

**PURPOSE**

The purpose of the Fiscal Year (FY) 2018/19 Mid-Year Report is to outline the County's financial outlook by comparing actual financial activities for the first six months of the fiscal year, and projections for the remaining six months with the Adjusted Budget. The Mid-Year Review affords us an opportunity to strategize for the proposed spending plan for FY 2018/19.

The impact of the Governor's FY 2018/19 budget proposal is not fully known at this time. The Governor's budget proposal anticipates a recession to occur consequently the budget is built to maintain reserves and pay down debt. The CEO will monitor and evaluate the State's budget when the Governor's May Revise is released.

Locally, revenue from property taxes have been rebounding as compared to the last five years. The County's discretionary revenue is derived primarily from various taxes. In the fiscal year ending June 30, 2017, tax revenue increased by 7.3 percent. We remain cautious in projecting the County's discretionary revenue due economics unknowns.

Revenue Type	FY2013/14 Actual	FY2014/15 Actual	FY2015/16 Actual	FY2016/17 Actual	FY2017/18 Projected
Taxes	\$43,792,301	\$45,006,702	\$46,902,419	\$50,329,065	\$50,077,488
Licenses, Permits, Franchises	683,788	733,289	752,177	755,736	482,039
Fines, Forfeitures, Penalties	1,967,583	2,681,541	2,005,944	1,977,632	1,517,442
Money & Property	293,750	928,403	977,171	1,272,838	661,300
Intergovernmental Revenue	3,347,561	5,131,411	3,999,604	2,735,139	1,024,845
Charges for Services	888,257	896,487	905,447	922,781	494,456
Miscellaneous Revenues	8,007,612	77,266	75,585	43,765	25,329
Other Transfers-in	0	69,642	0	1,000,000	0
Sale of Land or Fixed Assets	0	0	0	0	0
<b>Grand Total</b>	<b>\$58,980,852</b>	<b>\$55,524,741</b>	<b>\$55,618,347</b>	<b>\$59,036,956</b>	<b>\$54,282,899</b>

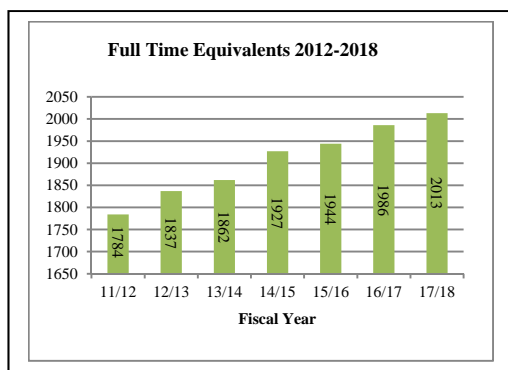
Departments are encouraged to monitor spending in the current fiscal year. Any resulting savings, combined with the roll-over of the contingency reserve, will become the fund balance basis for the FY 2018-19 proposed budget. Consistent with past budgets many deviations from budget are driven by activities in Sacramento and Washington. Departments will request budget amendments as necessary to adjust for variances in expenditures and revenues before June 30, 2018.

**BONDED INDEBTEDNESS**

At the end of June 30, 2017, the County had total debt obligation outstanding of \$36.7 million. Of this amount, \$30.8 million comprises bonds that are secured by the County's lease rental payments and other dedicated sources of revenue, and \$770,400 of special assessment debt secured by property subject to the assessment. The remainder of the County's debt represents loans secured solely by specified revenue sources.

Moody's Investors Service assigned an A1 rating to the Shasta County Lease Revenue Refunding Bonds 2013 Series A. The rating action reflects the County's solid fiscal position including satisfactory cash levels, well-sized though recently pressured tax base, the legal covenants of the bonds and the County's modest debt profile. The County has consistently reduced its expenditures which has enabled it to avoid material deficits while maintaining solid cash and general fund reserves. Pressures on the County's fiscal outlook are caused by state and local economic factors outside the County's control.

**COUNTY WORKFORCE**



**PRINCIPLES FOR FY 2018/19 PROPOSED BUDGET**

Staff recommends that these policies be reaffirmed or implemented immediately. They will become the framework for the County Executive Officer's (CEO) Proposed Budget. The CEO will closely monitor the State Budget and recommend alternatives as necessary. The Board of Supervisors' (Board) will have the opportunity to make adjustments to the spending plan during Final Budget Hearings.

- Continue the Controlled Hiring Process.
- Approve no new programs or new positions that are not clearly revenue supported.
- Review all grant funded positions. The Board has consistently maintained that the County will not preserve positions that have lost grant funding.
- The County administers many costly State programs. We have limited ability to raise revenues to offset any loss in State and Federal funding. We will avoid back-filling reductions in such funding when legally permissible, and continue to seek relief from unfunded State mandates.
- The County Executive Officer will review all requests for capital assets and computer equipment.
- Departments that did not receive a subsidy for FY 2017-18 plan on a 2% increase from General Fund.
- Realize salary and benefit savings through collaborative bargaining with our labor partners.
- Recommend the deletion of positions vacant over 18 months, with exceptions as approved by the CEO.
- Encourage expenditure reductions in the current year to create carry-over funds for FY 2018-19.
- In accordance with Administrative Policy 2-101, "*Budgetary Policies and Controls*", direct Department Heads to limit expenditures to ensure that their spending remains within each Object Level in the Adopted Budget.
- Hold Department Heads responsible for Revenues in the Adopted Budget; direct them to notify the County Executive Officer of any revenue shortfall; and further, direct them to reduce spending as necessary to remain within the Adopted Budget Net County Cost.

**MID-YEAR REVIEW OF SELECT BUDGET UNITS**

The CEO commends Department Heads for monitoring their specific revenues and reducing expenditures where appropriate. Daily, they make difficult decisions relative to service delivery. The public is well served by the myriad of staff who selflessly struggle to provide service within limited resources.

**GENERAL GOVERNMENT**

No significant variance from budget:

100 – General Revenue	113 – Purchasing
101 – Board of Supervisors	120 – County Counsel
102 – County Administrative Office	130 – Personnel
103 – Clerk of the Board	140 – Elections Administration
110 – Auditor-Controller	165 – Economic Development
111 – Treasurer-Tax Collector	174 – Tobacco Settlement
112 – Assessor	900 – Contingency Reserve

**HOUSING AND COMMUNITY ACTION AGENCY**

No significant variance from budget:

543 – Housing Authority
590 – Community Action Agency
591 – CalHome
592 – HOME
596 – Housing Rehab

**PUBLIC PROTECTION (Excluding Public Safety Group)**

No significant variance from budget:

203 – Conflict Public Defender	256 – Victim Witness
207 – Public Defender	290 – Recorder
208 – Grand Jury	292 – Public Guardian
221 – County Clerk	297 – Animal Control
228 – Child Support Services	299 – Public Administrator
237 – Sheriff Civil Unit	280 – Agriculture Commissioner/Sealer of Weights & Measures
201 – Trial Courts: This budget comprises the County's remaining costs for Trial Courts, including operations and maintenance of Court facilities. Revenues from court fines and fees continue to decline. The transfer from the Courthouse Construction Fund for the long-term debt on the Courthouse may not materialize. For a fifth year, receipts from fines and	

fees will be insufficient to offset the debt-service payment. A budget amendment will be proposed toward the end of FY 2018/19 to keep the General Fund in balance.

**PUBLIC SAFETY GROUP (Sheriff, District Attorney, Probation)**

No significant variance from budget:

227 – District Attorney

235 – Sheriff

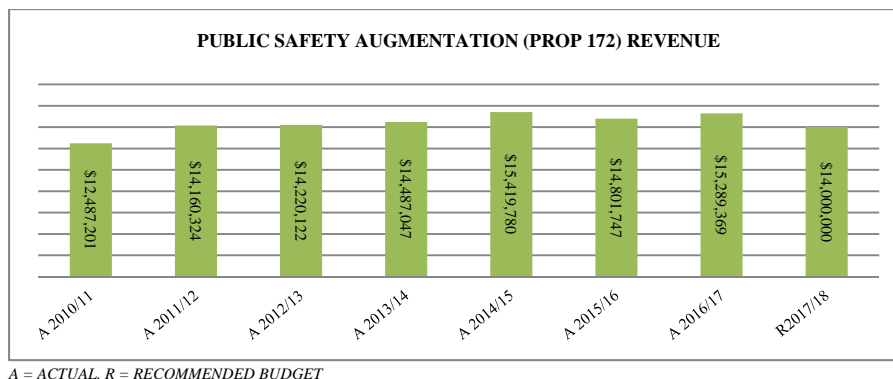
262 – Juvenile Rehabilitation Facility

263 – Probation

**PUBLIC SAFETY HALF-CENT SALES TAX (PROPOSITION 172)**

The County began receiving revenue from this tax in FY 1993/94, after the ballot initiative passed. The County factor has fluctuated from a high of 0.00534 in FY 1994/95 to a low of 0.004526 in FY 2016/17. This rate will continue into FY 2018/19.

We project this revenue conservatively due to fluctuations in the County's share of statewide sales tax. This revenue source can only be used for public safety needs as defined by the Board of Supervisors in 1994. The Board's discretion is in the proportional amounts appropriated to the various public safety departments.



**HEALTH AND HUMAN SERVICES AGENCY (HHSA)**

A review of the budgets within HHSA has determined several variances between adopted budget and the projected actual revenues and expenditures. A budget amendment will be presented to the Board of Supervisors on February 27, 2018.

**MENTAL HEALTH**

No significant variance from budget:

404 – Mental Health Services Act (MHSA)

410 – Mental Health

422 – Alcohol and Drug Program

425 – Perinatal Substance Abuse Prevention

**PUBLIC HEALTH**

No significant variance from budget:

411 – Public Health

412 – Shasta County Health Care

417 – California Children's Services (CCS)

**SOCIAL SERVICES**

No significant variance from budget:

501 – Social Services

530 – Opportunity Center

542 – General Assistance

541 – Welfare Cash Aid

**RESOURCE MANAGEMENT**

No significant variance from budget:

282 – Building

286 – Planning

402 – Environmental Health

**PUBLIC WORKS**

There are several variances with the Roads and County Service Areas budgets. The department will continue to monitor these variances within each budget and make necessary budget adjustments before the end of the fiscal year, if necessary.

**VETERANS SERVICES, EDUCATION AND RECREATION**

No significant variance from budget:

570 – Veterans Service Office

611 – Library

620 – Ag. Extension Service

621 – Farm Advisor Joint Shasta-Lassen

**INTERNAL SERVICE FUNDS**

No significant variance from budget:

925 – Information Technology

940 – Fleet Management

950 – Risk Management

955 – Facilities Management

**SPECIAL DISTRICTS AND OTHER AGENCIES**

No significant variance from budget:

0373 – Air Quality Management District

0391 – CSA #1 Fire Protection Administration (SCFD)

0851 – In Home Supportive Services Public Authority (IHSS)