INITIAL FISCAL YEAR 2019/20 BUDGET PREPARATION ASSUMPTIONS

Revenues

- Property Tax Revenue to increase by 3.75% from the corrected Property Assessment Roll as of most recent close of the Assessment Roll in July 2018.
- State funding for Public Safety Services (Proposition 172) based on statewide sales tax and a statewide distribution formula. This critical funding source accounts for over 50% of Public Safety Departments Intergovernmental revenues. Prop. 172 funding is projected to increase by 2% from Midyear FY2018/19.
- Assume Revenues from the State for AB 109 to decrease in available unspent carryforward, requiring an overall reduction in AB 109 spending to align appropriations for programs and services with available funding.

Expenditures

Labor Cost:

- Include the annualized cost of new positions added in FY2018/19.
- Retirement (PERS) Rates: Retirement rates vary for each of the individual department's employees, depending on the terms of the MOU of the employee's Bargaining Unit. Due to the California Public Employee Retirement System's (CalPERS) current design of the County's retirement benefit plans, the County's share of retirement rates are increasing as shown below:
  - Miscellaneous – from 22.939% in FY2018/19 to 25.271% in FY2019/20
  - Safety – from 30.258% in FY2018/19 to 32.550% in FY2019/20
- Pension Obligation Bonds (POB): The amount needed to pay the principal and interest in FY2019/20, as a percentage of the total payroll, results in the following rates:
  - Miscellaneous – from 1.543% in FY2018/19 to 1.525% in FY2019/20
  - Safety – from 2.708% in FY2018/19 to 2.744% in FY2019/20
- Health Insurance Rates: Salary Projections for FY2019/20 reflect a 10% increase for calendar year 2020 Health Insurance rates.

Insurance Costs:

- Liability Insurance: The liability insurance premium cost for FY2019/20 reflects an increase of $1,317,923 over FY2018/19, and there is no available fund balance to reduce charges to departments. As a result, departmental charges will increase $1,416,206. However, individual departments may see increases or decreases in their rates based on their respective loss experiences; but most departments will see an increase.

- Property Insurance: In FY2018/19, the County utilized $130,000 in available fund balance to offset charges to departments. For FY2019/20, the County will utilize $470,000 of available fund balance to offset charges. Additionally, property insurance premiums have increased $210,448 above current fiscal year premiums. Combined, these factors result in a decrease of $130,937 over FY2018/19 charges to departments.

- Workers' Compensation Insurance: The FY2019/20 rates have been developed based on an Actuarial Confidence Level of 75%. Workers' compensation insurance premiums for FY2019/20 reflect an increase of $469,000 and workers' compensation insurance claims reflect a decrease of $1,505,390. Combined, these factors result in a decrease of $1,069,000 over the FY2018/19 charges to departments. However, departmental charges are based on loss experience, so departments may see a decrease or increase in their respective charges.

- Unemployment Insurance: In FY2018/19, the County utilized $70,388 in available fund balance to offset charges to departments. For FY2019/20, there will be no utilization of available fund balance to reduce charges to departments. As a result, the FY2019/20 charges to departments will increase $179,323. Additionally, unemployment insurance claims are expected to increase by $37,211. This translates to an increase from 0.0809% of budgeted payroll costs in FY2018/19 to 0.1508% in FY2019/20.

Other Expenditures:

- In-line with the 2016 Facilities Condition Analysis, the County is required to maintain a minimum investment of $3 million annually to maintain the facilities portfolio in “Good” condition. It is anticipated that this cost will continue to be funded through the Capital Renewal Reserve (Deferred Capital/Maintenance Projects).
- It is anticipated that discussions will continue with the Board on the funding of rising pension costs and unfunded liabilities, and the County will continue to look at Pension Obligations and strategies to address this rising County Cost.
- It is anticipated that there will be limited changes to the total General Fund allocated to Contributions to Non-County agencies, while the consultant and Board Committee continue to work on the Human Services needs assessment.

Initial Projection of Fund Balance:

- Projected Fund Balance of $23.9 million at year end, June 30, 2019.
- General Fund Contingency is anticipated to be in a range of $10 to $12 million in FY2019/20.
- Draws from the Unfunded Employee Leave Payoff Reserve, Capital Renewal Reserve, Employer PERS Rate Increase Reserve and the General Reserve, may be required to finance the operational deficit in FY2019/20.