



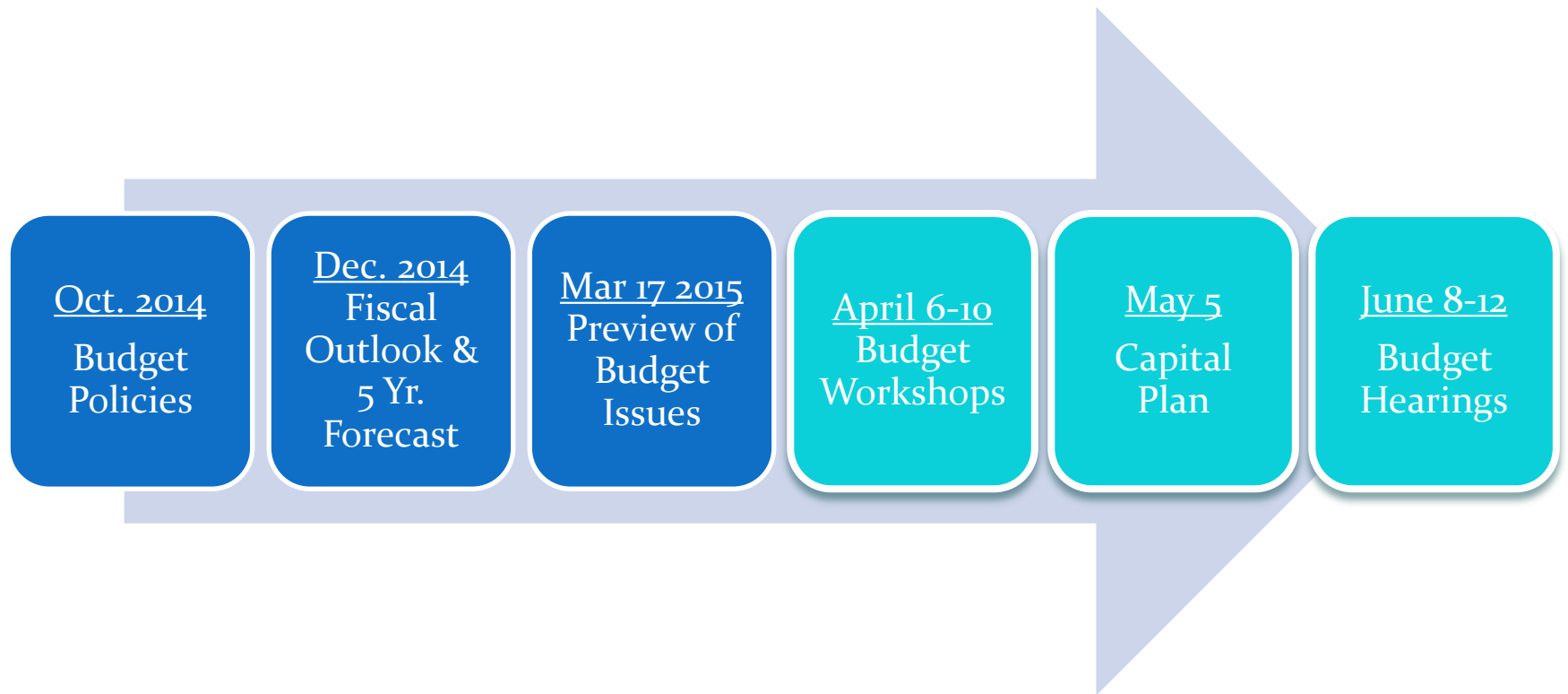
Preview of FY 2015-16 Budget Issues

March 17, 2015

Purpose of Today's Presentation

1. Set context for April Budget Workshops regarding financial outlook
 - Identify changes since December 2014 Report
 - Review trends in revenues and expenditures
 - Identify themes, issues and areas of caution
2. Seek any Board feedback
3. For current year, discuss solutions for ADHMS and Sheriff budget issues raised in February quarterly report

Budget Development Process



Outlook for FY 15-16

- Improving and still positive
 - National and local economy improving
 - Property tax revenue growth expected, 4% to 7% in near term
 - Pension costs stabilized
 - Other costs restrained or managed
 - Strategic Reserve fully funded

Continuing Issues

- Increased employee costs
 - Wages, pension, health insurance, workers compensation
- Department cost increases
 - ADMHS, Sheriff
- Retiree Health Care Liability
- Long standing operating gaps in department budgets
- Employee Retention and turnover
- Desire for restored, expanded or new programs beyond our capacity to sustain

Continuing Issues

Prior funding commitments to BOS priorities continue in the coming year for

- Northern Branch Jail
- Fire District through Tax Shift
- Employee compensation increases
- Maintenance

These commitments limit opportunities for significant growth or expansion in other areas

Changes since December Report

- Assumed 6% PT growth for FY15-16; revised down to 4% due to zero inflationary growth (related to oil prices)
- SBCERS lower than expected investment returns – projected pension costs for FY 16-17 may be affected
- Low gas prices continue, resulting in lower funding for roads
- Higher, unexpected cost increases for inpatient care at PHF, Sheriff overtime
- Staff is refining and evaluating how these changes will affect FY15-16 budget and will have more information at the April workshops

Goals for FY 15-16 Budget

“Foundations for the Future”

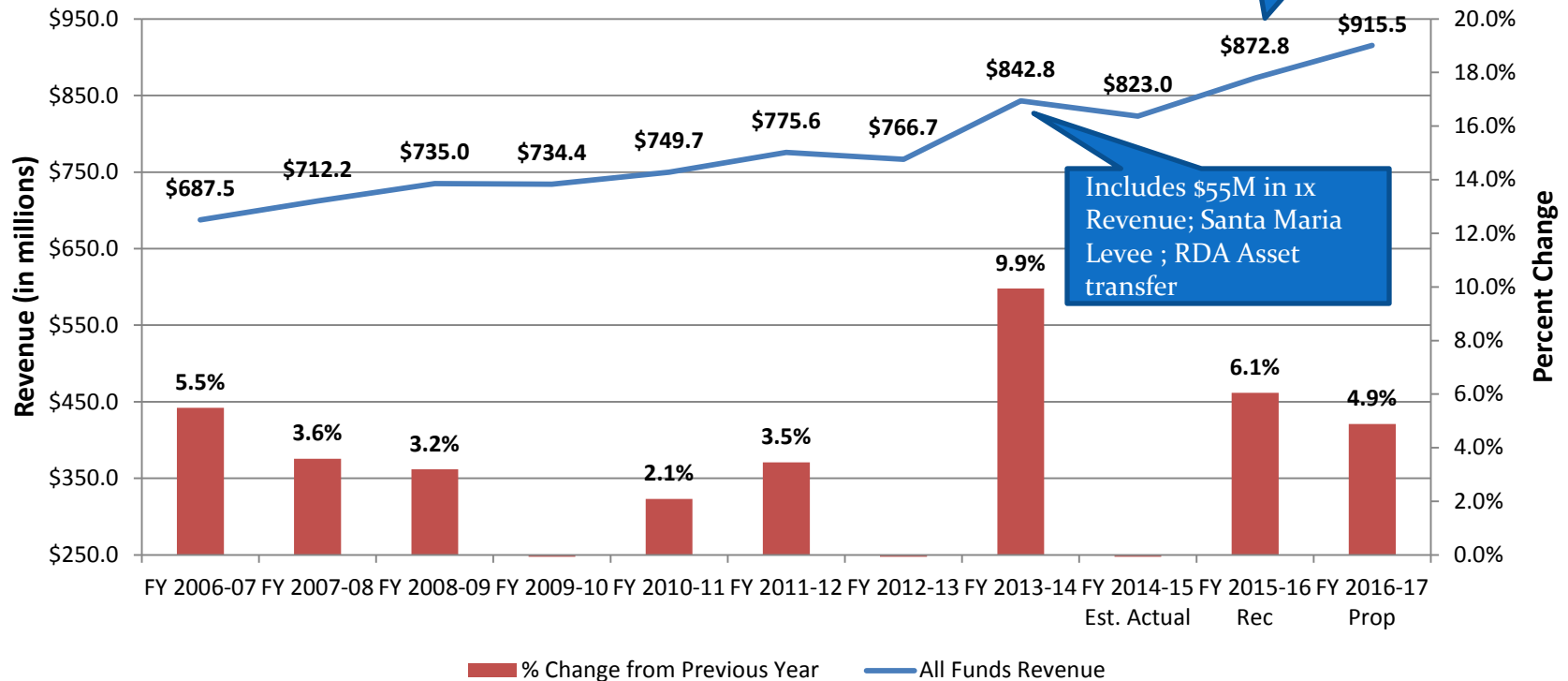
- Continue rebuilding the organization and finances after the recession
 - Maintain funded strategic reserve
 - Continue to address other liabilities
 - Spend within our means
- Create efficiencies in department operations through process improvements, technology, innovation
- Minimize service reductions and impacts to the public
- Create a thriving and engaged workforce
- Adapt and strategically plan for the future
- Continue to advance Board priorities



Revenue Trends

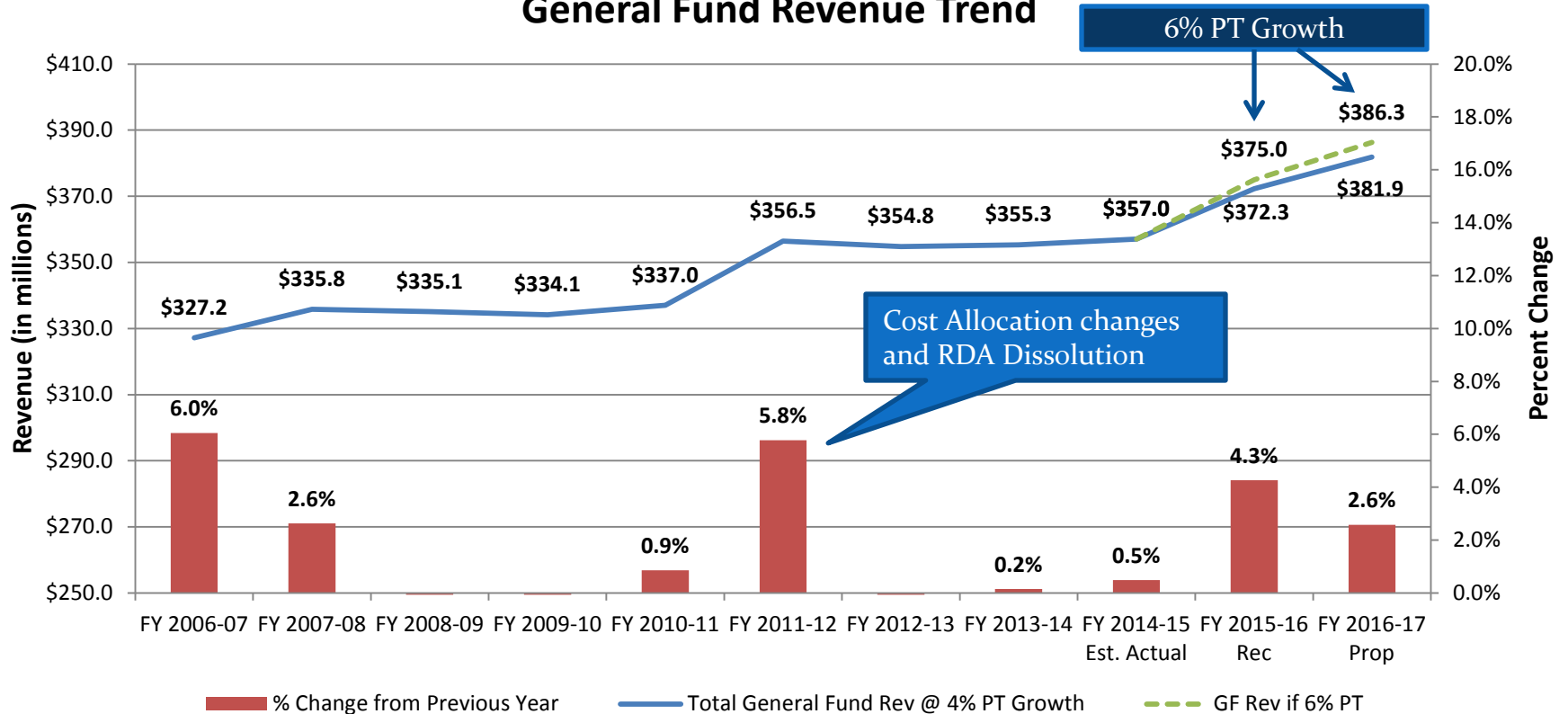
All Funds Revenue

All County Funds Revenue Trend

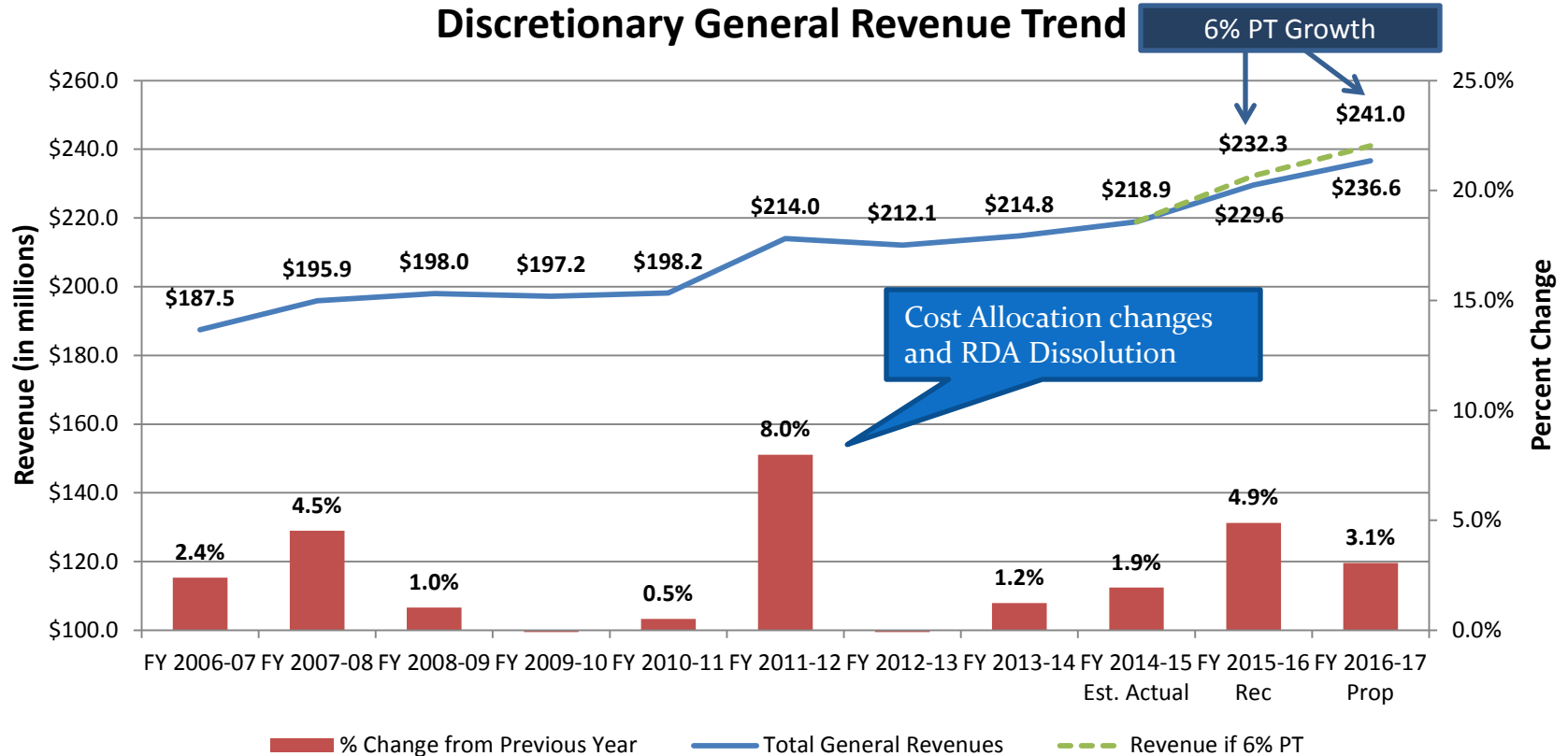


General Fund Revenues

General Fund Revenue Trend



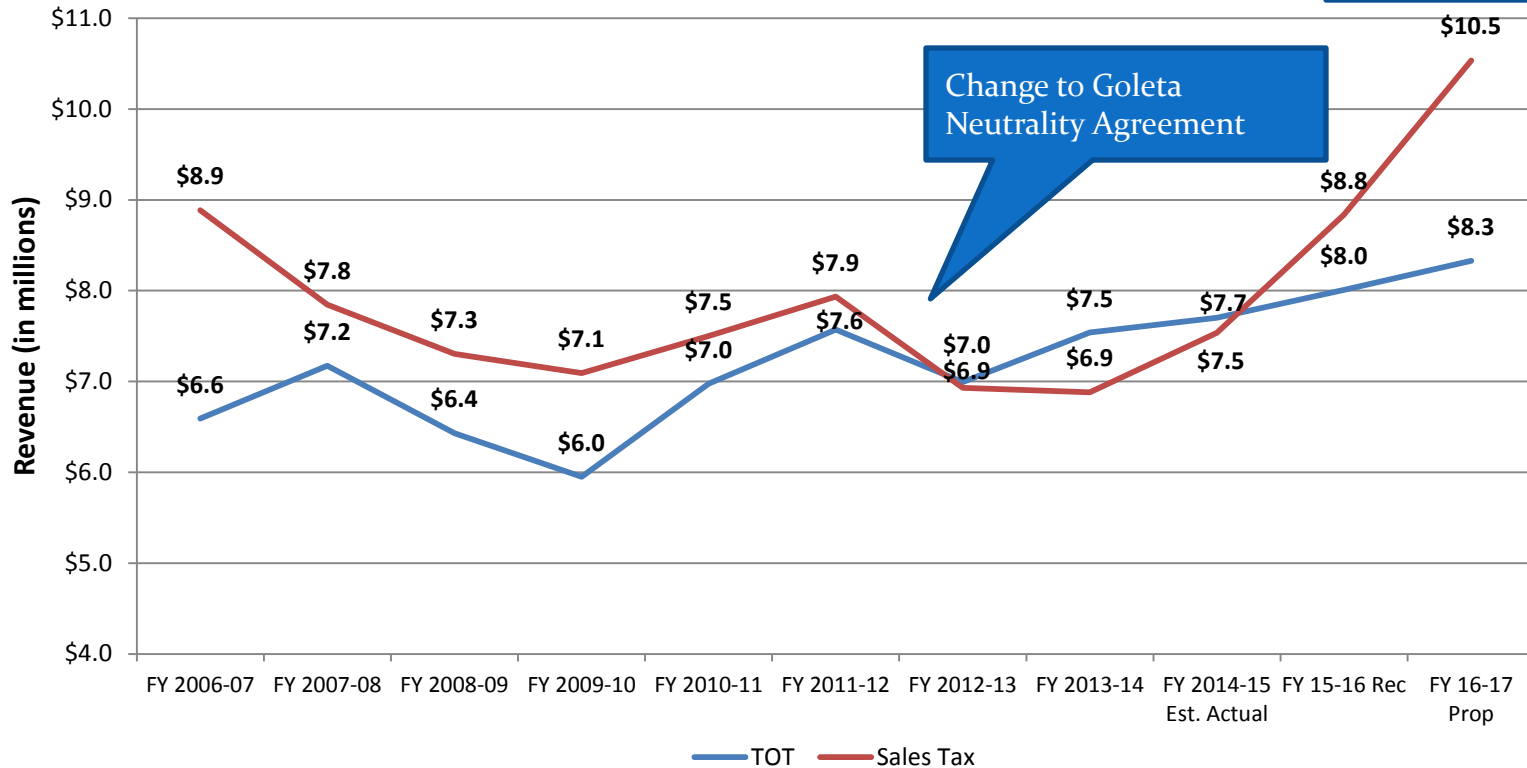
Discretionary General Revenue



Other Major Discretionary Revenues

General Fund - TOT & Sales Tax Revenue Trend

FY 2015-16 sales tax rate restored 25 basis points due to end of "triple flip"

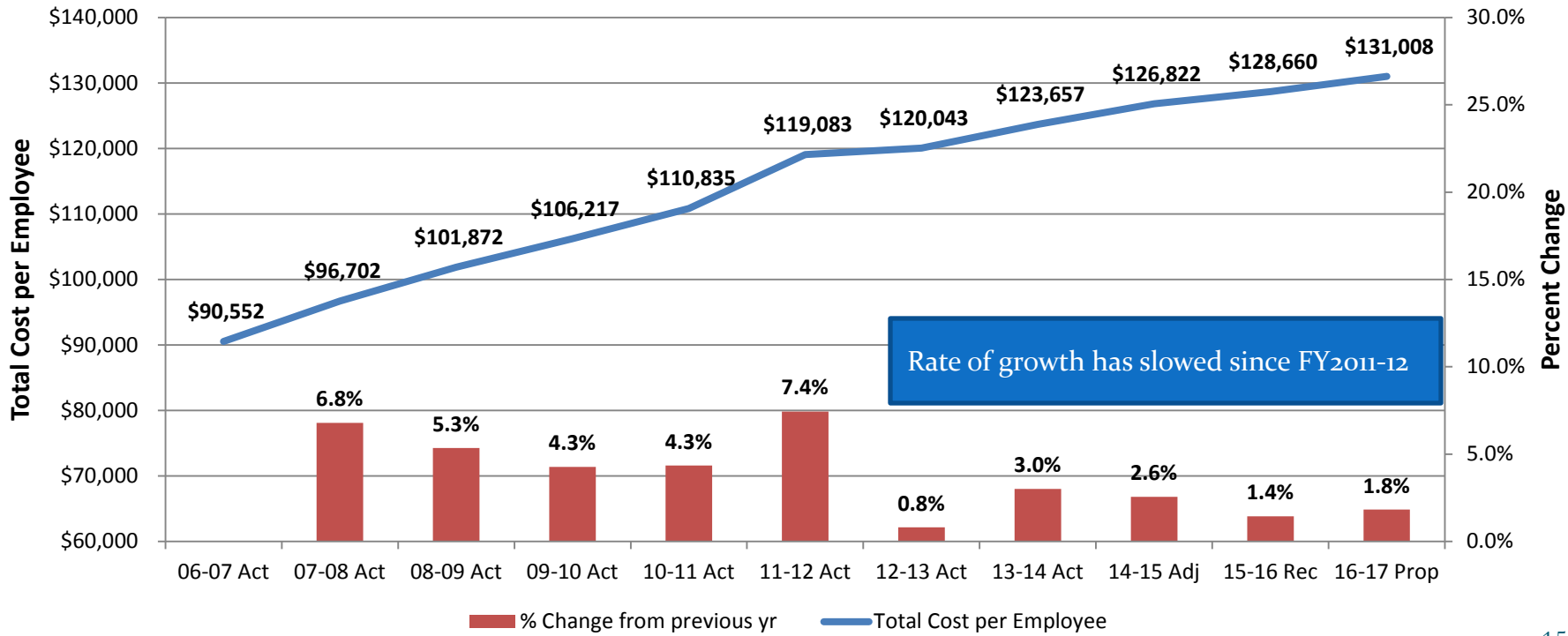




Expenditure Trends

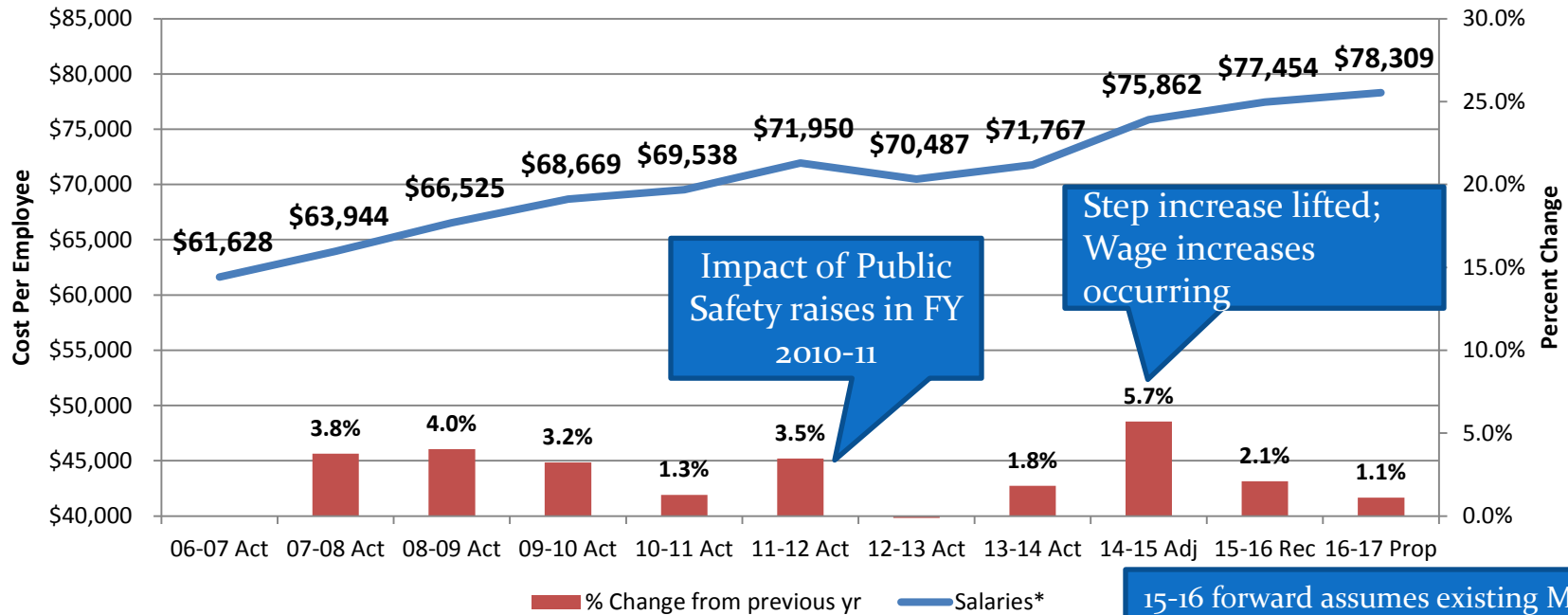
Total Salary & Benefits Per Employee

Total Cost Per Employee Trend



Salary Cost Per Employee

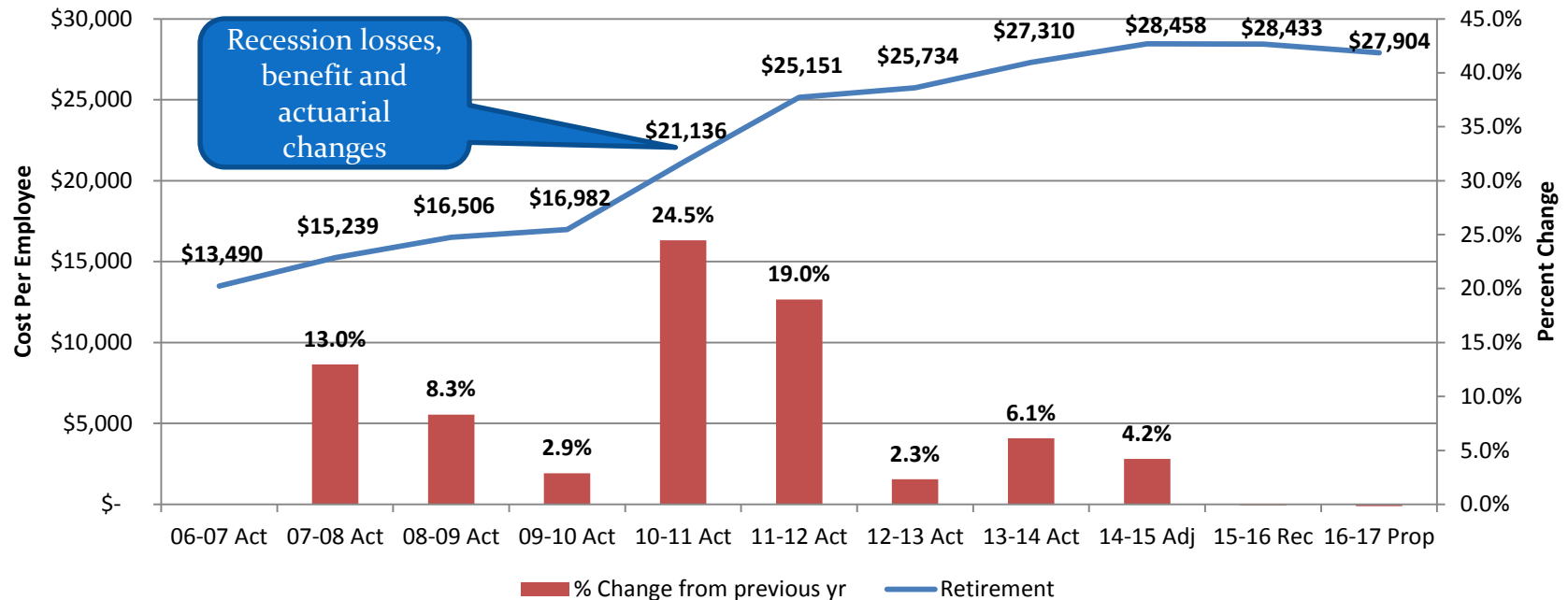
Salary Cost Per Employee Trend



*Salaries includes contractors on payroll

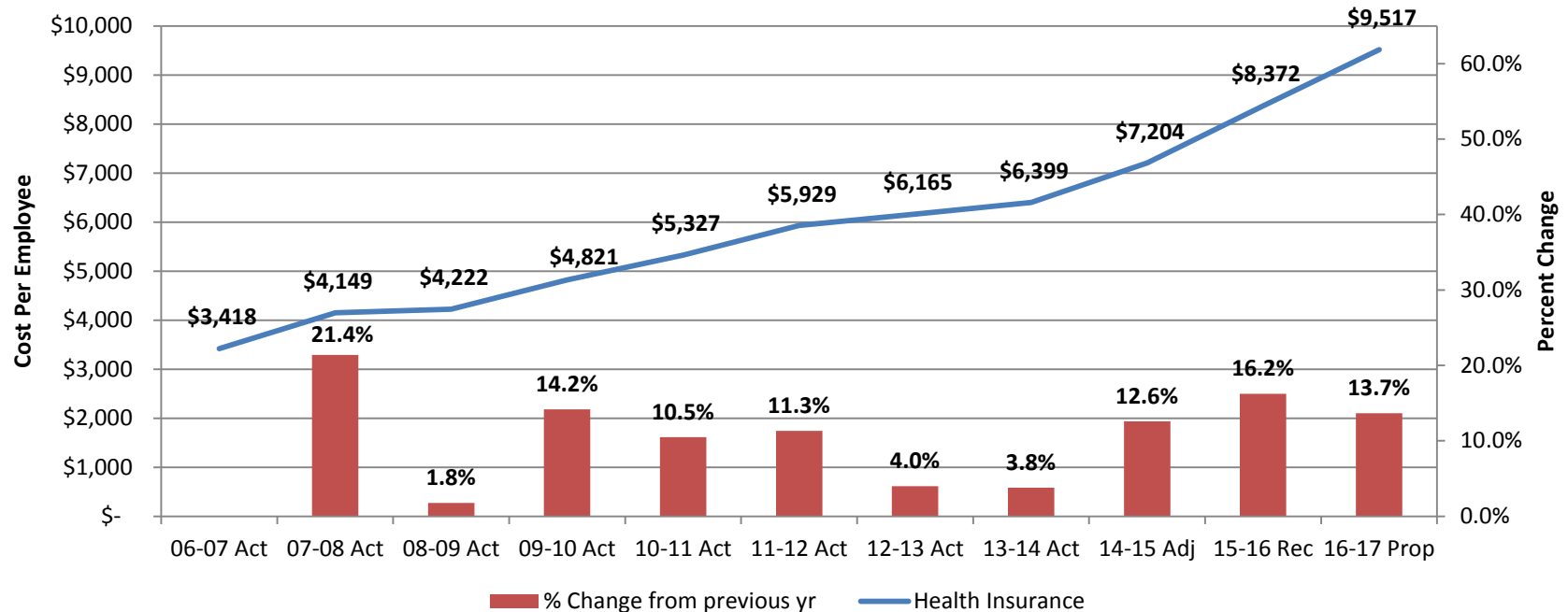
Retirement Cost Per Employee

Retirement Cost Per Employee Trend

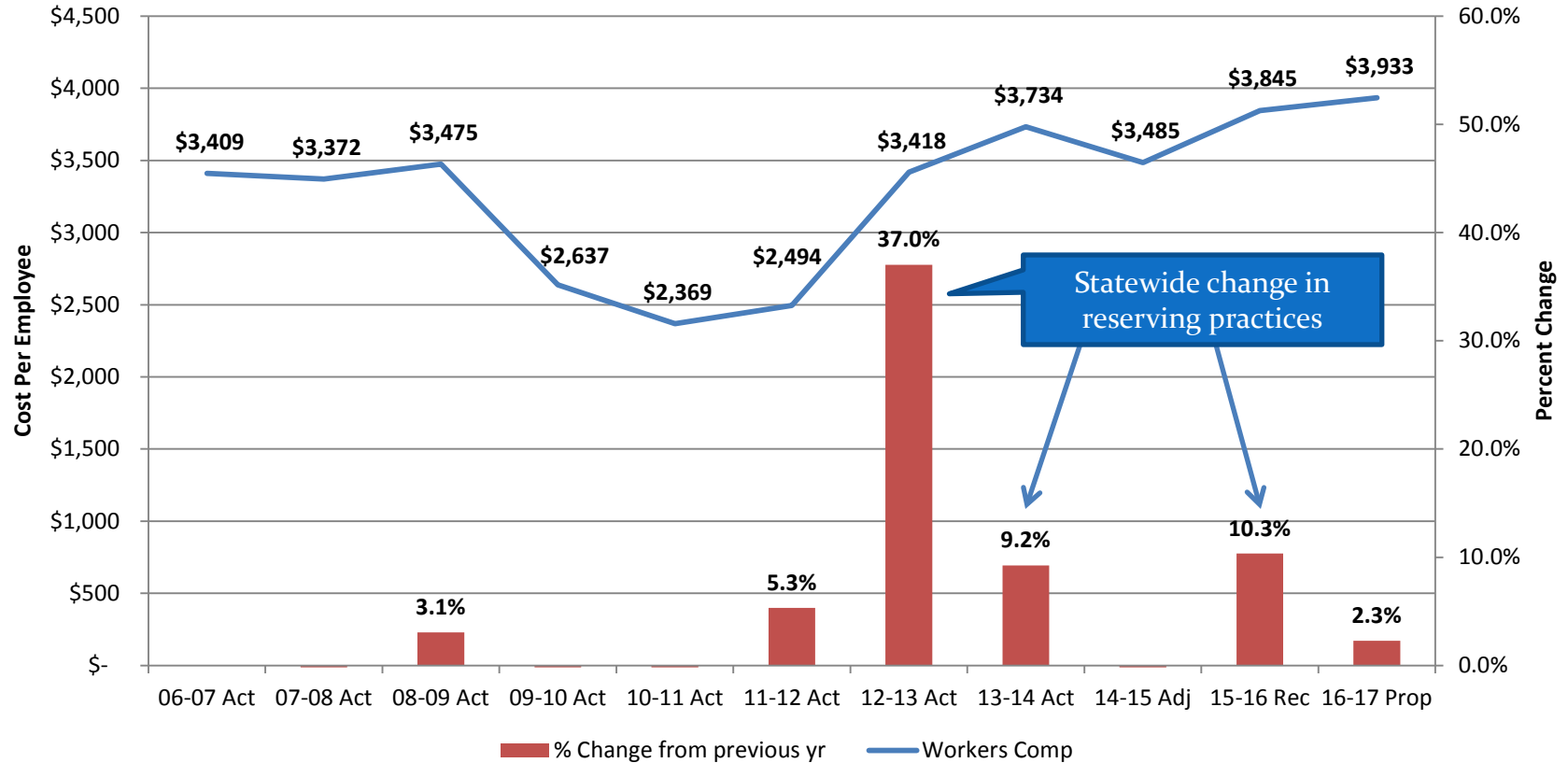


Healthcare Cost Per Employee

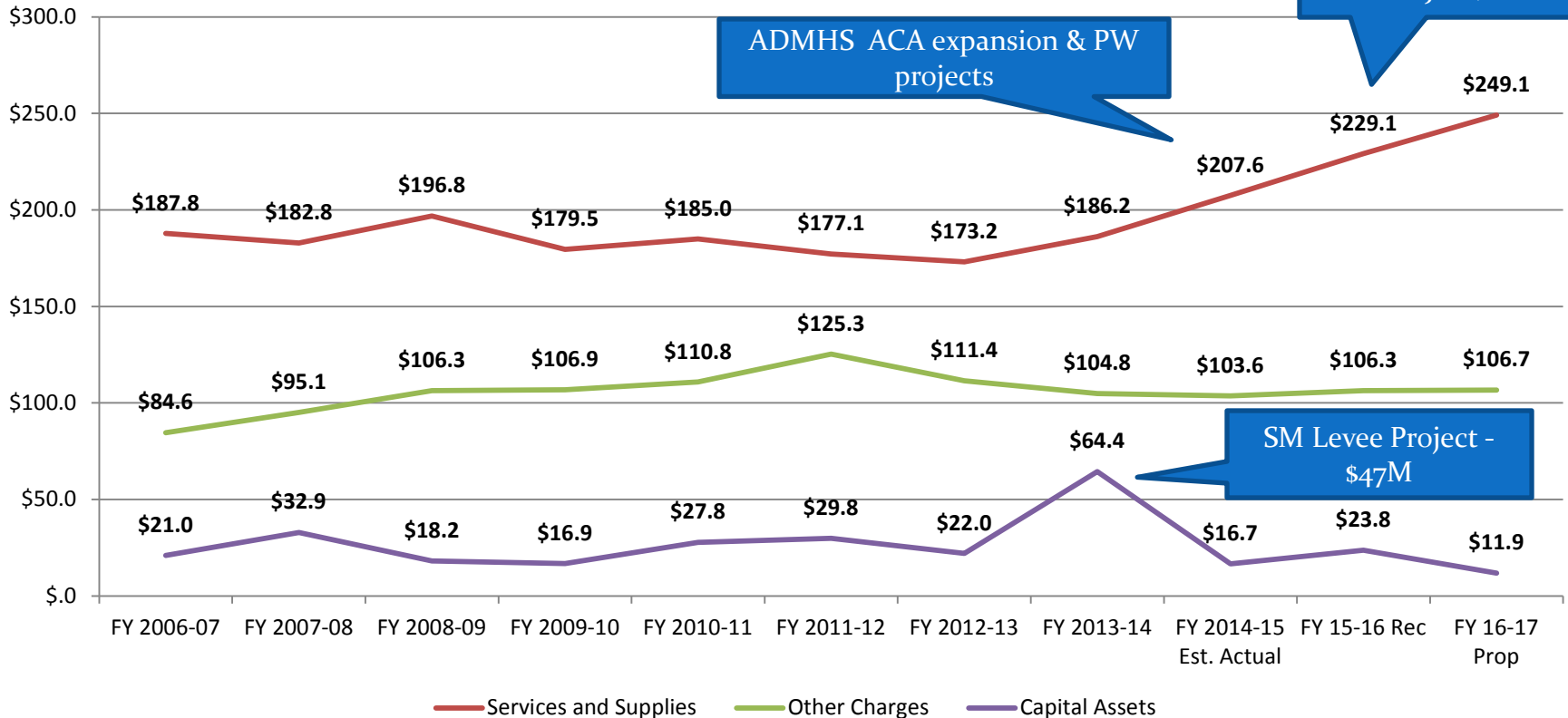
Health Insurance Cost Per Employee Trend



Worker's Comp Cost Per Employee Trend



Other Major Expenditures





2015 Themes and Issues

Department Budgets

- Improving revenues
- Moderate growth in salaries & benefits – primary driver of increased department expenses for FY 15-16
- Most departments are attaining balanced budgets
 - Structural imbalances still exist for some
 - GF Allocation Policy allows CEO to address part or all of long standing structural imbalances, depending on available funding, to reduce layoffs and/or public impacts
 - Service level impacts will be proposed for major imbalances

Primary Departmental Challenges

- ADMHS
 - IST & Inpatient Trends
 - MediCal & MediCare Revenue
 - New Program Implementation
- Sheriff
 - Overtime
 - Vacancies & NBJ New Hires
 - Training
- Public Works
 - HUTA – impact of oil prices

Unfunded Liabilities

- Unfunded liabilities
 - Retirement (-\$575M)
 - Stabilized in FY 15-16 (Cost of \$118M vs. \$117M in FY 2014-15) and new amortization method
 - We will continue to monitor changes in the retirement system and adjust projections accordingly
 - OPEB (-\$175M)
 - New actuarial study
 - Auditor and CEO are re-evaluating funding plan
 - Will be considering increasing contribution for FY15-16.

Maintenance

- Existing Funding of \$35.1M continuing
- 18% Base Funding increase estimated at \$1.0M
- Evaluate available one-time funding for 2015-16 to provide similar or greater funding than in FY 2014-15
- Evaluate use of COPs for capital needs

Employee Retention & Related Issues

- Employee Survey & Engagement Programs
 - Findings will identify where we should be investing
- Leadership Program/Classification & Compensation Study
- Initiatives being considered (mentoring; “stay” interviews; Review of ACE - County Values)
- Recruiting Efforts

Next Steps on FY15-16 Budget

- Revenue and expenditures are continuing to be refined
- CEO staff will continue to work with departments over next several weeks:
 - Reviewing work plans for FY 15-16
 - Addressing structural issues
 - Preparing potential service level reductions
 - Hearing their expansion requests
- Return April 6, 8, 10 for Budget Workshops
- Release Recommended Budget in May
- Hold Budget Adoption Hearings June 8, 10, 12

FY 2014-15 Challenges & Balancing

- General Fund:
 - Projected year end results (+\$2.2M without Sheriff deficit)
 - Q2 Report = 96% of departments on target
 - Negatively impacted by:
 - ADMHS (Fund 0044 projected deficit; -\$4.6M)
 - Sheriff (projected deficit; -\$1.9M)
 - Requires use of Contingency and other fund balances

FY 14-15 Balancing - Sheriff

ISSUE	LOW	EXPECTED CASE	HIGH
Sheriff Projected Deficit	\$ (1,500,000)	\$ (1,900,000)	\$ (2,200,000)
Anticipated GF YE Savings	2,243,000	2,243,000	2,243,000
Net	\$ 743,000	\$ 343,000	\$ 43,000

FY 14-15 Balancing Options- Sheriff

- Based on current census, close a portion of the Medium Security Facility (MSF) for balance of fiscal year – saves \$126,000 in Overtime in FY 14-15
- Temporarily reduce Santa Maria Branch Jail post positions from 3 to 2 - \$125,000 in salaries. Transfers long-term inmates to Main Jail - leaves 24/7 booking facility intact
- Defer hiring of most new employees until beginning of FY 15-16 - \$150,000 possible savings

FY 14-15 Balancing Options- Sheriff

- Custody and Patrol Vacancies:
 - Majority of long standing Custody and Patrol vacancies are now filled
 - Costly training period for majority of new hires is almost complete (6-9 months)
 - Overtime savings are expected once training is completed

FY 14-15 Balancing - ADMHS

ISSUE	LOW	EXPECTED CASE	HIGH
ADMHS Projected Deficit	\$ (3,500,000)	\$ (4,600,000)	\$ (5,500,000)
TSAC Transfer	1,000,000	1,000,000	1,000,000
Unemployment Ins Rebate	700,000	980,000	980,000
GF Contingency (March transfer)	1,700,000	1,700,000	1,700,000
ADMHS UI Rebate	100,000	100,000	100,000
Additional GF Contingency	-	820,000	1,426,000
Strat. Res. &/or other savings	-	-	294,000
Net	\$ -	\$ -	\$ -

FY 14-15 Balancing Options-ADMHS

Inpatient changes occurring in FY 2014-15 expected to reduce high cost acute beds:

- Provide restoration on outpatient basis - *May 01, 2015*
- Establish Forensic Unit - *May 01, 2015*
- Outpatient psychiatry available to forensic clients – *in place*
- Establish crisis stabilization and residential facilities – *Q4*
- Establish crisis triage team & in jail intervention – *began Feb.*
- Immediately refill forensic liaison position – *Q4*
- Immediately fill via contract or part time housing placement coordinator – *Q4*

FY 14-15 Balancing Options-ADMHS

Expand Safe & Stable Housing; Local beds, less restrictive, reduce acute beds costing \$775+/day

- Implement a strategy to replace housing (beds) lost during recession
- Add six beds in 4 to 6 weeks: cost \$233/day; projected savings = \$97,000 per month
- Additional six beds in 12-14 weeks: \$233/day; projected savings = \$97,000 per month
- Identify additional potential beds with Housing Action Team

Local Beds Reduced During Recession

TYPE OF BED	2007	2013	# DECREASE	% DECREASE
Intensive Residential Beds	49	33	(16)	-33%
Intensive Board & Care Beds	20	6	(14)	-70%
Board & Care Beds	34	14	(20)	-59%
Net	103	53	(50)	-49%

FY 14-15 Balancing Options-ADMHS

- Committee to study surge in incompetent to stand trial (IST) has been established
- Team will evaluate potential options to best respond to unique needs of the individuals while remaining mindful of the current constraints of the system

2015-16 Budget Preview

- Recommend that the Board
 - Receive and file the 2015-17 Preview of Budget Issues;
 - Provide any feedback prior to Budget Workshops (April 6, 8 and 10) and
 - Determine that this action is not subject to CEQA

- Questions?