2014-2016 BUDGET WORKSHOP

Budget Workshop Summary

Projected General Revenue Growth

Revised Five Year Forecast—Discretionary Rev, GFC & Unallocated Rev

<table>
<thead>
<tr>
<th>Year</th>
<th>GF Rev</th>
<th>Unallocated Revenue</th>
<th>GFC</th>
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</thead>
<tbody>
<tr>
<td>FY 14-15 Prop</td>
<td>215.2</td>
<td>0.4</td>
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<tr>
<td>FY 15-16 Prop</td>
<td>217.5</td>
<td>4.4</td>
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<tr>
<td>FY 16-17 Forecast</td>
<td>221.9</td>
<td>6.1</td>
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<tr>
<td>FY 17-18 Forecast</td>
<td>228.0</td>
<td>8.8</td>
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<tr>
<td>FY 18-19 Forecast</td>
<td>235.2</td>
<td>12.1</td>
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Unallocated Revenue and Emerging Needs

Positive Themes for Coming Year

- Fewer service level reductions than in past
- Reduced reliance on 1x funding
- Departments are managing although not at optimal levels
- Significant achievements accomplished
Challenges and Risks

- Compliance with state and federal requirements
- Department technology/software updates & needs
- Maintenance
- Workforce planning and retention
- Management classification/compensation system
- Underfunding of some department programs
- Structural financial issues remain in some departments

CEO Recommendations

- Needs exceed available ongoing and 1x funding
- CEO still reviewing requests
- Recommendations to be presented in June after BOS input
- CEO initial recommendations focus on:
  - Mitigating risk
  - Necessary cost increases/obligations
  - Identified priorities
- Funding recommendations contingent upon outcome of Measure M
Summary - Looking ahead to FY 14-15 & beyond

- Positive long-term outlook but significant needs & challenges
- Limited capacity for ongoing expansions in FY 2014-15
- Difficult choices still to make
- Staff to evaluate revenue generation
  - Transient Occupancy Tax increase for November 2014 ballot
- Given uncertainty, limit new expenditures in FY 14-15 but consider for following year

Next Steps

- After workshop and BOS input, CEO finalizes recommendations and prepares Budget
- Recommended Budget released May 15, 2014
- Measure M determined by voters June 3, 2014
- Budget Hearings (adoption) held June 9 & 11, 2014
Recommended Actions

- Hold budget workshops to receive presentations on Fiscal Year 2014-15 Recommended and FY 2015-16 Proposed Budget;
- Direct staff to proceed with the budget development process in accordance with the Board’s adopted budget principles; and
- Provide direction, if any, regarding items to be addressed or included in the Recommended Budget, scheduled for release on May 15 and Board adoption on June 11.