The Budget Trend Analysis projects future budget trends based on current appropriations and revenues in the General Fund with anticipated cost and revenue growth. 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 4.5% for fiscal year 2020-21 instead of the currently projected 3.5%, revenues would increase by over $685,000 per year. Each year, the assumptions will be refined with the most up-to-date information, and the projections will be adjusted accordingly. This year, in the wake of the Camp Fire, there are more uncertainties in future year assumptions than is typical. Using the fiscal year 2019-20 Recommended Budget and the best information available regarding what the County's new reality might look like post Camp Fire, current trends are analyzed and forecasted through the fiscal year ending June 30, 2024. Key assumptions included in the analysis are detailed below.

The Budget Trend Analysis shows that based on current projections, ongoing expenditures will outpace ongoing revenues by roughly $4.3 million by fiscal year 2023-24.

Table 1
Budget Trend Analysis
Through Fiscal Year 2023-24

GENERAL FUND	Recommended Budget 2019-20	Forecasted Budget 2020-21	Forecasted Budget 2021-22	Forecasted Budget 2022-23	Forecasted Budget 2023-24
ESTIMATED DEMAND:					
Employee Salaries & Benefits	99,941,502	102,911,824	105,283,370	111,906,655	114,187,261
Contingency	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000
Other Expenditures	65,313,330	69,313,818	70,812,660	72,956,146	74,832,697
Use of Departmental Revenue	(54,655,632)	(53,549,822)	(54,833,680)	(58,749,307)	(58,797,490)
Net Demand	**117,899,200**	**125,975,820**	**128,562,350**	**133,413,495**	**137,522,468**
ESTIMATED RESOURCES:					
Carryover From Prior Year	11,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Property Taxes	68,480,000	70,876,800	70,357,488	72,968,213	75,657,259
Sales Taxes	22,700,000	23,494,500	24,199,335	24,804,318	25,424,426
Other Discretionary Revenues	15,719,200	16,062,242	16,924,188	16,775,275	17,145,746
Available Resources	**117,899,200**	**125,433,542**	**126,481,011**	**129,547,806**	**133,227,431**
Surplus / (Deficit)	**$0**	**($542,279)**	**($2,081,339)**	**($3,865,688)**	**($4,295,037)**

Key assumptions for projected expenditures include:

- Negotiated cost of living adjustments in fiscal year 2019-20. No additional cost of living adjustments are included.
- No impacts related to increases in the minimum wage.
- Historical wage growth related to merit increases.
- County's share of health insurance costs remains the same.
- Pension contribution increases based on estimates from an actuarial firm hired by the County and the continued implementation of the County's pension strategy.

- Pension obligation bond repayment based on the funding strategy approved by the Board of Supervisors.
- Workers' Compensation costs will increase 10% annually for two years and then 30% in fiscal year 2022-23 and 10% again in fiscal year 2023-24 as fund balance in the Workers' Compensation Fund is utilized to smooth continuing cost increases.
- Services, supplies, and other charges costs will increase 2% per year.
- The budget assumes the one-time $2.14 million state support of the $16.5 million CAL FIRE contract. CAL FIRE support is not assumed in the out years. Additionally it assumed that CAL FIRE contract costs will increase 4% per year.
- The Recommended Budget assumes the one-time deferral of over $900,000 in transfers from the general fund to the Sheriff and Fire equipment replacement funds. Transfers are assumed to resume in the out years.
- The Recommended Budget assumes $255,000 in staffing costs in the budget year and fiscal year 2020-21 in the District Attorney's Office for criminal proceedings related to the Camp Fire. It is assumed that the costs will be reimbursed to the County in fiscal year 2022-23 when proceedings are concluded.
- General Fund transfer to the Social Services Fund will be approximately $2 million per year in fiscal year 2020-21 and beyond. This reflects an almost $900,000 increase from the budget year due to anticipated increases in the County's share of entitlement programs in excess of realignment funding. There is significant variability related both to the degree to which entitlement program costs grow and the amount of available realignment funds for the County's share of cost. Additionally in an economic downturn it is likely the County could have both rising costs and reduced revenue which may increase costs well beyond the projected $2 million transfer.
- 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 mostly unspent and be available to fund future year budgets.
- General Fund Reserve of $8 million will be maintained throughout the next five fiscal years.
- One-time costs of approximately $1.5 million in fiscal year 2019-20 will be expended for capital and maintenance projects and will not reoccur in future years.
- Operation of the expanded Jail with anticipated costs of $4 million annually begins in fiscal year 2022-23. Community Corrections Partnership revenues will offset some of the additional costs for the first three years. The first year of operations will be offset by $2.6 million in revenue, the second year by $1.3 million in revenue, and the third year by $100,000 in revenue. Costs and related revenues are shown in "Employee Salaries and Benefits," "Services and Supplies," and "Use of Departmental Revenue" in the analysis.

- Depreciation charges related to new building projects increase by $123,986 in fiscal year 2020-21, $6,525 in fiscal year 2021-22, $168,423 in fiscal year 2022-23 and $300,000 in fiscal year 2023-24. The County charges departments who occupy County-owned buildings a depreciation charge for the use of 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 Project Fund to fund building projects and related debt service.

Key revenue assumptions include:

- Property tax growth will be 3.5% in fiscal years 2020-21 and 2021-22, and 3% in fiscal year 2022-23 and beyond. This will vary based on the continued dissolution of Redevelopment Agencies and the timing and degree of economic changes as they relate to property value.
- Property tax Camp Fire related state backfill will continue through fiscal year 2020-21 and assumes a $3 million shortfall in fiscal year 2021-22 related to the Camp Fire decreasing by $500,000 annually. Actual results will vary based on the timing of the Camp Fire rebuild.
- Transfer of 10% of Public Health realignment revenues to the Social Services Fund as allowed by Government Code for each fiscal year.
- Local and public safety sales tax receipts will grow by 3.5% in fiscal year 2020-21, 3% in fiscal year 2021-22 and 2.5% thereafter.
- Fines and forfeitures revenue will remain flat.
- Other revenues, including State and federal subventions, will grow by 2.5% annually.
- State or federal grant or allocation cuts, should they occur, will not be backfilled with County discretionary funds.
- Estimated beginning available fund balance of $15 million for fiscal year 2020-21 and beyond. This includes unspent General Fund Contingency ($6 million of the $7.3 million General Fund Contingency), $8 million in departmental budget savings, and the receipt of $1 million in unanticipated discretionary funds.
- Other Financing Sources, which is primarily transfers to the General Fund from the non-operating funds, will grow at 2.5% annually. $1.1 million in use of restricted balances in the recommended Probation Department budget will end in fiscal year 2020-21. This adjustment is included in the "Use of Departmental Revenue" line of the budget trend analysis.
- No “carry-forward” cost allocation plan revenue in fiscal year 2020-21 or beyond. The cost allocation plan is used to allocate administrative costs and includes a prior year true up that in some years results in additional revenue to the General Fund and in other years reduces revenue to the General Fund.
- Assumes approximately $1 million in annual revenues related to the Teeter Plan which is related to the County’s distribution of Property Tax revenues. This is lower than recent years’ revenue due to anticipated increased delinquencies related to the Camp Fire.