



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: County Executive Office
Department No.: 012
For Agenda Of: June 12, 2017
Placement: Departmental
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Director(s) Mona Miyasato, County Executive Officer
Contact Info: Jeff Frapwell, Assistant County Executive Officer

SUBJECT: Fiscal Year 2017-18 Recommended Operational Plan

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

It is recommended that the Board of Supervisors:

- a) Receive, consider, and file the Fiscal Year 2017-18 Recommended Budget (as shown in the Recommended Operational Plan, Attachment A);
- b) Approve final budget adjustments (Attachment A-2) to the Fiscal Year 2017-18 Recommended Budget (as shown in the Recommended Operational Plan);
- c) Approve budget adjustments in the form of Attachment E, as amended during the hearings, to the Fiscal Year 2017-18 Recommended Budget (as shown in the Recommended Operational Plan);
- d) Delegate authority to the County Executive Officer to execute renewal of single-year grants and contracts (Attachments B and C) included in the Fiscal Year 2017-18 Recommended Budget (as shown in the Recommended Operational Plan) that had previously been approved by the Board, where contract amounts are up to 10% greater or less than previously contracted amounts;

- e) Adopt the Resolution of the Board of Supervisors entitled In the Matter of Adopting the Budget for Fiscal Year 2017-18; and
- f) Determine pursuant to CEQA Guidelines §15378(b)(4) that the above fiscal activities are not a project subject to the California Environmental Quality Act.

Summary Text:

The Fiscal Year (FY) 2017-18 Recommended Operational Plan, which consists of The Recommended Budget (Attachment A), CEO Recommended Restorations and Expansions (Attachment A-1), and Final Budget Adjustments (Attachment A-2), is hereby submitted to the Board of Supervisors. **Any Board adjustments to the budget made during the June Budget Hearings will also be incorporated in the form of Attachment E.** The information in this letter, attachments, and Hearing binder is provided to enable the Board to adopt a Fiscal Year 2017-18 operating plan during the Budget Hearings. Budget Hearings are scheduled for June 12, and if necessary June 14 and June 16, 2017 and, if necessary, may also be continued into the week of June 19-23, 2017.

FY 2017-18 Recommended Budget Overview

The CEO Recommended Operational Plan for FY 2017-18 presents a balanced budget, with total Operating Revenues of \$1.079 billion (5.8% increase) and Operating Expenditures of \$1.073 billion (5.3% increase). Improving revenues, up \$59.4 million, and expenditure reductions have helped to develop a balanced Recommended Operational Plan.

The FY 2017-18 Recommended Operational Plan results in a net reduction of 187.7 Full Time Equivalents (FTEs) (4.3%) from 4,400.9 in the FY 2016-17 Adopted Budget, to 4,213.2 FTEs in the FY 2017-18 Recommended Operational Plan.

The Executive Summary of the Recommended Budget, pages B-1 to B-25, details this information.

The Plan attempts to strike a balance of meeting the most critical needs, prior funding commitments and Board priorities while reducing costs and planning for future budget challenges. Overall, the Recommended Budget includes service level reductions impacting 13 County Departments, for a total net ongoing reduction (i.e. ongoing service level reductions net of recommended ongoing restorations or expansions) of approximately \$30 million, which is necessary to close the budget gap.

Summary of Service Level Reductions

Service Level Reductions are detailed on pages B-5 to B-7 of the Recommended Budget and summarized below.

- The majority of these reductions are in the Department of Social Services (\$19.1 million). The reductions in Social Services are due to capped and reductions in available State

funding, along with increasing costs, and mostly impact Eligibility Programs, such as CalFresh, CalWORKs, and Medi-Cal. A likely result will be longer processing times for applications and renewals, and a shift of some administrative work to social workers within the Child Welfare, Adult Protective Services and Foster Care programs. While the number of FTE positions to be reduced is approximately 165, it is currently estimated that 60-70 individuals would suffer a job loss as a result of these reductions.

- The Sheriff's Department is also sustaining net reductions (\$5.5 million). The reductions will impact staffing at the Main Jail, the Santa Maria Branch Jail, the Special Investigation Bureau, and a variety of other programs across the Department.
- Other departments with significant impacts include Probation (\$1.9 million), General Services (\$0.7 million), the District Attorney (\$0.7 million), and Behavioral Wellness (\$0.9 million).
- The reductions for Behavioral Wellness contained in the Recommended Operational Plan list \$0.6 million cut to the Assisted Outpatient Treatment (AOT) program, known as "Laura's Law," but the Board of Supervisors on May 16, 2017, subsequent to the printing of the Budget, directed that the funding for the AOT program be included for the 2017-18 Fiscal Year. This change is included in the Final Budget Adjustments in Attachment A-2.
- Administrative departments, including Auditor-Controller, Clerk-Recorder-Assessor, Treasurer-Tax Collector, and County Executive Office, are also reducing vacant positions, as are Community Services Department, First Five and Child Support Services.
- Aside from the layoffs in the Department of Social Services, it is currently expected that only a few, if any, layoffs are necessary in other departments.

Summary of Recommended Restorations and Expansions

The Recommended Budget includes funding to fully or partially restore certain services given their critical nature or Board priority. Funding is also included to expand services to meet emerging needs. These recommendations were made after input from the Board at the April workshops and further discussion with departments. A summary of the restorations and expansions are described below and detailed on pages B-8 to B-10 of the Recommended Budget.

- The Behavioral Wellness Department will receive General Funds to address the increased need for beds for severely mentally ill individuals (\$1.5 million ongoing; \$1.2 million one-time). The department is also receiving grant funds for six new crisis residential treatment beds. Through the Community Corrections Partnership, the department will also be receiving capital and limited operating funds for a prospective Mental Health Rehabilitation Center.
- For the Social Services Department, General Fund funding is proposed to accommodate increases in workers' wages for In-Home Supportive Services (IHSS), fund State maintenance of effort requirements for the IHSS and the CalFresh program, as well as to provide one-time matching funds so the department can draw down future CalFresh revenue that may be available during the year (\$1.4 million ongoing; \$0.5 million one-time). One-time funding of \$2 million was also included for the IHSS program that will no longer be needed in FY 2017-18, but a portion will be needed in future years, given the Governor's

May Revise. The CEO will provide recommendations as to the use of that funding at the Budget Hearings.

- For the Sheriff's department, General Fund funding is provided to assist with lost time issues due to illness or injury, cover increased jail medical costs, address safety needs in Isla Vista, and to provide security for civil cases in the Superior Court (total \$5.3 million). Funding from the CCP will provide an enhanced Sheriff Treatment Program in the jail for inmates. In addition, pursuant to the Northern Branch Jail transition and staffing plan, funding for 15 deputy sheriffs is included in the Recommended Budget.
- Increased funding is included within the District Attorney's budget for the prosecution of the north county gang cases, bringing the recommended FY 2017-18 funding level to \$380,000, up from \$300,000 in FY 2016-17. Additionally, \$400,000 in funding is being recommended to provide a new data management system for the District Attorney.
- Continuance of General Fund funding is provided for Probation staff to supervise cases of the substance abuse diversion court, as well as new funding for four new officers to prevent sexual assault in juvenile hall and to cover increased medical services costs within Juvenile Hall (\$0.9 million). CCP is also providing for two new officers to supervise individuals on pre-trial release, as well as a data analyst to assist with criminal justice data collection and reporting.
- The Fire Department is expanding service for a new division chief to oversee dispatch and logistics, funded by the State, and new fire inspector (\$0.5 million).
- To assist our public safety departments, one-time funding is also provided for a multi-year project to improve the reliability of our public safety radio system and to provide replacement equipment (\$0.9 million).
- For Community Services, ongoing General Fund funding for libraries and homeless shelters continues, as well as new funding for maintenance of Orcutt Park, and one time funding for the next phase of the Community Choice Energy initiative (\$0.6 million).
- For Public Works, General Services and Community Services departments, General Fund funding is provided to meet the 18% maintenance policy calculation (\$3 million ongoing), and an additional \$3.4 million in one-time funding is provided to further help address our backlog of deferred maintenance and unexpected needs that occur throughout the year. In addition, \$1 million is being allocated from the Strategic Reserve to provide a local match for emergency road damage caused by the 2017 winter storms. Public Works should also be receiving approximately \$4.5 million from SB1 funds in FY 2017-18.

Strategic Reserve Policy

Over the years, the County has strived to maintain a 30-day operating General Fund Strategic Reserve. This year, this reserve is recommended to be at 93% of its targeted level of funding due

to limited financial resources. This equates to about \$2.4 million below a targeted level of \$32.2 million.

Continued Commitments to Board Priorities and Key Issues

The FY 2017-18 Recommended Operational Plan continues prior funding commitments. These prior commitments, which obligate future ongoing revenue, reduce our capacity for significant restoration or expansion of programs and services, or other expenditure increases, in the near term.

- Northern Branch Jail - The County's funding plan guides setting aside increasing amounts of General Fund revenues each year to cover the projected operating costs of the Northern Branch Jail, anticipated to be \$17.9 million in 2019-20, the first full year of operations. The Recommended Operational Plan includes \$9.1 million for the eventual operations, per the Board-adopted funding plan.
- Fire Tax Shift - Since adoption of the tax shift, one quarter of property tax growth that would have otherwise been allocated to the General Fund is shifted to the Fire District until the District's allocation reaches a 17% share of property taxes (from 14.3% in FY 2012-13). This shift continues, resulting in an additional \$8.0 million in revenue to the Fire District in FY 2017-18.
- Maintenance - As stated above, the County has significant deferred maintenance needs and maintenance funding will increase pursuant to the "18% funding policy" by \$0.5 million (to \$3.0 million) in FY 2017-18. Furthermore, \$3.4 million in one-time appropriations is included in the Recommended Operational Plan for road, facility, and park maintenance. Additionally, \$1.0 million from the Strategic Reserve has been appropriated to be used as local match for emergency storm damage repairs.
- Bargaining Unit Agreements - Employee agreements are being satisfied. The Recommended Operational Plan for FY 2017-18 includes increases for employee salary and benefits, pursuant to negotiated labor agreements.
- Pension Funding - In FY 2016-17, the County Board of Retirement moved to reduce the assumed rate of return from 7.5% to 7.0%, phased in over a 5-year period, per its policy. This determination was based on actuarial studies, historical performance and future expectations of investment returns, and expected inflation rates. The change in assumption will significantly increase the County's retirement contribution rate for the next five years. The increase in costs to the County, if staffing was maintained at FY 2016-17 levels, was estimated to be \$10.8 million in FY 2017-18. However, because of reductions in staffing levels, the actual increase in pension costs to the County is \$7.3 million, or a 5.9% increase (from \$123.8 million to \$131.1 million).

Discussion of individual department work initiatives and budgets for the coming year were reviewed with the Board during the budget Workshops conducted in April. At the June Hearings, staff will provide an overview of the budget, respond to unanswered Board requests made at the workshops and provide updates to department budgets, if any, since the April workshops.

Background:

As we approach the 2017-18 Fiscal Year, the County is faced with budgetary challenges that are expected to continue for the next few years, requiring rebalancing among existing uses, service reductions or new revenue. Impacts affect segments of the organization differently, with some departments minimally impacted and others facing significant shortfalls and budget cuts. These effects vary depending on the nature of departments' funding sources for these services and type of operations.

Unlike in the Great Recession, local revenues are growing at a modest rate, but are outpaced by increasing expenditure demands. Federal, State, and other local revenues have increased overall, but recent State program reductions and funding caps in some areas are significantly impacting our ability to provide the same level of service next year, particularly in the Department of Social Services. Many of these services were historically funded by intergovernmental revenues, with minimal General Fund contribution.

This year's budget theme, "One County. One Future." recognizes that to successfully address our challenges ahead we will need to increase our coordination and recognize our interconnectedness, building upon the strengths of individual County departments and community partners. Our fiscal challenges also call for a reallocation of limited discretionary revenue not just within but among our departments to ensure the Board's highest priorities for the community and organization are met. These challenges will require a continued commitment to responsible choices to deliver the level and quality of programs and services desired by the residents of Santa Barbara County. Maintaining fiscal stability and ensuring a balanced budget in the coming years will require continued prudence, realistic expectations, and restraint.

Despite the challenges, we are charting a course to address these issues and make strategic decisions that will position the County for long-term success. County government continues to strive to provide high quality work, advancing major initiatives and fulfilling priorities to serve Santa Barbara County residents. Significant services are provided day in and day out by County departments, and all have made substantial progress to accomplish goals set by the Board to better serve our communities.

Final Budget Adjustments:

As is the case each year, events have occurred since the Recommended Operational Plan was prepared which prompt staff to recommend adjustments to various appropriations and revenues. The recommended adjustments are detailed in **Attachment A-2**, and include:

- Appropriations included in the Fiscal Year 2016-17 budget that were not spent but are planned to be spent in FY 2017-18. These planned expenditures were moved to a fund balance account via a Budget Revision during Fiscal Year 2016-17.
- Other recommended changes that adjust General Fund and non-General Fund budgets.

Department Expansion Requests - Deferred to Hearings:

Departments are requesting to restore, and in some cases expand and enhance, service levels in select areas, with requested additional General Fund Contribution as a one-time or ongoing funding source. These requested adjustments are listed and detailed in **Attachment A-3**, and total 49 FTE, over \$14.5 million of ongoing, and \$3 million in one-time, General Fund Contributions.

Board Adjustments (further restorations or expansions) – Attachment E:

At the hearings, the CEO will provide an update on any available, unallocated funding and recommendations for use of that funding. During the course of the hearings, the Board may wish to allocate those funds. Attachment E provides a form that can be used for Board deliberation.

Ongoing Grants and Contracts:

The County has numerous ongoing grants and contracts that are renewed each year with the funding and expenditures approved by the Board during the annual budget hearings. The execution then becomes ministerial and has been delegated to the County Executive Officer, who verifies their inclusion in the Adopted Budget and signs the contracts for the County, thus reducing the number of administrative agenda items that come before the Board during the year.

The Board has customarily delegated this authority to include grants and contracts where amounts are up to 10% more or less than indicated amounts.

This process is only for single year contracts, not multi-year agreements. To qualify for this process:

1. All contract terms and conditions, including contract scope of work, must remain unchanged from the prior contract, and
2. The value of the contract cannot change by more than 10% from the prior year value.

Ongoing contracts or grants in amounts that exceed 10% must be individually presented to the Board for approval. *If rates or units of service change, the contract may qualify for the on-going contracts process if these changes are clearly disclosed on the ongoing contract list.*

The list of on-going grants and contracts, by department, is included in the Attachments with a recommendation that the Board approve, as a group, their renewal for FY 2017-18. The grants to be included in this year's budget hearings are identified in **Attachment B**. The contracts to be included in this year's budget hearings are identified in **Attachment C**. The contract list could include *part-year* contracts that would have been for the same amount as the prior year if the request had been to renew them for a *full year*. For example, a contractor was paid \$100,000 for a full year's work last year but the proposed contract is for \$50,000 for 6 months work in Fiscal Year 2017-18.

Budget Resolution:

The Resolution of the Board of Supervisors follows as **Attachment D**. Note the resolution allows the County Executive Officer, under limited circumstances, to approve changes to appropriations for previously approved equipment purchases.

County Budget Act:

Among its requirements, the “County Budget Act” at California Government Code § 29000 et seq. requires that each year the Board of Supervisors must adopt a balanced budget, where funding sources equal uses. Additionally, pursuant to Government Code §29082, each department has an opportunity to address the Board regarding their Recommended Operational Plan.

Fiscal Impacts:

Approval of these recommendations adopts the Fiscal Year 2017-18 Recommended Operational Plan (with any modifications determined by the Board) and authorizes the County Executive Officer and/or the County Auditor-Controller to take necessary related fiscal action.

Attachments:

- A FY 2017-18 Recommended Operational Plan
- A-1 CEO Recommended Operational Plan Restorations and Expansions
- A-2 Final Budget Adjustments
- A-3 Department Expansion Requests - Deferred to Hearings
- B Ongoing Grants
- C Ongoing Contracts
- D Budget Resolution of the Board of Supervisors
- E Board Approved Budget Adjustments (pending Board Deliberations)

Authored by:

John Jayasinghe, CEO Fiscal and Policy Analyst
Paul Clementi, CEO Principal Analyst

Cc:

Department Directors
Assistant County Executive Officers
CEO Fiscal and Policy Analysts