FY 2020-22 BUDGET BRIEFING

• Goals for upcoming budget process
• Economic forecast
• Updated 5-year projection
• Budget instructions
• Next steps
• Questions
BUDGET PLANNING PROCESS

Long Term Planning Guided By Multiple Inputs

- Economic indicators
- State and federal budget impacts
- Marin Compass and department priorities
- Employee Voice Survey
- Multi-year budget goals
  - Build reserves to prepare for economic downturn
  - Invest in facilities and technology
  - Reduce unfunded liabilities
BOARD AND COMMUNITY PRIORITIES

CONTINUE TO ADJUST BUDGET TO REFLECT BOARD PRIORITIES

- Investing in County infrastructure
- Improving emergency preparedness
- Preserving and creating affordable housing
- Addressing sea level rise and climate change
- Prioritizing racial equity
GOALS FOR BUDGET PROCESS

• Engage staff to help establish workplans and set priorities
• Update current baseline budget to more accurately reflect costs for current services
• Prioritize baseline, one-time and cost-covered budget adjustments
• Identify funding strategies for emerging needs
• Develop multi-year budget strategy to invest in the top 5 community priorities
• Update department fee schedules to keep pace with inflation
ECONOMIC FORECAST

- The U.S. is in its 11\textsuperscript{th} year of economic expansion
  - Longest on record
- Most fundamentals remain solid
  - Moderate growth
  - Better than expected investment market returns
  - Near full employment
- Risks and uncertainties exist
  - International trade
  - Global economic slowdown
- State budget outlook is positive in the short term
LOCAL FISCAL OUTLOOK
GOOD NEWS SINCE JUNE

• In June 2019, your Board adopted a balanced budget
  o Longer term projections indicated a slowdown beginning in FY 2022-23
  o Contributions to Facility Reserve were identified as a budget stabilization strategy
• Local property tax revenue in line with prior projections
  o Sales have increased in 2019
    ▪ Median prices have been relatively flat
  o Growth in countywide assessed value is slowing
• Pension costs have been lower than previously assumed
  o Steady annual investment returns over past five years
• Additional ongoing spending is needed to adequately maintain roads and County-owned facilities
  o Construction costs have increased
ECONOMIC PROJECTIONS

RECENT DOWNWARD REVISIONS TO SHORT TERM OUTLOOK

• Wall Street Journal poll of leading economists
  - Nearly 80% expect recession to begin within 3 years

• The CEO Confidence Measure is at the lowest reading since 2009
  - 67% of expect economic conditions to worsen

• According to the Legislative Analyst’s Office (LAO):
  - “Risk to this year’s economic outlook has increased compared to other recent years”
BUDGET ASSUMPTIONS

PROJECTIONS ASSUME MODERATE ECONOMIC GROWTH

Revenues

• Continued regional economic stability for next 2 years
• Property tax growth rate assumed to slow
  o Annual growth rate slows to 4 percent by 2025
• Moderate growth in state and federal revenues
• Department fee increases where applicable

Expenditures

• Maintain current service levels
• Cost of living adjustments each year
• Slight increase in pension costs in 2022
• Increased funding for County roads to meet $8M target
• Increased funding for ongoing high priority initiatives
PROPERTY TAX REVENUE: ASSESSED VALUE (AV) GROWTH CONTINUES TO SLOW

-2% 0% 2% 4% 6% 8% 10% 12%

Annual Change in AV  Projected Change in AV  20 Year Average

FY 2015-16 = 7.1%
FY 2019-20 = 5.1%

20-year avg. = 5.5%
GENERAL FUND PROJECTIONS
SLOW GROWTH VS. MILD RECESSION

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*Does not include use of budget stabilization strategies*
FY 2020-22 BUDGET INSTRUCTIONS

• Use temporary surplus for one-time purposes
• No ongoing department BCP’s
• Establish working groups for baseline services and one-time investments related to Countywide priorities
  o Emergency Preparedness
  o Climate Change
  o Equity
• Finalize Marin Compass Steps
  o Engage staff to adjust priorities to meet emerging needs within baseline budget
• Adjust department baseline budget to accurately reflect cost of services
• Update department fee schedules to keep pace with inflation
NEXT STEPS

BUDGET MILESTONES

• Distribute budget instructions (December)
• Mid-year department meetings with CAO (Jan/Feb)
• Budget and Compass workshops (March)
  o Updated budget outlook
  o Status update on Marin Compass
  o Two-Year Department Budget Workplans
• FY 2020-22 County Budget Hearings (June)
QUESTIONS?