

## BUDGET TREND ANALYSIS

The Budget Trend Analysis projects future budget trends based on current appropriations and revenues in the General Fund with anticipated cost/revenue growth over the analysis period. Since this analysis is based on many assumptions, even a minor change in any of the assumptions can make a significant difference to the budget trend. For example, if property tax revenues grow by 5% for fiscal year 2018-19 instead of the currently projected 4%, revenues would increase by over \$600,000 per year. Similarly, if a special district for fire protection is created and the County contribution to the special district is capped at the fiscal year 2017-18 amount the projected fiscal year 2021-22 deficit would be reduced by \$3.3 million. Currently the CAL FIRE agreement is expected to increase by 5% per year.

Each year, the assumptions contained in the analysis will be refined with the most up-to-date information, and the projections will be adjusted accordingly. Using the fiscal year 2017-18 Recommended Budget, current trends are analyzed and forecasted through the fiscal year ending June 30, 2022. Key assumptions included in the analysis are detailed below.

The Budget Trend Analysis shows that based on current projections, ongoing revenues in the General Fund are short of anticipated demand by roughly \$4.7 million by the fiscal year 2021-22.

### Budget Trend Analysis

Through Fiscal Year 2021-22

GENERAL FUND	Recommended Budget 2017-18	Forecasted Budget 2018-19	Forecasted Budget 2019-20	Forecasted Budget 2020-21	Forecasted Budget 2021-22
<b>ESTIMATED DEMAND:</b>					
Employee Compensation	92,847,247	97,579,036	101,175,632	105,005,147	108,634,937
Contingency	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
Other Expenditures	63,542,319	63,219,293	65,210,636	67,729,940	69,735,696
Use of Departmental Revenue and Obligated Fund Balance	<u>(47,836,566)</u>	<u>(48,577,314)</u>	<u>(49,739,985)</u>	<u>(50,931,529)</u>	<u>(52,152,666)</u>
<b>Net Demand For Resources</b>	<b>116,053,000</b>	<b>119,721,016</b>	<b>124,146,283</b>	<b>129,303,558</b>	<b>133,717,967</b>
<b>ESTIMATED RESOURCES:</b>					
Carryover From Prior Year*	16,600,000	16,200,000	16,200,000	16,200,000	16,200,000
Property Taxes	61,860,000	64,334,400	66,586,104	68,583,687	70,641,198
Sales Taxes	22,052,000	22,934,080	23,805,575	24,591,159	25,328,894
Other Discretionary Revenues	15,541,000	15,854,802	16,176,930	16,507,611	16,847,076
<b>Net Available Resources</b>	<b>116,053,000</b>	<b>119,323,282</b>	<b>122,768,609</b>	<b>125,882,457</b>	<b>129,017,168</b>
<b>Surplus / (Deficit) Trend</b>	<b>\$0</b>	<b>(\$397,734)</b>	<b>(\$1,377,674)</b>	<b>(\$3,421,101)</b>	<b>(\$4,700,799)</b>

\* Available Fund Balance carryover from prior year includes unexpended Contingency appropriations and departmental savings from prior year.

Key assumptions for projected expenditures include:

- Cost of living adjustments in fiscal year 2017-18 and 2018-19 based on current agreements with all bargaining groups. No cost of living adjustments beyond fiscal year 2018-19 or impacts related to the increases in the minimum wage are included in the analysis.
- Historical wage growth related to merit increases.
- County's share of health insurance costs remains the same.

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- Retiree health cost increases based on the funding strategy approved by the Board of Supervisors.
- Pension contribution increases based on estimates from CalPERS. This includes the increases related to lower anticipated interest earnings as approved by the CalPERS Board.
- Pension obligation bond repayment based on the funding strategy approved by the Board of Supervisors.
- Workers' Compensation premiums will increase 10% annually for three years and then 25% in fiscal year 2020-21 as fund balance in the Workers' Compensation Fund is utilized to smooth cost increases.
- Services, supplies, and other charges costs will increase 2% per year.
- CAL FIRE contract will increase by 5% per year based on the current agreements CAL FIRE has with its bargaining units that extend through the forecast period.
- General Fund transfer to the Social Services Fund will be approximately \$2 million per year.
- Payment to the California Department of Water Resources of \$2.2 million annually for the County's Table A water allocation will be paid with revenues from the lease of a portion of the County's Table A water allocation.
- Major building maintenance of approximately \$500,000 will be funded annually with general purpose revenues.
- General Fund Appropriation for Contingencies will be primarily unspent and be available to fund future year budgets.
- General Fund Reserve of \$8 million will be maintained throughout the forecast period.
- One-time costs of approximately \$2 million in fiscal year 2017-18 will be expended for capital and maintenance projects and other one-time projects.
- Allocated costs related to the Radio Communications Replacement Project will increase beginning in fiscal year 2018-19 and continue through the forecast period.
- Operation of the expanded jail and associated costs increases are included starting with \$720,000 per year in fiscal year 2020-21 and an additional \$480,000 per year in fiscal year 2021-22.
- Space use allowance charges related to new building projects increase starting with \$190,369 in fiscal year 2019-20, and increasing to \$658,789 per year starting in fiscal year 2020-21. The County charges departments who occupy County-owned buildings a space use allowance based on depreciation of the asset. For new buildings, depreciation is typically 2% of the cost to construct the building for fifty years. These funds are set aside in the Capital Projects Fund to fund debt service on current buildings as well as future building needs.

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Key revenue assumptions include:

- Property tax growth will average 4% in fiscal year 2018-19, 3.5% in fiscal year 2019-20 and 3% in fiscal years 2020-21 and 2021-22.
- Transfer of 10% of Public Health realignment revenues to the Social Services Fund as allowed by Government Code.
- Local and public safety sales tax receipts will grow by 4% in fiscal year 2018-19, 3.8% in fiscal year 2019-20, 3.3% in fiscal year 2020-21 and 3% in fiscal year 2021-22.
- Fines and forfeitures revenue will remain flat.
- Other revenues, including State and federal subventions, will grow at 2.5% annually.
- State or federal grant or allocation cuts will not be backfilled with County discretionary funds.
- Estimated beginning available fund balance of \$16.2 million for fiscal year 2018-19 and beyond. This includes unspent General Fund Contingency (\$7.2 million of the \$7.5 million General Fund Contingency), \$8 million in departmental budget savings, and the receipt of \$1 million in unanticipated discretionary funds.
- Revenue does not include changes related to the user fee study scheduled for consideration by the Board in June of fiscal year 2016-17.