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To: Board of Supervisors

From: Dallin Kimble, County Administrative Officer
Leigh Westerlund, Assistant County Administrative Officer

Subject: Fiscal Year 2019-2020 (FY20) Recommended Budget

Submitted for your review and consideration is the Fiscal Year 2019-2020 (FY20) Recommended Budget for the operation of all County services and special districts under the board of supervisors' direction. The recommended budget acknowledges Measure M and fund balance revenues, significantly expands public safety operations, secures additional funding for roads, restores reserves from recent disasters, implements transformative new technology and recognizes savings through the creation of a Health and Human Services Agency. This recommendation was developed with the full cooperation of all departments and provides a balanced spending plan that will carry operations through June 30, 2020.

Despite several new disasters in the previous fiscal year, and lingering effects from prior events, Mariposa County remains in a solvent financial position. We've required only relatively small contributions from reserves over the past year and we are able to replenish those reserves with this recommendation. Our debt load remains among the lowest in the state. We continue to maintain policy-mandated levels of savings, insurance and conservative investment.

What follows is an overview of the recommended budget and some considerations for the future. Attached to this memo are spreadsheets of the recommended changes, the full recommended budget, and the employee allocation schedule.

Building on the great work of the Public Works department, a Capital Improvement Project Plan will be provided during balancing adjustments. The extra time will allow for additional input from Department Heads and staff. Funding availability will be clearer at that time as well.

Budget Overview

The recommended budget totals \$148.5 million. Interfund transfers artificially inflate that number, however, so when transfers are removed, the total budget is actually \$118 million. The General Fund portion, which accounts for \$65 million of the total budget, is supported by \$32.9 million in general purpose revenue (local taxes, in-lieu state or

federal funds, etc.) that is at the discretion of the Board for purposes with general benefit. \$32.1 million in non-discretionary revenues (program-specific state or federal dollars, grants, fees for service, etc.) are designated for a specific purpose upon receipt.

The largest single source of discretionary revenue is transient occupancy tax (TOT), which accounts for \$18.72 million. This number is considerably higher than it was in previous years due to the success of Measure M in November, which raised the TOT rate from 10% to 12%. Approximately \$1 million in new collections are expected for the period from April 1, when Measure M took effect, to June 30, 2019. \$3.12 million in Measure M funds are included in the FY20 recommendation. It should also be noted however, that the slowing trend that began last year appears to be continuing into the new fiscal year.

The success of the Measure M ballot measure reveal a strong interest in maintaining and strengthening public safety and community infrastructure. As a result, the fastest growing segment of the budget over the last five years is public safety, growing at more than twice the rate of all others. Included in that growth is \$777,800 for new Amador fire response agreements, \$58,197 for a new Fire Inspector position to ensure County infrastructure meets all fire codes, \$839,350 for water storage tanks grant match to support wildfire response and \$715,923 for new positions, services, supplies, and equipment in the Sheriff's office and Jail. Measure M also provides a steady source of revenue for the \$426,456 matching funds to improve roads through SB1. Finally, Measure M dollars were used to rebuild \$996,424 in County reserves, ensuring the County is better positioned to respond to future disasters and the resulting infrastructure and public safety needs which arise.

As was noted last year, budgeted revenues continue to be conservative but decidedly less so than in prior years. This strategy is intended to allow for as much to be accomplished in the current fiscal year as is realistically possible rather than deferring dollars each year to the regular operations of the following year. The smaller fund balance that results is most appropriately used for one-time expenses, which we've been able to accomplish to a degree in the recommendation. Staff will continue working over the next year to make fund balance dollars available for tackling deferred maintenance, capital projects and other important, one-time investments.

Discretionary and non-discretionary General Fund revenues are used to support county operations such as law enforcement, public health, economic development, libraries and so on. Across the Fund, roughly 60% is allocated for personnel, 36% for services, 2% for transfers out of the General Fund, 1% for fixed assets, and 1% for contingency.

Changes which resulted from the recently approved Health and Human Services Agency consolidation have been included in the recommended budget as well as the employee allocation schedule. Additional adjustments will be made to fine tune those projections during balancing adjustments in September.

Recommended Changes

There are a variety of challenges, opportunities and changes in the recommended budget.

- Consolidated savings
- PERS increase
- Implementing technology advancements
- Tobacco settlement funds

- MID
- Deferred maintenance
- How we balanced
- HHS changes
- Development services fee study

Future Considerations

One of the most significant challenges facing county leaders is the need to change the way we think about our resources. We need to think more in terms of outcomes rather than inputs; in terms of strategy rather than projects; about performance rather than entitlement; and as one unified county rather than a collection of departments. Staff is working now to restructure the chart of accounts, reconsider how we handle procurement and other critical processes, leverage available technology, centralize shared costs and develop a longer-term focus for budgeting and financial planning.

Ultimately County resources should not be thought of as the proprietary right of any one department or effort, but rather as taxpayers' resources to be spent strategically on high priority needs and long term investments to ensure the vitality and success of the Mariposa community.

In our effort to think differently about our resources, we will also need to think about a sustainable staffing solution. We rely heavily on great people to get our work done, but costs related to employees are rising quickly. At the same time, there are more workers leaving than entering the workforce and interest in government work is plummeting. Competition for workers is only beginning to heat up. We need to be strategizing around how to leverage natural attrition, organizational adjustments and new technology to create a more efficient staff.

The last few years have included eleven declared local emergencies. As disasters become more common in Mariposa County and around the world, our reserves also need to increase. It is no longer the case that disasters are rare occurrences that allow several years for recovery. To the contrary, Mariposa County has experienced several costly events each year that suggest we need to be able to bounce back in weeks or months rather than years. This requires more reserves for the proverbial rainy day.

Reserves don't have to be for disaster response and recovery alone, either. Designated reserves for economic development, infrastructure investment, and other opportunities would position the county to act quickly to acquire property or complete projects for the benefit of the community.

It should be noted here that nothing has been included in this budget to anticipate union negotiations due to occur later this year. Likewise, the recommended budget does not consider amounts needed to increase board of supervisors or department head salaries, both of which are woefully below the market.

Conclusion

The FY20 Recommended Budget addresses a number of difficult challenges, maintains or improves existing service levels and prepares Mariposa County for the future of our community. It is the result of a collaborative staff effort and provides resources for

planned operations through the coming fiscal year. It also continues to lay the groundwork for long-term planning and a better way of budgeting in the future.

Attached please find a list of recommended changes to the General Fund, a list of recommended changes to non-general funds, an employee allocation schedule, and the complete recommended budget for your review. These are respectfully submitted with my gratitude to our department heads and county employees for their dedication, support and assistance in developing these documents.