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TO: THE RESIDENTS OF THE COUNTY OF VENTURA

Due to the uncertainty resulting from the COVID-19 pandemic, and projected substantial impacts to State and Federal funding levels for counties, the budget process for Fiscal Year (FY) 2020-21 was revised as allowed under the California Government Code. On June 16, 2020 the FY 2020-21 Recommended Budget was approved by the Board of Supervisors as a spending plan until September when a revised recommended budget was presented. The additional time provided the opportunity to clarify funding support from the State, refine revenue projections, receive further guidance regarding the appropriate use of Coronavirus Aid, Relief, and Economic Security (CARES) Act funding and better identify the ongoing staffing and resources needed to respond to the virus and its impacts to our community.

In accordance with the provisions of Sections 29000 through 29144 of the California Government Code, the County of Ventura presents the FY 2020-21 Adopted Budget, adopted by the Board of Supervisors on September 14, 2020 and balanced based on financial information available at that time.

The FY 2020-21 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. This year, the budget incorporates the projected COVID-19 related losses in revenues, increases in CARES Act revenues and increases in COVID-19 related expenditures. The budget document is available at the Auditor-Controller's website noted below. Following is a summary of the budget document.

BUDGET OVERVIEW

The COVID-19 pandemic has had an extraordinary impact on several revenue sources. These revenue losses are not considered permanent and are expected to gradually return to prior levels as the economy recovers. A significant offset in addressing the temporary shortfalls resulted from the allocation of CARES Act funds towards anticipated labor costs of County employees primarily dedicated to responding to the COVID-19 public health emergency and its impacts.

Total budgeted appropriations of \$2.45 billion for the General Fund and Non-General Fund, including capital assets and debt service, increased \$141.1 million or 6.1% compared to the prior year. The budgeted appropriations include one-time COVID-19 appropriations of \$45.9 million. The FY 2019-20 total actual expenditures of \$2.21 billion were 10.0% lower than the FY 2020-21 budgeted appropriations.

In the General Fund, appropriations of \$1.20 billion have increased by \$54.19 million, or 4.7% over the prior year adopted budget. The increase in appropriations is primarily due to one-time COVID-19 appropriations of \$43.4 million as well as negotiated increases in salaries and employee benefits, and inflationary adjustments in services and supplies.

Total budgeted revenues of \$2.35 billion increased \$141.13 million, or 6.4% over the prior year adopted budget. General Fund revenue of \$1.21 billion increased by \$67.41 million compared to prior year adopted budget, primarily as a result of \$43.4 million in COVID-19 intergovernmental revenue as well as an estimated 3.5% increase in secured property assessed valuation which increased property tax revenue \$8.8 million. The FY 2019-20 total actual revenue of \$2.23 billion was lower than the FY 2020-21 budgeted revenues by 5.0%.

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 2020-21, 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 especially during the COVID-19 crisis. 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 budget includes COVID-19 related appropriations to support programs such as rental assistance, business assistance, housing for vulnerable populations and meals for seniors. The budget includes appropriations for negotiated salary increases, as well as projected employee merit increases. Several labor contract agreements were reached during FY 2019-20 representing approximately two-thirds of county employees, including Service Employee International Union 721. The budget generally maintains service levels established during the last several years under the Affordable Care Act, Continuum of Care Reform for Foster Youth, Adult Protective Services, In-Home Support Services and Children and Family Services. Funding is included to continue to make investments in infrastructure, technology and employees. Example of such projects include the Kronos Time and Attendance System, the Administration of Justice's Electronic Content Management System, the Next Generation Public Safety Radio Communications System and the Integrated Property Tax System.
- The actuarially determined composite employer contribution rate for pensions decreased from 28.49% to 23.32% of covered payroll. The decreased rates, although applied to a higher payroll, resulted in a decrease in General Fund retirement costs of approximately \$26.6 million over last year's budgeted amount. A portion of the General Fund savings, \$12.5 million, has been set aside in a General Fund Pension Mitigation Reserve to help mitigate impacts of future rate volatility due to severe market fluctuations or changes in actuarial assumptions.
- Unfunded Actuarial Accrued Liabilities for the Management Retiree Health Benefits Program and the Subsidized Retiree Health Benefits Program are \$14.33 million and \$28.56 million, respectively. The County funds these benefits annually on a pay as you go basis.
- General Fund secured property taxes are budgeted at \$229.77 million, an increase of \$8.80 million or 4.0% over the prior year. Countywide, the secured property assessed valuation of \$143.32 billion has increased by \$5.81 million, or 4.2% compared to the prior year.
- Total General Fund Unassigned Fund Balance is \$152.00 million, an increase of \$2.25 million or 1.5% over the prior year adopted budget.
- General Fund full-time equivalent (FTE) positions are 5,255 an increase of 50 or 1.0% over the prior year adopted budget. Total County FTE positions are 9,013, a net increase of 176 compared to the prior year. The key component of the increase is attributed to the Ventura County Medical Center's (VCMC) staffing requirements, including union contract requirements, expanded operations and increased demand.

Non-General Fund

- VCMC's budgeted revenues increased by \$39.6 million over prior year adopted budget and appropriations for expenditures increased by \$40.97 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, supply chain improvement and optimization of operating rooms to increase surgical volume.

- 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 34 in Thousand Oaks.
- Watershed Protection District (WPD) increase in appropriations is due to maintenance and capital projects budgeted in FY 2020-21, primarily in WPD Zone 2 including the Santa Clara River (SCR) -3 Levee Rehabilitation, SCR-1 Levee, Cavin Debris Basin Retrofits and Tsumas Creek-Hueneme Road to Jane Road projects.
- The FY 2020-21 budget for the Road Fund includes a reduction in gas tax related revenues of \$4.7 million. Revenue from Senate Bill 1 is budgeted at \$9.8 million, a decrease of approximately \$0.90 million from the FY 2019-20 adopted budget. The decreases are offset by a \$12.1 million increase in state construction revenue.

Although the budget is balanced, challenges still exist that could negatively affect the County's current and future financial position. A key concern is the uncertainty relating to the length and severity of the COVID-19 pandemic and its impact regarding the need for additional services and loss of revenues. Also of concern are State or Federal actions requiring expanded service levels or reductions in funding in health and human services and public safety and 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 impact to the County's employer pension contribution.

Finally, Governor Newsom signed the State's Budget Act of 2020 on June 29, 2020. The budget initially had a \$54.3 billion shortfall caused by the COVID-19 recession. The shortfall was closed with a combination of use of reserves, spending reductions, deferrals and increased federal funds. The balanced and on-time State budget strengthens emergency response, protects public health and safety and promotes economic recovery.

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