



**Butte County Administration**

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*Members of the Board*

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June 11, 2019

TO: Board of Supervisors  
FROM: Shari McCracken, Chief Administrative Officer  
SUBJECT: Recommended Budget for Fiscal Year 2019-20

I am pleased to submit for your consideration, the Fiscal Year 2019-20 Recommended Budget. In doing so, I must acknowledge the devastating effects of the Camp Fire, which will linger well beyond the next fiscal year. The Camp Fire has forever changed the lives of so many of our residents and employees and I commend their resilience and dedication as we strive to recover and rebuild our communities. The Recommended Budget is as balanced, responsible, and prudent of a spending plan for the upcoming year as can be provided, given the financial uncertainties the County faces post-Camp Fire. It reflects that we are facing a period of significant challenges and was designed to provide a year of stability to the County organization and the residents that depend on us, as we learn what the County's new financial reality will be. It reflects very few changes to current year services, aside from resources needed for Camp Fire recovery efforts. The Recommended Budget maintains the \$8 million General Fund Reserve and sets the General Fund Appropriation for Contingency target at \$7.3 million, or 5% of prior year operating expenses, which is consistent with the lower end of the County's General Fund Reserve Policy.

Over the years, your Board has made progress towards attaining a financially sustainable budget by making timely reductions, operating within available resources, and implementing numerous initiatives to address unfunded liabilities. The Camp Fire impacted the path we were on and added new financial challenges that may require future budgetary actions once the full impacts are known. The Camp Fire was the most destructive wildfire in California history and the cost of response and recovery has been staggering. I commend the way our communities have come together, whether through informal organizations led by residents, or with assistance from State and federal agencies, the private sector, other jurisdictions, and nonprofit organizations, to address the overwhelming needs during and after the fire. I am humbled by the heroic and tireless efforts made by County employees, residents, and all of our partners who worked together in the face of such an unparalleled disaster.

We would be looking at quite a different budget scenario had the State not committed to providing three years of property tax backfill. In addition, the budget is predicated on CAL FIRE assisting with approximately \$2 million in contract support for the County. If CAL FIRE is unable to assist, then reductions, primarily in public safety, will have to be considered. With CAL FIRE's assistance, I can recommend what I would characterize as a *status quo* budget, with very little change in service levels except those tied to Camp Fire recovery efforts. Though the budget provides stability to the organization,

we will need to be extremely attentive to the ever-changing environment in the next fiscal year, until we know the long-term impacts of the Camp Fire on the County's finances. Additionally, the Recommended Budget is balanced upon savings from suspending the General Fund transfer to the Sheriff and Fire equipment replacement funds for one year, which is a one-time resource. This temporary suspension does not jeopardize equipment replacement as the funds have sufficient balances to continue our replacement schedule in the short-term. This Recommended Budget allows the County to take the next fiscal year to understand what our new *normal* might be.

As mentioned previously, we are facing an unprecedented number of uncertainties in the future, in addition to costs increasing faster than revenues. Some of the risks and uncertainties for this upcoming year include:

- County costs, reimbursement, and eventual audit of Camp Fire related expenditures;
- Impacts on County discretionary revenues including property tax, franchise fees, Teeter Plan, and sales tax;
- Unknown short and long-term economic impacts in the County;
- Repair of damaged infrastructure from multiple disasters in 2017 and 2018;
- Planning for, and prevention of, future catastrophic wildfires throughout the County;
- Increased demand for services in support of rebuilding and recovery efforts;
- Unfunded liabilities for pension and retiree health obligations;
- Increasing entitlement program costs;
- Increasing liability and workers' compensation costs;
- Deteriorating infrastructure and increasing construction costs related to multiple disasters throughout the State;
- Employee recruitment and retention challenges;
- Local housing shortages and homelessness; and
- The possibility of the next economic downturn in 2020.

The County continues to work diligently on all items related to the devastation caused by the Camp Fire. In addition, we are addressing some of the non-Camp Fire related challenges by implementing a new pension strategy and continuing implementation of the retiree health and pension obligation bond repayment strategies. We are looking at options for further incorporating support for housing and homelessness into our organization, in coordination with our partners in both the public and private sectors. Other opportunities lie ahead, as the County continues to negotiate settlements with PG&E and the California Department of Water Resources on impacts inflicted by their operations on the residents of Butte County, as well as future implementation of a funding strategy to fill the gap between the cost of the level of fire services desired by residents and the financial resources available to the County.

While the Camp Fire has taken most of our attention since November 8, 2018, the Board of Supervisors can also be proud of the County's accomplishments during fiscal year 2018-19. Some of the accomplishments include:

- The Sheriff's Office, in partnership with the Behavioral Health Department, implemented a Mobile Crisis Team in the southern portion of the County.
- Public safety personnel received naloxone hydrochloride to provide intervention in cases of opioid overdose.
- The Information Systems Department utilized the County's new radio system to improve communications during the Camp Fire.

- The Library received Family Literacy funds to serve low-literate adults and their families.
- The Probation Department received a four-year grant to expand and improve Drug Court services.
- The Departments of Employment and Social Services and the Treasurer-Tax Collector implemented a collaborative program to mitigate homelessness in vulnerable adults, by identifying and assisting senior and disabled property owners at risk of losing their homes due to defaulted property taxes.
- The Department of Water and Resource Conservation successfully facilitated the formation of the Wyandotte Creek Groundwater Sustainability Joint Powers Agency, and continues to work on partnerships in other groundwater areas.
- The Fire Department obtained a two-year grant to assist in recruiting volunteer firefighters, as well as providing uniforms and protective equipment for volunteers.
- The Auditor-Controller's Office, working with administrative staff throughout the County, received the Government Finance Officers Association *Certificate of Achievement for Excellence in Financial Reporting* and the State of California Office of the Controller *Award for Counties Financial Transactions Reporting*.

In closing, I want to acknowledge how important a good budget team is to the success of the organization, even more so in the challenging times we currently face. The team assembled here in Butte is 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. I am proud to be part of this amazing organization, and the Board of Supervisors and residents of Butte County are well-served by our team.

Respectfully submitted,



Shari McCracken  
Chief Administrative Officer