



COUNTY OF SAN BENITO

ADMINISTRATIVE OFFICE

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Ray Espinosa, **County Administrative Officer**
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June 5, 2015

Dear Members of the Board:

For the third year in a row our budget will be more or less status quo, following the Great Recession. San Benito County along with our surrounding counties have seen growth in our economy. Assessment rolls in 2014 increased over 8% from the prior year due to increased property values. Unfortunately, the growth is financially not fully realized to that of our surrounding counties, due to the apportionment of the 1% of property tax in San Benito County. San Benito County receives on an average of 10% on the dollar after the adjustment of AB8, which is one of the lowest percentages in the state. Therefore, we must be mindful of the impacts of such growth. We have developments geared up and breaking ground which can spur on our economy. While this is a great opportunity for our County, it adds to an already strained support service. The lack of staff and tools is evident throughout the County. We are pleased to note that while there has been progress made, we are still struggling to meet the needs of increasing challenges in the County budget given currently available revenue streams. Expenditures are outpacing revenue growth especially as the needs and the requirements of the community continue to expand.

This year's budget addresses safety with the addition of 3 personnel in the realm of the Sheriff's responsibilities. Key staff have been added where offsetting revenue is available. Three plus years ago, the layoffs of employees are now causing a ripple effect. This became evident this fiscal year, when the deadline for completing the CAFR was in jeopardy, the discovery of unbilled reimbursements by Public Works, and the delay in revenue posting. This budget attempts to circumvent some of those issues with the authorization of additional fiscal positions, and the reorganization of Planning, Public Works, and IWM (Integrated Waste Management) into a new RMA (Resource Management Agency.)

Administration continues to focus on ways to address items we know are obstacles to creating a more efficient and viable resource to the community. A proactive approach is our goal. Unfortunately, we also must address unexpected concerns that come up along the way: such as, lawsuits, Measure J, equipment failures, vacancies, and retirements to name a few.

Recent conversations with Department Heads, indicate common needs in three areas: personnel, technology, and infrastructure.

Personnel

As noted above, staffing issues within the County are complex. This complexity involves not only the number of personnel, which is 467 FTE's in FY 2015-16, but also the costs associated with the hiring and retention of employees. The cost of an employee consists of not only the base wage paid to them, but also the benefits used to attract and retain them. Costs associated with medical coverage, PERS, OPEB and leave allowances have escalated more than predicted in prior years. Within the last few years, the County has taken steps in an effort to control these costs. We have worked with employees and Unions to reduce these costs to the County while balancing the attractiveness of working for San Benito County. We have lifted furloughs and resumed step increases. A recent actuarial indicated a large reduction in our OPEB liability due to these negotiations and cooperation of staff.

It has become obvious that we are experiencing a new workforce environment, and we need to evaluate how to stay competitive in this new environment. It has become increasingly difficult to find and hire desired candidates.

Finally, the funding of personnel is still a top concern. With the economy seemingly static in many areas, it is difficult to find the resources to address personnel shortages. There is an imbalance between revenue streams and areas of need. For example, there have been large increases in revenues from the State in the area of Human Services; however, that does not help us fund needed personnel in the District Attorney's office or Tax Collector's office. Administration's mission for the new fiscal year is to work on bridging the fiscal gap to accommodate additional staff in general services and departments.

Technology

In today's evolving society, we are constantly greeted with new and better connections and communications to our community, state, county, and global surroundings. Keeping pace with these technological advances has been difficult, as funding sources have been scarce. In some cases, our personal tech world is better than our work world's technology. We have made great strides over the 10 years, we have added an IT and GIS departments, and they have made great accomplishments in the county's technology world. In the meantime, the technology world leaps further into the future. As a county we must keep technology a priority and continue to invest.

We have spent the last year implementing a new ERP. Our goal is to connect our internal and external worlds. Internally, we are planning to use this system to integrate our work world through processes like budget tracking, bill paying, invoicing, and human resources for our department heads to use in decision making. Externally, our goal this year is to be transparent to the public, and make the services more readily accessible via technology and providing a more friendly experience working with the county.

Infrastructure

Infrastructure consists of three parts: buildings/sites, roads, and the internal connections between them.

❖ Buildings/Sites:

The general maintenance and upkeep to the buildings we work in has taken a backseat in the recent years. Janitorial services have been reduced to public areas, and only health and safety repairs have been made. The same concepts have overflowed in the areas that we have for the general public to enjoy: parks and event arenas.

❖ Roads:

The general state of our frequently (and infrequently) traveled roadways in our county have become a major issue. As we see an increase in the amount of homes being built in our County, this will continue to be a top concern to us.

❖ Connections:

These are the internal pieces that connect our infrastructure including Institutional Networking (INET) made up of fiber and Ethernet mediums which include firewalls, switches etc., vehicles and equipment need to perform our duties. We repair what we can and what is immediately needed, however the need for replacement is evident and upgrades is becoming evident and must be addressed soon.

As you can see, it takes many integral pieces to make our county work together for the enrichment of our residents. As we look to the future, it is clear that funding is our top priority. The following is a list of items that we are working towards achieving to make this future a reality.

Fiscal neutrality

Address the unincorporated Sales Tax Rate

Growth in the sphere of influence

Homelessness

Economic Development

Personnel Policies

The budget recommendation addresses our leave accruals by paying \$305K towards this liability, adopting vacancy budgeting to allow flexibility of hiring key positions. We look forward to this new FY 15/16 and the opportunities it brings. I would like to thank the Department Heads and staff for all their input and dedicated work in compiling this budget. While we were not able to address all the requests at this time, it is our goal to continue to work with them to their desired services to all the residents of this county.

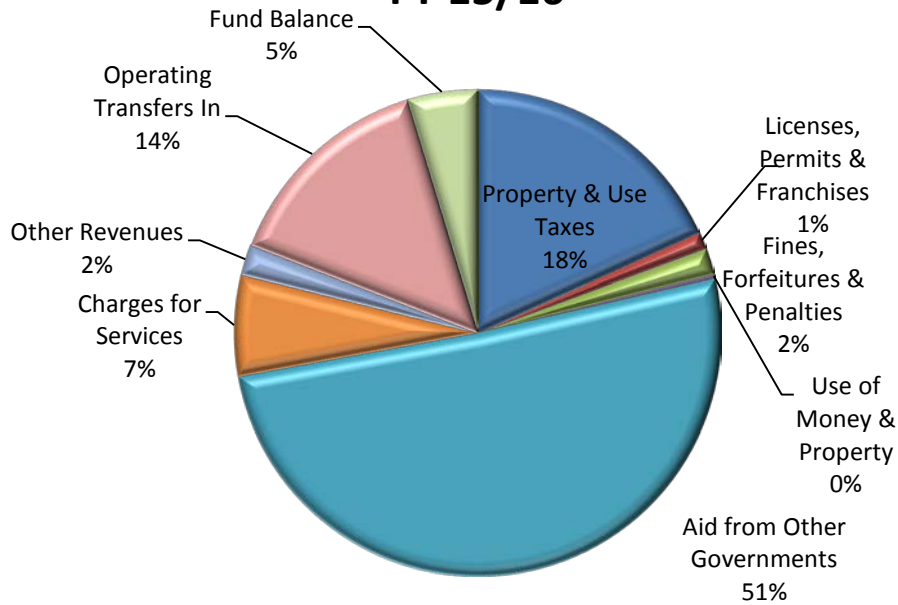
We are pleased to present a balanced budget at approximately \$150 million. I want to give a sincere thank you to Administrative staff for their dedication and assistance with this budget.

Looking forward,

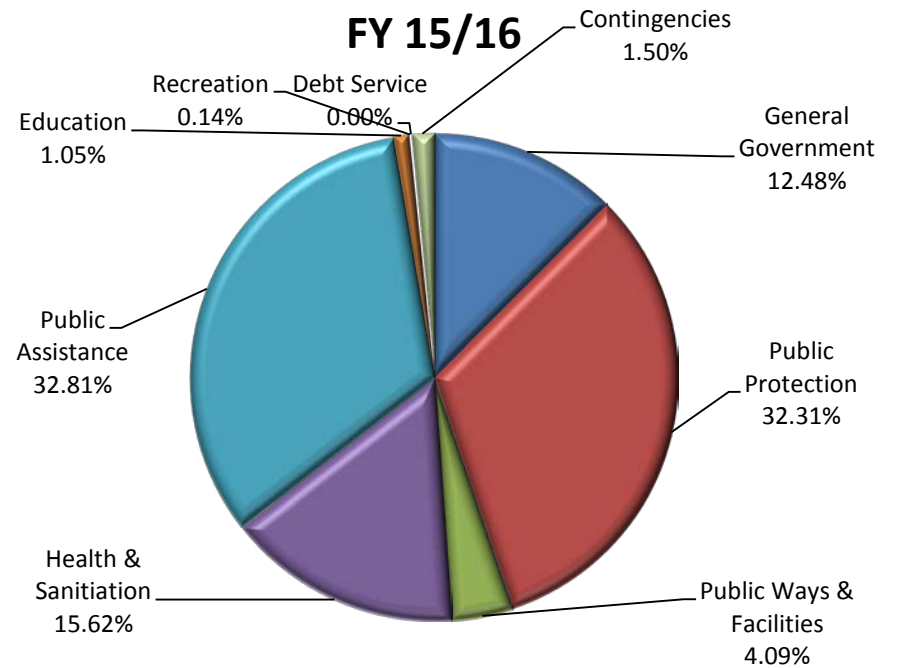
A handwritten signature in blue ink, appearing to be 'Ray Espinosa', with a stylized, cursive script.

Ray Espinosa
County Administrative Officer

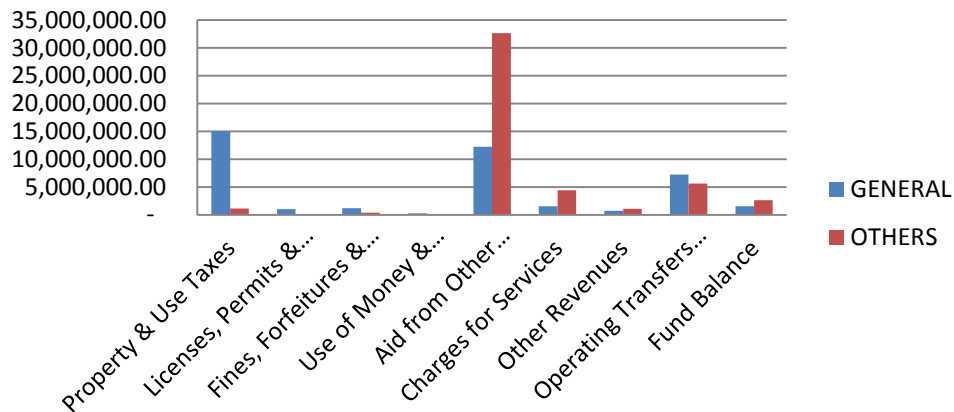
COUNTY OF SAN BENITO REVENUE SOURCES BY TYPE FY 15/16



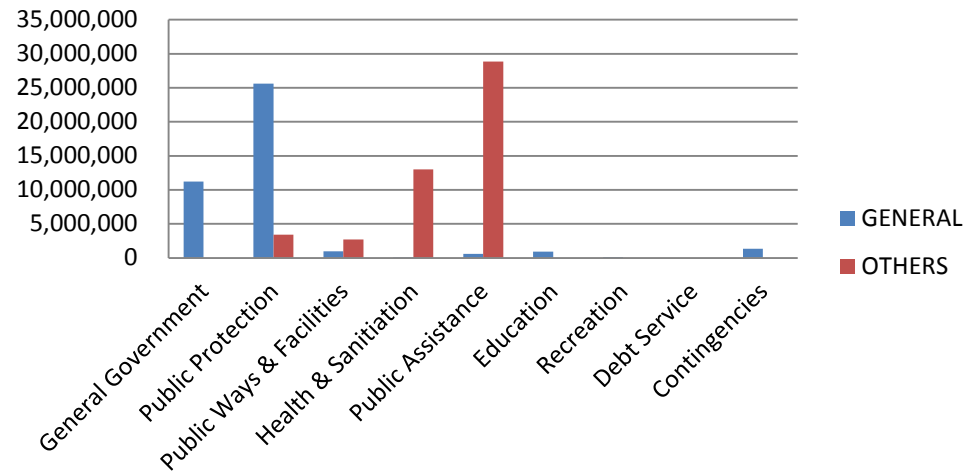
COUNTY OF SAN BENITO EXPENDITURES BY FUNCTION ** FY 15/16



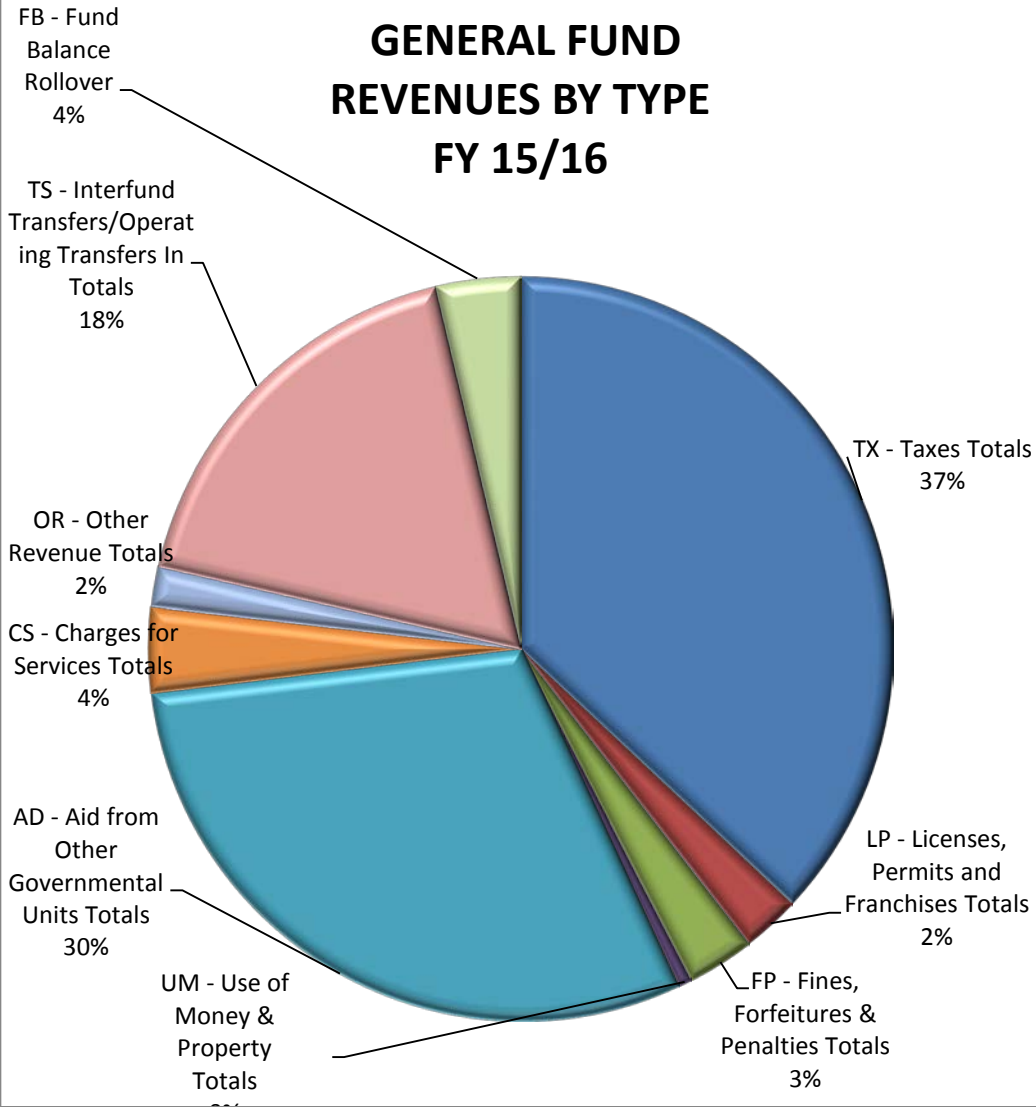
**COUNTY OF SAN BENITO
REVENUE SOURCES BY TYPE
FY 15/16
COMPARISON OF GENERAL FUND TO
OTHERS**



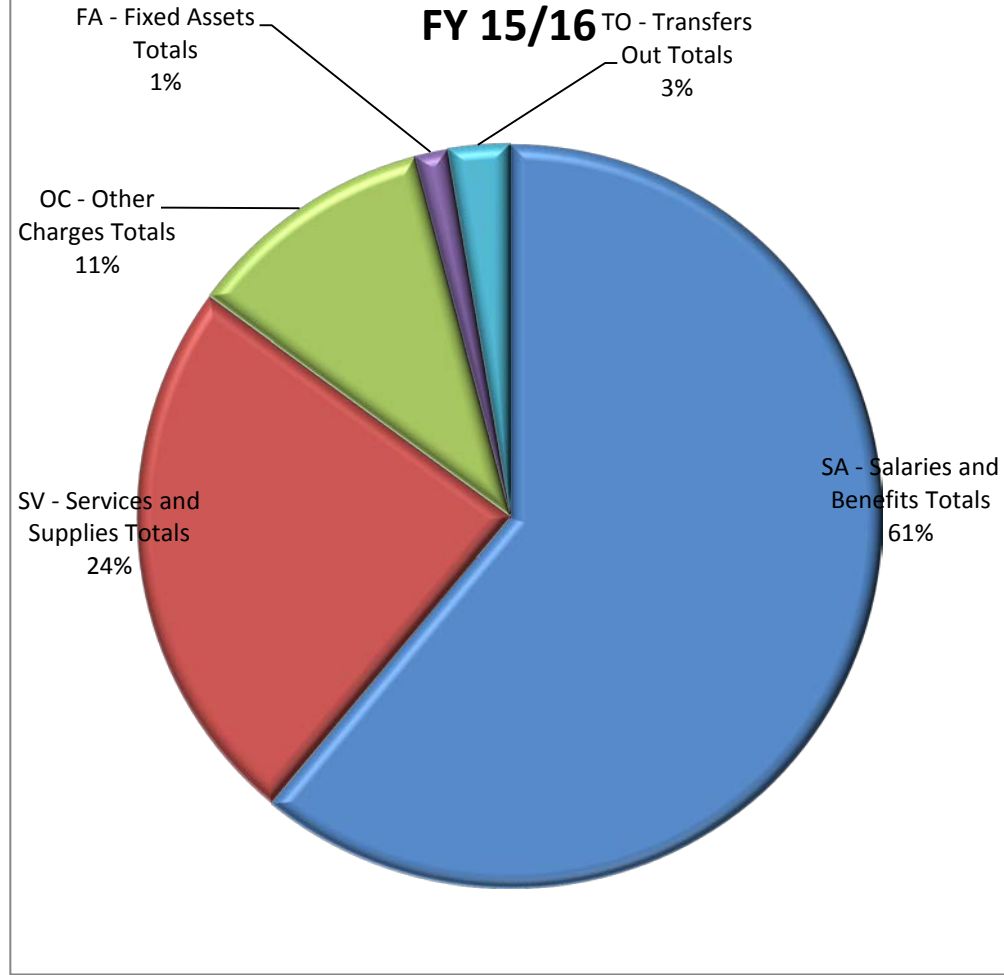
**COUNTY OF SAN BENITO
EXPENDITURES BY FUNCTION
FY 15/16
COMPARISON OF GENERAL FUND TO
OTHERS**



GENERAL FUND REVENUES BY TYPE FY 15/16



GENERAL FUND EXPENDITURES BY TYPE FY 15/16



GENERAL FUND PAYROLL EXPENSES FY 15/16

