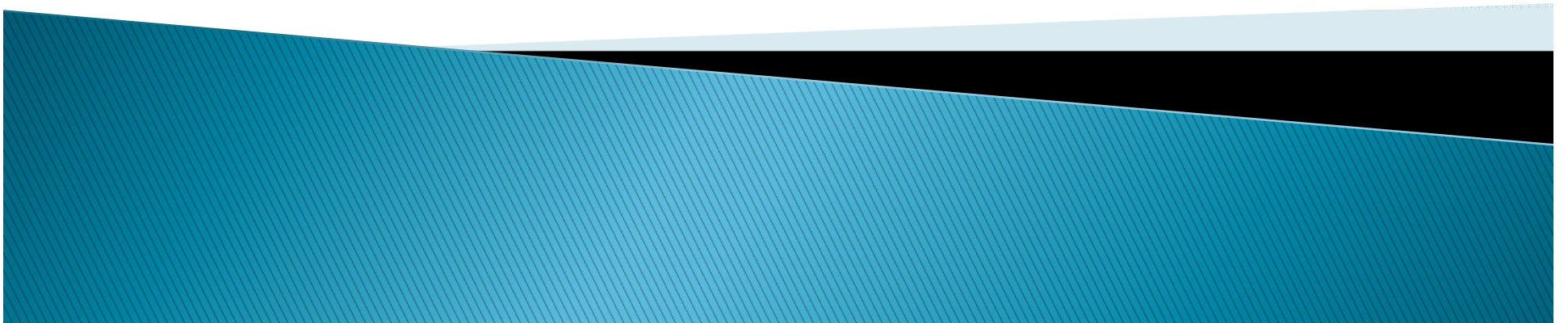


Budget Overview and Update

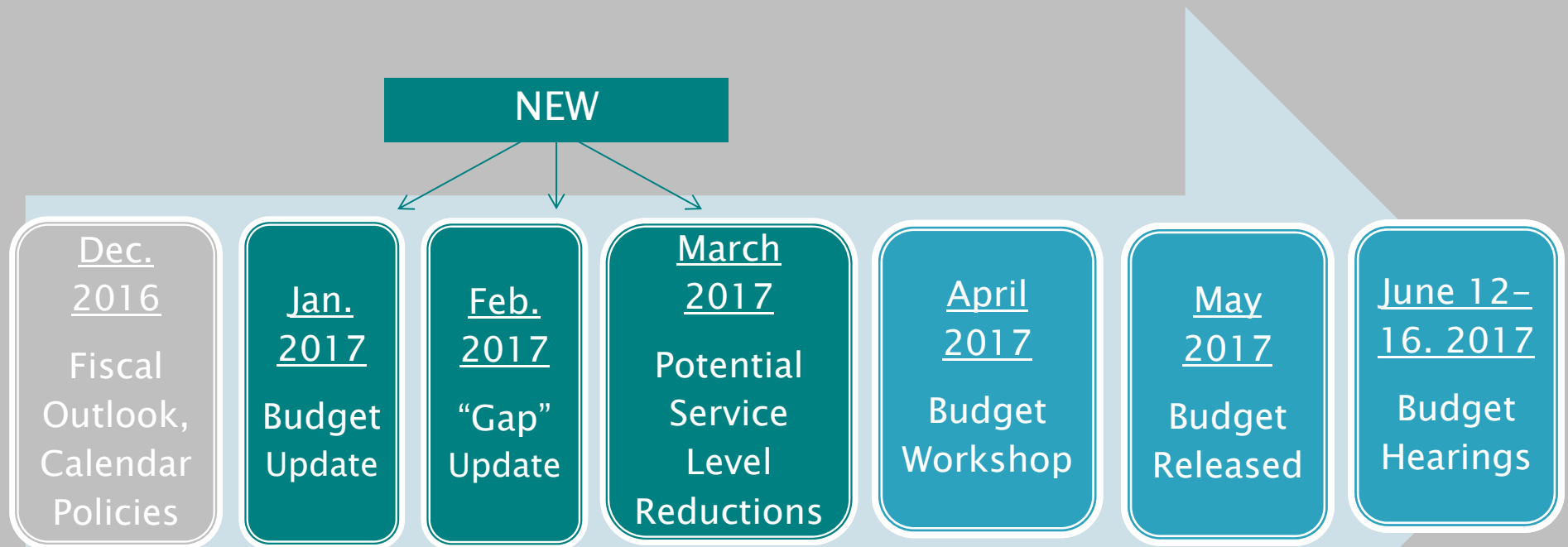
January 24, 2017



Purpose of Presentation Today

- Provide context and review of the County's Budget
- Provide foundation for monthly updates
- Describe potential impacts of Governor's Proposed Budget
- Describe longer term Financial Rebalancing and Resiliency Plan process
- Solicit Board feedback and answer questions
- Provide transparency to the Board, community and employees

Budget Development Process

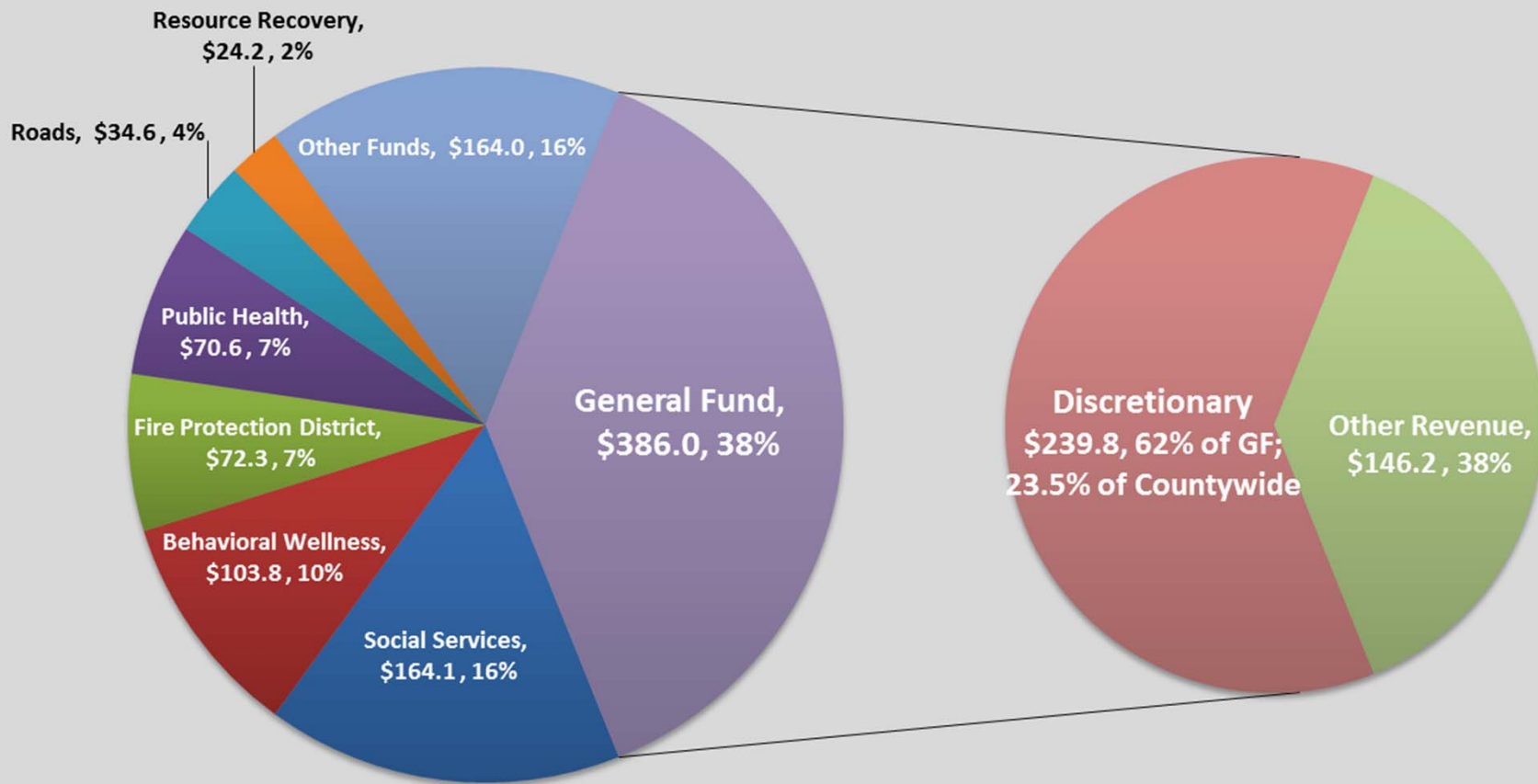


OVERVIEW OF REVENUES



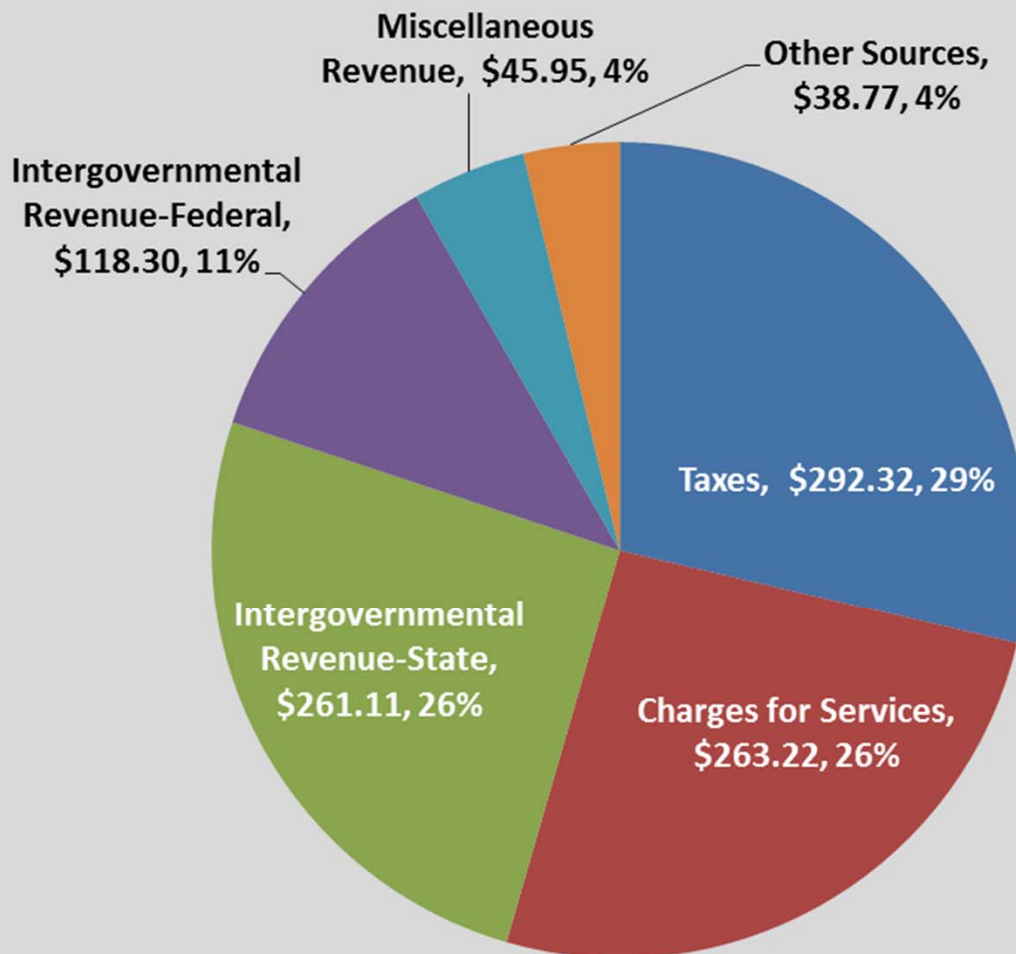
Revenue by Fund

FY 16-17 Adopted Operating Revenues by Fund
Total \$1,019.7 Million

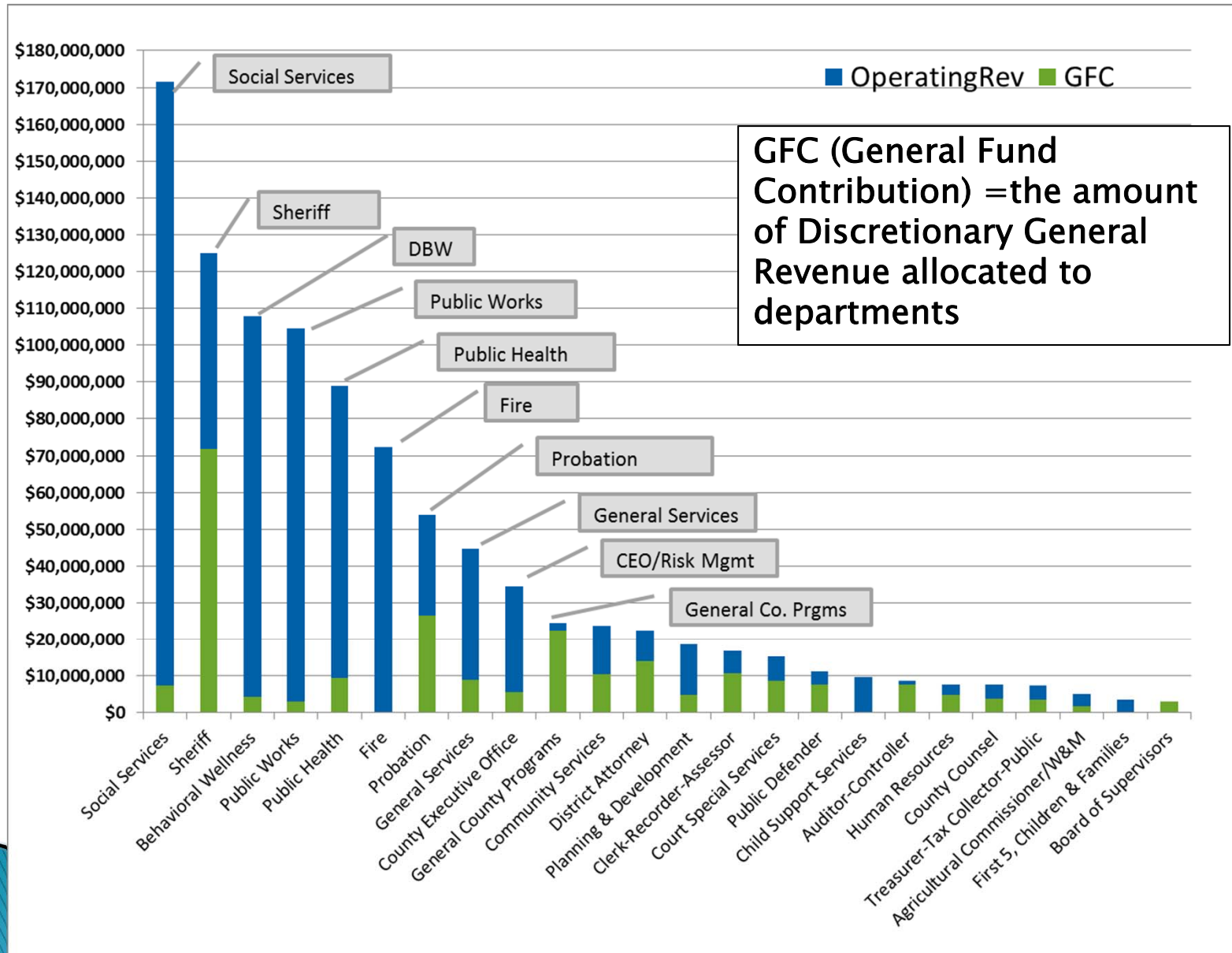


Revenue by Category

FY 16-17 Adopted Countywide Operating Revenue by Category - Total \$1,019.7M



Revenues & GFC by Department

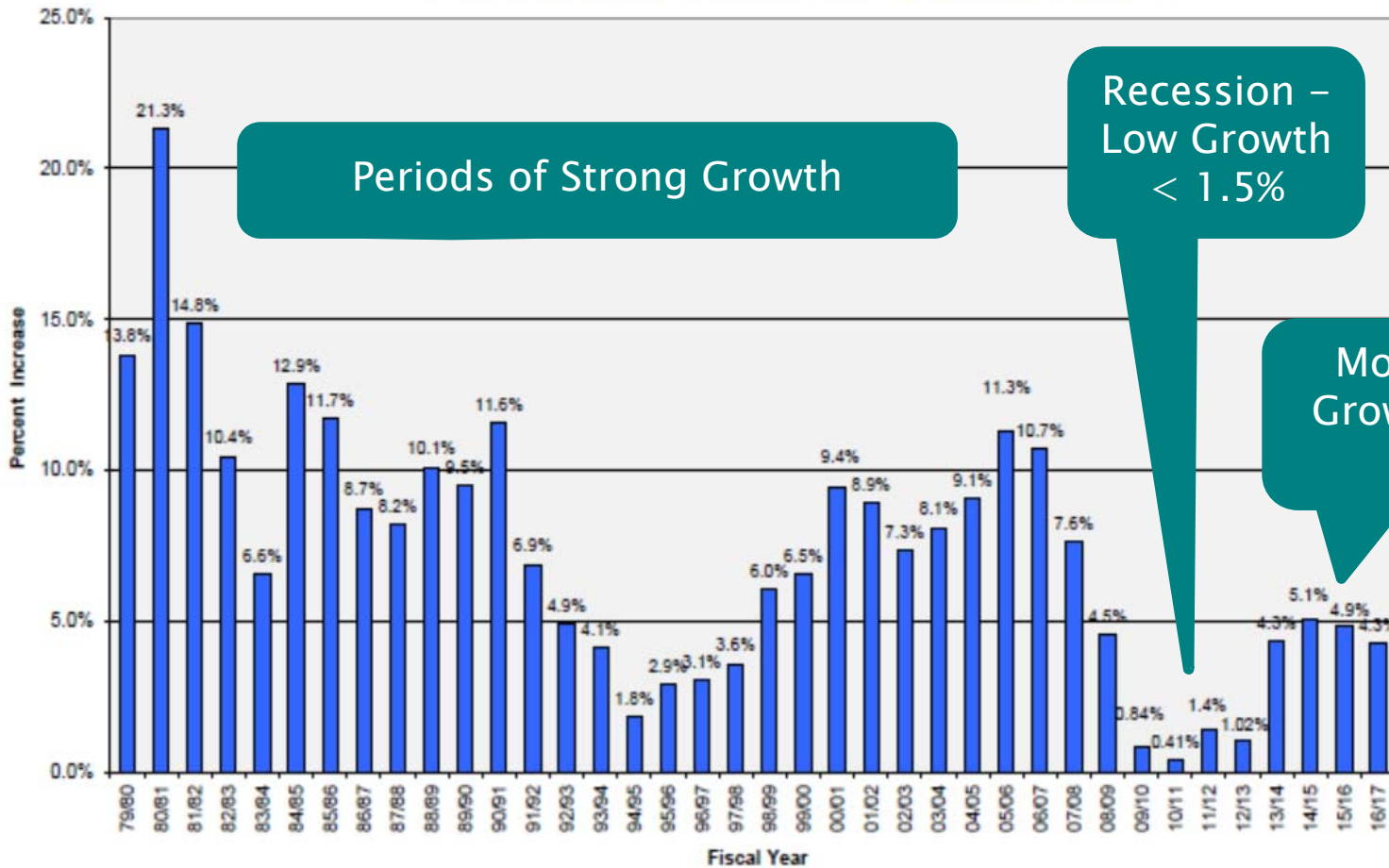


Year over Year % Change in Secured Tax Roll



JOSEPH E. HOLLAND
 COUNTY CLERK, RECORDER AND ASSESSOR
 REGISTRAR OF VOTERS

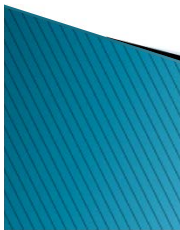
PERCENT INCREASE IN SECURED ROLL VALUE 1979/80 - 2016/17



Periods of Strong Growth

Recession – Low Growth < 1.5%

Moderate Growth 4%–5%

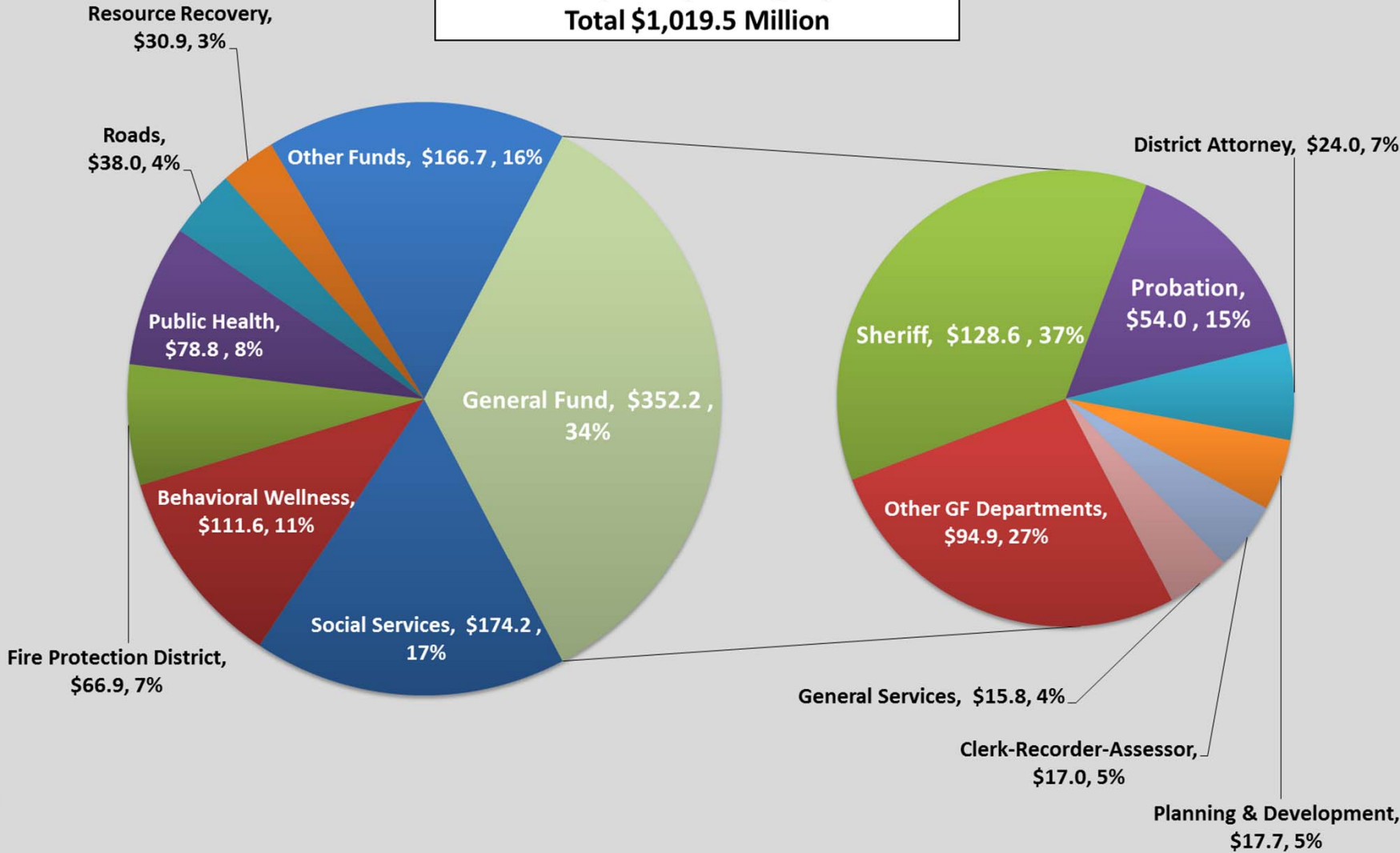


OVERVIEW OF EXPENDITURES



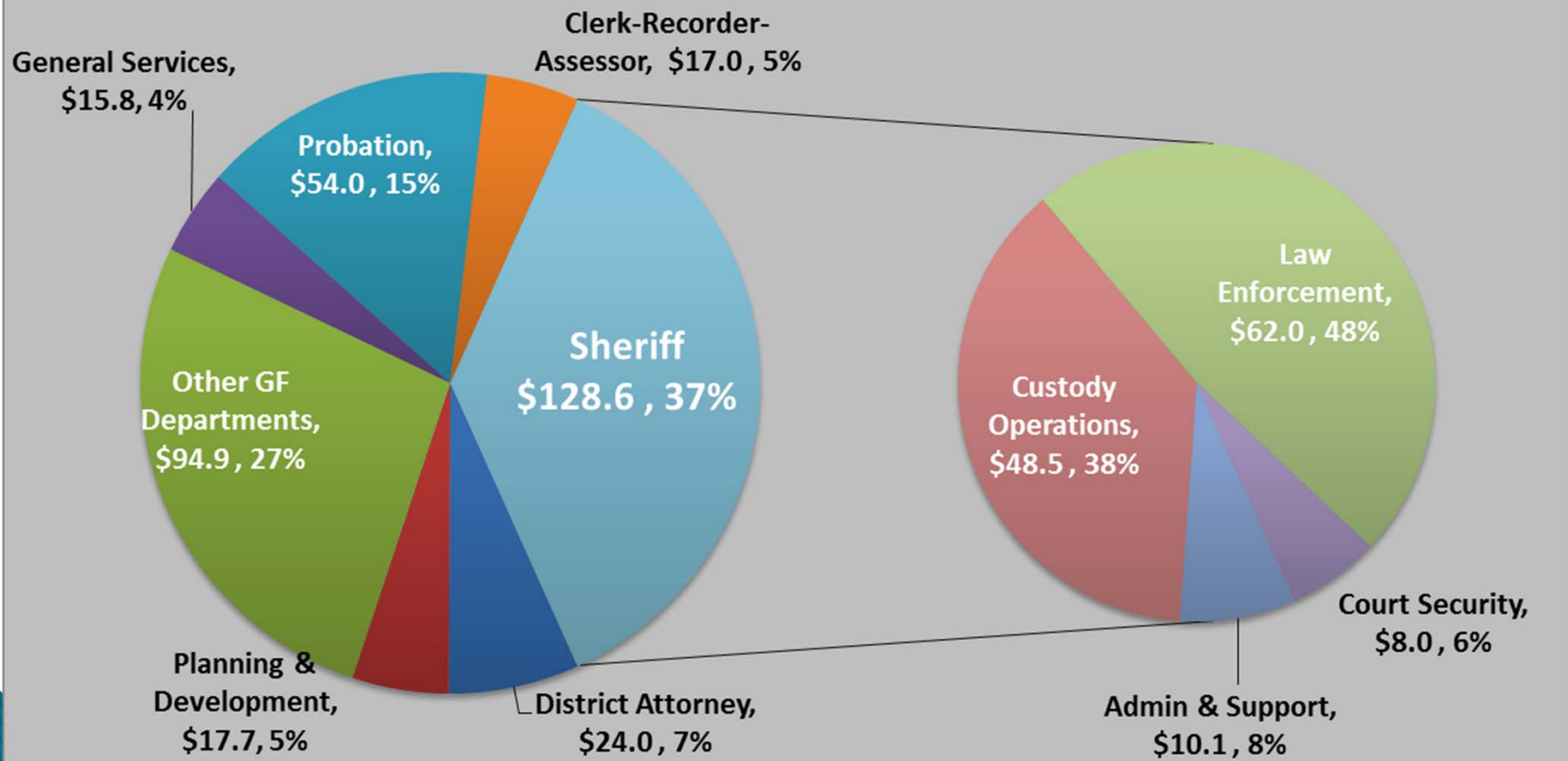
Expenses by Major Fund

**FY 16-17 Adopted Operating Expenditures
Total \$1,019.5 Million**

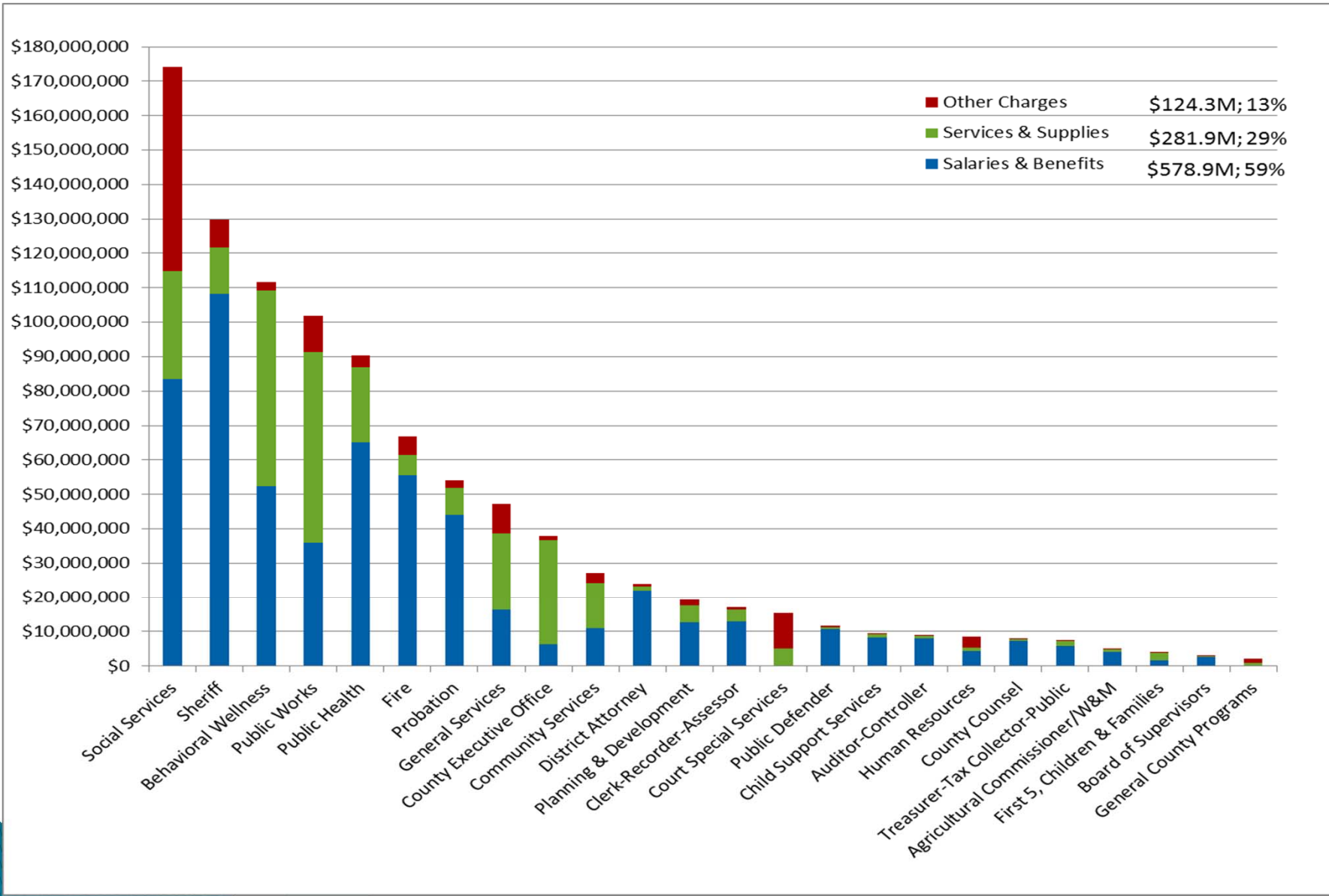


Example – Expenses by Program

**2016-17 Adopted General Fund Department Expenditures
& Sheriff Dept. Expenditures by Budget Program**

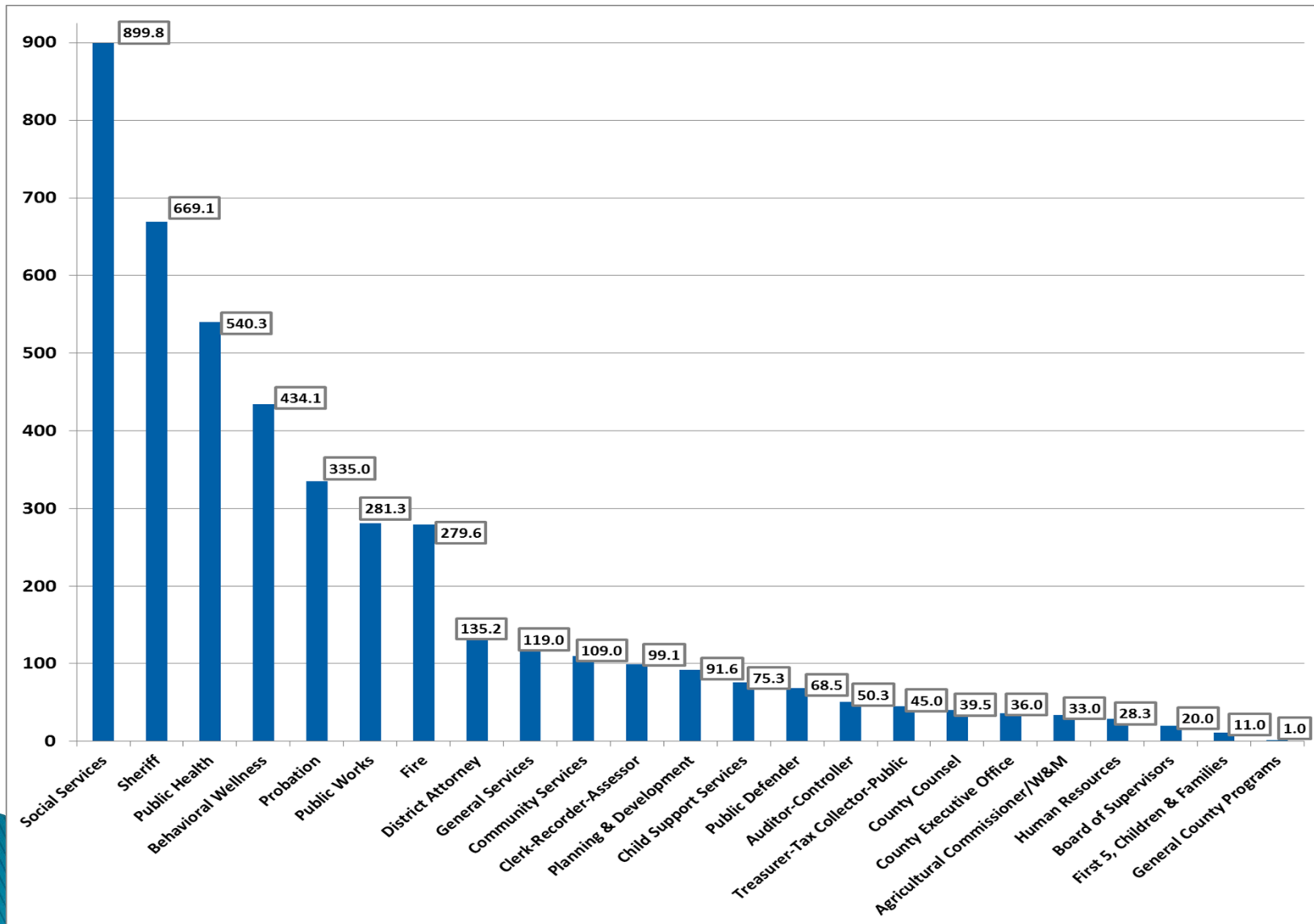


Expenses by Dept./Category



County Staff by Department

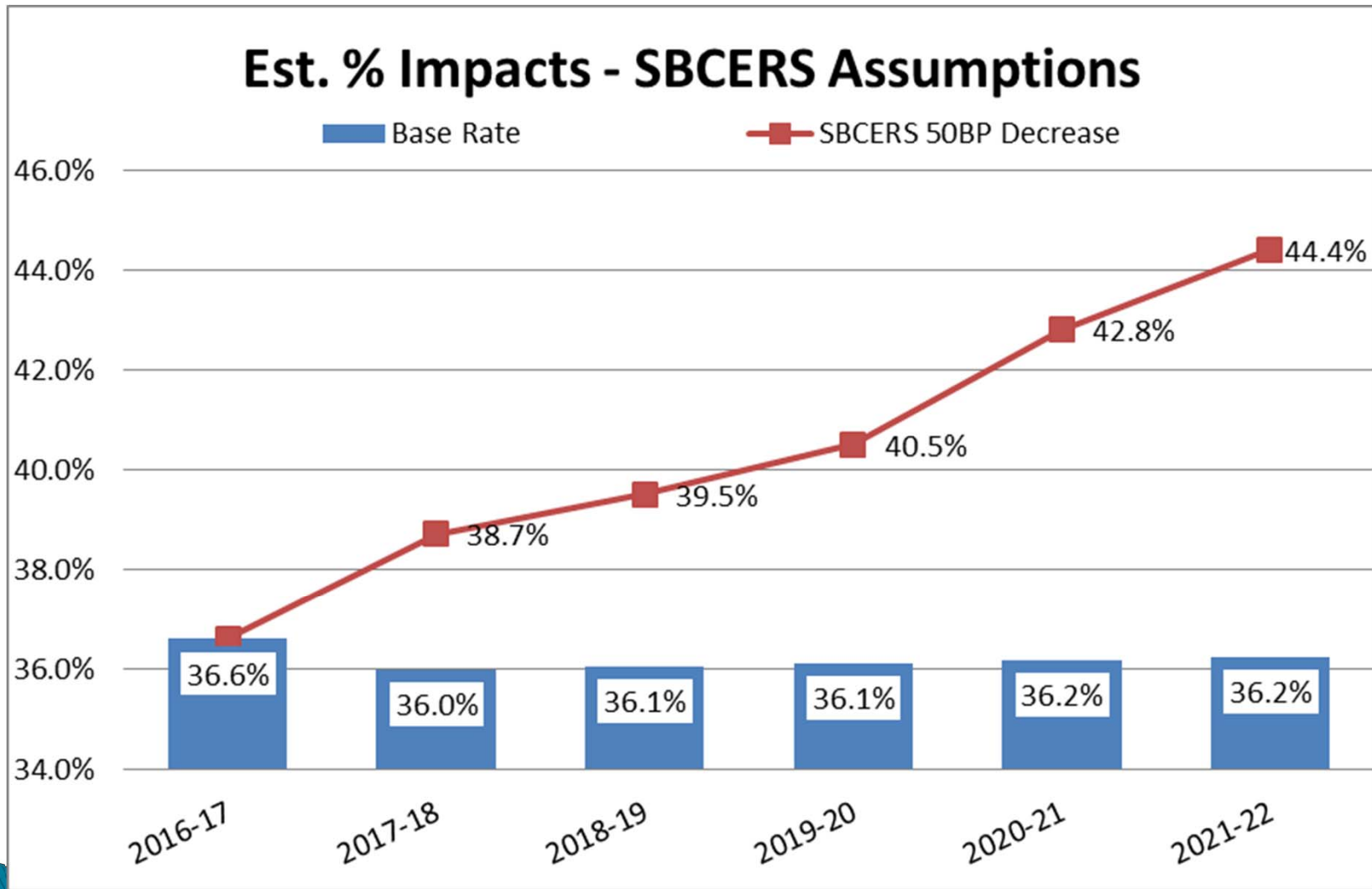
4,400 Total Staff



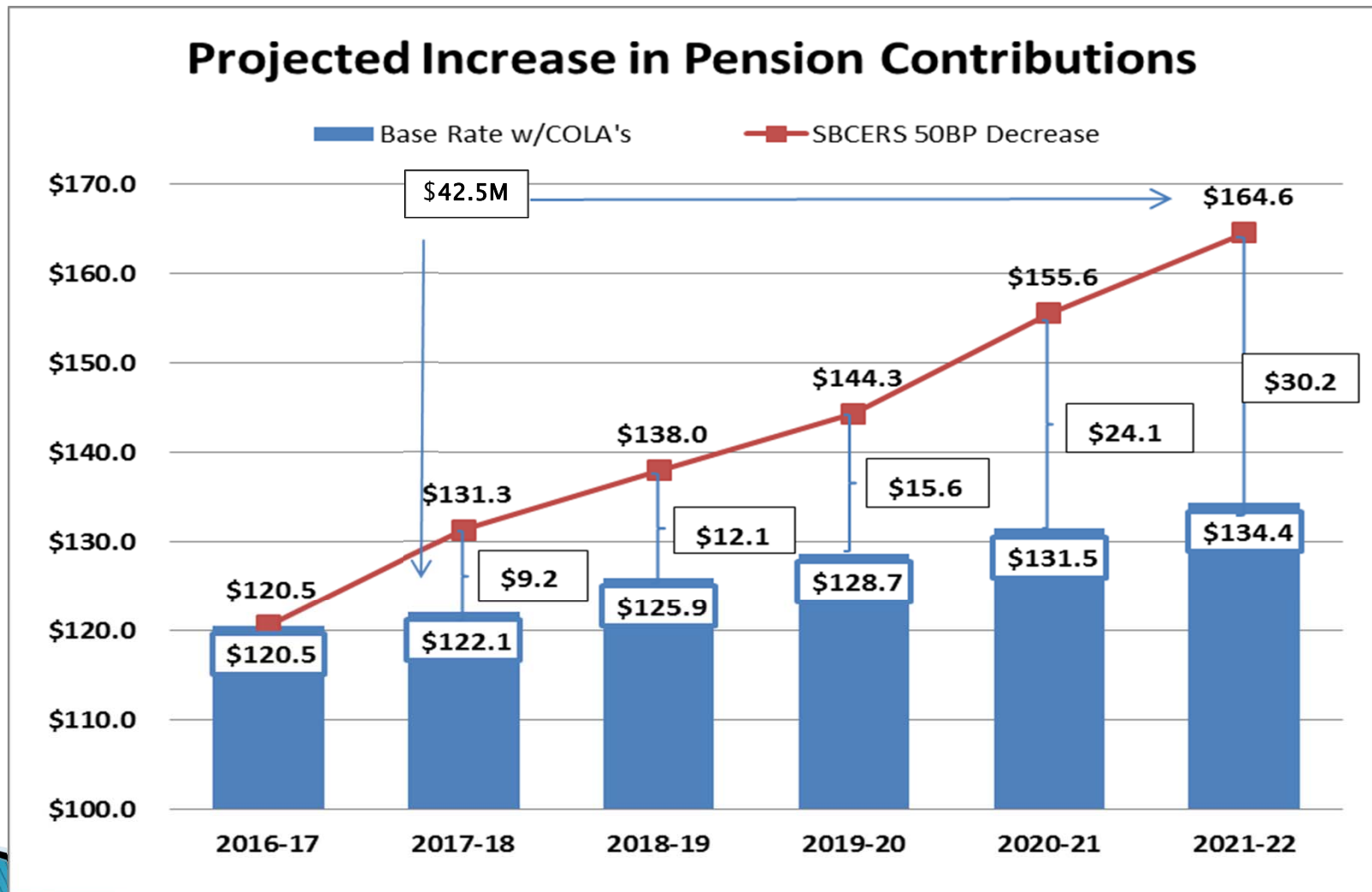
I-C: Fiscal Issues

Tier 1 Issues: Expected occurrence within the next two fiscal years						
Issue		FY 2017-18 Impact	FY 2018-19 Additional Impact	One-time or Ongoing	FY 2017-18 Discretionary Impact	FY 2018-19 Discretionary Impact
		(\$ in millions)			(\$ in millions)	
1	Pension Fund Stability	\$ 12.2	\$ 8.2	Ongoing	\$ 3.9	\$ 2.6
2	Behavioral Wellness Inpatient System of Care	4.7	-	Ongoing	4.7	-
3	Health Insurance	3.7	4.5	Ongoing	1.2	1.4
4	State Gas Tax (HUTA) Revenue Reduction	3.0	-	Ongoing	3.0	-
5	Northern Branch Jail Operations Funding	1.5	1.8	Ongoing	1.5	1.8
6	Deferred Maintenance	1.4	2.4	Ongoing	1.4	2.4
7a	Main Jail Medical/Mental Health Services	1.0	-	Ongoing	1.0	-
7b	Main Jail – Capital Needs	2.6	1.6	One-time	2.6	1.6
8	Social Services Local Share for CalFresh	0.6	0.3	Ongoing	0.6	0.3
9	Social Services IHSS MOE Increase	0.5	0.2	Ongoing	0.5	0.2
Total		\$ 31.2	\$ 19.0		\$ 20.3	\$ 10.3

Estimated Pension Rate Increases



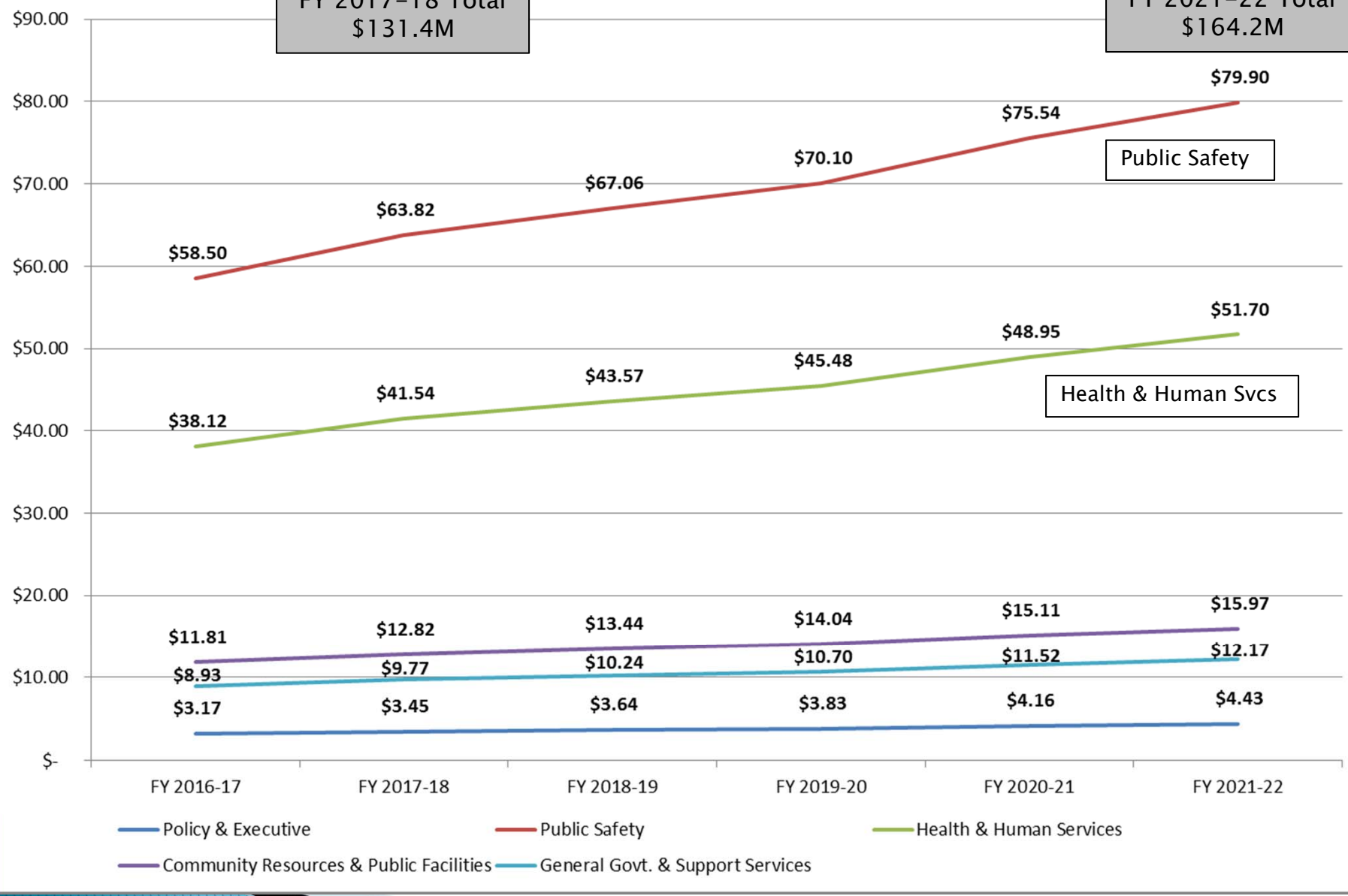
Estimate of Pension Contribution Increases



Uses blended countywide pension rates

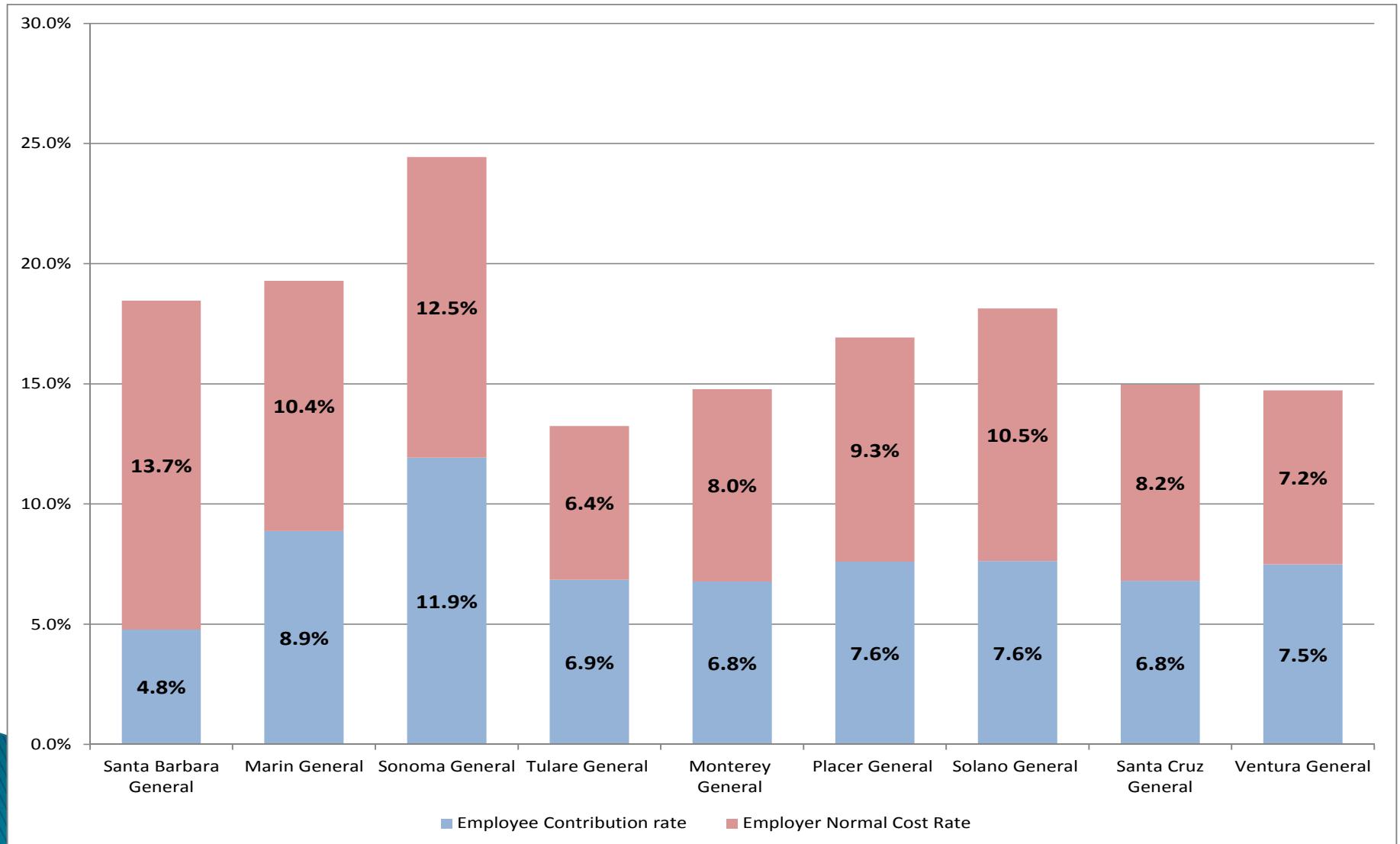
Projected Pension Costs by Functional Group

(\$ in millions)

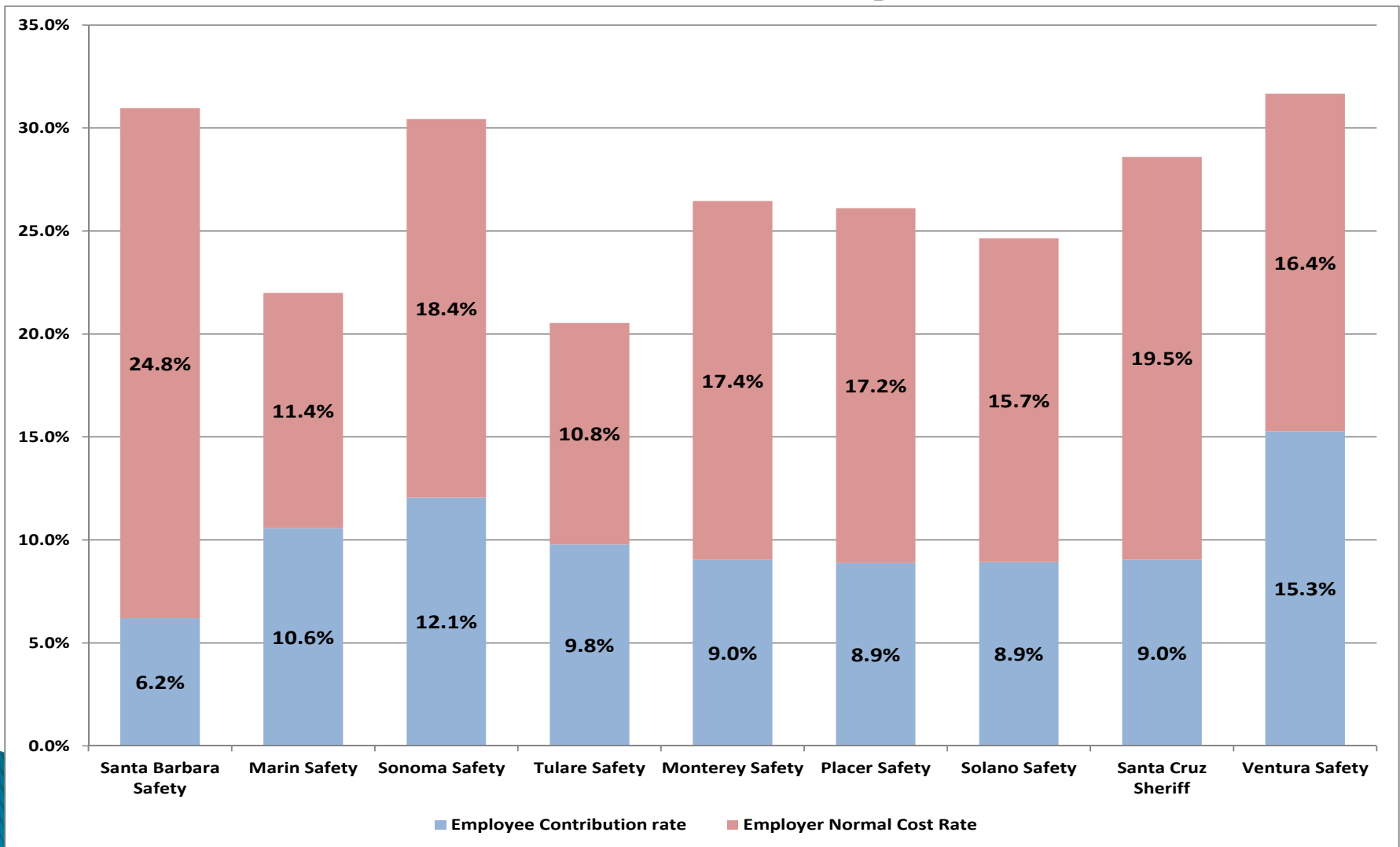


Uses detailed pension rates by Retirement Plan

Pension Comparison of Normal Costs – General Members

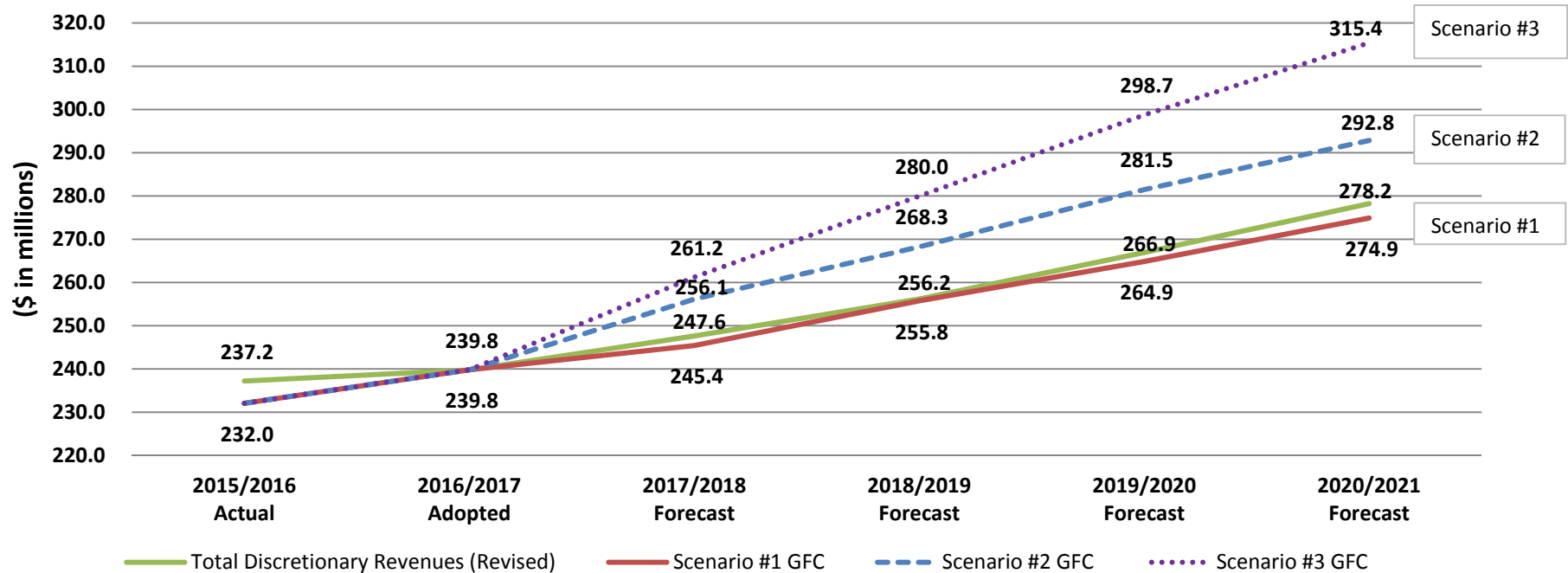


Pension Comparison of Normal Costs - Public Safety Members



I-B: Early Estimate of Funding Gaps

Discretionary General Revenue and General Fund Contributions (GFC)



	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast	2020/2021 Forecast
Disc. General Revenue	247.6	256.2	266.9	278.2
Scenario #1 Gap	2.2	0.4	2.1	3.3
Scenario #2 Gap	(8.5)	(12.1)	(14.5)	(14.6)
Scenario #3 Gap	(13.6)	(23.8)	(31.8)	(37.2)

Scenario #1 – Normal Policy Funding

- Discretionary General Fund revenues are allocated to departments but only fund a portion of their services
- Other funding sources necessary to provide current level of service – examples:
 - ❑ HR 91% GFC
 - ❑ Sheriff 55% (contract cities + state funding)
 - ❑ P&D 25% (charge fees for services provided)
- Major Expenditure increases need to be funded by other revenues or reductions
- Fiscal & emerging issues require funding

Scenario #2

- Includes Scenario #1, existing policy based GFC
- Adds Fiscal Issues identified in the Fiscal Outlook Report (for which no funding yet identified)

Potential Fiscal Issues - Scenario #2 <i>(\$'s in millions)</i>	2017/2018 Proposed	2018/2019 Forecast	2019/2020 Forecast	2020/2021 Forecast
Sheriff Main Jail Capital Needs	2.57	1.55	1.55	-
Sheriff Relief Factor (after NBJ opens)*			1.40	1.40
Jail - Medical & MH Enhanced Inmate Services	1.00	1.03	1.06	1.09
PHF Audit - Ongoing Costs	0.69	0.47	0.47	0.47
DBW Inpatient Services (Fund 0044)	4.00	4.00	4.00	4.00
DSS MOE's	1.06	1.63	1.88	2.13
Deferred Maintenance	1.41	3.82	6.26	8.83
Expected Additional GFC Needs	10.73	12.50	16.62	17.92

** NBJ transitional staff will provide shift relief at the Main Jail until the new jail opens.*

Scenario #3

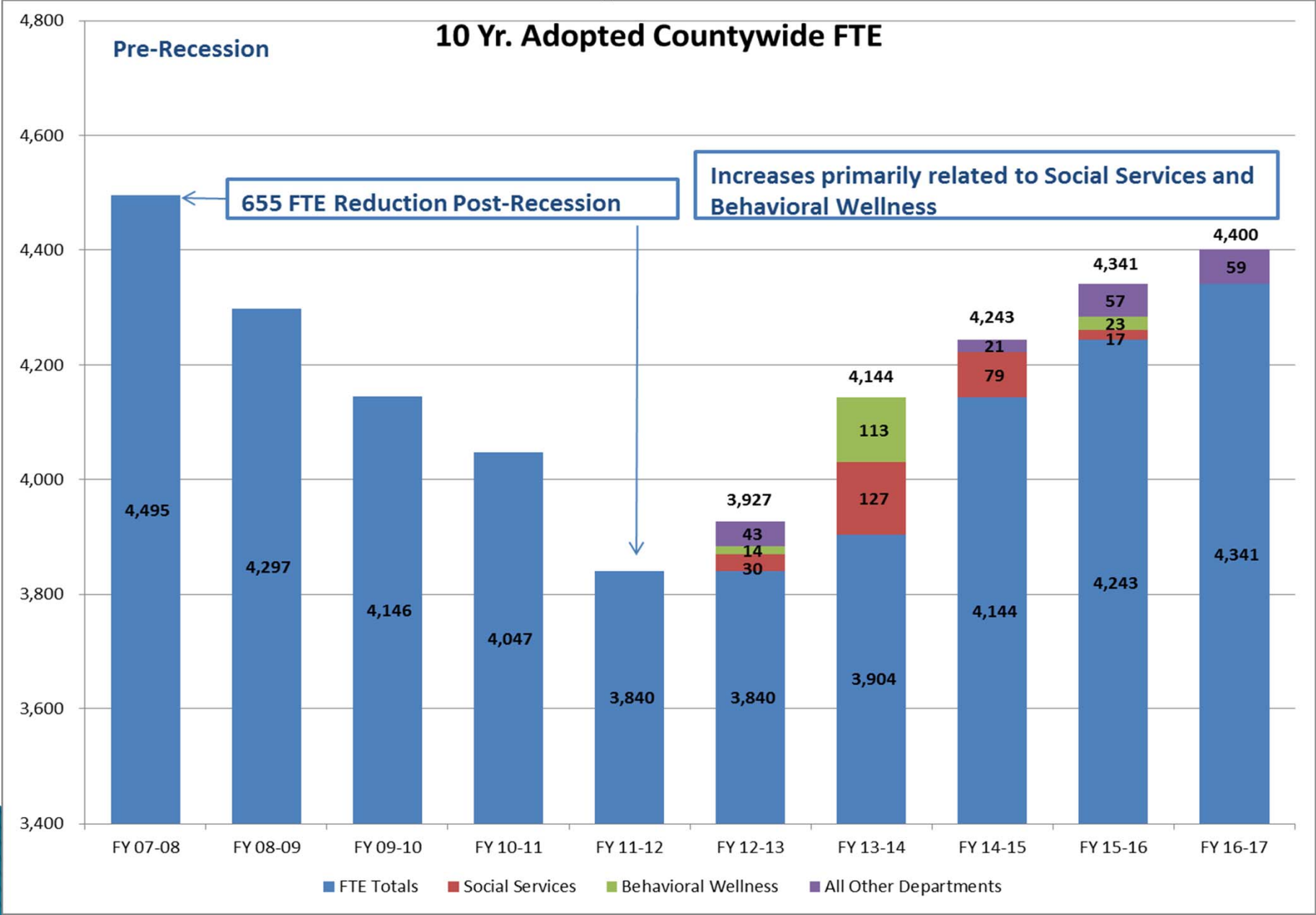
- Worst case scenario in General Fund
- Includes Scenario #1 and #2
- Illustrates total increased costs in the General Fund departments
- Acknowledges normal GFC plus expenditures departments would normally fund with non-GFC sources
- Some departmental offsetting revenue is expected but unknown at this time



Anticipated Reduction Scenarios

	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast	2020/2021 Forecast
Disc. General Revenue	\$ 247.6	\$ 256.2	\$ 266.9	\$ 278.2
Scenario #1 Gap	2.2	0.4	2.1	3.3
Scenario #2 Gap	(8.5)	(12.1)	(14.5)	(14.6)
Scenario #3 Gap	(13.6)	(23.8)	(31.8)	(37.2)
Scenario #3, \$ Change	\$ (13.6)	\$ (10.2)	\$ (8.0)	\$ (5.4)
% Change, year over year	-5.7%	-4.1%	-3.1%	-2.0%
Use to Generate Options:				
Prelim. GFC Reductions	-5.0%	-4.5%	-2.0%	-2.0%
Cumulative % Change.		-9.5%	-11.5%	-13.5%

Countywide FTE

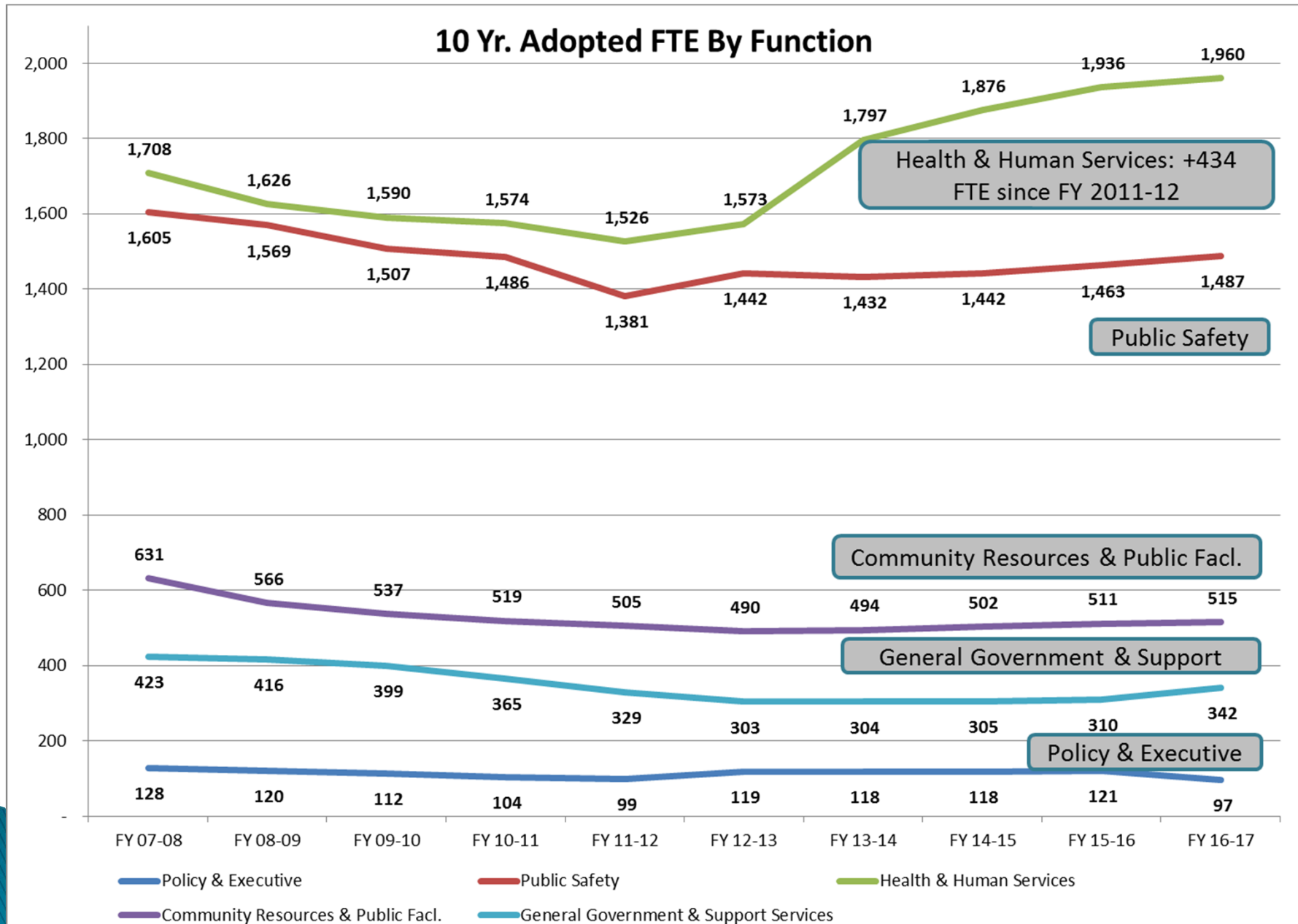


Employee Levels by Functional Group

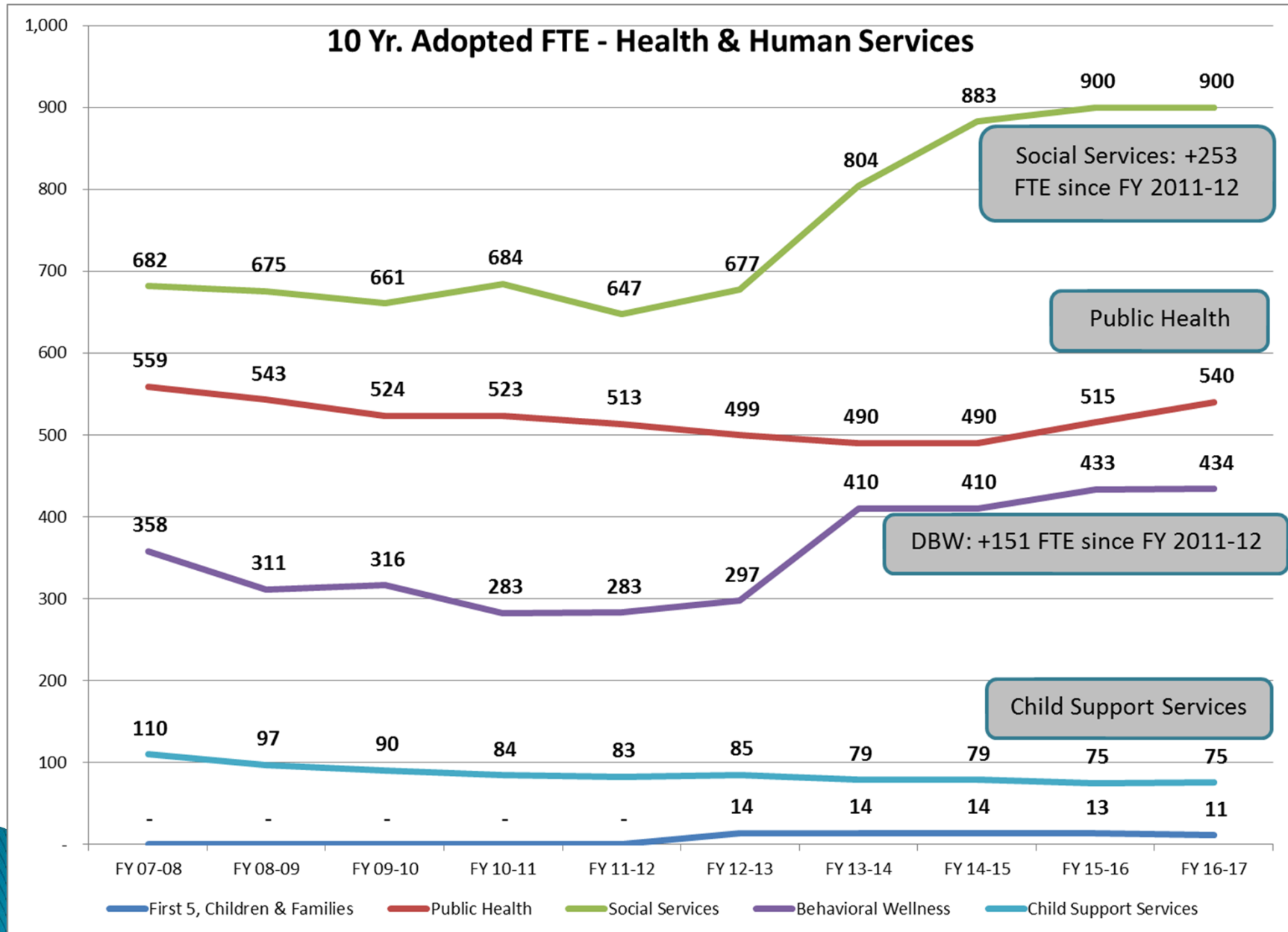
Functional Group	Adjusted FY 2007-08*	Adopted FY 2016-17	Change	% Change
Policy & Executive	112.4	96.5	(15.9)	-14.1%
Public Safety	1,588.8	1,487.4	(101.4)	-6.4%
Health & Human Services	1,740.3	1,960.5	220.2	12.7%
Community Resources & Public Facilities	631.3	514.9	(116.4)	-18.4%
General Government & Support Services	422.8	341.6	(81.1)	-19.2%
Total FTEs	4,495.4	4,400.9	(94.6)	-2.1%

* - Adjustments made to 2007-08 FTEs to make them consistent with 2016-17 groupings.

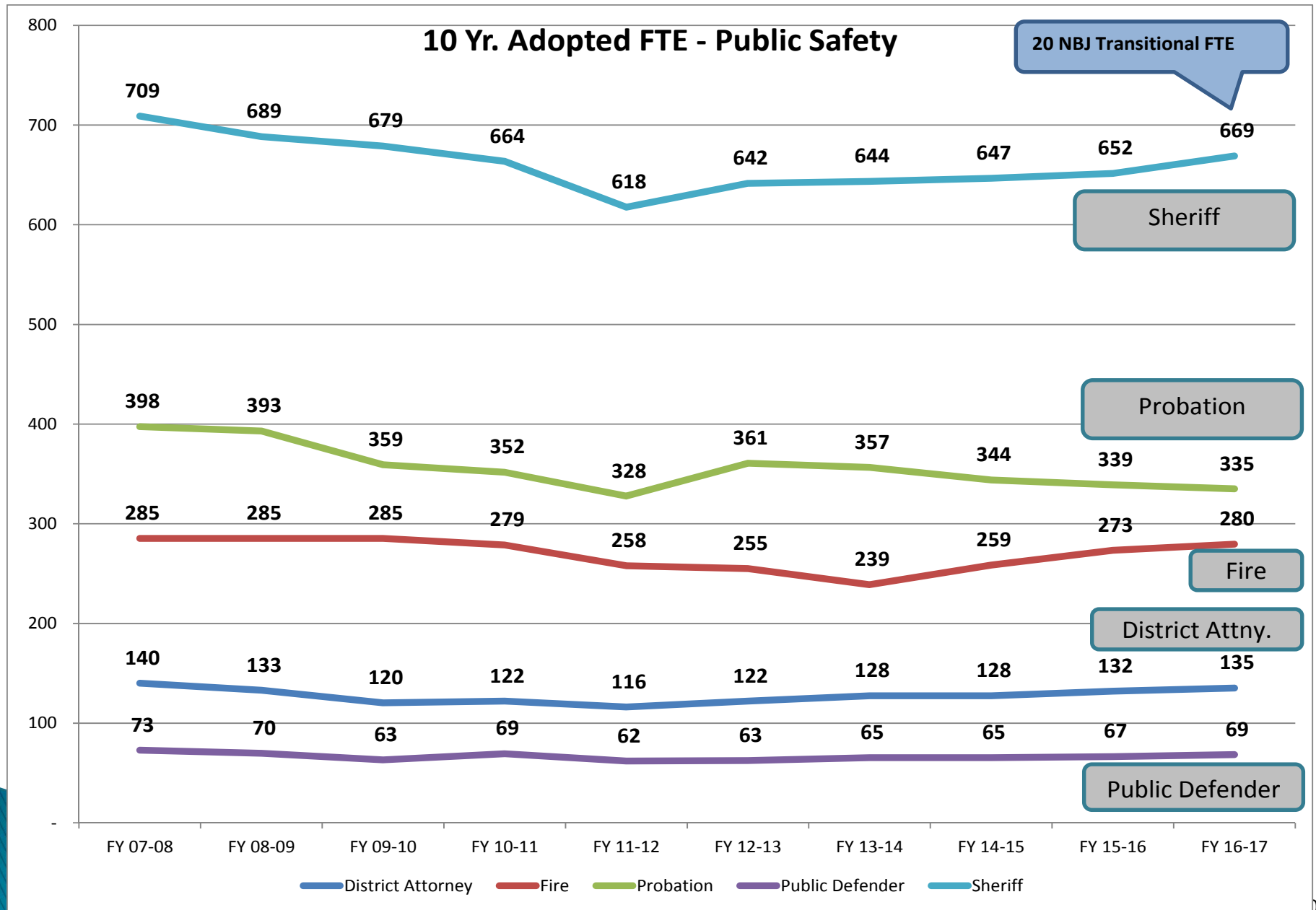
Adopted FTE by Functional Group



Adopted FTE – Health & Human Services

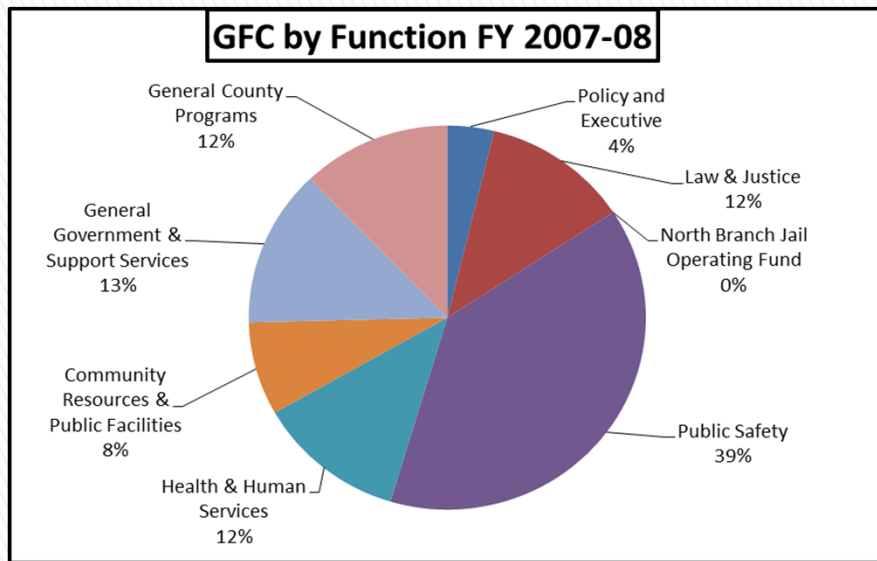


Adopted FTE – Public Safety

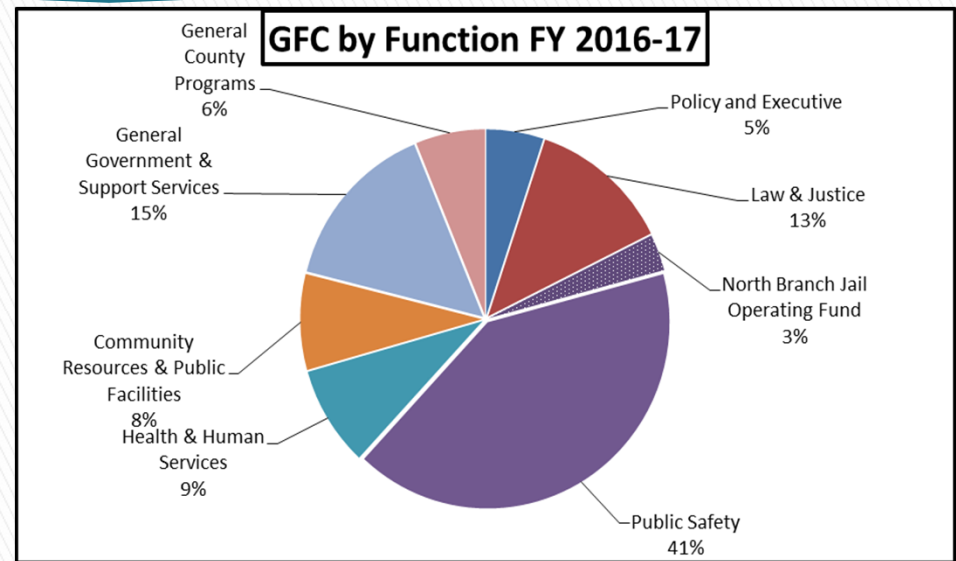


GFC by Functional Group

Public Safety & Law & Justice are up 6% since FY 2007-08; about \$14.4M



Before NBJ Funding



NBJ Funding at \$7.6M

Discretionary General Revenue – Board Funding Priorities

- Board's Recent Funding priorities for Discretionary Revenues include (FY 2017–18 estimated amounts):
 - ❑ NB Jail – Operations Funding (\$9.1M)
 - ❑ Fire 17% Tax Shift (\$8.6M)
 - ❑ Employees (\$6.0M)
 - ❑ Maintenance, Roads, Parks, Facilities (\$4.4M)
 - ❑ DBW (\$4.0M?)
 - ❑ Strategic Reserve (\$0.7M)
- Board may wish to revisit some or all of these funding priorities
- Staff will have better information after departments submit proposed budgets with their updated revenues in February

Options for Board Priorities

The Board can consider reallocation of existing funding priorities; however, we will first evaluate:

- Feb 2017 – Departments will load budgets (including revenues) to get a better assessment of funding and gaps
- March 2017 – Departmental Service Level Reductions options will be previewed with the Board
- The CEO and Board will then consider SLRs, restorations and/or reallocation of existing Board priorities. May revise the Budget Development Policies.

Budget Rebalancing Project

- Eliminate structural budget gaps consistent with the County's service priorities by aligning levels of service with available resources
- Four steps:
 - ❑ Stabilize the current imbalance – prevent greater harm
 - ❑ Enlist others – Executive Steering Group & Workgroups
 - ❑ Create a portfolio of strategies to:
 - ❑ Rebalance public services with available resources
 - ❑ Based on program and service level mandates and discretion
 - ❑ Link to strategic plan and develop resiliency policies that increase organizational agility in the future

Budget Rebalancing Project

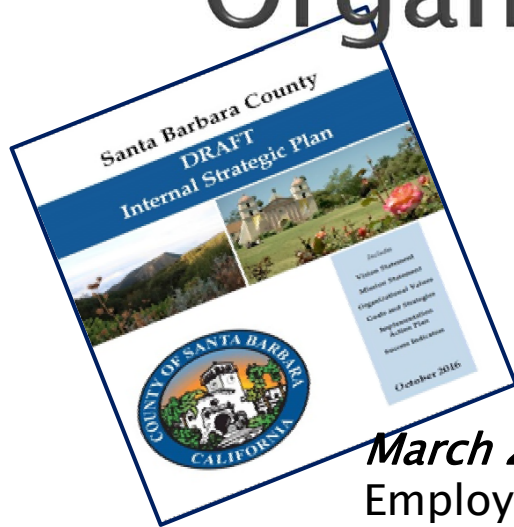
- Purpose is to answer the following questions:
 1. What type of organization we want to be in 5 years?
 2. How we're going to get there?
 3. How do we lead and educate others about why and how to do this?
- All department leaders and employees are being invited to think creatively, work collaboratively and address challenges
- Creating one county, one future



Impacts of Governor's Budget

- Revenue Forecast
 - ❑ Modest reduction in FY 2016–17 forecast impacts FY 2017–18 (0.2% decrease)
 - ❑ FY 2017–18 Proposed \$122 billion budget
- Potential changes in federal programs impacting funding to state and local governments unknown
- In-Home Supportive Services (IHSS) funding shift to counties
- Increased transportation funding through fees and taxes
 - ❑ – Avoids impacts to State General Fund

Organizational Strategic Plan



An Internal Organizational Strategic Plan guides the work and future of the organization, focusing on the County's systems, processes and organizational culture.

March 2015

Employee Engagement Survey

Fall 2015

Department Directors meeting – Training for Internal Organizational Strategic Plan & established steering committee

Spring 2016

Data gathering – Board, managers, all employee survey & strategic scan
Full day senior leadership strategic planning session

Summer 2016

All employee survey – Results of organization strategic planning session surveyed

Implementation Work Plan development with department directors & assistants

Winter 2017

Presentation of Internal Organizational Strategic Plan to Board

Mission:

Deliver high quality and innovative services that assist Santa Barbara County residents and visitors in enjoying a safe, healthy and prosperous life.

Vision:

Santa Barbara County employees are empowered to deliver exceptional public service to diverse communities, while striving for continuous improvement in an environment of trust, accountability and fiscal responsibility.

Value Statements:

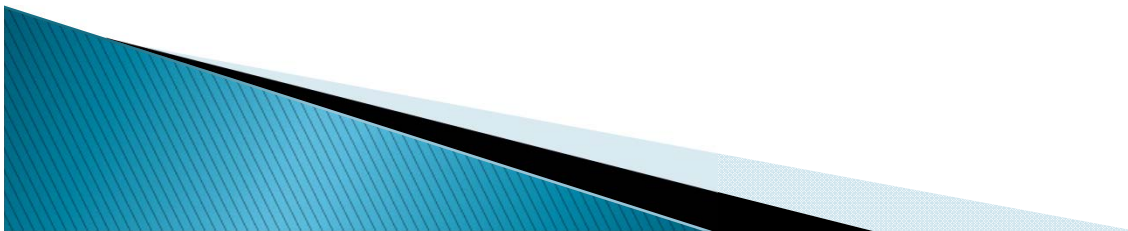
- ❖ Trust and Ethics
- ❖ Customer Focus and Quality Public Service
- ❖ Accountability and Professionalism
- ❖ Innovation

Action Plan Goals:

- ❖ Talent Management
- ❖ Organizational Culture
- ❖ Quality Services and Process Improvements
- ❖ Technology and Facilities

Recommended Actions

That the Board of Supervisors receive a Budget Overview and Update to provide context for upcoming budget discussions and to review the foundations of the County budget and the budget development process.



QUESTIONS