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TO: THE RESIDENTS OF THE COUNTY OF VENTURA

In accordance with the provisions of Sections 29000 through 29144 of the California Government Code, the County of Ventura presents the Fiscal Year (FY) 2016-17 Adopted Budget, adopted by the Board of Supervisors on June 20, 2016 and balanced based on financial information available at that time.

The FY 2016-17 Adopted Budget is the plan of financial operations for departments, agencies and special districts governed by the Board of Supervisors. The budget contains estimated expenditures for the fiscal year and the proposed means of financing those expenditures. The budget document is available at the Auditor-Controller's website noted below. Following is a summary of the budget document.

BUDGET OVERVIEW

Total budgeted appropriations for the General Fund and Non-General Funds, including fixed assets and debt service, increased to \$2.16 billion, representing an increase of 5.9% over the prior year. The increase is primarily attributed to social, health and safety services, which are primarily funded by additional Federal and State revenues. The FY 2015-16 total actual expenditures of \$1.89 billion were 14.6% lower than the FY 2016-17 budgeted appropriations.

In the General Fund, appropriations of \$1.05 billion have increased by \$48.57 million, or 4.8% over the prior year adopted budget. The increase in appropriations is primarily due to increases in salaries and employee benefits, including negotiated and market based adjustments for employee salaries. Additionally, there are increases in salaries and benefits associated with increased eligibility staffing in the Human Services Agency (HSA) and Health Care Agency (HCA) as the number of MediCal enrollees has increased continuously during the past several years. There are also significant workforce expansions in adult services, children and family services, and foster care Mental Health services. These increases are primarily offset by increases in direct department revenues supporting the program expansion and additional general purpose revenues.

Total budgeted revenues of \$2.04 billion increased \$142.19 million, or 7.5% over the prior year adopted budget. The increase in General Fund revenue is \$48.57 million consisting of property taxes, charges for services and other financing sources. Charges for services includes increases in Sheriff's city contracts, landfill surcharge sustainability fees, and election related charges. Other financing sources includes revenue to fund continued investments in technology and infrastructure projects. Non-General Fund revenue increases are primarily attributed to the Ventura County Medical Center (VCMC) of \$75.36 million and Mental Health Services Act (MHSA) of \$9.76 million. The FY 2015-16 total actual revenue of \$1.89 billion was lower than the FY 2016-17 budgeted revenues by 8.1%.

The County's budget is based on several significant principles and guidelines established by the Board of Supervisors. These principles and guidelines are necessary to ensure adoption of a workable and balanced General Fund budget for FY 2016-17, further stabilize the current and longer-term County General Fund financial situation, and prudently prepare for uncertain economic conditions and potential additional State or Federal budget impacts. These principles and guidelines include:

- A structurally balanced budget where ongoing requirements are financed with ongoing revenues.
- Progress toward an adequate funding level for General Fund Unassigned Fund Balance.
- Year-end fund balance or carryover for the General Fund is not an ongoing available financing source, but should be used to maintain policy-set fund balance levels and finance one-time expenditures.
- Budget adjustments will occur as the fiscal year progresses to reflect reasonable and conservative fluctuations in revenue and expenditures.
- Recommendations comply with the Public Safety Ordinance 4088 settlement agreement.
- New programs or expanded service levels are generally offset by new revenue or net cost reductions in other existing programs.
- Continued efforts by every department to reduce overhead and administrative costs while maintaining priority services. Enhance cost effectiveness with various initiatives launched by the Service Excellence Program through Lean 6 Sigma projects, and alignment to the County's Five Year Strategic Plan.
- State or Federal funding reductions for specific programs and services offset by corresponding cuts in the same department budgets and programs, or offset by alternative revenue or net cost decreases in other department programs.
- Focus on ensuring sufficient resources to meet core County service needs by defining department budget priorities and implementing Performance Measurement to establish and monitor efficiency.
- Continuous monitoring of the County's financial condition with focus on long term financial viability and integration of the use of multi-year forecast as a guide to maintain structural balance.

BUDGET HIGHLIGHTS

- The adopted budget includes appropriations for negotiated salary increases and modest market based salary adjustments. It also includes funding to incorporate known Federal Health Care Reform program changes and to maintain expanded services in Affordable Care Act (ACA), Mental Health services for foster children, Katie A and expansion of Continuum of Care Reform for foster youth as well as adult protective services, in-home support services and children and family services. In addition, funding is included for the Property Tax Assessment and Collection System and improvements at the Medical Examiner's facility as continued investments in technology and infrastructure respectively. In addition, VCMC expects to open its new \$305 million hospital replacement wing during FY 2016-17.

- The actuarially determined composite employer contribution rate decreased from 28.11% to 27.77% of covered payroll. The rates are applied to a higher payroll, resulting in an increase in retirement costs of approximately \$12.16 million over last year's budgeted amounts. New demographic and economic assumptions on assumed rate of return and the inflation rate, and across the board salary increases will have a negative effect on employer contribution rates beginning FY 2016-17.
- Unfunded and unrecorded Actuarial Accrued Liabilities for the Management Retiree Health Benefits Program and the Subsidized Retiree Health Benefits Program are \$12.97 million and \$15.99 million, respectively.
- California Legislation (AB 403) mandates Continuum of Care Reform for foster youth. With its implementation beginning in January 2017, inadequate funding and increased workload is expected. However, it is anticipated that there will be an offset of costs savings from the reduced number of children housed in congregate care when the number of foster parents increases because of the program.
- The ACA continues to impact the County both as a service provider and as an employer, resulting in increased County costs due to eligibility service demands. Expanded MediCal and Covered California programs under ACA have necessitated the need for increased staff and contract resources for both HSA and HCA. During the three-year period ending February 2016, the County experienced a 97% increase in MediCal participants, from 112,000 to 221,000. Additional positions have been added to meet the growing demands, but there will be no increase in General Fund net cost for the HSA positions because the costs will be covered by Federal and State MediCal allocations.
- Behavioral Health Department (BHD) continues to design and implement programs that are efficient, effective and evidence based, with total program appropriations of \$167.45 million. BHD has fully embraced the ACA, and expanded program services to include Laura's Law, a new Mental Health Rehabilitation Center, and Children's Crisis Stabilization and Short-Term Crisis Residential programs.
- Public Safety Realignment enters its fifth year of the comprehensive shift of criminal justice responsibilities from the State to local jurisdictions. The 2016-17 budget includes \$19.33 million in appropriations, but only \$17.86 million in State sales tax revenue, resulting in a \$1.47 million operating deficit, which will be covered by restricted program revenues.
- General Fund secured property taxes are budgeted at \$195.50 million, an increase of \$6.40 million or 3.4% over the prior year. Countywide, the secured property assessed valuation of \$119.74 billion has increased by \$4.50 million, or 3.95% compared to the prior year.
- Total General Fund Unassigned Fund Balance is \$135.99 million, an increase of \$5.00 million or 3.8% over the prior year adopted budget.
- General Fund full-time equivalent (FTE) positions is 5,318, an increase of 88 or 1.7% over the prior year adopted budget. The key component of the FTE increase is in the area of health and human services. Total County FTE positions is 8,986, an increase of 154 or 1.7% over the prior year.

Non-General Fund

- VCMC's budgeted revenues increased by \$75.36 million due to projected increase in average daily census, clinic visits, emergency room volume, trauma cases and surgeries. Correspondingly, appropriations for expenditures increased \$68.61 million over prior year adopted budget due to continued increases in patient volume and clinic visits as well as increased debt service for the new hospital replacement wing.
- MHSA revenue is projected to increase \$9.76 million over prior year adopted, with a related increase in budgeted expenditures of \$11.20 million as a result of service expansion. MHSA funding fluctuates with the economy and BHD employs a 5-Year Strategic Plan that utilizes draw downs from reserves to sustain program levels.
- Despite a \$2.42 million decrease in appropriations compared to prior year adopted, the Fire District's 2016-17 budget includes funding for construction of three replacement fire stations in Ojai, Fillmore and Newbury Park. The Fire District is also in the process of evaluating a land acquisition in Thousand Oaks to replace its oldest fire station, as well as a potential land purchase for a new training facility in Camarillo.
- FY 2016-17 budget for Watershed Protection District and Water & Sanitation Operations Funds decreased \$10.97 million due to closeout of Lake Sherwood CSD and completed or rescheduled capital projects.

Although the budget is balanced, significant challenges still exist that could negatively affect the County's current and future financial position. A key area of concern is State or Federal actions requiring expanded service levels in health and human services and public safety. Another concern is the impact of the market climate as it deviates from the Ventura County Employee's Retirement Association's (VCERA) assumed rate of return and the resulting effect to the County's employer pension contribution.

Governor Brown signed the State's Budget Act of 2016 on June 27, 2016. The budget prepares the State for the next recession by increasing the Rainy Day Fund and limiting new ongoing spending obligations, while paying down existing debts and investing in education.

Let us know if you have any questions, comments, or suggestions concerning the budget or regarding the finances of the County of Ventura. Contact information is noted at the bottom of the first page.

Sincerely,



JEFFERY S. BURGH
Auditor-Controller