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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) 2017-18 Adopted Budget, adopted by the Board of Supervisors on June 19, 2017 and balanced based on financial information available at that time.

The FY 2017-18 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 capital assets and debt service, increased to $2.24 billion, representing an increase of 3.6% 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 2016-17 total actual expenditures of $1.94 billion were 15.2% lower than the FY 2017-18 budgeted appropriations.

In the General Fund, appropriations of $1.08 billion have increased by $29.37 million, or 2.8% over the prior year adopted budget. The increase in appropriations is primarily due to increases in salaries and employee benefits, including negotiated and modest market based adjustments for employee salaries.

Total budgeted revenues of $2.14 billion increased $104.37 million, or 5.1% over the prior year adopted budget. The increase in General Fund revenue of $29.37 million primarily consists of increases in property taxes and charges for services offset by decrease in other financing sources. Charges for services includes increases in Sheriff's city contracts, Mental Health charges for services related to the two new residential treatment facilities, and cost allocation plan charges due to changes in the plan's methodology for recovering overhead costs and costs for the upgrade of the financial management system. The decrease in other financing sources is related to the timing of costs for the Property Tax Assessment and Collection System (PTACS) project. Non-General Fund revenue increased by $75.00 million primarily from charges for services at the Ventura County Medical Center (VCMC) and the Ventura County Health Care Plan as well as intergovernmental revenue for capital projects for the Watershed Protection District and Department of Airports. The FY 2016-17 total actual revenue of $1.96 billion was lower than the FY 2017-18 budgeted revenues by 9.6%.

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 2017-18, 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:

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- A structurally balanced budget where ongoing requirements are financed with ongoing revenues.
- Progress toward an adequate funding level for General Fund Unassigned Fund Balance. Fiscal stability requires a long-term approach.
- 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.
- 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, as well as projected employee merit increases. The budget generally maintains, but does not expand, service levels increased over the previous three years under the Affordable Care Act (ACA) and Mental Health services for Foster Children, Adult Protective Services, In-Home Support Services (IHSS), and Children's and Family Services. In addition, funding is included for the General Plan Update as well as for the PTACS project and the Disability Management Leave of Absence Tracking System in order to continue to make significant investments in infrastructure, technology and our employees.
- The actuarially determined composite employer contribution rate for pensions decreased from 27.77% to 27.52% of covered payroll. The rates are applied to a higher payroll, resulting in an increase in General Fund retirement costs of approximately $5.00 million over last year's budgeted amount.
- Unfunded Actuarial Accrued Liabilities for the Management Retiree Health Benefits Program and the Subsidized Retiree Health Benefits Program are $13.31 million and $17.40 million, respectively.

- On October 24, 2016, the California Department of Health Care Services (DHCS) accepted the Health Care Agency's (HCA's) application for the Whole Person Care program (WPC), a part of California's 2020 Waiver Program, which focuses on the coordination of health, behavioral health and social services to improve beneficiary health and well-being. An allocation of approximately $10 million in Federal participation is available for five years. WPC will drive a collaborative effort with multiple agencies throughout the County.
- Due to the improved economy, the State funding for CalWORKs and CalFresh programs has been decreased. To mitigate budget shortfalls due to decreased funding, cost reduction measures have been implemented.
- The ACA continues to affect 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 necessitated the need for increased staff and contract resources for both Human Services Agency and HCA in prior years. During the four-year period ending March 2017, the County experienced an 83% increase in MediCal participants, from 112,000 to 205,800. However, because the number of participants has leveled during the past year, it is anticipated that that Federal funding for this program will be reduced in future years.
- Behavioral Health Department (BHD) continues to design and implement programs that are efficient, effective and evidence based, with total program appropriations of $181.47 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.
- The new No Place Like Home initiative, which will provide counties with loans to fund affordable housing projects, will reduce the annual Mental Health Services Act (MHSA) funding by two percent or $2.00 million in coming years. In addition, the FY 2017-18 State budget redirects 2011 VLF realignment growth for the next three years to assist counties to meet the IHSS maintenance of effort restructure and will also reduce the revenue to BHD by approximately $0.60 to $1.20 million annually with an offset through the suspension of the mandated annual rate increase to the institutional Mental Disease Services. To mitigate these shortfalls, services have been streamlined and programs determined to be providing redundant services have been discontinued.
- Public Safety Realignment enters its sixth year of the comprehensive shift of criminal justice responsibilities from the State to local jurisdictions. The 2017-18 budget includes $20.43 million in appropriations, but only $18.36 million in State sales tax realignment revenue and $3.94 million one-time transition funding, resulting in a $1.87 million operating deficit, which will be covered by restricted program revenues. The budget includes funding for a comprehensive evaluation of all Community Corrections Partnership programs, a realignment data dashboard and an exploratory committee to determine the efficacy of each program, and any future adjustments needed to maximize state realignment funding.
- In May 2016, the County accepted a $1.50 million Pay for Success Grant from the Board of State and Community Corrections (BSCC) to fund a program to reduce recidivism in medium to high-risk probationers. The grant requires a $1.50 million County match and an innovative financing model that recruits private and philanthropic investment to pay for upfront operational costs of the program. The BSCC grant and County match will reimburse the private investments only if

the service provider meets predefined outcome measures. CEO, Probation and Public Defender staffs head the 5-year program.

- In May 2016, the County accepted a $55.14 million grant from the BSCC to construct the new Health and Programming Unit at the Todd Rail Jail. This facility will address the growing demand on public safety as State realignment continues to impact County infrastructure. Total project costs of $61.27 million include a 10% required County match of $6.13 million.
- General Fund secured property taxes are budgeted at $204.30 million, an increase of $8.80 million or 4.5% over the prior year. Countywide, the secured property assessed valuation of $125.88 billion has increased by $6.13 million, or 5.1% compared to the prior year.
- Total General Fund Unassigned Fund Balance is $140.99 million, an increase of $5.00 million or 3.7% over the prior year adopted budget.
- General Fund full-time equivalent (FTE) positions is 5,307, a decrease of 11 or 0.2% over the prior year adopted budget. The key component of the FTE decrease is in the area of health and human services. Total County FTE positions is 8,963, a net decrease of 23 or 0.3% over the prior year.

Non-General Fund

- VCMC's budgeted revenues increased by $21.13 million due to projected increase in average daily census, clinic visits, emergency room volume, trauma cases, surgeries and outpatient volume from the opening of the new hospital replacement wing in August 2017. Appropriations for expenditures have a net decrease of $2.25 million over prior year adopted budget primarily due to decrease spending for capital assets offset by increases in salaries and benefits.
- The In Home Support Services – Public Authority budget contains costs to administer the State mandated program and provide services to IHSS recipients. The Coordinated Care Initiative (CCI) was created in 2012 in an effort to reduce State costs and improve health care delivery by coordinating services through a single health plan. The Governor targeted CCI to end in FY 2017-18 which would have had a significant impact on counties throughout the state. Ultimately the State provided an offset to the decreased funding, with a five year transition period with inflationary adjustments. Even so, the FY 2017-18 impact to the County is $1.00 million, down from an original $8.00 million impact, which is covered by a General Fund contribution and 2011 realignment funding. With an inflation factor of 5% in FY 2018-19 and 7% in FY 2019-20 and subsequent years, the County will experience significant challenges in mitigating the increased costs of this program.
- MHSA revenue is projected to increase $3.71 million over prior year adopted, with a related increase in budgeted expenditures of $6.21 million because of service expansion. MHSA funding fluctuates with the economy and BHD employs a 5-Year Strategic Plan that utilizes drawdowns from reserves to sustain program levels.
- The Department of Airport's budget includes funds for the design and construction of a new airport apron, taxi lanes and approximately 41 hangers at the Camarillo Airport, and a full airport layout plan update for the Oxnard Airport.

- The Harbor Department's budget includes funds for the construction of a new administration building at the Channel Islands Harbor.
- The Fire District's budget includes funding for the acquisition of a water dropping helicopter and construction of a replacement fire station in Ojai. The Fire District is also in the process of evaluating a land acquisition in Thousand Oaks, a potential land purchase for a new training facility in Camarillo, and a merger with Santa Paula Fire Department.
- Watershed Protection District's $19.21 million increase in appropriations is primarily due to an increase in grant funded projects as well as capital projects that were rescheduled to be performed in FY 2017-18.

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 or reductions in funding 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 assumed rate of return and the resulting effect to the County's employer pension contribution.

Governor Brown signed the State's Budget Act of 2017 on June 27, 2017. 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 and transportation infrastructure.

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

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