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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) 2019-20 Adopted Budget, adopted by the Board of Supervisors on June 17, 2019 and balanced based on financial information available at that time.

The FY 2019-20 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 of \$2.31 billion for the General Fund and Non-General Fund, including capital assets and debt service, increased \$71.5 million or 3.2% compared to the prior year. The FY 2018-19 total actual expenditures of \$2.09 billion were 9.3% lower than the FY 2019-20 budgeted appropriations.

In the General Fund, appropriations of \$1.14 billion have increased by \$35.71 million, or 3.2% over the prior year adopted budget. The increase in appropriations is primarily due to negotiated increases in salaries and employee benefits, retirement costs, and inflationary adjustments in services and supplies.

Total budgeted revenues of \$2.21 billion increased \$44.45 million, or 2.1% over the prior year adopted budget. General Fund revenue of \$1.14 billion increased by \$32.41 million compared to prior year adopted budget, primarily as a result of an estimated 3.5% increase in secured property assessed valuation which increased property tax revenue, and an increase in Charges for Services. In addition, \$3.3 million of assigned fund balance was used as a funding source for General Fund one-time projects. The FY 2018-19 total actual revenue of \$2.14 billion was lower than the FY 2019-20 budgeted revenues by 3.3%.

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 2019-20, 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. 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 reserve levels, capital projects 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.
- Ensure 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 the use of multi-year forecast as a guide to maintain structural balance.

BUDGET HIGHLIGHTS

- The adopted budget includes appropriations for negotiated salary increases, as well as projected employee merit increases. Several labor contracts representing approximately two-thirds of county employees will expire during Fiscal Year 2019-20, including Service Employee International Union 721. The budget generally maintains service levels established during the previous five years under the Affordable Care Act (ACA), Continuum of Care Reform for Foster Youth, Adult Protective Services, In-Home Support Services and Children and Family Services. Funding is included for the General Plan Update, and to continue to make investments in infrastructure, technology and employees. Example of such projects include the Kronos Time and Attendance System, the Administrative Justice's Electronic Content Management and the Next Generation Public Safety Radio Communications System.

- The actuarially determined composite employer contribution rate for pensions increased from 27.09% to 28.49% of covered payroll. The rates are applied to a higher payroll, resulting in an increase in General Fund retirement costs of approximately \$12.80 million over last year's budgeted amount. The rate incorporates adjustments resulting from the actuarial update of demographic and economic assumptions performed every three years.
- Unfunded Actuarial Accrued Liabilities for the Management Retiree Health Benefits Program and the Subsidized Retiree Health Benefits Program are \$14.53 million and \$24.91 million, respectively. The County funds these benefits annually on a pay as you go basis.
- The budget includes the County matching contribution for the operational costs of a year-round permanent shelter or foul weather shelter for the homeless in the City of Ventura, which is due to open in January 2020. The cost sharing amount for a shelter in the City of Oxnard has not yet been determined and is not included in the FY 2019-20 Budget.
- In early November 2018, the Hill and Woolsey wildfires damaged or destroyed 301 structures in Ventura County. The estimated property tax revenue loss in FY 2019-20 is \$1.10 million to Countywide taxing agencies and \$0.25 million to the General Fund. However, the State's FY 2019-20 budget included funding to backfill these property tax losses incurred by local government because of the wildfires. There was no damage to any County facilities as a result of either fire.
- General Fund secured property taxes are budgeted at \$221.00 million, an increase of \$9.47 million or 4.5% over the prior year. Countywide, the secured property assessed valuation of \$137.52 billion has increased by \$6.10 million, or 4.7% compared to the prior year.
- Total General Fund Unassigned Fund Balance is \$149.75 million, an increase of \$5.77 million or 4.0% over the prior year adopted budget.
- General Fund full-time equivalent (FTE) positions are 5,205 an increase of 49 or 1.0% over the prior year adopted budget. Total County FTE positions are 8,950, a net decrease of 113 compared to the prior year. The key component of the decrease is attributed to the Ventura County Medical Center's (VCMC) staff optimization initiatives.

Non-General Fund

- VCMC's budgeted revenues decreased by \$7.23 million over prior year adopted budget and appropriations for expenditures slightly decreased by \$1.00 million. VCMC is continuing several initiatives to improve operational and fiscal performance. The initiatives include revenue cycle optimization, primary and specialty care contracts redesign, labor productivity and workforce reorganization, and supply chain improvement.
- The Harbor Department's budget includes funds for the Peninsula Revetment project, construction of the Kiddie Beach Surge Wall replacement and other capital improvement projects at the Channel Islands Harbor.

- The Fire Protection District's budget includes funding for various capital projects including the design of the Regional Training Center, various fire station remodels, and construction of Fire Station 20 in Santa Paula at a new site just west of the current location.
- The Road Fund has budgeted \$10.76 million in road projects funded by revenue received from the State under Senate Bill 1, the Road Repair and Accountability Act of 2017.

Although the budget is balanced, 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 financial market climate as it deviates from the Ventura County Employee's Retirement Association's assumed rate of return to our pension asset valuations and the resulting effect to the County's employer pension contribution.

Governor Newsom signed the State's Budget Act of 2019 on June 27, 2019. The balanced and on-time State budget continues to build a strong fiscal foundation through funding its reserves for challenging times ahead and investing in education, health and housing.

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,

A handwritten signature in black ink, appearing to read 'J. Burgh', with a long horizontal flourish extending to the right.

JEFFERY S. BURGH
Auditor-Controller