



Contra Costa County

To: Board of Supervisors
From: David Twa, County Administrator
Date: January 17, 2017

Subject: FY 2017/18 Recommended Budget Development

RECOMMENDATION(S):

1. DECLARE the Board's intent to adopt a FY 2017/18 General Fund budget that balances annual expenses and revenues;
2. ACKNOWLEDGE that the State of California and residents throughout the State continue to struggle to manage the outcomes of the recently depressed economy;
3. ACKNOWLEDGE that significant economic issues continue to challenge the Board of Supervisors in its effort to finance services and programs which Contra Costa County residents need, or expect will be provided to them by the County, especially in a time of slow economic recovery;
4. ACKNOWLEDGE that, in addition to the effects on the provision of services for residents, these State and local economic issues have challenged the maintenance of the Board of Supervisors' reserve policy;
5. ACKNOWLEDGE that restoration of the County's reserve funds, maintaining an improved credit rating, and maintenance of the County's physical assets remain a priority of the Board of Supervisors over the long term;
6. RE-AFFIRM the Board of Supervisors' policy prohibiting the use of County General Purpose Revenue to back-fill State revenue cuts;
7. DIRECT Department Heads to work closely with the County Administrator to develop

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY
ADMINISTRATOR

☐ RECOMMENDATION OF BOARD
COMMITTEE

Action of Board On: **01/17/2017** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF SUPERVISORS

AYE: John Gioia, District I Supervisor
Candace Andersen, District II Supervisor
Diane Burgis, District III Supervisor
Karen Mitchoff, District IV Supervisor
Federal D. Glover, District V Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: January 17, 2017

David Twa, County Administrator and Clerk of the Board of Supervisors

Contact: Lisa Driscoll, County Finance Director (925) 335-1023

By: June McHuen, Deputy

- a Recommended Budget for consideration of the Board of Supervisors that balances expenses with revenues, minimizes net County cost and maintains core service levels;
8. ACKNOWLEDGE that the 2017-2018 assessment roll will be prepared using the full inflation factor of 1.02;

RECOMMENDATION(S): (CONT'D)

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9. ACKNOWLEDGE that the employees of Contra Costa County have already been affected as a result of the requirement to balance the County's expenses with available revenues;
10. ACKNOWLEDGE that this situation is improving for County employees, as we work to manage and cope with the outcomes of slow economic recovery;
11. DIRECT the County Administrator to continue to meet with the County's union representatives and employees to explain the size, scope and anticipated length of the County's fiscal challenges and to gain their input/suggestions;
12. DIRECT the County Administrator to continue to make this information readily available to the residents of the County;
13. DIRECT Departments, in cooperation with Labor Relations and Union representatives, to begin, if necessary, the meet and confer process with employee representatives about the impact of potential program reductions on the terms and conditions of employment for affected employees;
14. DIRECT the County Administrator to return to the Board of Supervisors on April 18, 2017 with a FY 2017/2018 Recommended Budget that meets the above requirements;
15. DESIGNATE Tuesday, April 18, 2017 for FY 2017/2018 budget hearings (including Bielensoen Hearings, if needed) and Tuesday, May 9, 2017 for the adoption of the FY 2017/18 Recommended County and Special District Budgets; and
16. DIRECT the Clerk of the Board to publish notice of the budget hearings and the availability of the Recommended Budget documents.

FISCAL IMPACT:

None at this time. However, the result of the recommendations herein, if implemented, are designed to maintain the County's fiscal stability in FY2017/2018 and improve it in subsequent years.

BACKGROUND:

The actions recommended in this documentation direct the County Administrator to return to the Board on April 18, 2017 with a Recommended Budget that balances expenses with revenues for FY 2017/18. This action aligns with both the Budget and Reserve Policy of the Board of Supervisors. Continued labor negotiation as well as the expiration of additional labor contracts with several County employee groups, as well as State actions to manage its budget will be taking place in the same time-frame as development of the Recommended Budget. The outcomes of all these events have the potential for significant impacts on the County's financial situation.

Recommended Budget Development

The County will continue to face challenges to create a balanced budget in the coming fiscal year. Although the County Administrator continues to believe that there will be growth in

local property tax, other general purpose and program revenues used to fund the baseline cost of services into FY 2017/18 are expected to recover very slowly. Significant wage concessions were negotiated for the majority of County employees through the 2012/13 fiscal year. Negotiations recently completed with the majority of the County's bargaining groups include modest wage increases. These increases combined with pension and healthcare increases will challenge the County's fiscal health. The County has sustained most of the structural reductions that balanced the County budgets so that significant one-time solutions are no longer required. It is imperative that the County achieve contract settlements in alignment with projected revenue growth; otherwise, compensation costs will create a potential gap for FY 2017/18, which must be filled to achieve a balanced budget.

There are always factors over which the County has little or no control (such as federal and State budgets shortfalls, economic changes, and demographics) that will affect the size of the baseline budget and ultimately the County's budget challenge. While 'part one of the Fiscal Cliff' has been avoided, the Federal government still must resolve significant budget issues.

The majority of the County's general purpose revenues are generated through property taxes. Revenue and Taxation Code section 51 provides that base year values determined under section 110.1 shall be compounded annually by an inflation factor not to exceed 2 percent. Section 51(a)(1)(C) provides that, for any assessment year commencing on or after January 1, 1998, the inflation factor shall be the percentage change, rounded to the nearest one-thousandth of 1 percent, from October of the prior fiscal year to October of the current fiscal year in the California Consumer Price Index (CCPI) for all items, as determined by the California Department of Industrial Relations. Information from the Department of Industrial Relations shows that the CCPI increased from 251.255 in October 2015 to 257.836 in October 2016. Rounded to the nearest one-thousandth of 1 percent, this is an increase of 2.619 percent. Accordingly, we will prepare our 2017 assessment roll using an inflation factor of 1.02.

As per the norm, Department Heads will be expected to work closely with the County Administrator to design a balanced budget that restricts the growth in net County cost while minimizing service delivery cuts. Wherever possible, categorical/program revenues will be increased to offset the increased cost of doing business. Restrictions on increases in net County cost needed to balance the budget may result in the loss of federal and State program revenues, and this added loss may cause program reductions.

Meet and Confer

Departmental budget requests are due to the County Administrator's Office on February 10. At that time Department Heads will know which, if any, positions may be affected by reductions necessary to balance the budget. Departments, in cooperation with Labor Relations, will if necessary, begin the meet and confer process with employee representatives regarding the impact of potential program reductions on the terms and conditions of employment for affected employees. Early planning will allow Departments a reasonable period of time to meet and confer, and permit them to implement all budgetary required actions prior to July 1, 2017. As with the last ten fiscal years, this progress will allow the County to adopt a budget that is balanced from the first day of the new fiscal year.

Public Notice

The County Budget Act requires that the Board of Supervisors publish a notice in a newspaper of general circulation throughout the county, stating when budget documents will be available and the date of Budget Hearings. The FY 2017/18 Recommended Budget document will be available to the public on April 7, 2017.

Conclusion

The County Administrator will return to the Board on April 18 with a FY 2017/18 Recommended Budget that meets the requirements listed above. Tuesday, April 18 will be reserved for FY 2017/18 budget hearings including Bielensohn hearings if needed.

Additionally, it is recommended that the County Administrator return to the Board of Supervisors on Tuesday, May 9 for adoption of the FY 2017/18 Recommended County and Special District Budgets, including any changes the Board makes on April 18.

CONSEQUENCE OF NEGATIVE ACTION:

Delayed processing of the FY 2017/18 Recommended Budget and potential impact on the fiscal stability of the County and Special Districts.