




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: January 29, 2019
Placement: Administrative
Estimated Time:
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 
Jeff Frapwell, Budget Director

SUBJECT: Updated Method for Incorporating Specific Limited-Discretionary Revenues as Part of the County's Annual Budget Process

County Counsel Concurrence

As to form: N/A

Other Concurrence: N/A

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

That the Board of Supervisors:

- a) Approve proposed revision to the annual allocation method for Tobacco Settlement limited-discretionary revenues as part of the County's annual budget process;
- b) Approve proposed revision to the annual allocation method for Proposition 172 limited-discretionary revenues as part of the County's annual budget process, superseding previous County Resolution #12-137;
- c) Approve allocation methods for DNA Trust Fund and Local Innovation Subaccount limited-discretionary revenues as part of the County's annual budget process; and
- d) Determine pursuant to CEQA Guidelines §15378 that the above activity is not a project under the California Environmental Quality Act.

Summary

As the County prepares for the development of its FY 2019-20 annual operating budget, the County Executive Office recommends revising the method for allocating and accounting for Tobacco Settlement and Proposition 172 Public Safety Sales Tax revenues and establishing new budgetary guidance for the allocation of DNA Trust Fund and Local Innovation Subaccount revenues. Although the use of each of these four revenue streams has certain limitations, either by State legislation or existing County policy,

the Board of Supervisors has discretion over how the funds are allocated between County departments. The recommendations presented below are aimed at improving budgetary transparency and ensuring that these funds are allocated based on departmental needs and the Board's priorities. This board letter provides a brief background on each of these revenue sources and makes recommendations that, if approved, will govern how the CEO allocates them in the Recommended Budget.

Background and Recommendation for Identified Limited-Discretionary Revenue Funds

Proposition 172 – Proposition 172 (Prop 172), which became effective January 1, 1994, placed a one-half percent sales tax rate in the State's Constitution and required that revenue from that tax be used only for local public safety activities. Funding from Prop 172 enabled counties and cities to substantially offset the public safety impacts of property tax losses resulting from the State property tax shift to the Educational Revenue Augmentation Fund. The Board has the authority to allocate this funding annually as it sees fit, among allowable uses.

Currently, the allocation among departments of both budgeted and unanticipated collections has been determined by percentages established in a May 2012 Letter of Understanding (LOU) signed by affected departments and memorialized in County Resolution #12-137 (Attachment A). Furthermore, departments were authorized to deposit Prop 172 revenues received in excess of budget into their own department fund balance. This rigid formulaic structure restricts the ability of the CEO to make allocation recommendations that differ from those in the 2012 LOU, even in years where the needs of one department may be greater than those of another. Recognizing this, the CEO recommended, and the Board adopted, Prop 172 allocations that differed from the LOU in both FYs 2017-18 and 2018-19, but until the LOU is superseded, it is still the expectation among departments each year that the allocation percentages in it be followed. The LOU has also allowed the buildup of large Prop 172 fund balances in some departments, when it may be more appropriate for all excess Prop 172 revenues to be centralized under General County Programs, for allocation to areas of greatest need.

Recommendation 1: Authorize the CEO to recommend allocation of Proposition 172 funding annually as part of the Recommended Budget, superseding the 2012 Letter of Understanding discussed above. This will allow the Board and CEO the flexibility to allocate funding where it is most needed within public safety without being constrained by pre-established allocation percentages. Also direct the CEO to deposit any revenues received in excess of the fiscal year's budgeted allocations, beginning in the current 2018-19 fiscal year, within the Proposition 172 Restricted Fund Balance in General County Programs. Conversely, in years where revenue comes in below budgeted amounts, authorize the CEO and the Auditor to draw from this fund balance and distribute to Departments to make up the difference between budgeted and actual receipts. This will ensure Departments can rely on receiving their full budgeted amount every year.

Tobacco Settlement Funds – The Tobacco Settlement funds received by the County of Santa Barbara are the result of the 1998 Master Tobacco Settlement, which is a settlement agreement between the States and the Tobacco Companies due to health care costs resulting from tobacco-related illnesses. The first payments were received in the year 2000, with a payment stream that goes into perpetuity. In California, the State share is split with counties, allocated by county population. Santa Barbara County's portion in FY 2018-19 was about \$3.8 million, with an additional \$5.5 million in fund balance by year-end. Although there are no restrictions on what the funds may be used towards, in 2000 the Board committed them broadly towards "health purposes" and established a Tobacco Settlement Advisory Committee (TSAC)

under the purview of the Public Health Department to recommend annual allocations. In 2008, TSAC recommended the committee be dissolved, and future funding continue to be allocated by the Public Health Director via the County budget process. The Board approved the recommendations and TSAC was dissolved in FY 2007-08.

Since that time, the use of the funds has been primarily for the needs of the Public Health Department. Of the approximately \$5.1 million allocated in FY 2018-19, \$313k (6.1%) went to Behavioral Wellness for Psychiatric Crisis & Recovery, and an additional \$1 million (19.5%) goes to a reserve in General County Programs to help cover potential deficits at year-end in Behavioral Wellness. The remaining \$3.8 million (74.4%) is utilized for direct medical and dental care, animal services, hazardous materials, and other services. In order to provide better transparency to the Board during the budget process, and to ensure these discretionary dollars are being allocated to the areas of highest need with impartiality, staff recommends moving the Tobacco Settlement Fund to General County Programs to be administered by the CEO's Office.

Recommendation 2: Authorize the CEO to allocate TSAC funding annually as part of the Recommended Budget, and work with the Public Health Department and Auditor-Controller on transitioning responsibility of Fund 0046 – Tobacco Settlement, along with associated fund balances, from Public Health to General County Programs.

DNA Trust Fund – In November 2004, California voters passed Proposition 69, the DNA Fingerprint, Unsolved Crime and Innocence Protection Act, which added a penalty of one additional dollar for every ten dollars in fines, penalties, or forfeitures imposed and collected by the courts. 75% of the funds remain in the County, with the remainder remitted back to the State. The Act authorizes these funds to be used to reimburse local law enforcement agencies for costs related to collection of DNA specimens, including the processing, analysis, tracking, and storage of DNA crime scene samples. It specifies local Sheriff, police, district attorney, and regional state crime laboratories as eligible for reimbursement.

While the Act makes it clear that the DNA Identification Fund should be established by the Board in the County treasury, it provides no guidance on the process by which the funds should be allocated, other than listing the allowable uses. The annual budget process is the most logical point at which decisions should be made for internal allocations among County departments. However, given that local police, who operate outside the County budget, are also eligible for reimbursements from the Fund, and control needs to be exercised to ensure the fund balance isn't overcommitted or depleted, the CEO's office should be tasked with assessing funding requests from *all* eligible entities and authorized to approve reimbursement requests from eligible outside agencies if deemed appropriate.

Recommendation 3: Authorize the CEO to evaluate requests and allocate funds from the Prop 69 DNA Identification Fund during the annual budget process for internal departments, as well as evaluate and consider requests for reimbursement from eligible external agencies, such as local police departments, on an as-needed basis. Any disbursement of funds to outside agencies will be coordinated with the Treasurer's office.

Local Innovation Subaccount – In 2011, the State passed legislation shifting some public safety services previously provided by the State back to counties, and established a revenue source to assist counties with these new expenses. Known as 2011 Realignment revenue, by statute it is split into the following special accounts: Trial Court Security, Community Corrections, District Attorney and Public Defender, and

Juvenile Justice. Each of these accounts has restricted uses for which the funding can be allocated. The law also stipulated that, beginning in FY 2015-16, a Local Innovation Subaccount (LIS) should be created in each county, using 10% of the annual growth from each of the special accounts mentioned above, to be allocated by the Board of Supervisors towards any of the allowable uses in any of the special accounts. The LIS currently holds about \$300,000.

Recommendation 4: Affirm that the CEO may include allocations from the LIS for allowable uses within the Recommended Budget.

Attachments

Attachment A: BOS Resolution #12-137 and May 2012 Proposition 172 Letter of Understanding

Authored by:

Paul Clementi, Principal Analyst

ATTACHMENT A

**BOARD OF SUPERVISORS
OF THE COUNTY OF SANTA BARBARA**

RESOLUTION OF THE BOARD OF
SUPERVISORS OF THE COUNTY OF SANTA
BARBARA REALLOCATING LOCAL
PUBLIC SAFETY FUND PROPOSITION 172

RESOLUTION NO. 12-137

WHEREAS, the people of Santa Barbara County have demonstrated that they consider public safety a funding priority for local government; and

WHEREAS, without Proposition 172 revenue public safety departments would face drastic cuts at the local level; and

WHEREAS, the lack of adequate public safety protection will threaten the quality of life for every citizen of Santa Barbara County; and

WHEREAS, the preservation of sheriffs, fire protection, criminal prosecution, criminal defense and corrections is a major concern to residents of Santa Barbara County; and

WHEREAS, the County of Santa Barbara has experienced violent crime and fires which have placed demands on sheriffs, fire protection, criminal prosecution, criminal defense and corrections; and

WHEREAS, Proposition 172 provides that all revenues collected within all of Santa Barbara County from the dedicated 1/2 cent sales tax will be set aside for the purpose of funding local public safety services; and

WHEREAS, on July 27, 1993, the Santa Barbara County Board of Supervisors adopted a resolution enabling the County of Santa Barbara to accept sales tax revenue resulting from the passage of Proposition 172, and on October 12, 1993, adopted a resolution placing such revenue into a Local Public Safety Fund; and

WHEREAS, the County of Santa Barbara is dedicated to the safety of its citizens and will continue to set priorities which will provide those basic needs; and

WHEREAS, on March 5, 1996 the Santa Barbara County Board of Supervisors adopted Resolution 96-91 stating that Proposition 172 revenues be allocated to public safety agencies in accordance with a formula agreed upon through a Letter of Understanding signed by Public Safety Agencies; and

WHEREAS, on July 13, 2004 the Santa Barbara County Board of Supervisors adopted Resolution 04-202 to increase the Fire Department's share of Proposition 172 from 2.25% to 9.75% over the period of five years in accordance with a formula agreed upon through a Letter of Understanding signed by Public Safety Agencies; and the Board of Supervisors replaced the forgone Proposition 172 revenue transferred to the Fire Department from other Public Safety Agencies with other funds for those Agencies at a level equal to the forgone growth in Proposition 172 revenue; and

WHEREAS, on May 22, 2012, it is the intent of the Santa Barbara County Board of Supervisors to adopt a resolution approving a transfer of a portion of the General Fund property tax revenue increment to the Santa Barbara County Fire Protection District such that the Santa Barbara County Fire Protection District receives an average of 17% of the total property taxes collected within the tax rate areas served by the District; and

WHEREAS, it is the desire of the Santa Barbara County Board of Supervisors to decrease the Fire

Department share of Proposition 172 revenues, due to the aforementioned transfer of property tax revenues to the Fire District, from 9.75% to zero; and

WHEREAS, the Fire Department's share of Proposition 172 revenues will be decreased by 1.00% each year commencing in fiscal year 2014-15 and continuing over the next ten years; and

WHEREAS, the County of Santa Barbara will use the 1/2 cent sales tax revenue for Public Safety purposes in the proportions and in the manner set forth in the attached Letter of Understanding.

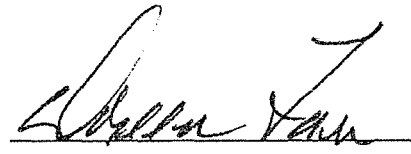
NOW, THEREFORE, BE IT RESOLVED that the Santa Barbara County Board of Supervisors, shall allocate monies received by the County of Santa Barbara and placed in the Local Public Safety Fund to maintain critical public safety services including the Sheriff, Fire, District Attorney, Probation, Public Defender, and Ocean Life Guards in the proportion and in the manner set out in the attached Letter of Understanding; and

FURTHER BE IT RESOLVED that it is the desire of the Santa Barbara County Board of Supervisors that should the property tax transfer to the Fire District, pursuant to Resolution _____, be stopped or decreased then the reduction of proposition 172 funds from the Fire Department would immediately cease and be reallocated proportionally to any reduction; and

FURTHER BE IT RESOLVED that although the Santa Barbara County Board of Supervisors recognizes that it has no authority to bind future Boards as to the allocation of Proposition 172 funds, it is the Board's desire that future Boards would honor this agreement.

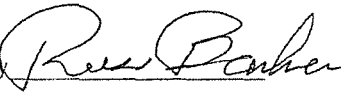
Passed and Adopted this 22nd day of May, 2012, BY THE FOLLOWING VOTE:

- AYES: Supervisor Carbajal, Supervisor Wolf, Sup. Farr and Sup. Lavagnino
- NOES: Supervisor Gray
- ABSTAIN: None
- ABSENT: None

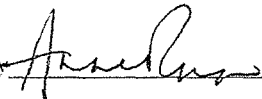


DOREEN FARR
CHAIR BOARD OF SUPERVISORS

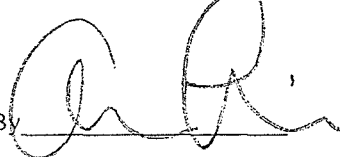
ATTEST:
CHANDRA L. WALLAR
CLERK OF THE BOARD

By 

Approved as to Form:
DENNIS MARSHALL
COUNTY COUNSEL

By 

Approved as to Accounting Form:
ROBERT W. GEIS
AUDITOR-CONTROLLER

By 

Deputy Auditor-Controller
Gregory Eric Levin
Advanced and Specialty Accounting

LETTER OF UNDERSTANDING
 Between the Santa Barbara County Designated Public Safety Agencies
Ratified by Board of Supervisors Resolution _____

This Letter of Understanding is hereby entered into between the County of Santa Barbara (hereafter called "County") and the Santa Barbara County Public Safety Agencies (hereafter called "Agencies"), to wit:

- District Attorney
- Fire
- Parks/Ocean Lifeguards
- Probation
- Public Defender
- Sheriff

Whereas, the County receives Proposition 172 Sales Tax revenues from the State of California monthly and deposits these revenues into the Local Public Safety Fund enacted by Board of Supervisors Resolution #93-549 on October 12, 1993, and

Whereas, this Letter of Understanding is only valid if on May 22, 2012, the Santa Barbara County Board of Supervisors adopts a resolution approving a transfer of a portion of the General Fund property tax revenue increment to the Santa Barbara County Fire Protection District such that the Santa Barbara County Fire Protection District receives an average of 17% of the total property taxes collected within the tax rate areas served by the District; and

Whereas, it is the purpose of this Letter of Understanding to establish a methodology to equitably allocate said funds to the above Agencies.

Distribution Methodology: Representatives of the Agencies have reached an agreement on the equitable distribution of Proposition 172 collections and agree upon the following distribution of all actual receipts received each fiscal year. Commencing in fiscal year 2014-15 and for each fiscal year thereafter until the Fire Department share reaches zero, the distribution to the Fire Department shall be decreased by 1.00% of the Proposition 172 collections for that year. In each fiscal year that the Fire Department's distribution decreases, the distribution to the remaining Public Safety Agencies shall be increased proportionately. At the end of ten years (FY 2023-24) the distribution shall have changed from that described below as Current Distribution to that described below as Future Distribution:

	Current Distribution	Future Distribution
District Attorney	12.38%	13.72%
Fire	9.75%	0.00%
Parks/Ocean Lifeguards	0.11%	0.12%
Probation Officer	22.46%	24.89%
Public Defender	9.01%	9.98%
Sheriff-Coroner	46.29%	51.29%
Total	100.00%	100.00%

The attached table identifies the annual distribution percentages.

This distribution formula applies to total budgeted and unanticipated collections. If at fiscal year-end, an individual Agency is not in compliance with the Budgetary Control and Responsibility Policy, their formula share of the unanticipated Prop 172 receipts may first be applied to any financing deficit. The remaining balance will be transferred to the designation account for that Agency's use.

Should the property tax transfer to the Fire District, pursuant to Resolution _____, be stopped or decreased then the reduction of proposition 172 funds from the Fire Department would immediately cease and be reallocated proportionally to any reduction.

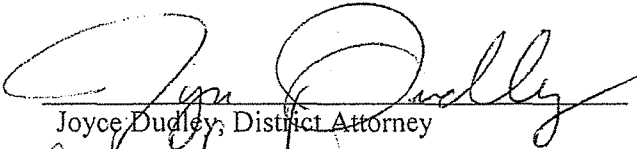
The terms of this Letter of Understanding shall commence on July 1, 2013 upon Board of Supervisors approval of Resolution _____, applying to all funds collected in the 2014-15 fiscal year and continue until amended in writing, as signed and authorized by the Agencies or at the conclusion of the collection of Proposition 172 receipts, or if the Board of Supervisors rescinds the Resolution, or if a new Letter of Understanding is drafted and signed by all participating agencies and approved by the Board of Supervisors.



Herman Parker, Community Services Director

6/11/12

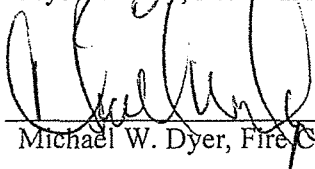
Date



Joyce Dudley, District Attorney

6/11/12

Date



Michael W. Dyer, Fire Chief

6/11/12

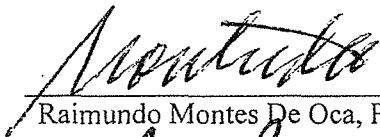
Date



Beverly Taylor, Chief Probation Officer

6/11/12

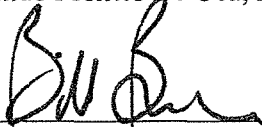
Date



Raimundo Montes De Oca, Public Defender

6-11-12

Date



Bill Brown, Sheriff

6/4/12

Date

PUBLIC SAFETY GROUP
17% Fire TaxXfr@25%+172 final

	Base Year FY2011-12	Year 1 FY2012-13	Year 2 FY2013-14	Year 3 FY2014-15	Year 4 FY2015-16	Year 5 FY2016-17	Year 6 FY2017-18	Year 7 FY2018-19	Year 8 FY2019-20	Year 9 FY2020-21	Year 10 FY2021-22	Year 11 FY2022-23	Year 11 FY2023-24
Percentages													
Sheriff - all services	46.29%	46.29%	46.29%	46.80%	47.32%	47.83%	48.34%	48.85%	49.37%	49.88%	50.39%	50.91%	51.29%
District Attorney	12.38%	12.38%	12.38%	12.52%	12.65%	12.79%	12.93%	13.07%	13.20%	13.34%	13.48%	13.61%	13.72%
Public Defender	9.01%	9.01%	9.01%	9.11%	9.21%	9.31%	9.41%	9.51%	9.61%	9.71%	9.81%	9.91%	9.98%
Probation	22.46%	22.46%	22.46%	22.71%	22.96%	23.21%	23.46%	23.70%	23.95%	24.20%	24.45%	24.70%	24.89%
Fire	9.75%	9.75%	9.75%	8.75%	7.75%	6.75%	5.75%	4.75%	3.75%	2.75%	1.75%	0.75%	0.00%
Parks	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Assumed Growth in Prop 172		5.5%	3.4%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
	27,500,000	29,000,000	30,000,000	31,050,000	32,136,750	33,261,536	34,425,690	35,630,589	36,877,660	38,168,378	39,504,271	40,886,921	42,317,963
Dollars													
Sheriff - all services	12,729,750	13,424,100	13,887,000	14,532,303	15,205,766	15,908,569	16,641,941	17,407,161	18,205,561	19,038,524	19,907,493	20,813,968	21,705,247
District Attorney	3,404,500	3,590,200	3,714,000	3,886,583	4,066,697	4,254,657	4,450,794	4,655,447	4,868,975	5,091,746	5,324,147	5,566,579	5,804,946
Public Defender	2,477,750	2,612,900	2,703,000	2,828,603	2,959,688	3,096,483	3,239,229	3,388,173	3,543,575	3,705,705	3,874,844	4,051,282	4,224,763
Probation	6,176,500	6,513,400	6,738,000	7,051,102	7,377,868	7,718,869	8,074,703	8,445,989	8,833,374	9,237,530	9,659,155	10,098,979	10,531,429
Fire	2,681,250	2,827,500	2,925,000	2,716,875	2,490,598	2,245,154	1,979,477	1,692,453	1,382,912	1,049,630	691,325	306,652	-
Parks	30,250	31,900	33,000	34,533	36,134	37,804	39,547	41,365	43,262	45,242	47,307	49,461	51,579
	27,500,000	29,000,000	30,000,000	31,050,000	32,136,750	33,261,536	34,425,690	35,630,589	36,877,660	38,168,378	39,504,271	40,886,921	42,317,963
Base Fire Prop 172 allocation	2,681,250	2,827,500	2,925,000	3,027,375	3,133,333	3,243,000	3,356,505	3,473,982	3,595,572	3,721,417	3,851,666	3,986,475	4,126,001
Reduction in Fire allocation \$	-	-	-	(310,500)	(332,235)	(355,111)	(379,182)	(404,502)	(431,130)	(459,127)	(488,555)	(519,481)	(446,179)
Cumulative reduction in \$	-	-	-	(310,500)	(642,735)	(997,846)	(1,377,028)	(1,781,529)	(2,212,660)	(2,671,786)	(3,160,342)	(3,679,823)	(4,126,001)
Net Fire Prop 172 allocation		2,827,500	2,925,000	2,716,875	2,490,598	2,245,154	1,979,477	1,692,453	1,382,912	1,049,630	691,325	306,652	-
Fire Prop Tax Growth Transfer per Auditor	-	-	655,841	1,003,437	1,033,540	1,419,395	1,476,171	1,535,218	1,596,627	1,660,492	1,726,911	1,795,988	1,867,828
Cumulative Fire Prop Tax Growth Transfer	-	-	655,841	1,659,278	2,692,818	4,112,213	5,588,384	7,123,602	8,720,229	10,380,721	12,107,632	13,903,620	15,771,448
Net Fire increase in revenue	-	-	655,841	1,348,778	2,050,083	3,114,367	4,211,356	5,342,073	6,507,569	7,708,935	8,947,290	10,223,797	11,645,446

This schedule assumes a 1 percent decline in Fire Department Prop 172 allocation starting in FY2014-15 reallocating the value among remaining participants on a pro-rata basis.
 Prop 172 growth rates in FY2012-13 and FY2013-14 from Auditor
 Fire Prop Tax Growth Transfer per Auditor from Attachment C of Board Item D-9 on 5-1-12 agenda