

2014-2016 BUDGET WORKSHOP

General County Programs

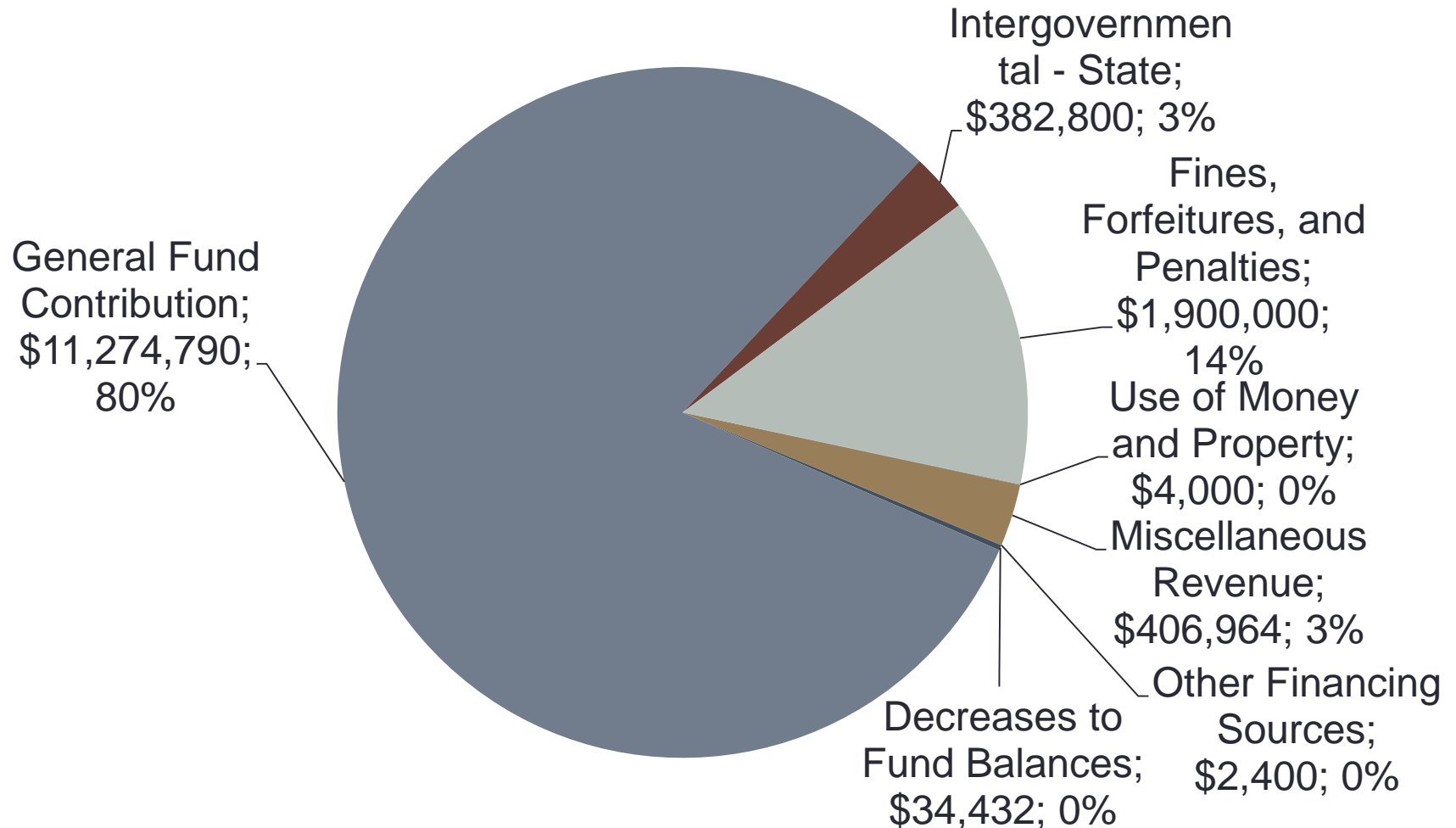
SANTA BARBARA COUNTY
ADMINISTRATION BUILDING
105 EAST ANAFANI STREET

General County Programs Summary

- ∂ Operating \$5,050,178
- ∂ Capital \$0
- ∂ General Fund \$15,443,200
- ∂ FTE's - None
- ∂ One-Time Use of Fund Balance
\$5,347,280
- ∂ Service Level Reductions - None
- ∂ Expansion Requests - None

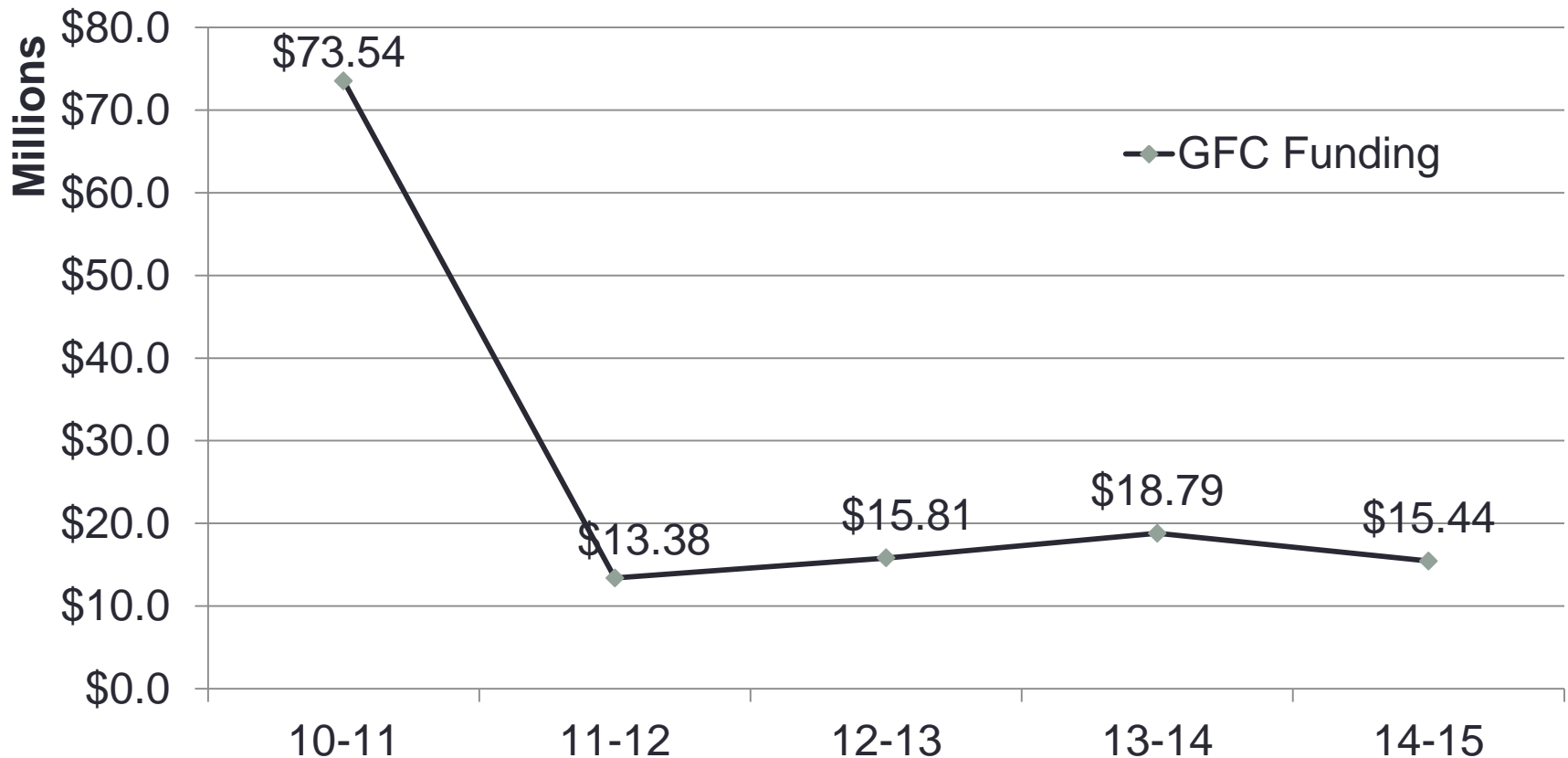
General County Programs

FY 14-15 Source of Funds



General County Programs

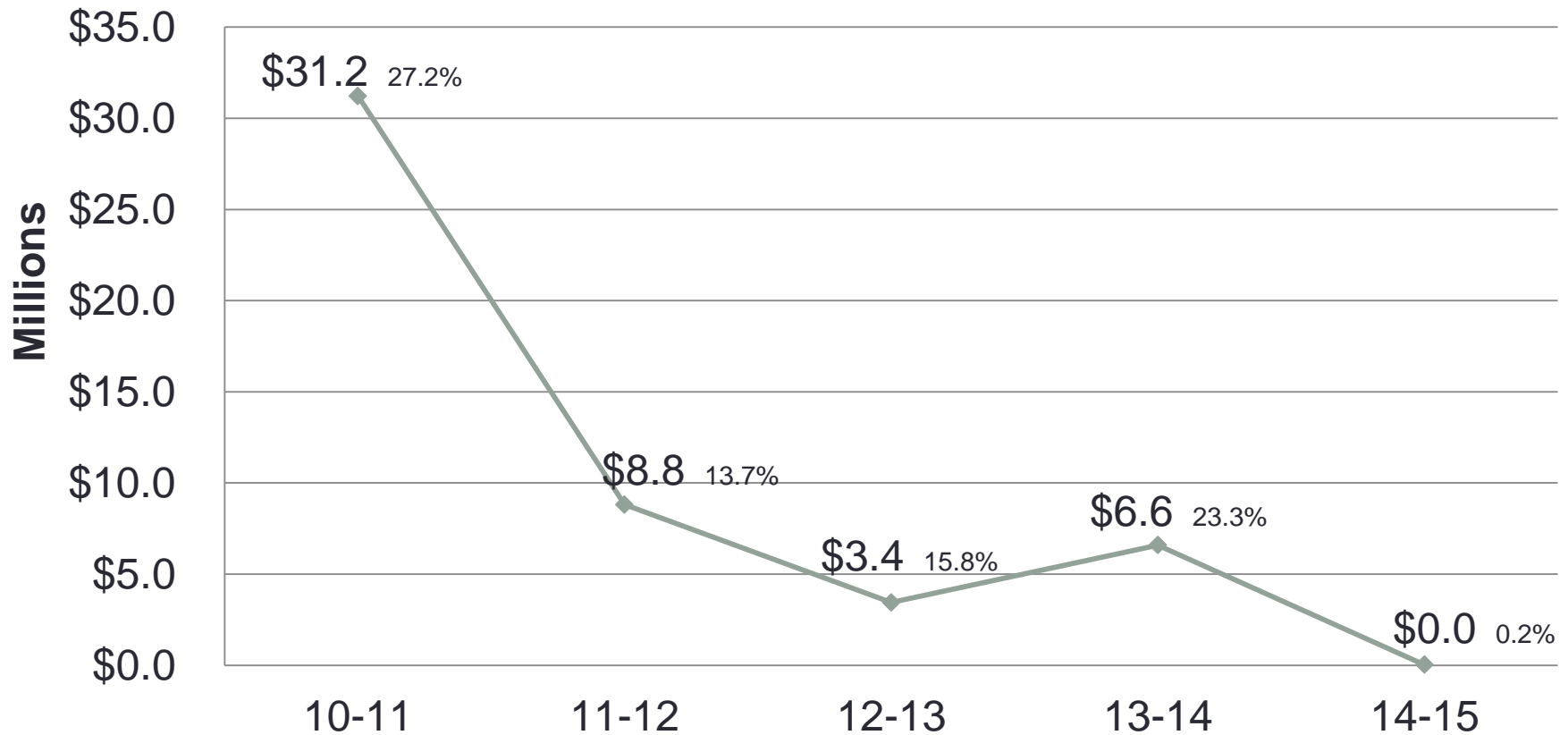
GFC 5 Year Summary



General County Programs

5 Year Summary Use of One-Time

One-time funding amount



General County Programs

FY 2013-14 Anticipated

Accomplishments

- Maintained funding for Children's Healthcare Initiative
- Continued to set aside funding for the Northern Branch Jail
- Increased Supplemental Funding for Roads Maintenance at Board's direction
- Continued support for South County Task Force and the Central Coast Collaborative on Homelessness
- Set aside funds into committed fund balances for future years (Strategic Reserve, facilities maintenance and contingences)

General County Programs

FY 2014-15 Objectives

- Fund capital/infrastructure projects based on identified needs, priorities and available funding
- Continue current level of support for Children's Healthcare Initiative
- Continue to Fund Northern Branch Jail Operations as planned
- Continue to build Strategic Reserve and other committed fund balances for future use
- Continue support for South County Task Force and the Central Coast Collaborative on Homelessness
- Transfer Human Services Commission to General County Programs

General County Programs

FY 2015-16 Objectives

- Continue to fund Northern Branch Jail Operations and complete requirements to proceed to construction phase
- Identify County deferred maintenance projects and develop long term funding plan
- Continue to build Strategic Reserve

General County Programs Summary

- Continue funding of current and future projects, as directed by the Board of Supervisors and County policy

General County Programs Fund Balances

General Fund Key Discretionary Fund Balance Components Detail				
Fund Balance Component	7-1-2013 Beginning Balance	2013-2014 Estimated Changes	6-30-2014 Estimated Balance	6-30-2015 Projected Balance
Capital Outlay	\$ 908,189	\$ (889,000)	\$ 19,189	\$ 19,189
Road Projects	-	-	-	-
Litigation	1,662,705	(443,016)	1,219,689	696,542
Salary & Benefits Reductions	5,126,311	-	5,126,311	1,779,911
Deferred Maintenance	1,920,118	(1,187,754)	732,364	1,232,364
Audit Exceptions	7,046,835	(4,896,596)	2,150,239	2,150,239
New Jail Operations	-	3,300,000	3,300,000	7,900,000
Program Restoration	14,740	169,090	183,830	5,315,165
Contingencies	588,899	1,487,640	2,076,539	2,576,539
Strategic Reserve	21,240,803	4,288,798	25,529,601	26,529,601
TOTAL	\$ 38,508,600	\$ 1,829,162	\$ 40,337,762	\$ 48,199,550

ASSET MANAGEMENT PLAN DEVELOPMENT PROJECT PHASE I - FACILITY CONDITION ASSESSMENT UPDATE

County of Santa Barbara

Board of Supervisors

April 9, 2014

Background

- 4/2/2013 – Board discussed County deferred maintenance and directed CEO staff to return with options
- 6/4/2013 – Board directed the hiring of a consultant to assess buildings and parks and develop an asset management plan
- 10/15/2013 – Board approves contract with Jorgensen

Asset Management Plan – Contract Deliverables

- Phase I – Facility Condition Assessment Profile
 - Systems Description
 - Opinions on Probable Costs
 - Qualifications and Limiting Conditions
- Phase II – Maintenance Management Plan
 - Priority maintenance needs over 20 years
 - List of immediate maintenance items
 - Recommend maintenance management tools

Activities since October 2013

- Jorgensen team of nine experts started 10/16
 - Met face to face with our maintenance staff
 - Inspected 73% of all building components & playgrounds
- Evaluated 8.5M ft² of buildings w/ current replacement value (CRV) of \$714.9M
- Evaluated 309.6 acres of park facilities with a CRV of \$240.5M
- Estimated deferred maintenance is \$93.9M on parks and buildings

Overall Facilities Conditions

- Buildings
 - Being maintained at a minimum level of service
 - Equipment is not aligned with operating environments
 - More pest control is required to minimize damage
- Parks
 - Site improvements (roads, parking, landscaping, etc.) are at or below a minimum level of service
 - Children play areas require remedial and renewal maintenance programs
 - Park buildings are at a minimum level of service

Annual Renewal Funding Model

- Operating expenses
 - Project expenses
 - Capital expenses
- Renewal Funding
2 – 4% of CRV**
- Renewal Funding is required or the maintenance backlog (deferred) will increase
 - Total estimated County CRV = \$1.1B
 - Standard Renewal Funding = \$22 – 44M

Current Renewal Spending & Need on Evaluated Portfolio

Current Renewal Spending

\$ 7.4M = General Services renewal spending

\$ 4.6M = CSD-Parks renewal spending

\$ 2.0M = Other departments renewal spending

\$14.0M = Total renewal spending on portfolio

Current Renewal Need

\$19.2M = 2% of CRV of evaluated portfolio

\$ 2.9M = 2% of CRV on unevaluated portfolio

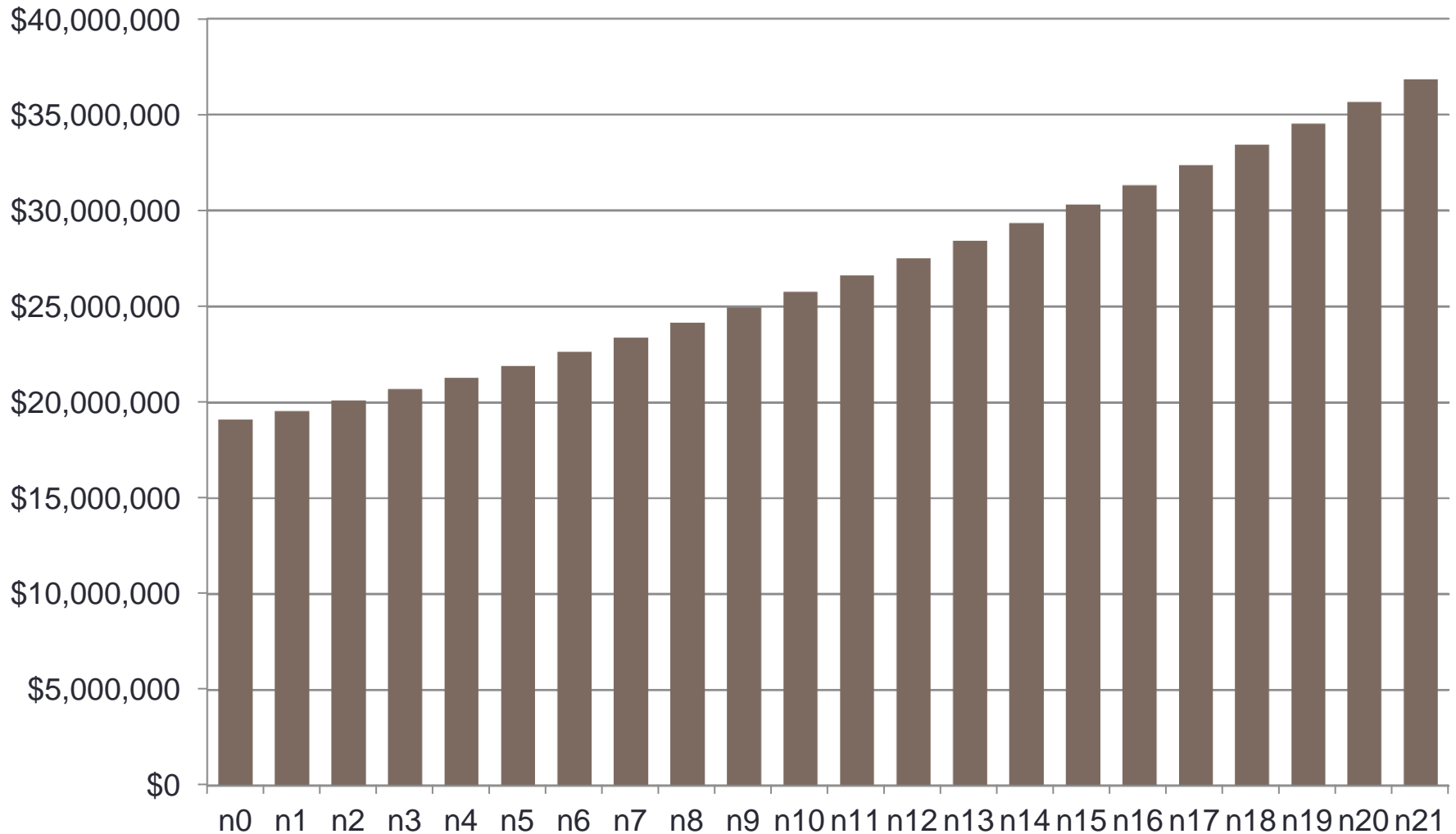
\$22.1M = Total renewal funding requirement

Renewal Funding Levels & Potential Funding Gaps

Annual Renewal Funding			
	2%	3%	4%
GS	\$ 16,462,000	\$ 24,693,000	\$ 32,924,000
CSD - Parks	\$ 5,538,000	\$ 8,307,000	\$ 11,076,000
Total	\$ 22,000,000	\$ 33,000,000	\$ 44,000,000
Current Annual Renewal Spending			
GS	\$ 9,400,000		
CSD - Parks	\$ 4,600,000		
Total	\$ 14,000,000		
Net <u>New</u> Annual Funding Needed			
	2%	3%	4%
GS	\$ 7,062,000	\$ 15,293,000	\$ 23,524,000
CSD - Parks	\$ 938,000	\$ 3,707,000	\$ 6,476,000
Total	\$ 8,000,000	\$ 19,000,000	\$ 30,000,000

Annual Renewal Funding Needed

(Based on 2% of CRV over next 20 Years)



Composition of Deferred Maintenance (DM) Needs

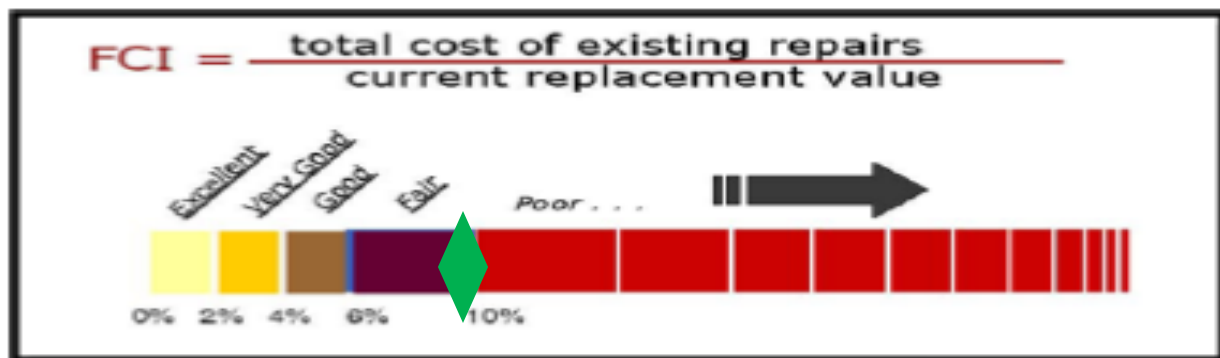
DM is required maintenance, repair or capital replacement not accomplished in a budget cycle

\$ 58.8M in DM projects and capital for buildings

\$ 35.1M in DM projects and capital for parks

\$ 93.9M in total DM needs

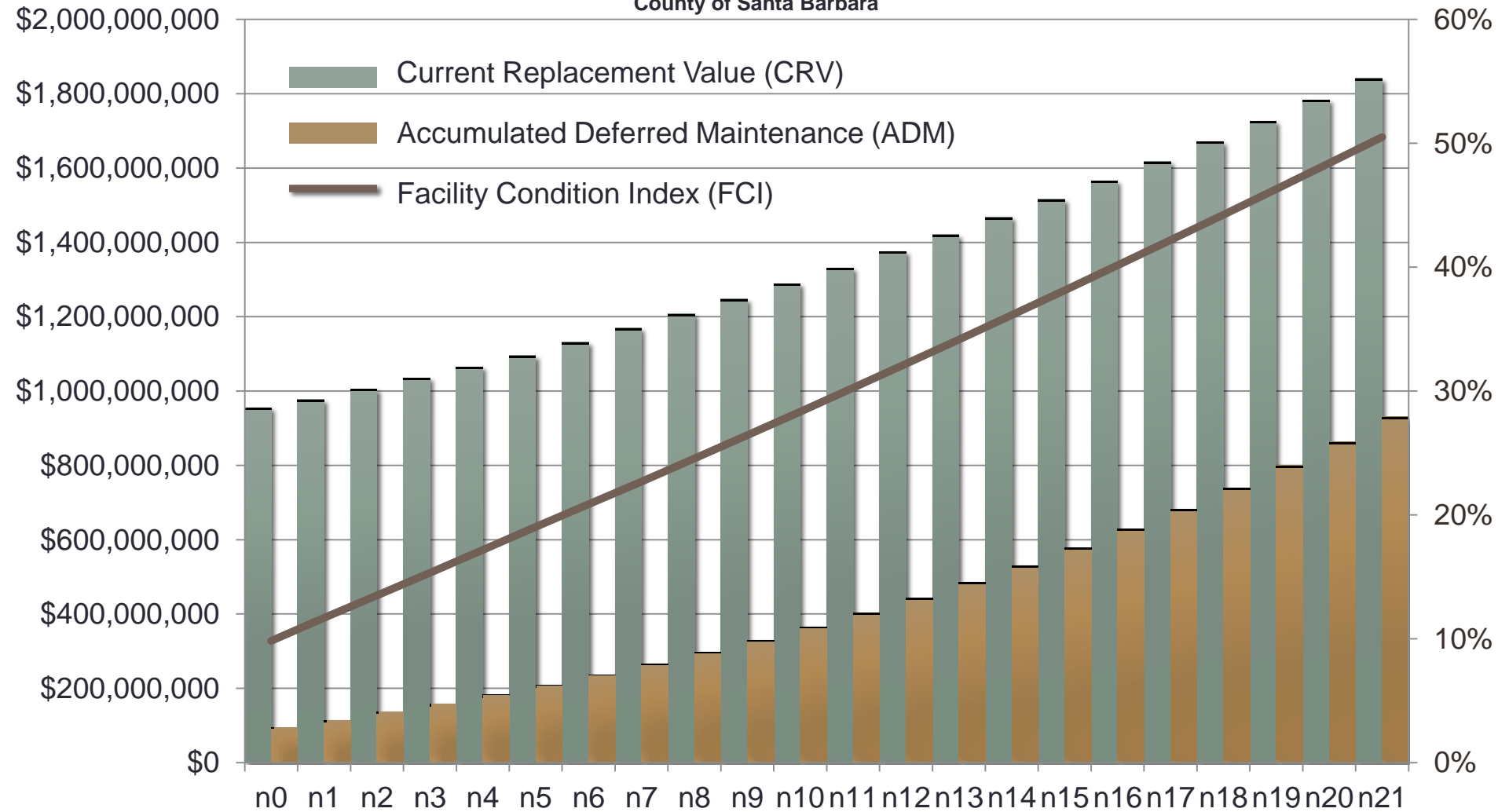
\$ 93.9M in DM $\frac{\quad}{\quad}$ **9.8% FCI**
 \$955.4M in CRV $\frac{\quad}{\quad}$



Projected CRV, ACM & FCI

(Based on Current Funding over the next 20 years)

County of Santa Barbara



Findings – Qualifying Conditions

- Significant challenges exist in identification and accuracy of the County’s asset inventory
- Less significant, but challenging issues exist with respect to the valuation of the County real property asset base
- Collection of “as built” property drawings, presents a significant obstacle to maintenance activities
- The County generally has an “old” portfolio as regards buildings and structures
- Routine and low skill tasks are being performed by high skill technicians due to maintenance staff reductions

Facility Condition Assessment Recommendations

- Maintenance programs should be developed for out-of-service and abandoned buildings
- Significant work is required to identify and dispose of buildings beyond an economic or useful life
- Signage is significantly inconsistent, absent, requires renewal and does not convey any “brand image” for the County

Known Unknowns

- Maintenance spending and condition of:
 - County-owned properties operated by others
 - County-leased properties owned by others
 - Special district assets
- Accurate inventory of all county-owned property
- Accurate contribution to maintenance spending by non-GS/Parks departments

Asset Management Plan Next Steps

- **Facility Condition Assessment Report – May 2014**
- Measure M vote results – June 2014
- Hearing on FY2014-15 Budget – June 2014
- **Maintenance Management Plan – July 2014**
- **Maintenance Management Plan implementation options from Departments – September 2014**

2014-2016 BUDGET WORKSHOP

Maintenance Funding Options & Scenarios

Maintenance Funding Options

Today's Presentation

1. Policy Discussion
2. Infrastructure Issue & Funding Options from March 10th
3. Maintenance renewal funding needed
4. Assumptions for today's options
5. Funding scenario's
6. Observations
7. Next steps

Policy Discussion

Options for Board's consideration

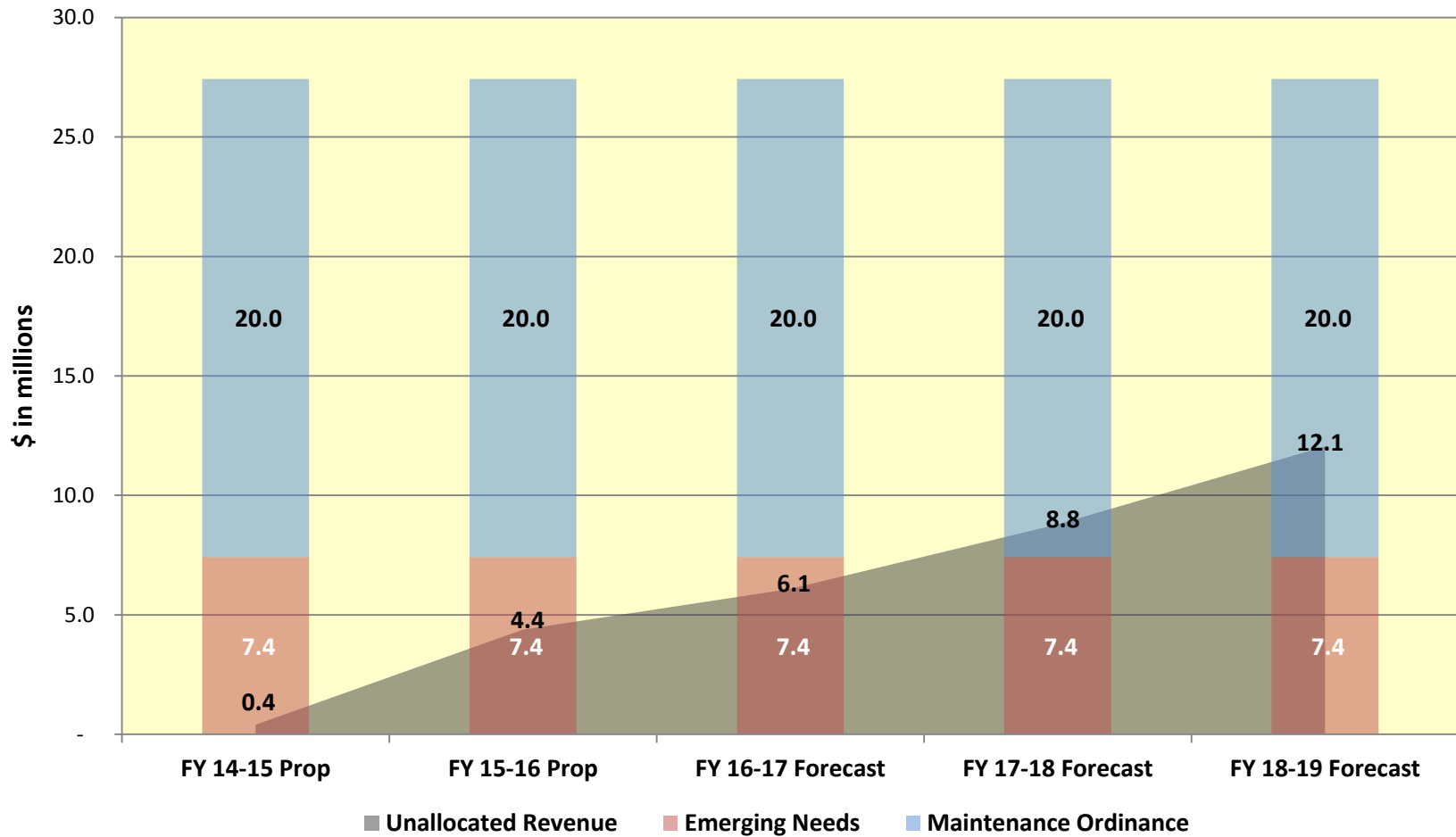
1. Maintain existing level of funding; augment with 1x funding and 50% of year end balance Option #1
2. Increase funding by set amount each year (similar to Jail Operations fund) Options #2 & #3
3. Increase funding by a % of unallocated General Fund growth (similar to Fire District shift) Option #4 - #7
4. Reallocate current GF Contribution (not discussed here)

Infrastructure Maintenance Issue

(From March 10th Work Session)

- Estimated additional costs to maintain condition index level
 - Roads \$9M
 - Parks & Buildings \$9M - \$12M
- Potential options for funding:
 - Implement General Fund program reductions
 - Increase revenue
 - Dispose of facilities
 - Target discretionary grants toward maintenance infrastructure
 - Designate a portion of discretionary revenue growth toward deferred maintenance
 - Offsets for Federal & State reimbursements
- Staff will review options and discuss at April workshops

Unallocated Revenue and Emerging Needs



Maintenance Funding Needed

(Updated - Recent Consultant Report on Bldgs./Parks)

- Current range: \$17.0 - \$39.0 M/yr.
Mid-point \$28M
 - \$9.0 Roads*
 - \$7.0 - \$23.0M Buildings & Grounds
 - \$1.0 - \$7.0M Parks

* - Public Works determined \$12.0M funding needed, less \$3.0 million currently available funding (primarily Measure A)

Maintenance Funding Needed

Renewal Funding Levels

Annual Renewal Funding				
	2%	3%	4%	
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CSD - Parks	\$ 5,538,000	\$ 8,307,000	\$ 11,076,000	
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Current Annual Renewal Spending				
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Maintenance Funding Needed Low End & Midpoint of Range

Maintenance Funding Needed; Low and Midpoint of Range										
Year	1	2	3	4	5	6	7	8	9	10
(\$'s in millions)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Funding Target - Low End of Range	\$ (17.0)	\$ (17.5)	\$ (18.0)	\$ (18.6)	\$ (19.1)	\$ (19.7)	\$ (20.3)	\$ (20.9)	\$ (21.5)	\$ (22.2)
Fire Dept. Funds	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Remaining Need- Low End of Range	\$ (16.0)	\$ (16.5)	\$ (17.0)	\$ (17.6)	\$ (18.1)	\$ (18.7)	\$ (19.3)	\$ (19.9)	\$ (20.5)	\$ (21.2)
Remaining Need- Midpoint of Range	\$ (27.0)	\$ (27.8)	\$ (28.7)	\$ (29.6)	\$ (30.5)	\$ (31.5)	\$ (32.4)	\$ (33.4)	\$ (34.5)	\$ (35.5)
Projected Growth (Unalloc. GF)	\$ 0.4	\$ 5.9	\$ 7.7	\$ 10.4	\$ 13.7	\$ 16.1	\$ 18.3	\$ 20.7	\$ 23.1	\$ 30.8
Cumulative Projected Growth	\$ 0.4	\$ 6.3	\$ 14.0	\$ 24.4	\$ 38.2	\$ 54.3	\$ 72.6	\$ 93.3	\$ 116.4	\$ 147.2

Notes:

- Projected growth in unallocated discretionary GF based on 3/10/14 projection + new revenue assumption of \$1.5M starting in FY 2015-16.
- Funding target increase based on 3% inflation
- Fire \$1.0 million contribution for capital in FY 2014-16 is included in the budget; future contributions are subject to availability of funds and operational priorities.

Assumptions

- GF revenue & expenditure growth assume March 10th projections
- Similar growth assumptions for years 6-10
- New revenue of \$1.5M/yr. in FY 2015-16
- Funding similar to Jail Operations funding; incremental GFC set aside; however maintenance funds would be drawn annually
- Disposal of facilities & program reductions not evaluated in this analysis

Assumptions (continued)

- Includes recent PW's federal grant as 1x funding in FY 2014-15 (total \$4.6M; \$3.7M federal & \$0.9M County)
- 3% annual inflation applied to funding need
- Funding period varies dependent on allocated % of growth
- Fire Dept. allocating \$1.0M/yr. FY 2014-15
- 1x funding available; assume \$2.0M/yr.

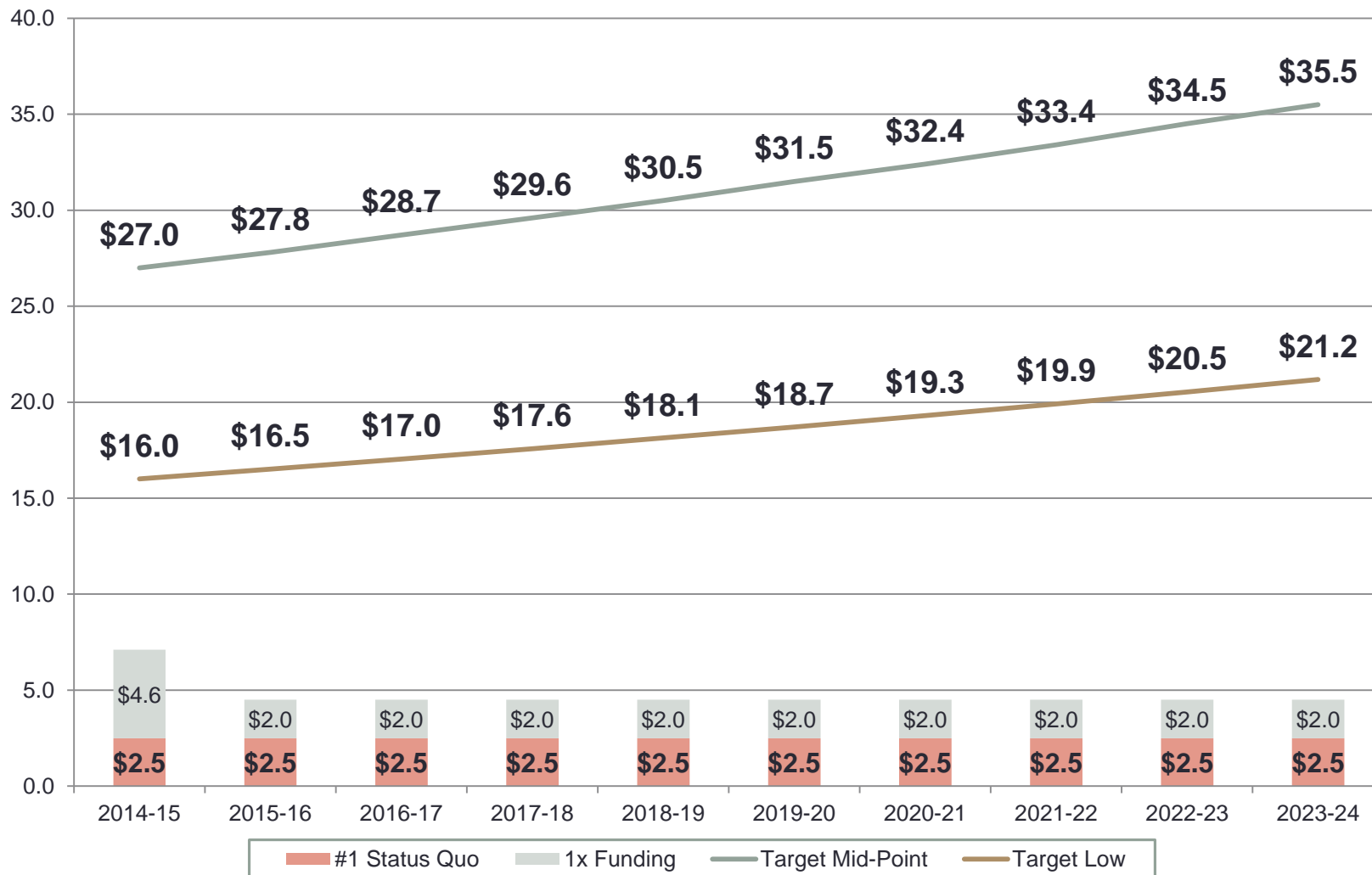
Funding Scenarios Considered

1. Maintain existing funding; add a portion of year end savings (assume \$2.5M per year)
2. 10 year – straight line funding plan (\$2.1million/yr.)
3. 10 yr. - Accelerating annual amount
4. Fund 10% of unallocated GF growth
5. Fund 15% of unallocated GF growth
6. Fund 25% of unallocated GF growth
7. Fund 50% of unallocated GF growth

Utilize 1x funds in the near term for all options; can be modified as desired

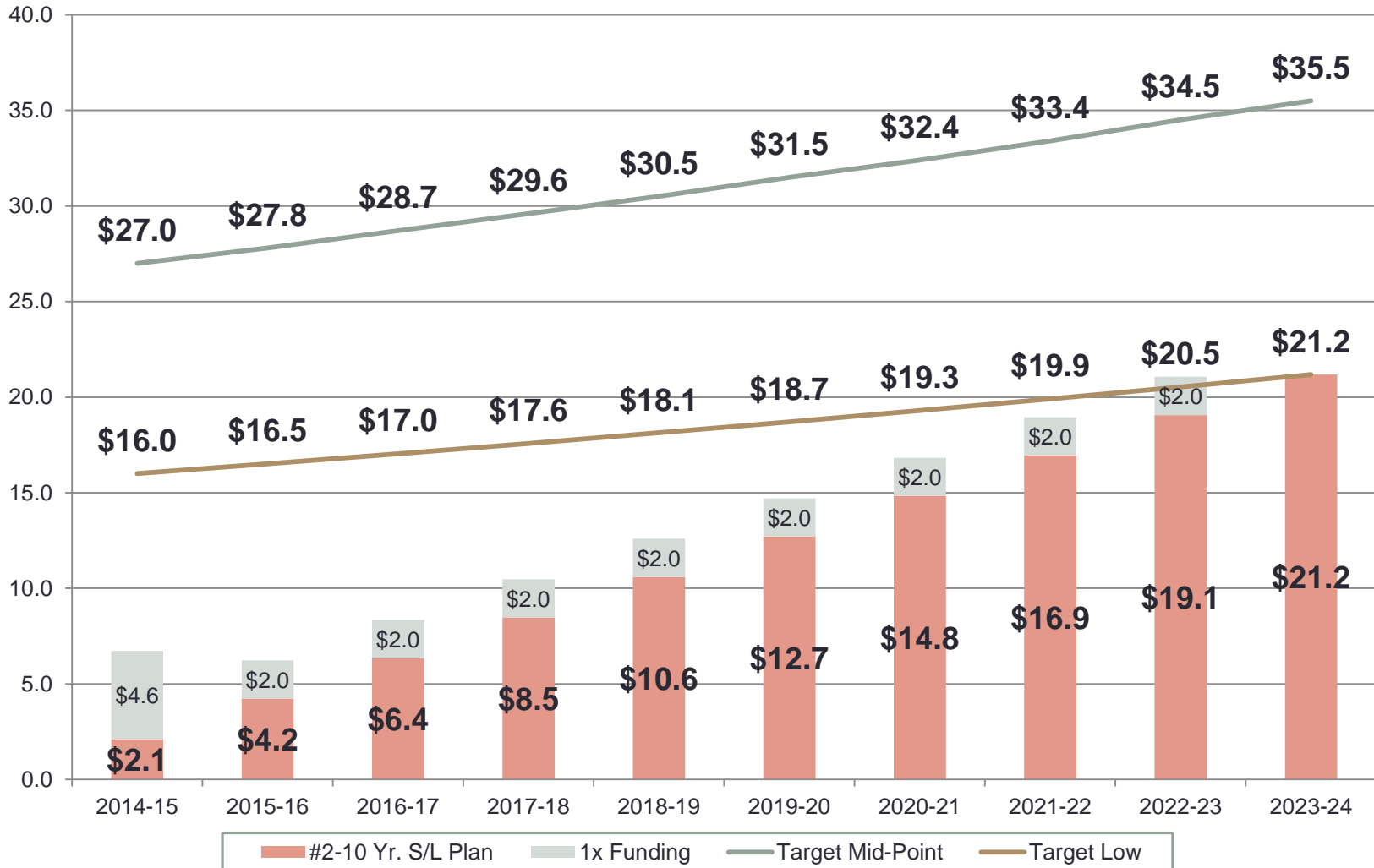
Options for Additional Maintenance Funding

**Option #1 – Status Quo + 50% of Year End Balance
(\$2.5M Estimated YE Balance)**



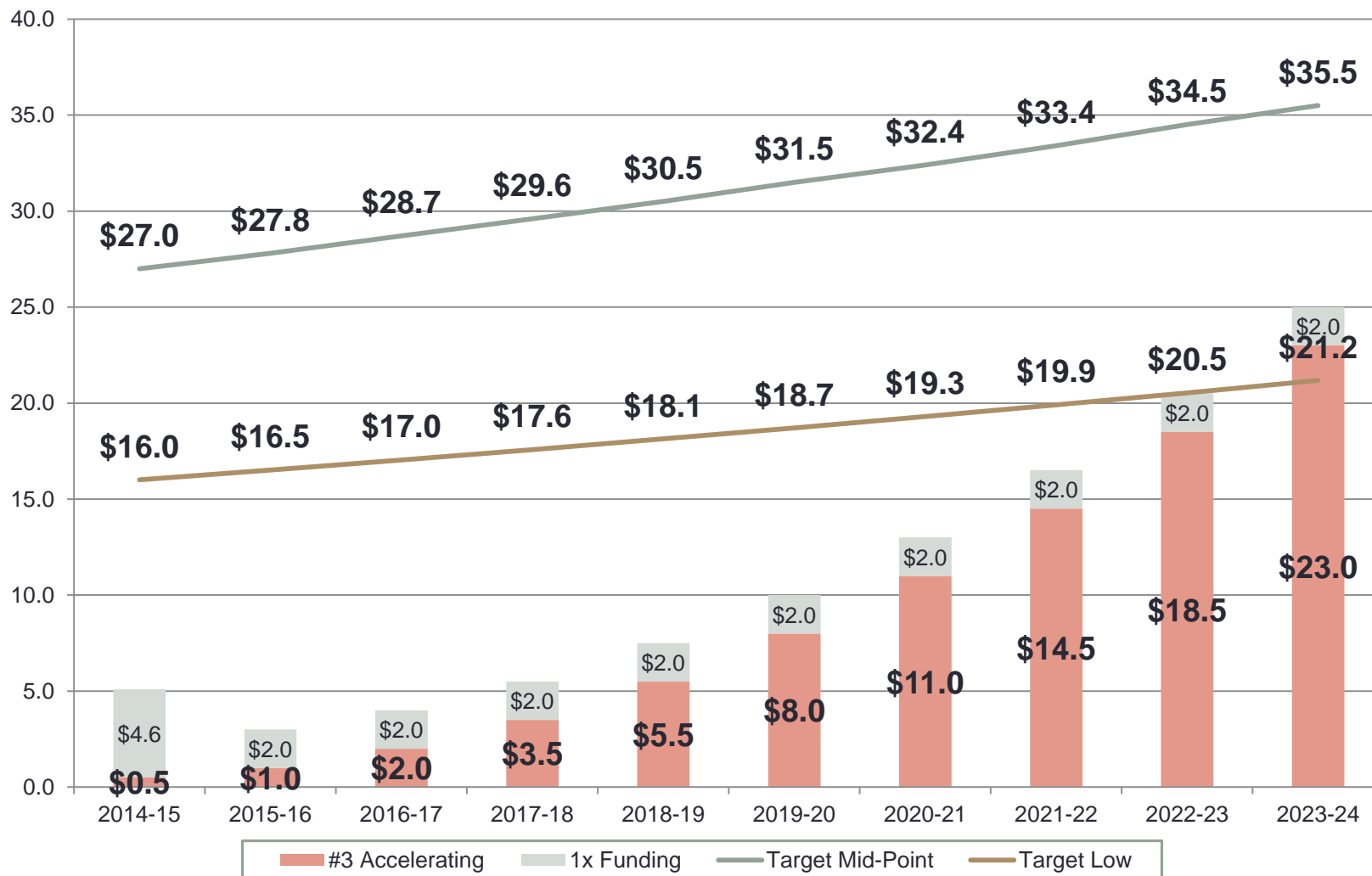
Options for Additional Maintenance Funding

**Option #2 - 10 Yr. Straight Line
Increase \$2.1M per year**



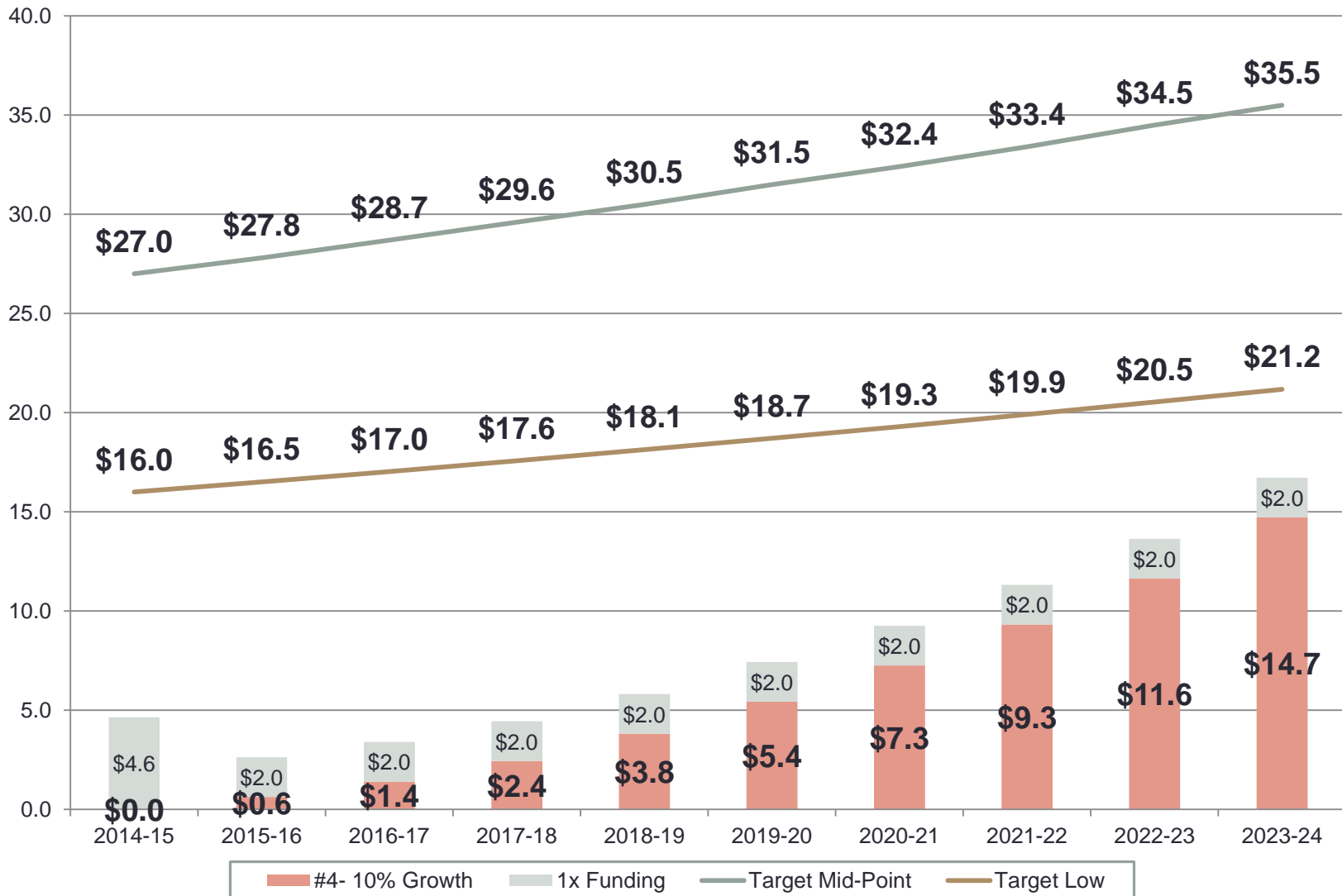
Options for Additional Maintenance Funding

Option #3 – Accelerating Contribution
Increase Increment by \$0.5M per year



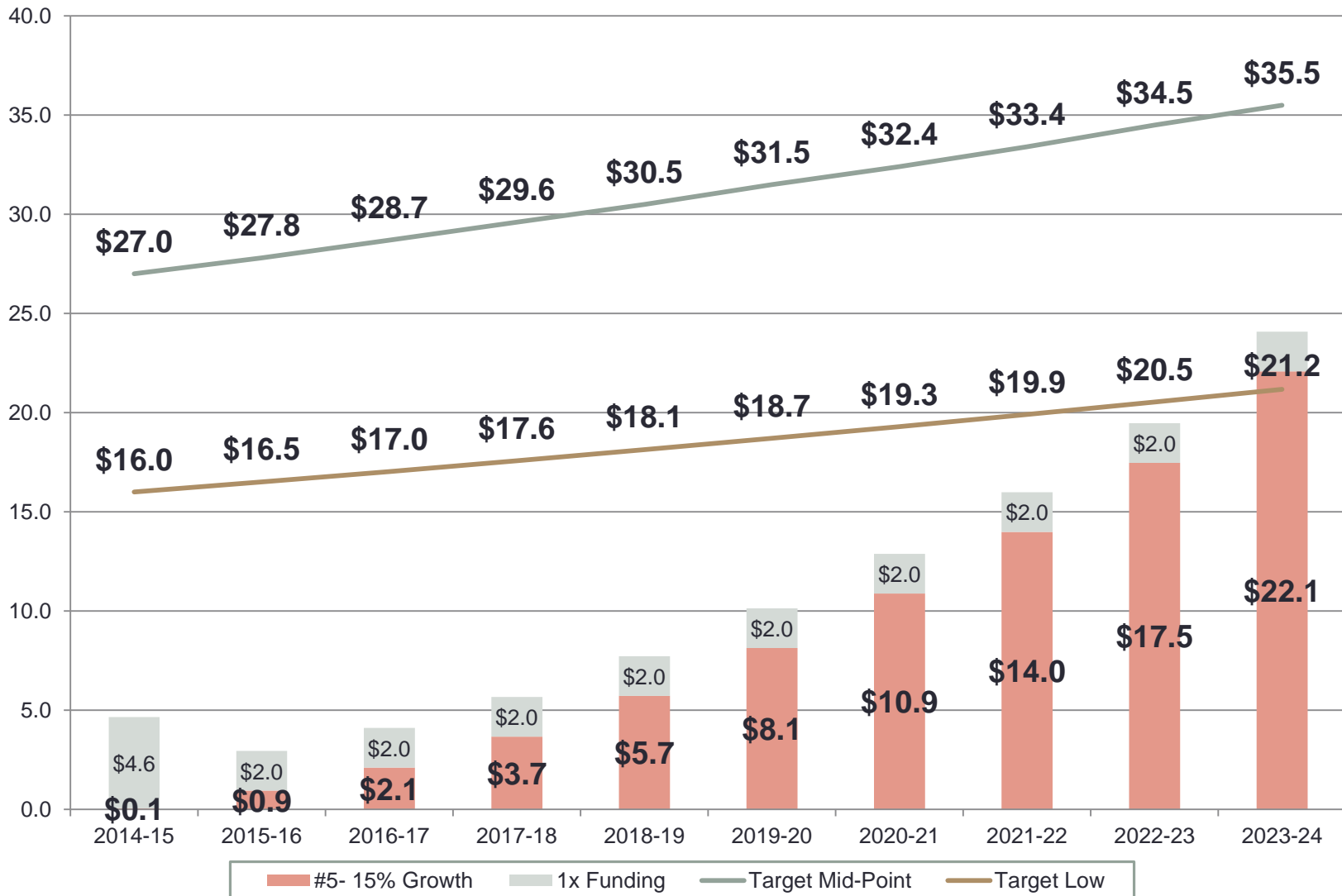
Options for Additional Maintenance Funding

Option #4 – 10% of Unallocated Growth



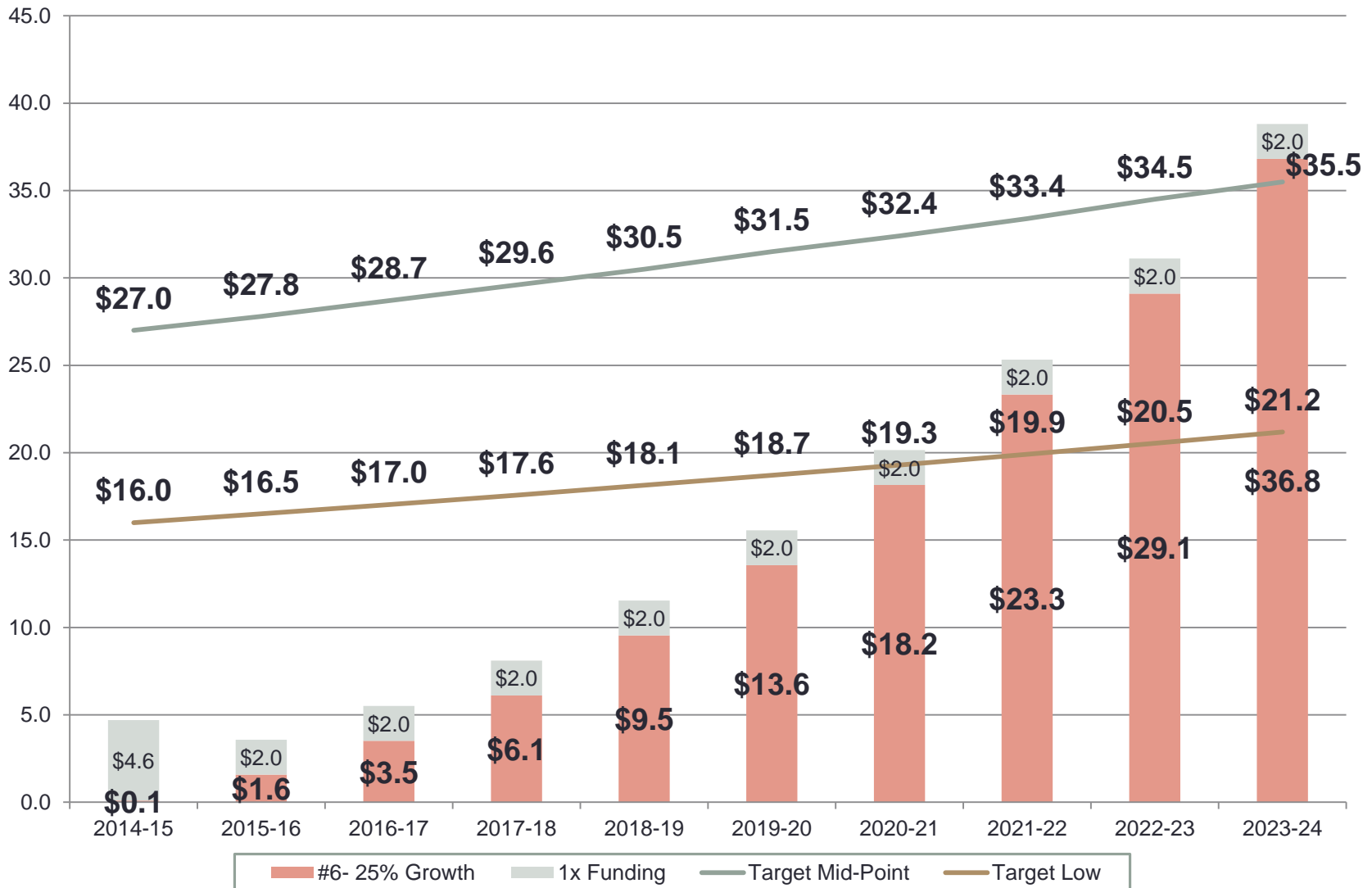
Options for Additional Maintenance Funding

Option #5 – 15% of Unallocated Growth



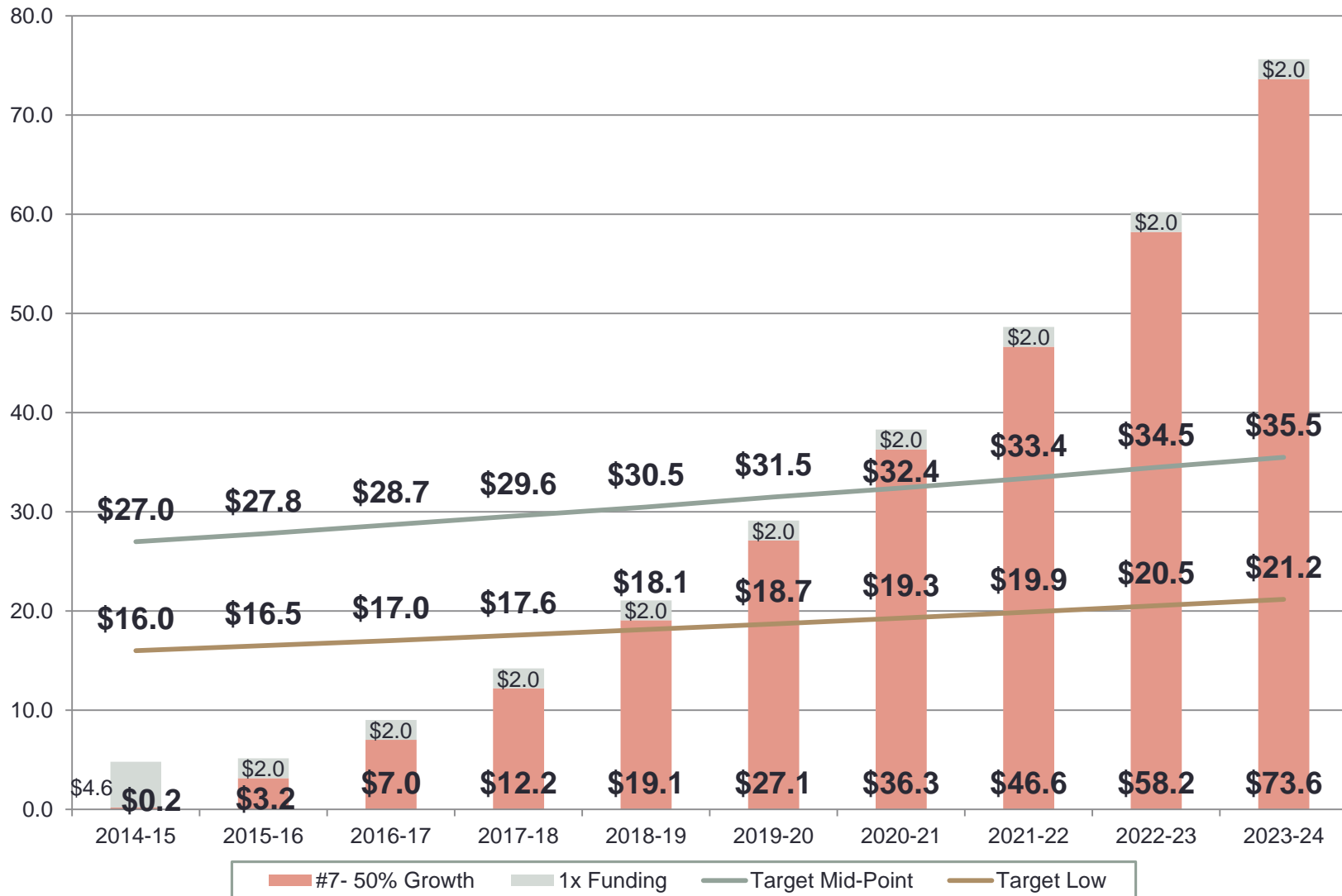
Options for Additional Maintenance Funding

Option #6 – 25% of Unallocated Growth



Options for Additional Maintenance Funding

Option #7 – 50% of Unallocated Growth



Summary of Options for Additional Funding

Summary of Maintenance Funding Options				
Option	2015-16 Increase	Annual Increase	Annual Funding in Yr. 10	Cumulative Funding for 10 Years
1) Staus Quo	\$ 2.5	50% of yr. end savings	\$ 2.5	\$ 25.0
2) Straight Line	\$ 4.2	\$2.1M per year	\$ 21.2	\$ 116.5
3) Accelerating	\$ 1.0	Increase increment by \$0.5M per year	\$ 23.0	\$ 87.5
4) 10% growth	\$ 0.6	10% of unallocated GF growth*	\$ 14.7	\$ 56.7
5) 15% growth	\$ 0.9	15% of unallocated GF growth*	\$ 22.1	\$ 85.1
6) 25% growth	\$ 1.6	25% of unallocated GF growth*	\$ 36.8	\$ 141.8
7) 50% growth	\$ 3.2	50% of unallocated GF growth*	\$ 73.6	\$ 283.6
* Allocation a percentage of unallocated discretionary General Fund; primarily from growth				

Observations

1. Funding in near term limited; a phased approach is feasible
2. Utilize 1x funding in early years
3. Extended funding period allows for other County needs
4. Straight line funding (Option #2) uses almost all projected available funding in early years

Observations

6. Options #6 & #7 allows for shorter funding periods but limits other funding uses
7. Projections anticipate moderate growth; no downturn assumed in coming 10 years

Policy Discussion

Options for Board's consideration

1. Maintain existing level of funding; augment with 1x funding and 50% (or other percentage) of year end balance Option #1
2. Increase funding by set amount each year (similar to Jail Operations fund) Option #2 & #3
3. Increase funding by a % of unallocated General Fund growth (similar to Fire District shift) Option #4 - #7
4. Reallocate current GF Contribution (not discussed here)

Next Steps

- Consider allocation of funding for FY 2014-15:
 - 1x funding
 - Allocation of year end savings
 - Ongoing – unallocated General Fund
- FY 2014-15:
 - Roads – 1x \$4.6M (\$910k County) already funded
 - GS/Parks – Recommend 1x \$1.4M (to fund two 4 person maintenance teams)

2014-2016 BUDGET WORKSHOP

Budget Workshop Summary

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.