



**Contra
Costa
County**

To: Board of Supervisors
From: David Twa, County Administrator
Date: January 15, 2019

Subject: FY 2019/20 Recommended Budget Development

RECOMMENDATION(S):

1. DECLARE the Board's intent to adopt a FY 2019/20 General Fund budget that balances annual expenses and revenues;
2. ACKNOWLEDGE that significant issues will continue to create financial pressure on the Board of Supervisors in its effort to provide essential services and programs which Contra Costa County residents need, or expect will be provided to them by the County;
3. 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;
4. 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;
5. RE-AFFIRM the Board of Supervisors' policy prohibiting the use of County General Purpose Revenue to back-fill State revenue cuts;
6. DIRECT Department Heads to work closely with the County Administrator to develop a Recommended Budget for consideration of the Board of Supervisors that balances expenses with revenues, minimizes net County cost and maintains core service levels;
7. ACKNOWLEDGE that the 2019-2020 assessment roll will be prepared using the full inflation factor of 1.02;
8. 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;

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY
ADMINISTRATOR

☐ RECOMMENDATION OF BOARD
COMMITTEE

Action of Board On: **01/15/2019** ☒ 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 15, 2019

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

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

By: Stephanie Mello, Deputy

RECOMMENDATION(S): (CONT'D)

9. ACKNOWLEDGE that increased costs and insufficient revenues may result in Bielensohn Hearings being required;
10. 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;
11. DIRECT the County Administrator to continue to make this information readily available to the residents of the County;
12. 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;
13. DIRECT the County Administrator to return to the Board of Supervisors on April 16, 2019 with a FY 2019/2020 Recommended Budget that meets the above requirements;
14. DESIGNATE Tuesday, April 16, 2019 for FY 2019/2020 budget hearings and Tuesday, May 7, 2019 for the adoption of the FY 2019/20 Recommended County and Special District Budgets; and
15. 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 FY2019/2020 and improve it in subsequent years.

BACKGROUND:

The Board of Supervisors, Department Heads, and our Employees worked and sacrificed to stabilize the County's finances during the last decade. Now our task will be to continue this legacy so as to prevent a return to those years in which we were making painful cuts to programs and to the staff that was necessary to provide those services.

There are always factors over which the County has little or no control (such as federal and State budgets actions, economic changes, and demographics) that will affect the size of the baseline budget and ultimately challenge the County's budget. Over the next five years we can expect more fiscal volatility due to the Federal Tax plan, State legislative action, as well as negotiated wage and benefit increases.

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 265.472 in October 2017 to 275.686 in October 2018. Rounded to the nearest one-thousandth of 1 percent, this is an increase of 3.847 percent. Accordingly, we will prepare our 2019 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 8. 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, 2019. Per the norm, 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 2019/20 Recommended Budget document will be available to the public on April 5, 2019.

Conclusion

The County Administrator will return to the Board on April 16 with a FY 2019/20 Recommended Budget that meets the requirements listed above. Tuesday, April 16 will be reserved for FY 2019/20 budget hearings including Bielensohn hearings if needed. Additionally, it is recommended that the County Administrator return to the Board of Supervisors on Tuesday, May 7 for adoption of the FY 2019/20 Recommended County and Special District Budgets, including any changes the Board makes on April 16.

CONSEQUENCE OF NEGATIVE ACTION:

Delayed processing of the FY 2019/20 Recommended Budget and potential impact on the fiscal stability of the County and Special Districts.