



**Butte County Administration**

Paul Hahn, Chief Administrative Officer

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*Members of the Board*

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June 13, 2017

TO: Board of Supervisors  
FROM: Paul Hahn, Chief Administrative Officer  
SUBJECT: Recommended Budget for Fiscal Year 2017-18

On behalf of the staff of Butte County, I am pleased to present to the Board the Recommended Budget for fiscal year 2017-18. The budget is balanced and represents a responsible and prudent spending plan for the upcoming year. The climb out of the great recession has been a long and difficult one, not just for Butte County, but for the State and the nation as well. During this period, under the leadership of the Board, we have made great strides in ensuring fiscal stability, while at the same time implementing numerous initiatives to better position the County financially for the future.

The fiscal year 2017-18 budget will be the last I present to the Board for consideration before I retire. In 2011, when I presented my first budget to the Board, I laid out several challenges that I anticipated the Board would need to address, and since that time numerous other challenges have arisen that have had financial implications on the County. In every case, the Board and County staff recognized the issues and set a responsible path toward success. I am extremely proud of the Board and County staff for addressing these items head-on and not shirking the hard decisions. These include the following:

- Implemented a plan to pay down and eventually eliminate any unfunded liability for our retiree health care programs;
- Implemented a plan to pay down both the principal and interest for our existing Pension Obligation Bonds;
- Reduced a significant backlog of deferred maintenance for our facilities;
- Continued progress on an extensive Capital Improvement Program to replace aging, and in some cases, substandard buildings that have lasted well beyond their expected lifespan;
- Adopted a Debt Management Policy to assure that any long term debt decisions go through a thorough vetting process prior to Board consideration;
- Increased our General Fund Reserves to achieve a reserve level recommended by Government Finance Officers Association to better position the County to survive the next economic downturn;
- Upgraded our financial management system to gain efficiencies, improve reporting, and better monitor the entire County financial position.

In addition, this last year saw several other critical items addressed. These include:

- Agreed to three-year contracts with all of our labor units. After seemingly constant bargaining over the last seven years, we will have a few years of labor stability in our contracts along with compensation enhancements that will improve our overall ability to recruit and retain employees;
- Analyzed the structure of our fire services and started discussing options around finding a more sustainable model;
- Approved the financing and began construction to update our outdated radio system to provide better communication and greater public safety for many departments; and
- Addressed unexpected costs and operational issues associated with the Oroville Dam Spillway incident.

Unfortunately, even with all these fiscal challenges successfully addressed, new challenges continue to emerge that result in our need for continued vigilance to find avenues to reduce expenditures. These new challenges include:

- Properly preparing for significant increases over the next seven years in our CalPERS retirement payments to fund employee pension obligations. While the County has made progress in recovering from the recession, CalPERS investment returns have not and continue to lag behind previous projections, resulting in the CalPERS Board increasing the County's share to make up for the deficits. These increases are projected to cost the County millions of dollars over the next seven years;
- The potential shifting of more costs associated with In-Home Supportive Services (IHSS) to the County. Such a shift could be a multi-million dollar hit to the General Fund, with costs continuing to escalate yearly. While possible fixes to mitigate this cost shift are ongoing at the State level, the County will face significant cost increases for this program;
- Likely reductions in federal revenues for a variety of programs based on the current political climate; and
- Planning for potential increased operating costs when the new jail opens.

Even in a relatively good economic time, there are a number of known challenges on the horizon. In addition to these known challenges, there are certain to be new or unanticipated ones. We, as an organization, need to be proactive in preparing for these challenges now. I am recommending a Countywide and General Fund budget that reduces overall expenditures, which results in a reduction of nearly 80 positions. Further, I expect the next two to three years to be equally or more challenging as we continue to adapt to these increasing expenditure pressures. While this may seem like a broken record to some who follow our budget, the reality for all county governments is that we never seem to get completely ahead. Providing State and federal programs, as well as municipal services, means that we are constantly subject not just to whims of our local economy, but also to the political and economic winds of our State and federal partners. Counties simply do not control their own destinies. While we continue to make progress and the economy continues to grow at a slow pace, continued fiscal vigilance is necessary to ensure that the services we provide our residents are minimally impacted while we continue to tackle a revenue base that is not growing as fast as our expenditures.

In conclusion, this will be my 27<sup>th</sup> budget in my county career. A steadfast truth I have learned over that time is how important a good budget team is to the success of the organization. The team assembled here in Butte is simply outstanding, from the department analysts who build the budgets, to the department heads who review and submit them, to the talented group of budget liaisons and deputies in my office that review, make recommendations, and assemble the document. The Board and residents of Butte County are being well served. I also know that when I pass on the torch to a new Chief

Administrative Officer that the fiscal team in Butte County will carry on in a manner that will assure everyone of strong fiscal management.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Paul J. Hahn". The signature is fluid and cursive, with a large initial "P" and a long horizontal stroke at the end.

Paul J. Hahn  
Chief Administrative Officer