



BOARD OF SUPERVISORS  
AGENDA LETTER

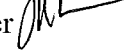
Agenda Number:

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 8, 2015  
Placement: Departmental  
Estimated Tme:  
Continued Item: No  
If Yes, date from:  
Vote Required: Majority

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**TO:** Board of Supervisors

**FROM:** Department Director(s) Contact Info: Tom Alvarez, Budget Director (568-3432)  
Mona Miyasato, County Executive Officer 

**SUBJECT:** Fiscal Year 2015-16 Recommended Budget

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**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Recommended Actions:**

It is recommended that the Board of Supervisors:

1. Consider and amend the Fiscal Year 2015-2016 Recommended Budget, including CEO Recommended Budget Expansions and Restorations;
2. Approve final budget adjustments to and approve the Fiscal Year 2015-16 Recommended Budget;
3. Delegate authority to the County Executive Officer to execute renewal of single-year grants and contracts ("ongoing grants and contracts") included in the Recommended Budget that had previously been approved by the Board, where contract amounts are up to 10% greater or less than previously contracted amounts; and
4. Adopt the Resolution of the Board of Supervisors entitled In the Matter of Adopting the Budget for Fiscal Year 2015-16; and
5. Determine pursuant to CEQA Guidelines §15378 that the above activities are not a project under the California Environmental Quality Act.

**Summary Text:** The Fiscal Year (FY) 2015-16 Recommended Operating Plan and Budget is hereby submitted to the Board of Supervisors. The information in this letter, attachments, and hearing binder is provided to enable the Board to adopt a Fiscal Year 2015-16 operating plan and budget during the budget hearings. Budget hearings are scheduled for June 8, 10, and 12, 2015 and, if necessary, may be continued into the week of June 15-19, 2015.

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

**Background:**

The FY 2015-17 Recommended Operational Plan continues rebuilding the organization to improve service to the public and strengthens our reserves. The Strategic Reserve in the General Fund is recommended to be fully funded (\$29.8 million or 8% of operating revenues in the General Fund). As was the case last fiscal year, the CEO Recommended Budget for FY 2015-16 continues to move the organization on a path of stability and recovery, delivering on core services and maintaining the Board’s commitment to public safety, the well-being of families and children, and healthy and livable communities.

**All Funds Budget**

The CEO Recommended Budget for Fiscal Year (FY) 2015-16 presents a balanced budget, with FY 2015-16 Operating Expenditures of \$965.1 million and Operating Revenues of \$965.6 million resulting in an operating surplus of \$0.5 million. This is the second year since FY 2009-10 that overall Recommended Operating Revenues exceed Recommended Operating Expenditures and points to an improving financial position. Balance was achieved through improving revenues, up \$44.2 million (5.4%) combined with controlled expenditure growth of \$41.1 million (4.8%).

Staffing levels in the Recommended FY 2015-16 Operating Plan are 4,274.8 Full Time Equivalent (FTE) positions. This is an increase of 31.5 FTE compared with 4,243.3 FTE in the FY 2014-15 Adopted Budget. The increase in recommended FTEs is primarily due to increases in state and federal funding in Public Health and Social Services. These totals exclude positions included in the CEO’s recommended expansions.

**FY 2015-17 Recommended and Proposed Budgets at a Glance**

(in millions)

|                              | FY 2013-14<br>Actual | FY 2014-15<br>Adopted | FY 2015-16<br>Recommended | FY 2016-17<br>Proposed |
|------------------------------|----------------------|-----------------------|---------------------------|------------------------|
| Total Operating Revenues     | 933.8                | 916.4                 | 965.6                     | 1009.6                 |
| Total Operating Expenditures | 840.6                | 920.9                 | 965.1                     | 994.6                  |
| Net Operating Impact *       | \$ 93.1              | \$ (4.6)              | \$ 0.5                    | \$ 15.0                |
| Staffing FTE's               | 3,974.3              | 4,243.3               | 4,274.8                   | 4,298.8                |

\* Net Operating Impact is funded by Other Financing Sources or use of Fund Balances.

**General Fund Budget**

The CEO Recommended General Fund Budget for FY 2015-16 continues to display improvement, with Operating Expenditures of \$330.8 million and Operating Revenues of \$372.8 million. Operating Revenues increased \$18.7 million or 5.3% from \$354.1 million in FY 2014-15, while Operating Expenditures increased \$5.4 million or 1.7% from \$325.4 million in FY 2014-15. The remaining amount or the Net Operating Impact of \$42.0 million is primarily used to provide General Funds to Special Revenue Funds in the amount of \$28.5 million and increase fund balances in areas such as the North Branch Jail Operations Fund.

Staffing levels in the Recommended FY 2015-16 General Fund Budget are 1,854.5 Full Time Equivalent (FTE) positions. This is an increase of 8.0 FTE compared with 1,846.5 FTE in the FY 2014-15 Adopted Budget.

**FY 2015-17 Recommended and Proposed General Fund at a Glance**

(in millions)

|                              | FY 2013-14<br>Actual | FY 2014-15<br>Adopted | FY 2015-16<br>Recommended | FY 2016-17<br>Proposed |
|------------------------------|----------------------|-----------------------|---------------------------|------------------------|
| Total Operating Revenues     | 335.3                | 354.1                 | 372.8                     | 382.3                  |
| Total Operating Expenditures | 308.6                | 325.4                 | 330.8                     | 336.2                  |
| Net Operating Impact *       | \$ 26.7              | \$ 28.7               | \$ 42.0                   | \$ 46.1                |
| Staffing FTE's               | 1,803.6              | 1,846.5               | 1,854.5                   | 1,854.5                |

\* Net Operating Impact is funded by Other Financing Sources or use of Fund Balances.

**Service Level Reductions**

Continuing the trend, proposed Service Level Reductions of \$1.1 million are fewer this year than in recent years. If anticipated funding is not sufficient to cover expenditures, the department will propose Service Level Reductions to balance the departments' budget in accordance with the adopted Budget Development policies. Service Level Reductions are proposed in the budgets for the Sheriff, Probation, Child Support, and Community Services departments. The CEOs recommended expansions, however, restore the funding to homeless shelters on an ongoing basis.

| Service Level Reduction Summary |                    |             |  |
|---------------------------------|--------------------|-------------|--|
| Department                      | Amount             | FTE         | Description  |
| Probation                       | \$ 370,752         | 1.00        | Reduce Deputy Probation Officer Sr. assigned to the Santa Barbara Narcotics Enforcement Team due to loss of grant funding.   |
| Sheriff                         | 202,572            |             | Reallocates 2.0 FTE Custody Deputy from SM Branch Jail to Main Jail to reduce overtime costs. Results in SMBJ operating without inmates assigned permanently, reducing bed count by 28.  |
| Child Support Services          | 346,000            | 3.60        | Reduce Child Support caseworkers (2.6 FTE) and administrative positions (1.0 FTE) from retirements, increasing caseload among fewer caseworkers and support staff.   |
| Community Services              | 165,000            |             | Reduce Shelter Services General Fund Contribution due to the loss of one-time funding allocated in the previous fiscal year. This would result in the reduction of bed nights available and supportive service for clients in emergency shelters. However, the CEO Recommended Expansions, if approved, will restore this funding and make it ongoing. |
| <b>Total</b>                    | <b>\$1,084,324</b> | <b>4.60</b> |  |

**Trends and Issues Reflected in the Budget**

Significant trends and policy issues were considered and are reflected in the Budget. A few are highlighted below.

- ***Slowly improving revenue growth:*** The County’s largest discretionary revenue source, property taxes, is projected to increase, with 3.9% growth in FY 2015-16, and 4.2% in FY 2016-17. This is modest compared to pre-recessionary levels. Overall revenues are improving at a pace of 5.4% compared to the prior year. Expenditure growth is at 4.8%, which is slower than revenue growth. Ensuring expenditure growth does not outpace revenue growth will require continued restraint and caution in the future.
- ***Stabilized retirement funding:*** Santa Barbara County Employee Retirement System sets pension rates for member agencies. After several years of increases, the pension contribution rates have leveled off. The FY 2015-16 composite rate is 37.9%, a decrease of 1.0% compared to the FY 2014-15 contribution rate of 38.9%. The lower rate is a combination of several factors; however, the rate is no longer increasing, primarily the result of investment losses from the recession which are now fully amortized into the rates.
- ***ADMHS Inpatient Costs & Audit Settlements:*** The provisions of behavioral health services through Alcohol, Drug and Mental Health Services department (ADMHS) has been one of the most significant challenges of the County in recent times. To improve upon service delivery, the Department completed a comprehensive Department evaluation and is in the process of implementing various recommendations, including expansions to crisis services, funded by State

grants (\$11.0 million), filling of key management positions and increased collaboration with the community and other stakeholders. At the same time ADMHS is addressing a rapidly increasing demand for inpatient beds and the inability to meet budgeted revenue targets due to the mix of clients in the County's Psychiatric Health Facility (PHF). Additionally, the department is recognizing additional state liabilities in the amount of \$2.7 million for recent audit findings related to FY 2008-09. The County disagrees with and is appealing the majority of these audit findings.

- **Northern Branch Jail: AB 900 and SB 1022 (STAR) Grant Funded Projects:** The 2015-16 Budget includes design and construction related costs for the North Branch Jail of \$24.1 million, comprised of \$22.4 for AB900 and \$1.7 million for the SB 1022. It is anticipated that construction bids for the AB 900 project (376 beds) will be received this summer and design work on the SB 1022 facility (228 beds) is currently under way. In addition to construction costs, the Board adopted a plan to fund the net increased annual operating costs of the new facility upon its opening in 2018. The operations funding plan sets aside incrementally increasing ongoing General Funds in prior, current and future budgets. Recently, the Sheriff has revised estimated operating costs, transitional costs and has proposed potential staffing reductions to the prior plan in the event the average daily inmate populations remain below certain levels. The Board has requested further analysis and use of an independent consultant to review these figures before modifying the existing funding plan.
- **Workforce Planning and Retention:** In FY 2013-14 Employee Retention was added as a new Budget Development Policy and has evolved into Workforce Planning as we continue to look ahead to FY 2015-16. Human Resources Department staff, working with a cross section of employees from all departments, will continue to spearhead the effort, which has the goal to attract, retain and train the right people, with the right skills, in the right jobs, at the right time. In FY 2014-15 an employee survey was conducted to gather information on the working conditions, employee involvement and related items. The data from this survey will be used as the County moves forward with its workforce planning.
- **Debt Obligations:** The funding status of liabilities is described in the Debt, Obligations and Debt Management Policies section of the Budget Book on pages D437-D448. The County has no General Obligation Bonds outstanding and has never issued Pension Obligation Bonds. The County has long-term budgetary plans in place to fund all the short-term and long-term obligations of the County within current and on-going resources. The County maintains a Standard & Poor's SP-1+ rating for short-term notes and a Standard & Poor's AA+ for its long-term certificates of participation. This is among the highest ratings for counties in California. Overall, the County has low debt levels when compared to other counties in California. Staff will evaluate use of debt for potential funding of large deferred maintenance projects.
- **Technology and Software Upgrades:** Departments are continuing to be efficient through process improvements, technology, and innovation to better serve the public. Many upgrades are needed to maintain and improve service delivery. Improvements include, but are not limited to such things as: "Virtual file" court documents, case management system for better integration with the courts, implementing business systems that automate financial operations and includes more credit card use, automated call backs and increased telephone assistance to the Benefit Center, and streamlining the reservation and cancellation process of parks and facilities.

- **State Funding for Road Maintenance (Gas Tax Loss):** The statewide reduction of gas taxes creates a reduction to Public Works of funding used for corrective maintenance and operation support related to roads. The loss is \$2.9 million in the coming year. While the department has fund balance to assist next year, this is not sustainable and would deplete the fund. The CEO is recommending additional one-time funding to the department of \$1.4 million in FY 2015-16 to help address this situation.
- **Maintenance Needs:** Maintenance funding will increase pursuant to the “18% funding policy” by \$1.2 million. The Board approved a plan to allocate 18% of unallocated, discretionary General Fund revenue each year, allowing it to incrementally grow over time. It is estimated to reach \$21.0 million annually by FY 2022-23. This is in addition to \$2.8 million of discretionary General Fund revenue that is already allocated to maintenance, pursuant to another Board policy. The County’s maintenance need for roads, buildings, and park structures continue to be a significant challenge, and staff continues to effectively prioritize the use of these funds. In the coming year, staff will be evaluating issuance of debt to accelerate funding for some projects where applicable.

**Special Issues and Updates to be Addressed at the Hearings:**

**Special Issues:** Departments will address issues raised at the budget workshops or updates since the workshops. These include:

- Refugio Oil Spill efforts
- Property Tax update from the Assessor
- Per Capita information; Countywide; by Functional Group; ADMHS & DSS
- ADMHS:
  - Types of Residential Beds utilized
  - GFC to ADMHS; Ongoing, Additional funds to balance operations and funding to satisfy state cost and audit settlements
- Public Health - American Humane Association (AHA) Assessment (depending on 6/2/2015 Hearing decision)
- Fire – response to questions regarding capital project: Cuyama Fire Station 41
- Sheriff – Replacement of Jail Management System
- General Services – addition of an expansion request for renovation of the proposed Isla Vista Community Center
- CSD :
  - Library Funding options
  - Update on Cachuma Ranger expansion request
  - Goleta Beach – Coastal Commission Permit
  - Community Choice Aggregation
- Planning & Development – Short term (vacation) rentals
- Public Works – Purpose of Flood Control District Funding

***State & Federal Budget Updates:***

***Repayment of Mandated Services:*** As part of the Governor’s commitment to paying off the “Wall of Debt” by FY 2017-18, the May revise includes funding to repay existing mandate reimbursement claims that have been owed to local governments (counties, cities, and special districts) prior to 2004. The amount of the repayment to Santa Barbara County will be \$6.4 million in principal and \$1.5 million in interest. These funds (\$7.9 million) will be recognized as General County Revenues in the current FY 2014-15. The County was only recently notified of these funds and the CEO will be recommending that they be set aside for known ADMHS audit settlements (\$2.7 million), establishment of an Audit Exception fund balance (\$1.0 million), ADMHS fund balance for inpatient costs (\$1.0 million) and the balance (\$3.2 million) to be added to the Contingency fund balance for potential costs or losses related to the oil spill and other unanticipated costs. These funds and their proposed use will be discussed during the Budget Hearings in the review of Key Fund Balances.

***PILT:*** We were recently informed by the Department of the Interior that the majority of Federal appropriations (about 90%) have been secured to fund Payments in Lieu of Taxes (PILT) related to Federal lands within the County that do not generate property taxes. The County received approximately \$1.8 million in PILT payments last year and it is expected that 90% of Santa Barbara’s normal allocation (about \$1.6 million) will be paid by June 30, 2015.

***Other:*** The May Revision keeps intact the provision of \$150 million to account for increased caseloads and system issues for County administration of Medi-Cal. The budget also includes an additional \$2.2 billion on top of the \$1.9 billion already appropriated for drought related programs to reflect higher costs in firefighting, emergency response, and other critical activities related to the ongoing drought. The Governor’s agreement with legislative leaders further creates a Rainy Day Fund, noting that the proposed plan requires both paying down liabilities and saving for a rainy day. Another element of the May Revision updates the sales tax forecast reflecting an upward trend of \$230 million statewide. The FY 2015-16 estimated growth of SB 678 funding is \$125.8 million to be distributed to counties to provide incentives to keep probationers from reoffending.

**CEO Recommended Budget Expansions and Restorations**

After the departmental General Fund Allocations were made, unassigned discretionary General Fund “ongoing” and “one-time revenues” remained. These funds are available for appropriation in the FY 2015-16 Plan.

At the April 2015 Budget Working Session, the CEO discussed the criteria for evaluating expansion requests: 1) avoids cost or reduces risk; 2) generates revenue; 3) provides an investment in the future; 4) makes progress on key initiatives; and 5) is significant but can be prioritized next year.

The CEO recommendations are based on these criteria and evaluation of the departments’ requests for restoration or expansion, Board discussion at the April workshops, consideration of overall Board priorities, County-adopted goals and organizational needs. These recommendations are submitted with the Recommended Operating Plan for the Board’s consideration, amendment and adoption. The recommended expansions and restorations of proposed service level impacts are as follows:

- \$ 3,311,000 from ongoing unassigned General Funds
- \$ 4,550,000 from one-time unassigned General Funds
- \$ 5,497,000 from other (primarily federal and state funding)

The above CEO Recommended Expansion and Restorations are included and are detailed in **Attachment A-1**.

Subsequent to the printing of the Operating Plan, additional revenues (described above) were identified and an unfunded audit settlement (\$2.7 million) will need to be accrued.

After the above allocations and adjustments, there remains an estimated \$1.0 million of ongoing unassigned General Fund and \$1.8 million of one-time, unassigned General Fund for your Board's consideration and allocation. The subsequent adjustments discussed above and available fund balance accounts will be reviewed during the Budget Hearings in the review of Key Fund Balance accounts.

#### **Final Budget Adjustments:**

As is the case each year, events have occurred since the Recommended Budget was prepared which prompt staff to recommend adjustments to various appropriations and revenues. The recommended adjustments fall into two main categories listed here and are detailed in **Attachment A-1 and A-2**:

1. CEO Recommended Budget expansions or restorations as detailed in Attachment A-1.
2. Re-budgeting appropriations included in the Fiscal Year 2014-15 budget, but not spent during the fiscal year, and moved to a fund balance account via a Budget Revision during Fiscal Year 2014-15 for use in Fiscal Year 2015-16, Attachment A-2.
3. Other recommended changes that adjust General Fund and non-General Fund budgets, Attachment A-2.

**Attachment A-2** is a list of all final budget adjustments recommended for approval by the Board.

#### **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% of the prior year



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 2015-16.

The grants to be included in this year's delegation are identified in **Attachment B**. The contracts to be included in this year's delegation 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 2015-16.

**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.

**Mandates and Service Levels:**

Board approval of these proposed changes (final budget adjustments and ongoing grants and contracts) during budget hearings is discretionary. The budget hearings, Recommended Budget and the Budget Resolution are controlled by the County Budget Act, which is found at California Government Code sections 29000 and following.

**Fiscal Impacts:**

Approval of these recommendations adopts the Fiscal Year 2015-16 Recommended Budget (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-1 – CEO Recommended Budget Adjustments
- A-2 – Final Budget Adjustments
- B – Ongoing Grants
- C – Ongoing Contracts
- D – Resolution of the Board of Supervisors

**Authored by:**

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Cc: Department Directors  
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