

MARIPOSA COUNTY

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TO: Mariposa County Board of Supervisors
FROM: Rick Benson, County Administrative Officer
SUBJECT: Recommended Budget for Fiscal Year 2014-15

INTRODUCTION

Attached is the County Administrative Office's budget recommendation for Fiscal Year 2014-15. Once again this can be described as a "status quo" budget. This year's Recommended Budget does include most of the requests made by departments, with the exception of technology improvements which will be discussed later. The budget is balanced and does not rely on the use of funds set aside in prior years in order to fulfill the general goals of the County. In addition, this year's recommended budget does not include any recommendations to reduce the County workforce.

The Recommended County Budget (excluding debt service funds, internal service funds, enterprise funds and special districts) of \$93,136,000 represents a 1.2% increase from last year's adopted budget. This very modest increase demonstrates that there are very few changes in available funding sources. Particularly in those areas where your Board has discretion.

The revenues needed by departments to protect public health and safety, provide quality health and human services, protect the environment, plan for growth, renew infrastructure, enhance quality of life, and carry out other mandated and discretionary programs will remain relatively unchanged in FY 2014-15.

While most other California counties saw significant reductions during and following the recession, Mariposa County was able to avoid having to take any drastic actions. Because those counties had to adopt a much leaner framework they are now in a position to "ramp up" again. Mariposa, on the other hand, is only showing modest growth. Over the years all of your Department heads have been carefully managing their limited resources.

The Transient Occupancy Tax (TOT) remains the foundation of Mariposa County's discretionary revenue. After three years of record-setting collections, there was a very slight dip in Fiscal Year 2012-13. In Fiscal Year 2013-14 TOT revenues bounced back and once again reached a new high of \$11.6 million. This occurred despite the short term closure of Yosemite National Park which, undoubtedly, had a negative effect on revenues. We expect these revenues to continue to be reliable during the upcoming

year and are projecting a modest increase over the budgeted figures for Fiscal Year 2014-15. It should be noted that these revenue projections do not assume that the proposed increase in TOT will be approved by voters. Should that approval occur there will be additional funds available to address some of the County's pressing needs.

Property taxes are expected to remain stable since local commercial and residential real estate values have not shown any appreciable changes. Sales Tax revenues are extremely difficult to predict. Sales Tax revenues were down slightly from the previous year; however, we are incorporating a modest increase for the upcoming year.

The budget is balanced with an assumed carryover balance, as the final number is not available. However, we have no reason to believe that the carryover balance will not reach the projected figure and it may come in slightly higher. If the carryover balance does not reach projections it may be necessary to make adjustments.

Although not yet completed, there was significant work done on the fourth new fire station during Fiscal Year 2013-14 and it is expected to be open very soon. We continue to have significant demands for funds in order to maintain County facilities including the historic courthouse.

During Fiscal Year 2013-14 property owners reapproved the CSA #3 assessment for fire engines and fire station improvements. This will allow the County to continue to provide for this important public safety function.

While there is only a small increase in discretionary revenues, this year's budget has had to absorb increases in employee compensation costs. Recognizing the importance of maintaining a quality workforce, modest compensation increases were approved. The County's CalPERS obligation continues to increase, however, Fiscal Year 2013-14 saw the promised turnaround in the County's unfunded liability obligation due to the County's participation in the CalPERS fresh start program which ultimately will pay off that obligation. Your Board should be reminded that because of this program and the ultimate goal of reducing the unfunded liability additional funds are being channeled to CalPERS which would otherwise be available for other County functions.

Budget Concerns

There are fewer overall budget concerns looming for Mariposa County than in recent years. The County has proactively refinanced the debt on the Administrative Center which reduced payments and freed up some resources for major maintenance. Likewise, the fire engine lease has been renegotiated which will reduce finance spending by over \$600,000 over the next nine years.

The overall economy and State Budget are more stable than just a few years ago. If this trend continues Mariposa County will improve its financial position. Implementation of the State's new realignment funding formula and associated responsibilities has so far been smooth in Mariposa County, however we will continue to monitor the situation, as there are a number of calls to revamp the formula.

We do not expect there to be any major negative impacts on the County budget coming from the state. The Williamson Act is again not being funded this budget year and although a crisis was avoided some Federal transportation dollars remain uncertain for future years.

Tourism remains strong. Due, in large part, to the efforts of the Tourism Bureau, visitors continue to take advantage of the sights Mariposa County and Yosemite have to offer. Purchases made by tourists

continue to lag behind the levels of just a few years ago. This reduced spending continues to ripple through the local economy as evidenced by the reduction in Sales Tax collected last year.

The County continues its participation in the “fresh start” program through CalPERS. This will lead to a reduction in the liability over time but does put added pressure on the budget. The rates for FY 2015-16 will be released in October and there are some reports that they will be significantly higher. Our CalPERS obligation remains one of the greatest unknown factors in the County budget from year-to-year. The County continues to monitor the market for the opportunity to issue pension obligation bonds which may ultimately provide a better option for retiring the \$18+ million obligation.

The County should expect some increase in labor costs. Mariposa County is scheduled to enter into negotiations with both of the non-safety bargaining units this fall. Department heads, as a group, have not seen any change in compensation in over five years. This may be addressed as part of the budget process. Throughout California many municipal entities, which often serve as a benchmark for comparison, are seeing an end to furloughs and/or other rollbacks.

As always, the County grapples with cost factors beyond our control. Energy costs continue to be monitored as they can have a major effect on all departments. The Recommended Budget is crafted with the assumption that there will be only modest increases in energy costs. We continue to struggle with managing the costs associated with defending indigents within the court system. The costs associated with prosecuting, monitoring and confining criminals continue to fluctuate but generally trend higher within our County.

There is still uncertainty surrounding implementation of the Affordable Care Act and the California specific program, Covered California. It is not expected that this program will have budgetary effect on the County; however, workload at the Human Services Department has increased.

Building activity remains at a low level. As an enterprise fund, the Building Department has made adjustments in response to activity level. Efforts have been made to better define the General Fund contribution to this Department for activities which are not covered by fees. However, this department continues to operate with minimal staff.

The Recommended Budget continues to include the traditional significant funding of the Tourism Bureau. Depending on the results of the TOT election there may be major changes in funding during the next fiscal year. Recognizing the importance of attracting visitors to our County, this funding must always receive careful consideration. Tourism is not just the engine that drives the County government but also provides a large majority of the private sector jobs within Mariposa County. This year’s Recommended Budget includes funding for the Yosemite Renaissance, Arts Council, and North Side Museum. Funding for the contract to operate the two Visitor Centers is recommended. Funding also continues for the Mineral and Mining Museum.

The Recommended Budget also continues to provide funds for the replacement of the new fire engines. When property owners initially approved the assessment for the purchase of fire engines the County made a commitment to assure that a replacement fund would be established. That commitment continues with the reaffirmation last year. The new fleet of 12 engines and four water tenders requires that \$197,000 from the General Fund be allocated for replacement.

PROVISIONS FOR RESERVES AND CONTINGENCIES

The County's financial soundness depends greatly on its ability to maintain sufficient reserves so that it can weather year-to-year swings in revenues and handle unexpected revenue disruptions. Therefore, the County Administrative Office recommends that if additional funds become available they be used to replenish the designation for unfunded pension obligations. Funds were withdrawn from this account to balance previous' budgets and to help finance the new fire stations.

It is also recommended that a contingency fund of \$394,000 be set aside for unanticipated expenses during the upcoming year. This is less than ideally would have been recommended.

Strong cash balances are not only prudent; they assure financial markets that the County can survive negative State budget impacts and/or downturns in economically sensitive revenues. It is likely that the County will need to finance some future capital expenditures. Therefore, it is absolutely vital to preserve investor confidence in the County's long-term financial flexibility and creditworthiness, which translates into excellent credit ratings and ensures the County's access to financial markets at the most favorable interest rates when needed.

PROGRAM IMPACTS

If adopted as proposed, the Recommended Budget will have no impact on service delivery. All departments report that they will be able to maintain current service levels.

PERSONNEL REQUESTS

Normally, several personnel requests are made by departments in conjunction with the budget. Due to the recent departure of the Human Resources Director departments have been asked to defer any requests at this time. With exception of the Human Services Department no position increases are anticipated. Human Services is requesting two new positions. These requests have been reviewed and are recommended.

ACCOMPLISHMENTS & GOALS

At your Board's direction, departments were once again requested to submit a listing of significant accomplishments and goals for the upcoming year. This has been incorporated into the budget package.

CONCLUSION

The FY 2014-15 Recommended Budget is a status quo spending plan. It continues our tradition of being fiscally prudent and structurally balanced, with current year estimated revenues matching current year anticipated expenses. The Recommended Budget continues to address the County's unfunded liability. Given the current economic conditions, this Recommended Budget allows the County to provide its primary services and does not contemplate a reduction in services.

This budget relies on several revenue assumptions. Any significant divergence from those assumptions will require corrective action by the Board of Supervisors at the midyear review or earlier if circumstances warrant. However, there is very little likelihood that a need to take such action will occur this year.

The Recommended Budget allows the County to maintain reserves to enable the County to weather future fluctuations in available resources. Fiscal prudence dictates holding those reserves. The County must also continue its efforts to encourage the Legislature and State Administration to remember the State's fiscal responsibility to mandated programs, which claim more than half of the County budget.

The Budget Hearings will provide opportunities for members of the public to comment on the budgetary recommendations presented here. It is our opinion that the Recommended Budget not only meets the County's legal obligations and responds to the needs of the County's citizens, but also is both structurally sound and sustainable into the future.