



Butte County Administration

Shari McCracken,
Chief Administrative Officer

25 County Center Drive, Suite 200
Oroville, California 95965

T: 530.552.3300
F: 530.538.7120

buttecounty.net/administration

Members of the Board

Bill Connelly | Maureen Kirk | Steve Lambert | Doug Teeter | Larry Wahl

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TO: Board of Supervisors
FROM: Shari McCracken, Chief Administrative Officer
SUBJECT: Recommended Budget for Fiscal Year 2018-19

On behalf of the staff of Butte County, I am pleased to present to the Board the Recommended Budget for Fiscal Year 2018-19. The Recommended Budget is a balanced, responsible, and prudent spending plan for the upcoming year. It includes growth in discretionary revenues, but not enough to keep up with cost increases, resulting in reductions in many departments, including a net reduction of 61.5 allocated positions, contracted services, or other services and supplies. The Recommended Budget prioritizes public safety and vital services for our residents while staying within the available State, federal, and local resources. It maintains the \$8 million General Fund Reserve and sets the General Fund Appropriation for Contingency target at \$7.2 million, or 5% of prior year operating expenses, which is consistent with the County's General Fund Reserve Policy.

Under the leadership of the Board, the County has made great strides to ensure fiscal stability now and into the future by making timely reductions, operating within available resources, and implementing numerous initiatives to better position itself. The Recommended Budget continues this trend by making budget reductions where necessary and funding initiatives to pay down the unfunded liability that exists in the retiree health program as well as pension obligation bond debt.

Some may be surprised to hear that the County is making reductions when the State continues to bring in higher than anticipated revenues. Unfortunately, the County is not seeing the same level of revenue growth as the State or many of the wealthier counties. In addition, the County also continues to be impacted by decisions made at the State level that are not within the control of the Board of Supervisors. Many of these decisions result in changes to mandated programs that eat away at the available resources within the control of the Board, leading to frustrated residents that see declines in local services.

In addition to the challenges presented by the State, the County also faces other local challenges due to its unique circumstances. The County receives one of the lowest share of property and sales tax revenues in the State; has a higher than average number of individuals and families living in poverty and needing safety net services; and hosts the State Water Project's Lake Oroville Facilities, which requires the County to subsidize the State millions of dollars through providing services to visitors of the Project. The local residents also feel the impact of having the visitors of the Lake Oroville Facilities on our roads, in our community, and utilizing our services.

Your Board and County staff address these unique challenges each year, whether through identifying revenue-generating solutions and program efficiencies, or making reductions when required. This year is no different; department heads and employees should be commended for strategic decisions made throughout the year that translate into a responsible and prudent Recommended Budget.

While the Recommended Budget represents our best estimates of what may transpire over the next fiscal year, there are a number of key issues with impacts on the County in future years that staff will continue to work on, including:

- Analyze options that could result in a mechanism for residents to voluntarily fund enhanced services above the base level the County can provide, and implement as directed by the Board.
- Continue negotiations with the California Department of Water Resources to provide reimbursement to the County for subsidizing the Lake Oroville project facilities, which provides water to over 23 million people south of Butte County.
- Develop a strategy for Board consideration to address rising pension costs, which are anticipated to increase rapidly over the next ten years.
- Monitor the cost of the In-Home Supportive Services (IHSS) program. The State funding for this program is projected to decrease significantly in future years, which will increase the County's share of the program unless a solution can be found.
- Plan for ongoing increased operating costs when the expanded Jail opens (approximately 2021).
- Continue monitoring economic indicators for any downturn and make timely budgetary decisions to keep the County on stable financial footing.

As an organization, we will remain proactive in preparing for the future and be vigilant in looking ahead as we continue to face the challenge of expenses rising at a higher rate than our revenues. While this may seem like a broken record to some who follow our budget, the reality for county governments is that we never get completely ahead.

Finally, I must acknowledge 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 heads who strategically manage their budgets each year to meet current service needs while planning for what the next budget year financial resources might support, to the department fiscal staff who build the budgets, to the talented group of budget staff in my office that review, make recommendations, and assemble the document. The Board and residents of Butte County are well-served by our team.

Respectfully submitted,



Shari McCracken
Chief Administrative Officer