




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: CEO
Department No.: 012
For Agenda Of: 3/7/2017
Placement: Departmental
Estimated Tme: 45 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Director(s) Contact Info: Mona Miyasato, County Executive Officer, 568.3400 
Tom Alvarez, Budget Director, 568-3400

SUBJECT: Fiscal Years (FY) 2017-19 Budget Gap Update

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

That the Board of Supervisors:

- a) Receive an update on the Budget Gap for FY 2017-18; and
- b) Review certain existing discretionary Board funding priorities for possible revision; and
- c) Provide direction as appropriate to staff on these matters and any other Board priorities.

Summary Text:

This hearing is to provide the Board of Supervisors and the public an update on the anticipated FY 2017-18 budget gap, discuss strategies to address the gap, and re-examine existing Board priorities and policy choices where there is a potential to re-allocate funding.

The revised gap between expenditures and revenues is projected to be \$35.4 million in FY 2017-18 countywide (General Fund and Special Revenue Funds) and is expected to grow over the next several years largely as a result of only modest revenue growth yet increasing salary and benefit (largely pension) costs and emerging fiscal issues. These cost increases are expected to significantly impact County departments and will necessitate service level reductions and re-balancing over the five year period absent new revenues.

These new conditions will require collaborative development of appropriate solutions, updates to the Board on the progress during the budget development cycle, and options for the Board. In response to these financial challenges, County Departments are developing a phased, budget re-balancing process to

address longer term strategies to achieve structural balance in the future years; however, there is limited time to address FY 2017-18.

Background:

The initial aim of budget development is to continue to provide the highest quality of services given available funding and to address critical emerging fiscal issues. Anticipated cost increases have or will create structural imbalances in many departments as revenue increases are insufficient to enable a “status quo” budget.

Much of the County’s revenue base (such as property and sales taxes) is susceptible to national and state economic influences. In addition, the State, in attempting to address its budget has made reductions to the funding of In Home Supportive Services Programs (IHSS). In addition, due to statewide caseload decline, the County’s share of funding for CalFresh (Food Stamps) and CalWORKs programs has significantly decreased even though Santa Barbara County’s CalFresh caseload has actually grown. The Department of Social Services is working with the County Welfare Directors Association of California (CWDA) to adjust our distribution to better align with our actual caseload.

The main cost drivers of the County’s 2017-18 imbalance are the following:

- salary and benefit (primarily pension) costs
- mental health inpatient costs exceeding revenues in the Department of Behavioral Wellness
- Sheriff operations and Main Jail costs
- increased costs of meeting Department of Social Services’ maintenance of effort
- in general, Department of Social Services’ operating costs exceeding state and federal funding

In the past, there has been unallocated, discretionary General Fund revenue to address some of these increased costs. In FY 2017-18, General Fund revenue will be allocated for increased salary and benefit costs, and therefore, fiscal issues will need to be addressed through budget reductions and/or feasible revenue increases.

Update on Fiscal Issues

The table below updates the estimated cost of significant Fiscal Issues previously identified in the December 2016 Fiscal Outlook Report. These Fiscal Issues are funded by discretionary General Fund revenues.

Fiscal Issue Summary Updated:

17-18 Major Fiscal Issues (in millions)	Reported in December	Current Estimates	Included in Budget Gap
Sheriff Main Jail Capital Needs	2.6	2.6	No
Jail Medical & MH Enhanced Inmate Services	1.0	1.9	Yes
PHF Audit	0.7	0.7	Yes
DBW Inpatient Services	4.0	8.1	Yes
DSS MOEs	1.1	2.9	Yes
Deferred Maintenance	1.4	1.4	No
Total Cost of Fiscal Issues	10.8	17.6	

(In the table above, two items, the Mail Jail Capital Needs and Deferred Maintenance were not included in the calculation of the Budget Gap but were identified as Fiscal Issues. These were excluded as they require one-time funding and therefore won't create an ongoing Budget Gap).

The primary changes from December 2016 are \$6.8 million in additional costs due to:

- Increased costs (from \$4 million to \$8.1 million) for inpatient services in Behavioral Wellness, if no operational or policy changes are made.
- Increase of \$1.8 million (from \$1.1 million to \$2.9 million) to provide the Department of Social Services funding for its maintenance of effort (MOE) obligations to the State, primarily reflecting the Governor's recent proposal to shift the In Home Support Services (IHSS) MOE obligation back to counties.
- Increase of \$900,000 (from \$1.0 million to \$1.9 million) for the jail medical and mental health services contract, which increased due to an earlier calculation error when reported in December 2016.

While Behavioral Wellness and the Department of Social Services are not in the General Fund, discretionary General Fund revenues have been used to fund shortfalls at the PHF and inpatient services. General Fund revenue has also been used to fund the MOE for the CalFresh and IHSS programs in the Department of Social Services.

Revised Budget Gap

In December 2016 and January 2017, the following gap scenarios were presented:

General Fund Contributions – Early Estimate of FY 2017-18 Funding Gap (December 2016)	
Scenario 1 Gap (<i>normal policy</i>)	\$2.2 M
Scenario 2 Gap (<i>normal policy + fiscal issues</i>)	\$(8.5) M
Scenario 3 Gap (<i>normal policy + fiscal issues + costs in GF departments typically funded by other revenue</i>)	\$(13.6) M

Departments have since received preliminary general fund allocations, projected revenues, and projected cost estimates including salary assumptions and pension costs. These projections are currently being reviewed by County Executive Office and Auditor-Controller staff for technical accuracy, and verified for reasonableness against current and prior year trends.

This new information has generated a revised budget gap for status quo level of service in FY 2017-18 of \$4.4 million in General Fund departments and \$30.9 million in Non-General Fund departments. The Department of Social Services is experiencing a significant budget gap as result of costs (primarily salaries and benefits), exceeding its allotment of State and Federal revenue for its programs. Overall, DSS is facing a \$23.3 million budget gap in FY 2017-18. The County does not typically backfill for the loss or shortfall of State and Federal funding.

Revised: General Fund and Non General Fund Budget Gaps FY 2017-18 (March 2017)		
General Fund	\$ (4.4)M	Includes Sheriff -\$4.4M; Probation -\$0.5M; DA -\$0.3M. These are partially offset by a positive balance in General Discretionary Revenues
Non General Fund	\$ (31.0)M	Largest is -\$23.0M for DSS; -\$8.6 M for DBW (inpatient services); partially offset by GFC savings to non-GFC funds.
Total	\$ (35.4)M	

If just reviewing General Fund departments, the gap is \$4.4 million. However, General Fund revenues have also been used to fund shortages in Behavioral Wellness for PHF and inpatient costs, and to maintain the MOE for CalFresh and IHSS programs. Therefore, those costs are added to the General Fund Contribution shortfall shown below.

General Fund Contributions –FY 2017-18 Funding Gap (March 2017)	
General Fund Departments Budget Gaps <i>Includes Fiscal Issue for Sheriff Jail Medical contract</i>	\$ (4.4)M
Fiscal Issue: Behavior Wellness PHF Audit and Inpatient	\$ (8.6)M
Fiscal Issue: Department of Social Services MOE's	\$ (2.9)M
Total General Fund Contribution Gap	\$ (15.9)M

Strategies to Address the Gap in FY 17-18

Based on increasing salary and benefit costs, moderate revenue growth, existing Board priorities and funding needs within the existing Main Jail and PHF, County departments will be required to reduce expenditures in order to bring the overall County budget into balance. This challenge is expected to continue over the next several years because of large expenditure demands on the horizon.

The FY 2017-18 budget gap will be solved with a combination of:

1. additional revenues, such as full cost recovery and fee increases where feasible
2. change to budget/funding policies (see below) resulting in reallocation of revenue to address the budget gap
3. scrutiny of all expenditures and provision of services at lower cost (efficiencies)
4. budget cuts causing service level reductions
5. use of some one-time funds to phase program reorganizations. The use of one-time funds may be permitted to ease the transition or allow reorganized operations, but is strongly discouraged to fund ongoing operations.

In developing next year's budget, the CEOs office requested that departments submit their budgets assuming a 5% reduction to their normal General Fund Contribution. The CEOs office is currently evaluating the departments proposed budgets and reduction, or revenue, options, and will provide information later this month and at the April workshops.

Also, between now and the June Budget Hearings, additional information will be developed (i.e. clearer fund balances, increased clarity on state, federal or grant revenues, etc.) which may change the depth or breadth of the gap presented today.

Board of Supervisors’ Discretion and Proposed Policy Changes regarding Funding Priorities

The Board has discretion in setting many of the County’s service levels that are funded by General Fund Contribution. The FY 2017-18 Budget Principles outlines the direction the County Executive Officer will follow in developing a balanced budget to recommend to the Board of Supervisors. At this time, the Board has little discretion to increase revenue for the upcoming FY 2017-18, aside from fee increases. The major revenue sources the County depends on for general discretionary use are either set by law (for example, property tax) or require voter authorization, which cannot occur in time to abate the problem for FY 2017-18. Therefore, the Board’s discretion rests nearly entirely in the area of lower expenditures and/or service level reductions.

If the Board wishes, they may revise some or all of existing funding priorities. **It would be helpful now to receive direction as to these recommended changes, so there can be greater clarity at the April Workshops as to what reductions are necessary.** Below are the Board’s past funding policies or priorities and the CEO’s recommended changes to address the budget shortfall.

Proposed Changes Funding Policies or Priorities

Item	FY 17-18 Estimates:
Northern Branch Jail	\$9.1 M (could defer or delay) – <i>Not recommended to change funding plan</i>
Behavioral Wellness	\$8.6 M (inpatient services; evaluate all options) – <i>Recommend return at April Workshops with all options</i>
Fire 17% Tax Shift	\$8.6 M (could delay some incremental part of it) – <i>Recommend return at April Workshops with review on impact to Fire District</i>
Employee Salary or Pensions	<i>To be discussed as part of labor negotiations; Reopens in fall 2017</i>
Maintenance- Roads, Facilities	\$3.0 M (amount set by 18% calculation) – <i>Recommend consider 1x funds to augment to funding level previously anticipated</i>
Prop 172 - Public Safety	\$2.0 M Fire’s Share – <i>Recommend accelerating the reallocation of Fire’s portion of 172 for other public safety needs over next two years</i>
Tobacco Settlement Funds (TSAC)	<i>Use larger portion for Behavior Wellness Inpatient Needs</i>
Workers’ Comp Deficit Plan	\$0.9 M (spread final year of deficit funding over two years) - <i>Recommend</i>
Strategic Reserve Increases	\$0.7 M addition to SR (could defer or delay) – <i>Recommend not adding to the SR in FY 2017-18</i>
Use of Strategic Reserve	<i>Recommend evaluating one-time uses weighed against credit risk</i>
Outside Agency Funding	\$0.4 M (do not fund in 2017-18; funded \$427k last year) – <i>Recommend not funding in FY 2017-18</i>
Federal and State Funding Shortfall	<i>Recommend continued practice of generally not backfilling</i>

Northern Branch Jail Operations Fund: By adding incrementally higher amounts of GFC each year, we are slowly building towards the estimated \$17M of annual operating funds available to operate the new jail upon opening. As shown above, we plan to allocate \$9.1M to this fund in next year’s budget. An option would be to defer or delay funding for some period of time which would need to be made up at some point in the future. Currently, we are only a little more than half way to having sufficient

ongoing funds to operate the new jail, which is scheduled to open in 2019. Changing the Operations Funding Plan is not recommended at this time..

Behavioral Wellness, Inpatient Services: Subsequent to the FY 2013-14, the Mental Health Services Fund (Inpatient Services) has been significantly over budget. Ongoing and interim/one-time funding has been provided to the Department to allow them time to address the unusually high number of clients in the PHF that are classified as Administrative vs. Acute stays. This condition has not consistently improved since FY 2013-14, despite efforts such as new “step down” beds, and is projected to increase to over \$8.0 million in FY 2017-18 if no changes are made. While capital funding for a Mental Health Rehabilitation Center (MHRC) has been approved by the Community Corrections Partnership Committee, that project is one to two years away, and only a portion of the ongoing operating funds has been designated. An evaluation of all other options should be performed to address the PHF and inpatient cost issue, , including an assessment of mandated inpatient services.

Fire 17% Tax Shift: Studies indicated that the Fire Department did not have adequate funds to provide for necessary equipment, capital and staffing needs of the Department. Through the Tax Shift; the percentage of property tax allocated to the Fire Department will increase from 12% to 17%; thereby providing additional funding. Initially it was believed the full shift to 17% would occur in FY 2021-22; however, using current projections, this will be achieved in FY 2019-20. It is estimated that the Tax Shift will provide an additional \$8.0 million per year to the Fire Department in FY 2017-18 and about \$11.3 million per year in FY 2019-20 when the 17% allocation is attained. The option may exist to slow or decrease the amount shifted to the Fire Department; this would require further analysis.

Employee Compensation and Pension: When certain union contracts were being finalized, the County did not know the full extent of increasing pension costs. Given the increasing cost of pensions anticipated over the coming years, employee compensation, pension and other benefit packages should be reviewed. This will occur as part of our rebalancing process and through labor negotiations.

Maintenance: In FY 2014-15, the Board established a policy to provide additional funding for maintenance needs. The formula increases maintenance funding by allocating 18% of otherwise un-allocated General Discretionary Revenues, after all other normal policy-driven funding has occurred. It is estimated that about \$3.0 million will be allocated in FY 2017-18. The policy was drafted to be flexible so that less would be allocated during times when fewer funds are available. At the time the policy was adopted, staff had projected estimates of the amount that would be provided through this policy, but these will not be attained based on projected revenues and increased costs (original FY 2017-18 projection was \$4.4 million). With the adopted formula, less funds will be allocated in FY 17-18 than originally estimated (\$1.4 M less). Given the high demand for emergency maintenance repair for County facilities, parks and roads, it is recommended that the \$1.4 M additional be allocated.

Proposition 172 Funding to the Fire District: As part of the Fire Tax Shift, most of the Public Safety departments recommended to the Board that the Fire Districts share of Prop 172 funding be reduced from 9.75% in FY 2011-12 to zero in FY 2022-23. This timeframe was originally thought to correspond with when the Fire District would receive the full 17% shift of property taxes. The Tax Shift is now expected to achieve the targeted 17% during FY 2019-20 and it is therefore recommended Fire District’s share of Prop 172 be re-amortized to end in FY 2018-19. These funds will then be re-allocated for other public safety needs. The Fire Department is estimated to receive approximately \$2.0 million of Prop. 172 funds in FY 2017-18. If the allocation is re-amortized, it would reduce the District’s allocation to about \$862k in FY 2017-18, \$439k in FY 2018-19 and zero in FY 2019-20. Another option is to fully reduce the Prop 172 allocation to Fire in FY 2017-18 rather than this gradual approach. It is

recommended that the more gradual approach be implemented to be timed with the full implementation of the Tax Shift.

Tobacco Settlement: Funding is received by Santa Barbara County as a result of litigation against the tobacco industry to recover the costs of tobacco-related illness. These funds were directed by the Board to be used for county health needs and programs. Tobacco settlement funding is currently allocated by the Public Health Director via the County budgeting process consistent with the identified priority health areas of ongoing need: Direct Health Care (Medical, Mental, and Dental) and Prevention. FY 2017-18 estimated ongoing Tobacco Settlement funding is approximately \$3.5 million and the beginning fund balance (available for one-time use) is approximately \$6.8 million. It is recommended that the CEO's office work with the Public Health and Behavioral Wellness departments to review priority needs, and if available, these funds be partially allocated for PHF or inpatient needs.

Workers' Compensation (WC) –Deficit Recovery Plan: The WC fund had an \$8.0 million deficit in FY 2011-12 and a Recovery Plan was established. We are on track to eliminate the deficit at the end of FY 2018-19 by assessing deficit recovery premiums of about \$940k each year. If these are spread over 3-4 years instead of two, it would reduce the department's premiums accordingly. This change is recommended to offer some relief to departments.

Strategic Reserve Increase: The County's policy is to fund a Strategic Reserve that equals 8% of the General Fund Operating Revenues. This measure is also equated generally to 1 month's operating costs of the General Fund. The reserve is now fully funded in FY 2016-17 at \$30.9 million; however, it will continue to increase as revenues increase per the formula and Board policy. If desired, the Board could defer adding to the reserve for some period of time (example: 1-3 years). Projected incremental funding is estimated to be:

2017-18	\$710K
2018-19	\$930K
2019-20	\$1.0M

Given the budget situation, it is recommended that the increase in funding of the Strategic Reserve not occur in FY 2017-18.

Strategic Reserve – Uses: One of the stated uses of the Strategic Reserve is to "Maintain core service levels essential to public health, safety and welfare". Given the significant cost increases and potential impact on public health (Psychiatric Health Facility), safety (Sheriff, Probation and District Attorney services) and welfare (Social Services MOE costs); a measured use of the County's Strategic Reserve would be appropriate in FY 2017-18 and potentially future years to enable continued key services while a phased reduction of costs (reorganization/rebalancing) is implemented. If use of the Strategic Reserve were to occur, it is recommended that no more than \$5.0 million next year be used and that the Strategic Reserve should be maintained at a minimum of 5% of the General Fund Operating Revenues.

Outside Agency Funding: When funding has allowed, the Board has allocated "available" or "unallocated" discretionary General Fund moneys to Outside Agencies to support various community needs. Last year, the Board allocated \$427k in such funds. It is recommended that the Board consider not allocating any funds to Outside Agencies for the FY 2017-18 due to lack of available funds.

Federal and State Funding Reductions: From time to time, federal or state programs provide reduced funding for certain mandated programs. This is projected to occur to a significant degree in Social Services' FY 2017-18 budget. In prior years, the County has generally not backfilled reductions in

federal or state mandated programs. We recommend that this practice of not backfilling such programs be continued.

Board Priorities for FY 2017-18

Given the budget situation next year, any expansion or funding requests will need to be funded through existing sources, which means reducing other services or programs. Significant new revenues will likely not be available until the following fiscal year, if feasible.

Priorities as discussed in the past, and more recently, by the Board for 2017-18 work initiatives which may or may not require additional funding include:

- Preparation for possible cannabis ordinance and ballot measure (beginning in the current fiscal year and extending through next year)
- Dispatch services
- Reducing the jail population, and in particular, mentally ill individuals in the jail
- Options for reducing costs or implementing other models to address mental health inpatient services

Priorities of the organization include

- Investing in technology improvements that will save money or increase efficiency
- One-time funding for program audits or evaluations, and other suggestions from the Budget Rebalancing process
- Implementing the internal-facing Strategic Plan (improved HR, IT practices, etc.)

The Board may add to these priorities and provide direction to staff as we continue the budget development process.

Critical Time Frame

- March 2017: Potential Service Level Reductions presented to Board of Supervisors
- April 2017: Budget Workshops for the Board of Supervisors
- May 2017: CEO Recommended Budget Released
- June 2017: Board of Supervisor Budget Hearings

As mentioned previously, the next step for budget development will be for the CEO to work with departments to refine anticipated revenues and expenditures and seek solutions to mitigate proposed SLRs. Solutions may include end of year fund balance and process improvements. These efforts will be reflected in the April Workshops and final proposed CEO Operational Plan expected to be provided to the public in May 2017.

Fiscal and Facilities Impacts:

Proposed Service Level Reductions (SLR) will be needed to balance the proposed CEO FY 2017-19 Operational Plan.

Attachments:

Attachment A – Budget Policies

Authored by:

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Tom Alvarez, Budget Director

**FISCAL YEARS 2017 – 2019 OPERATING PLAN
BUDGET DEVELOPMENT POLICIES**

Policy Statement	Fiscal Strategies
1) Accountability / Transparency	
Information about how public monies are spent and the outcomes they achieve are to be clear, transparent and understandable.	<ul style="list-style-type: none"> a) Budget information will include recommended expenditures and revenues by category (Object Level) at the Department level. Sources of revenue will be identified as well as staffing trends. b) Maintain consistent oversight of spending, contracts and grants through financial and program monitoring
2) Policy-Based Budgeting	
Allocations from the General Fund to departments will be distributed according to Board policy direction, historical spending and Federal/State mandates.	<ul style="list-style-type: none"> a) Allocate resources in a manner that supports Board strategic and programmatic goals without across-the-board reductions or increases.
3) Balanced Budget / Fiscal Stability	
A structurally balanced budget (ongoing revenues equal to ongoing expenditures) for all County operating funds will be presented to the Board of Supervisors for scheduled public hearings.	<ul style="list-style-type: none"> a) Fund ongoing operations with ongoing revenue. Onetime revenues should be dedicated for onetime expenditures. The use of onetime funds may be permitted to ease the transition to downsized or reorganized operations, but strongly discouraged. b) Recommend organization-wide cost-efficient strategies such as mandate relief, reorganizations, consolidations, reengineering, public-private partnerships, information technology innovations and other efficiency efforts. c) Enhance revenue through efforts that stimulate economic vitality which will result in an increased tax base. d) Ensure appropriate maximum reimbursement of Federal and State programs and user fees that fully offset service costs as allowed by law. e) Program increase requests must fully document the need and identify the new ongoing funding source or reduction of funding elsewhere.

**FISCAL YEARS 2017 – 2019 OPERATING PLAN
BUDGET DEVELOPMENT POLICIES**

Policy Statement	Fiscal Strategies
4) Identify and Mitigate Fiscal Risks	
<p>The County Executive Office, in coordination with County Departments, will identify fiscal issues, events and circumstances which pose significant risks and reduce the impact of those risks.</p>	<p>a) <u>Future New Jail Operations</u> – Consistent with the funding plan presented in the FY 2016-17 Recommended Budget, a General Fund Contribution of \$9.1 million will be recommended for future jail operations in the FY 2017-18 budget. Additionally, an ongoing request to increase this allocation each fiscal year will be recommended, until such time as the annual jail operations funding equals the incremental annual operating cost of the new facility, pursuant to the Board adopted funding plan for jail operations.</p> <p>b) <u>Other Post-Employment Benefits (OPEB)</u> - On March 1, 2016, the Board adopted an OPEB funding plan. As a result, a consistent ongoing contribution rate of 4.0% of covered payroll will be utilized.</p> <p>c) <u>Workers’ Compensation Costs</u> – To fund higher than planned historic Workers’ Compensation Tail Claim costs, a strategy to spread these increases over a fixed seven year period was implemented in FY 2012-13. Although the Tail Claim deficit recovery is currently on schedule, estimated future insurance premium cost increases will require charging the Departments higher insurance rates for current coverage. Rate increases are expected for FY 2017-18.</p> <p>d) <u>Employee Health Insurance Costs</u> –Despite internal efforts to control cost increases, such as on-site health clinics, health insurance costs continue to rise each year. Cost control efforts will continue and further discussion of any potential benefit changes will occur with employee representatives as costs increase in future years.</p> <p>e) <u>Behavioral Wellness (DBW) Operations</u> – In recent years, the demand for inpatient beds has been significantly increasing without corresponding funding. The need can vary significantly from month to month but if this trend continues it is likely that the department will require additional funding to address this community need. A fund balance of \$1 million has been established (using one-time funds) within a new Mental Health Committed Fund Balance account to be available for behavioral health inpatient bed costs in excess of budget where there is no other available departmental funding. Subsequent replenishment of this balance within the Mental Health account will be evaluated annually in the budget process</p>

FISCAL YEARS 2017 – 2019 OPERATING PLAN BUDGET DEVELOPMENT POLICIES

Policy Statement	Fiscal Strategies
5) Reserves	
Establish and maintain a strategic reserve equal to 8% of the General Fund operating revenue (approximately 30 days working capital). Once the target is achieved, any excess fiscal year-end unassigned General Funds will lapse to the Unassigned Fund Balance account for future Board appropriation.	a) A minimum \$1 million annual strategic reserve contribution will be recommended, until the Strategic Reserve target has been met.
6) Service Levels	
Service level impacts, positive or negative will be identified in departmental budget requests and communicated to the public.	a) Each recommended departmental budget will identify the major programs, services and outcomes for each department. Significant changes to the level of program services provided (service level impacts), will be detailed and presented to the Board prior to Budget Hearings.
7) Capital and Infrastructure	
Provide funding for necessary capital improvements and maintenance of existing facilities.	a) Capital Plans will identify necessary capital improvements and maintenance needs. Prioritization and funding strategies will be developed to address these needs through a Facilities Condition Assessment and ongoing Maintenance Management and Preservation Plans. b) A minimum of \$3.0 million will be recommended for capital improvements/refurbishments and infrastructure maintenance. c) As discretionary revenues grow, 18% of the unallocated Discretionary General Fund Revenues will be committed for maintenance needs and will be allocated to Public Works, General Services and Parks in the budget development process based on existing needs and priorities. This funding will be allocated as part of the budget development process.
8) Employee Retention	
Attract, retain and develop a high performing workforce committed to excellent customer service.	a) Design future compensation and benefits strategies to ensure Santa Barbara County employees are fairly and adequately compensated in alignment with their job markets. b) Implement a Countywide Workforce Plan that will assist the County in addressing critical workforce issues over the next two years. c) Implement strategies to increase employee engagement. d) Continue to provide training and development programs designed to develop skills, competencies, and leadership potential.

FISCAL YEAR 2017 – 2019 GENERAL FUND ALLOCATION POLICY BASED ON BUDGET POLICY #2: POLICY BASED BUDGETING

POLICY STATEMENT: Allocations from the General Fund to departments will be distributed according to Board policy direction, historical spending and Federal/State mandates.

FISCAL STRATEGY: Allocate resources in a manner that supports Board strategic and programmatic goals without across-the-board reductions or increases.

GENERAL FUND ALLOCATIONS IMPLEMENTATION POLICIES

CALCULATIONS:

1. Each department's base General Fund Contribution for the Fiscal Year 2017-2018 budget will be the adopted contribution for Fiscal Year 2016-2017, reduced by onetime allocations during the FY 2016-2017 Board adoption hearings. (Ongoing expansions will have already been added to the GFC base; onetime allocations will be deducted if they were included in the base).
2. Where not prohibited by law, departments must use all non-General Fund revenues, such as special revenues, grants and agency funds, before General Fund Contribution amounts will be allocated to fund programs and anticipated liabilities. Unanticipated revenues should be used to eliminate departmental use of one time funds for ongoing operations.
3. In general, the base General Fund Contribution will be adjusted by an amount equal to the proportional FY 2017-2018 impact of approved wage and employee benefit adjustments, not otherwise funded, that were included in the adopted Fiscal Year 2016-2017 amount. For example, if the wage increases and benefit cost impacts total \$100, and the General Fund Contribution makes up 30% of the department's funding, then the increase would be no more than \$30.
4. In the event that projected County-wide General revenues do not meet the General Fund Contribution allocation, the departmental allocations will be reduced as necessary to balance the budget.

PROCESS:

5. When submitted budgets reflect significant service level reductions from Fiscal Year 2016-2017 levels, departments will document service level impacts by program in order of severity from most to least detrimental as defined by the Department Director, while identifying mandate levels and outcome measures.
6. Any requested amount over the County Executive Office's approved budgeted General Fund Allocation amount will be submitted as a budget adjustment request (restoration/expansion).
7. Based on available funding, the CEO may recommend additional General Fund Contribution to address structural imbalances within specific departments.
8. Requests for additional FTE's added during the budget process, including contractors on payroll must be submitted as a budget adjustment request and will identify the ongoing funding source.
9. No budget submission will be considered complete unless the requested General Fund Contribution is equal to or less than the County Executive Office's approved General Fund allocation amount.

**FISCAL YEAR 2017 – 2019 GENERAL FUND ALLOCATION POLICY
BASED ON BUDGET POLICY #2: POLICY BASED BUDGETING**

10. Special Revenue Funds will be evaluated at year end and any appropriate adjustments to the General Fund Contribution will be made to the following year's General Fund allocation.
11. Unallocated Discretionary General Fund Revenues will remain in the Residual Fund Balance account for future Board appropriation.