



NEWS



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County recommends \$6.2B budget for new fiscal year

Shea Johnson, Daily Press

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San Bernardino County officials are recommending a \$6.2 billion balanced budget for the coming fiscal year, saying that a five-year forecast is better than 12 months ago yet acknowledging the need to be cautious.

A big part of that prudence and subsequent conservative approach stems from the belief that an economic downturn is inevitable amid the longest recovery since World War II.

The county also faces risks and has funding needs to tackle as the demand for social services rise and the retirement system earnings rate could further dip.

During a special meeting May 8, county Supervisors examined the county's financial status entering into fiscal year 2018-19, where it's anticipated they'll have a \$3.2 billion General Fund, of which about \$588 million is truly discretionary.

The overall \$6.2 billion budget, meanwhile, represents a 3-percent increase over the current fiscal year's modified spending plan.

The largest proposed year-over-year increases to funding include \$73 million more to Operations and Community Services, \$72.1 million more to Arrowhead Regional Medical Center, \$63.2 million more to Law and Justice and \$42.2 million more to Human Services.

The costs will be partially offset by a \$105.7 million drop in so-called "other funding," which primarily represents a decrease in the Countywide Discretionary Fund, according to a May 22 letter to Supervisors from county CEO Gary McBride.

The 18.7 percent increase for Operations and Community Services is buoyed by several Solid Waste Division expansion projects.

The 11.8 percent increase for ARMC is due mostly to the net addition of 39 positions, retirement cost increases and new capital improvement projects.

Law and Justice jumps as staffing and insurance costs rise. And the Human Services increase comes amid increased staffing costs and more demand for treatment and recovery services in the Department of Behavioral Health.

McBride indicated that the county's five-year forecast, covering July 1 through June 2023, shows moderate growth of major revenue streams. It looks significantly better than last year, McBride said May 8, when state funding changes in In-Home Supportive Services provided a far more bleak outlook.

"We had had a pretty good streak of increasing year-over-year rates of growth," McBride said. "That rug got pulled out from under us last year for the first time. We started to see decreasing rates of growth in some of our revenue streams."

County officials say plans in the near future include bolstering county facility security and discussing **County Fire's** financial situation to cover existing gaps in funding.

The budget is expected to be adopted this month.

<http://www.vvdailypress.com/news/20180601/county-recommends-62b-budget-for-new-fiscal-year>

Projecting steady growth with litigation woes behind, Victorville budget yields optimistic outlook

Shea Johnson, Daily Press

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The first customer walk into the Cracker Barrel Old Country Store in Victorville before sunrise on Feb . 5. The city's sales tax was expected to grow 1.3 percent this coming fiscal year. However, that projection does not account for recently opened restaurants such as Cracker Barrel. [James Quigg, Daily Press]

VICTORVILLE — City officials enter fiscal year 2019 with a feeling of turning the corner, backed by steady growth in major general fund revenue sources and the prospect of terminating litigation that has dug deeply into finances.

Key economic indicators like sales tax, home building and transit occupancy tax are each projected to rise this coming fiscal year, a period that begins July 1, officials say.

The city also hopes to inch closer to its \$9.2 million general fund reserves floor, anticipating \$5.53 million in the rainy day fund — a figure that has grown by about \$2 million from three years ago.

On Tuesday, the City Council was presented with a proposed \$72.3 million budget for the coming fiscal year against \$72 million in expenses.

The balanced spending plan, which could still be tinkered with before its officially adopted in June, factors into it expenses associated with a nine-month **County Fire** holdover contract as the city ramps up its own fire department expected ready by March 30.

Anticipated \$44 million in spending for public safety — 62 percent of general fund expenses — is inflated by start-up costs associated with the City Fire Department. Officials say the transition will ultimately enable \$4.8 million in equipment upgrades and 5.2 percent cost savings in the first five years.

But the revenue side also possesses a one-year outlier: An \$11 million transfer to the general fund from the Victorville Municipal Utility Services as repayment for money loaned to the utility when it was launched.

Budget projections also come with some major assumptions, including that sewer and solid waste rate increases will be approved Tuesday and that the Securities and Exchange Commission lawsuit will be settled by July 1 as litigation with airport tenant, ComAv, had recently been, and that no new major litigation will hatch to similarly encumber city finances.

Officials also underscore continuing weaknesses: Revenue continues to grow at a slower pace than expenses, deferred maintenance is placing stress on infrastructure — the city plans \$21 million in capital improvements — and city pension costs will rise as actuarial assumptions change.

Out of advice from its auditor, the city is likely to roll the liability of the golf fund — technically an enterprise fund, but unable to stand alone — into the general fund since golf operations are heavily subsidized by the general fund anyway.

“We don’t expect staggering increases from a revenue standpoint,” Deputy City Manager George Harris II said. “So we still need to be cautiously optimistic on the expenditure side, make sure we don’t get out too far ahead of ourselves.”

But improving property assessed values, upward trending airport activity and the city’s standing as the Victor Valley’s sales tax hub give officials reasons to be cautiously optimistic about its financial condition moving forward.

Sales tax experienced conservative growth in line with the county, region and state between 2016 and 2017, and was projected to grow slightly less, 1.3 percent, this coming fiscal year. However, that projection does not account for recently opened restaurants such as Cracker Barrel, according to Deputy City Manager Sophie Smith.

While general consumer goods and auto and transportation comprise nearly two-thirds of all sales tax in the city, restaurants and hotels (11 percent of all sales tax) are still among its strongest sectors.

“There’s still a lot of voids that we have, restaurants and such that are not currently located in the High Desert,” Smith said. “Those are who we continue to target from an economic development and growth perspective.”

Officials view family apparel, service stations and office supplies/furniture as business opportunities in the new fiscal year as they hope to build on recent wins that include the Home2 Suites by Hilton hotel and development of Dunia Plaza.

Harris II urged officials to continue to support strong sales growth opportunities and not risk losing the city’s momentum.

“By being that hub, our sales tax per capita numbers blows everyone else away,” Harris said. “And so we can’t lose sight of that.”

Anticipating a new major tenant announcement soon for Southern California Logistics Airport — an economic development engine that has been hampered by legal fee spending — Smith said its usable leaseable space could be full in 2019 while officials also pursue higher rental rates.

Single-family housing construction should also far surpass the number of permits issued in recent years. With already 100 issued during the first quarter of 2018, officials project 500 will be issued next fiscal year — up 25 percent over this calendar year’s expectations.

Homes are selling in the upper \$200,000/lower \$300,000 range, officials said, and the southwest corner of Bear Valley Road and Highway 395 has been particularly active.

<http://www.vvdailynews.com/news/20180603/projecting-steady-growth-with-litigation-woes-behind-victorville-budget-yields-optimistic-outlook>