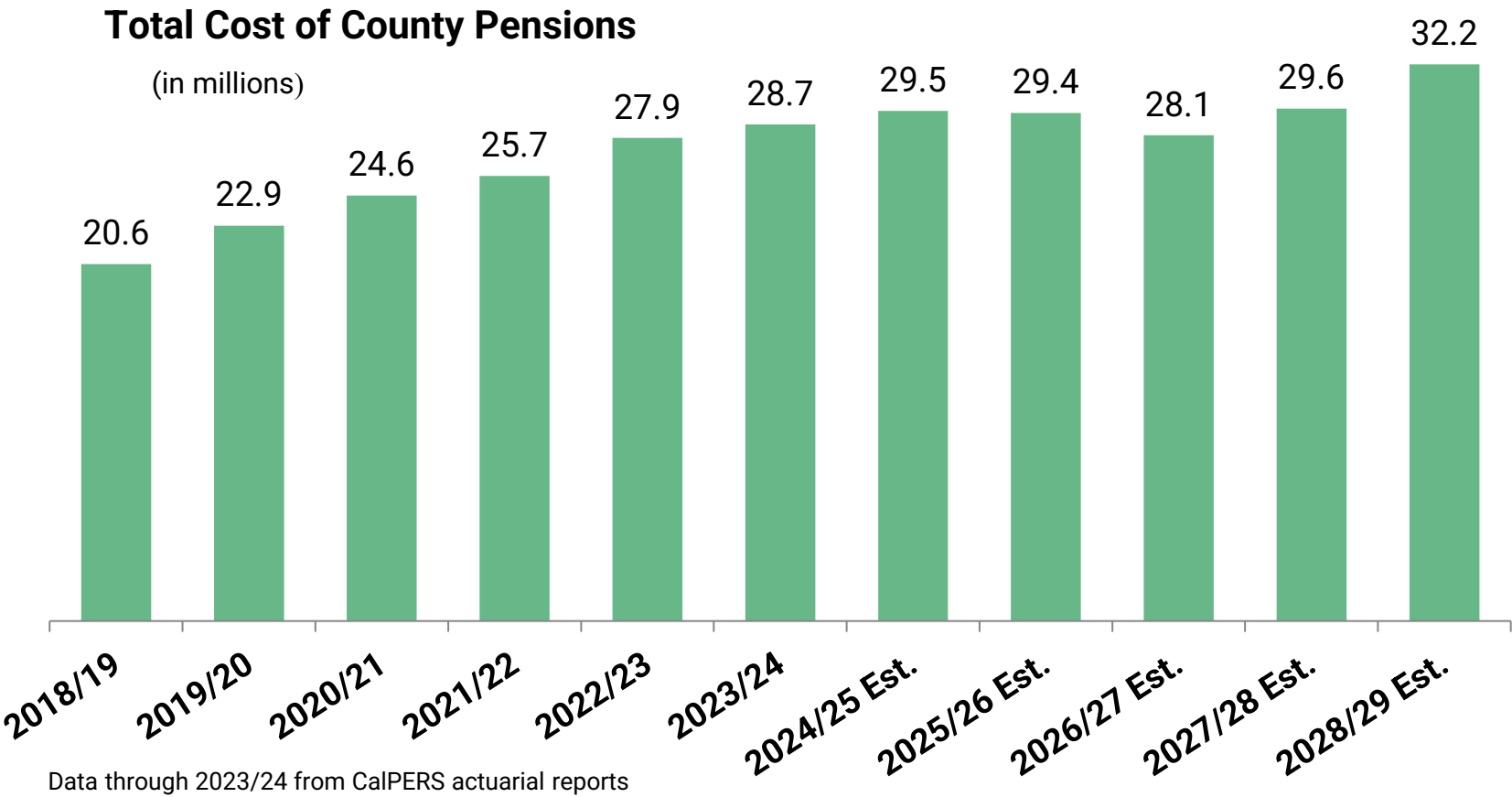
Areas funded by the County in this category include state mandates, and services that support community health and safety such as County infrastructure, roads, jail, justice, and basic public/mental health services and other social services.

Grant Opportunities & Balancing Resources

- **State and Federal Grant opportunities**
 - Federal Infrastructure Investment & Jobs Act, and Inflation Reduction Act
 - State Budget Act Funding
- **Key areas of funding**
 - Wildfire
 - Affordable Housing
 - Climate Resiliency
 - Transportation
 - Broadband
 - Econ Dev/Recreation
- **County Grant Best Practices Team**
 - Encourage targeted and consistent grant applications
 - Identify and plan for full range of costs and staffing impacts

Pension Costs

<u>Pension Stats</u>	22/23	22/23
Funded Ratio	64%	73%
Unfunded Liability	\$239M	\$197M
Total Assets	\$413M	\$513M



State & Federal Budgets

- State budget process in beginning stages. Governor's Budget Proposal submitted 1/10 with much revision anticipated by May
- Greatly reduced revenue assumptions; \$18B-\$24B budget problem
- \$14B in reductions, delays or trigger restorations, primarily focused on one-time, temporary augmentations in previous budgets
- Preserves budget reserves and investment in stabilization account
- Budget does NOT assume a recession scenario
- Federal budget process has not yet begun in earnest

Recession

- Uncertain economic outlook—recession forecasts range from soft landing (mild) to hard landing (severe)
- Headwinds include high inflation, Federal Reserve tightening, war in Ukraine, and global economic challenges
- Fed tightening/high interest rates have stalled the housing market
- Strengths include a softening but still competitive job market and strong demand for services
- County 2023/2024 early estimate budget does not include a recession
- The County has resources to weather a recession and will monitor and take action to remain prudent and fiscally sound

Fiscal Report Agenda

- ✓ **21/22 Year End Recap**
- ✓ **22/23 Budget Update**
- ✓ **Next Year's Budget**
- ✓ **Fiscal Challenges & Opportunities**

Preparing for 23/24



Preparing for 23/24

Dates & Policies

Key Dates of Budget Development

Request for Staffing Changes Due	October 2022
Budget Training	January/Feb 2023
Board of Supervisors Workshop	January 25 th – January 27 th
Budget Kickoff	February 1 st
Budget Subcommittee	April 21 st – May 12 th
Budget Hearing	June 20 th
Budget Adoption	June 27 th

Proposed 2023-2024 Budget Policies

Budget policies have been adapted and modified to be responsive to Board Objectives and the impacts of the State and Federal budget dynamics and the economy. Therefore, the following policies are proposed:

1. Every effort will be made to meet the Core Services needs of the community, understanding that this may require reorganization or streamlining of current resources.
2. The budget must be balanced. Specifically, income must be equal to or greater than expenses. All departments are expected to review their sources of income for correctness, validity and sustainability.
3. There will be no unfunded positions included in the budget or staffing resolution. Vacancy Review remains in effect to create budget flexibility in case of loss of revenue, and to ensure the need exists for filling positions. All positions will be reviewed. If revenue contingent positions lose their funding from the State or Federal government, those positions will be eliminated first before other cuts are enacted.
4. Requests for staffing changes will follow the established “RSC” process. Recommended staffing changes will be guided by a staffing philosophy that reflects fiscal prudence, sustainability, and the need to staff appropriately to meet core service needs. Special consideration will be given to state and federal mandates, staffing to support grants and new state and federal funding, and use of limited term employees where possible. All requests will consider revenue to cover the cost of the position and indirect and overhead costs and a reasonable expectation that there will be an ongoing funding stream for any new position.
5. The 2023-2024 budget will only use reserve funds for emergency and one-time expenditures or for purposes that the reserve is designated to fund. A one-time use of an appropriate level of General Fund balance may be authorized from amounts previously set aside for economic uncertainties.

Budget Policies, Cont'd

6. If the County contributes funds to Non-Profit or Community Partners for other than the purchase of services, it will give priority to one-time initiatives (as opposed to operational subsidies), and to those who demonstrate collaboration with other Community Partners. Funding will be adjusted based upon discretionary revenues available as with other County departments. Loans and advances will not be considered unless extraordinary events occur and must be secured.
7. Economic Development will remain a priority. Funding will be maintained at its current levels and will not be adjusted downward based upon discretionary revenues available as is occurring with other County departments .
8. Investment in technology will be maintained to keep current infrastructure operational, to support enhanced employee productivity, to meet regulatory requirements, to protect citizen data, and to enhance citizen service levels, quality, and accessibility.
9. The budget format and terminology will be presented in a manner consistent with best practices so that pertinent and relevant performance and financial information is provided for presentation to the public.
10. There will be a high level of fiscal discipline by the Department Heads, Budget Subcommittee, County Executive Officer and Board of Supervisors. Every effort will be made to balance service delivery plans to available resources and ensure compliance with adopted financial policies.
11. Staff will apply the approved space guidelines to include newly proposed space and Staff will continue to identify income streams for the improvement of the County's capital facilities.

THANK YOU!

County Fiscal Staff

Auditor-Controller & Staff

Human Resources Staff

CEO Team

County Management Team