

## Appendix A Tier 2 Issues

## Fiscal Outlook Report

### Tier 2 Fiscal Issues:

Tier 2 Issues: Probable occurrence within the next two fiscal years				
Issue		FY 2016-17 Impact	FY 2017-18 Additional Impact	Onetime or Ongoing
		(\$ in millions)		
10	Elections Systems	\$ 2.0	\$ -	Onetime
11	Wireless Network Access	1.1	-	Onetime
12	Assessor Property System	0.7	-	Onetime
13	Water Shortage or Drought	0.4	0.4	Ongoing
14	ADMHS Cost Report Settlement Issues	Unknown	Unknown	Ongoing
15	Sheriff Overtime and Staffing Levels	Unknown	Unknown	Ongoing
	Total	\$ 4.2	\$ 0.4	

### 10. Elections Systems

The current vote tabulation system in use by Santa Barbara County (Accu-Votes) was purchased in 2000 and is in need of replacement. The Accu-Votes have exceeded their expected useful life of seven years and present increasing operational risks as these machines continue to age. The deployment of the Accu-Votes at polling locations was discontinued several years ago and all poll ballots are tabulated in-house on election night to reduce the number of units used per election. This allowed the opportunity to replace units with mechanical issues, which must be quarantined for two years. As the units continue to age, there will be a higher degree of mechanical failures and the back-up units will eventually be depleted. Any new voting system in California must pass federal and state certification. In 2014, a new regulation went into effect for certification in California that exceeds the standards for federal certification. This new regulation may limit the number of vendors bringing forward systems for certification in California, and potentially drive up system costs. It is anticipated that new systems meeting state standards may become available during Fiscal Year 2016-17. Should this occur, the County will look to begin the acquisition process in early 2017. The potential cost of a new system is estimated at \$2.5 million with potentially \$2.0 million of grant funds available from the Help America Vote Act (HAVA) Fund.

In addition to a new County vote tabulation system, Elections needs to acquire certain equipment to comply with the State requirements of conditional voter registration that will likely become effective during Fiscal Year 2016-17. Currently, the close of registration is the 15<sup>th</sup> day before the election. Conditional voter registration will allow individuals to register to vote by conditional registration and vote by provisional ballot in the election offices from the 14<sup>th</sup> day before the election through Election Day. To comply with the new State requirements, additional voting equipment will need to be acquired in 2017 to accommodate voter registration through Election Day and higher issuance of provisional ballots. The cost of new equipment is estimated to cost \$285,000. Additional staff resources may also be required to implement new systems and equipment; however the cost cannot be reasonably estimated at this time.

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Assuming the \$2.0 million in HAVA grant funds are available combined with existing departmental fund balance; the Department should have the necessary funding for both the vote tabulation system and the equipment for conditional voter registration. The Tier 2 amount of \$2.0 million assumes that the HAVA grant funds are not available.

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**11. Wireless Network Access**

A refresh of the existing County wireless infrastructure was completed in FY 2013-14. Wireless equipment acquired in support of the refresh totaled \$231,000. The goals of the project were achieved which included: aging hardware was replaced, the County is positioned for future wireless growth, the end user experience was simplified, and security enhancements were achieved.

The County user community continues to demand ubiquitous wireless coverage for the increased efficiency that mobile applications deliver. Providing universal coverage requires increasing the distribution and density of wireless access points. Expanded coverage to all major County campuses (Santa Barbara Downtown Locations, Calle Real Campus, Betteravia Complex, Foster Road, Lompoc Civic Center, Cook Street, and Solvang Civic Center) beyond the current infrastructure would cost the County \$1,100,000. If a capital expansion funding source were available, General Services/Information and Communications Technology could purchase and depreciate the additional wireless infrastructure ensuring replacement funds for the entire wireless infrastructure in future refresh cycles. Technology equipment generally has a 3 to 4 year life span, and depreciation of \$300,000 per year would be collected for replacement.

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**12. Assessor Property Tax System**

The current assessment system used in Santa Barbara County, known as the Assessor Property System (APS), was developed in-house and originally deployed in 1999. The life-cycle of the current system, functional inadequacies, and technological advancement has driven the need for a replacement system. In 2010, the Assessor entered into an agreement with a vendor to develop a new system; however, a few years into the project the vendor filed for chapter 11 bankruptcy, leaving the Assessor in a vulnerable position. To assist in determining the best course of action for the County in pursuit of a “new” system, a Project Owner Manager position has been created to administer the project. Additionally, the Assessor has contracted with a local systems developer to provide technical direction. Currently, the team is working to define system requirements for modernizing the current APS and to design a non-functional prototype. This will allow the Assessor to determine if a satisfactory commercially available system exists or if the County is better off developing the project in-house. If the County decides to modernize its current system in-house, the new APS will be developed by the existing team of programmers in the Department. It is estimated that by the end of Fiscal Year 2015-16, the Assessor will have incurred incremental costs of approximately \$0.3 million to define the system requirements and will incur an additional \$1.4 million in development costs over the next five year period.

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At the end of Fiscal Year 2015-16, the Assessor will have approximately \$0.7 million in restricted and committed departmental fund balances available as a potential funding source for the development costs. These fund balances are specifically for the purpose of enhancing the property tax administration program and are appropriate for use by the Assessor for this project. Should the entire fund balances be available for this project, the approximately \$0.7 million project cost balance will require a one-time County contribution.

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### 13. Water Shortage and Drought Conditions

Due to the extended drought, Goleta Water has instituted a water surcharge at the Calle Real complex. The water meter currently has a stage 3 drought surcharge of approximately \$177k for the next 12 months (starting June 2015). 88% of the surcharge will be charged to the Sheriff's Department and 12% will be charged to the other Calle Real departments.

If the drought continues, we are projecting that the surcharge will increase and water rationing will be instituted as follows:

1. With stage 4 drought conditions, the drought surcharge will be approximately \$267k per year. (We could be at stage 4 even if we have some rain)
2. With stage 5 drought conditions, the drought surcharge will be approximately \$390k per year. (If the drought continues with little rain, we could be at stage 5 by June, 2016.)

Water reduction measures will continue to be reviewed at the complex in an effort to reduce the surcharge.

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### 14. ADMHS Cost Report Settlement Issues

The County has liability exposure with each fiscal year's cost report until the cost reports are audited by the State. Liabilities can arise from both cost report settlements and audits. In the County's Comprehensive Annual Financial Report (CAFR) ending June 30, 2015, the County estimates a potential liability exposure of up to \$7.5 million for outstanding cost report settlements and audits dating back to FY 2007-08. The County has identified sources to pay all these liabilities, but it is unknown what future liabilities the County may be subject to.

The cost settlement process typically spans a 5-10 year period, whereby additional cost settlement liabilities could be assessed until audited. Currently, ADMHS has cost reports that are still subject to the State settlement process for fiscal periods 2011-12 to 2014-15. Cost reports for fiscal periods 2009-10 to 2014-15 are also still subject to State audit.

Based on the State's cost report filing process and long delay in the performance of audits, cost report settlements will continue to occur many years after costs have been incurred and reports submitted. ADMHS has improved its processes in an effort to reduce the magnitude of such settlements. Processes and staff were in place by FY 2009-10 and it is anticipated that settlements for FY 2010-11 and subsequent periods will not be as large as in prior years.

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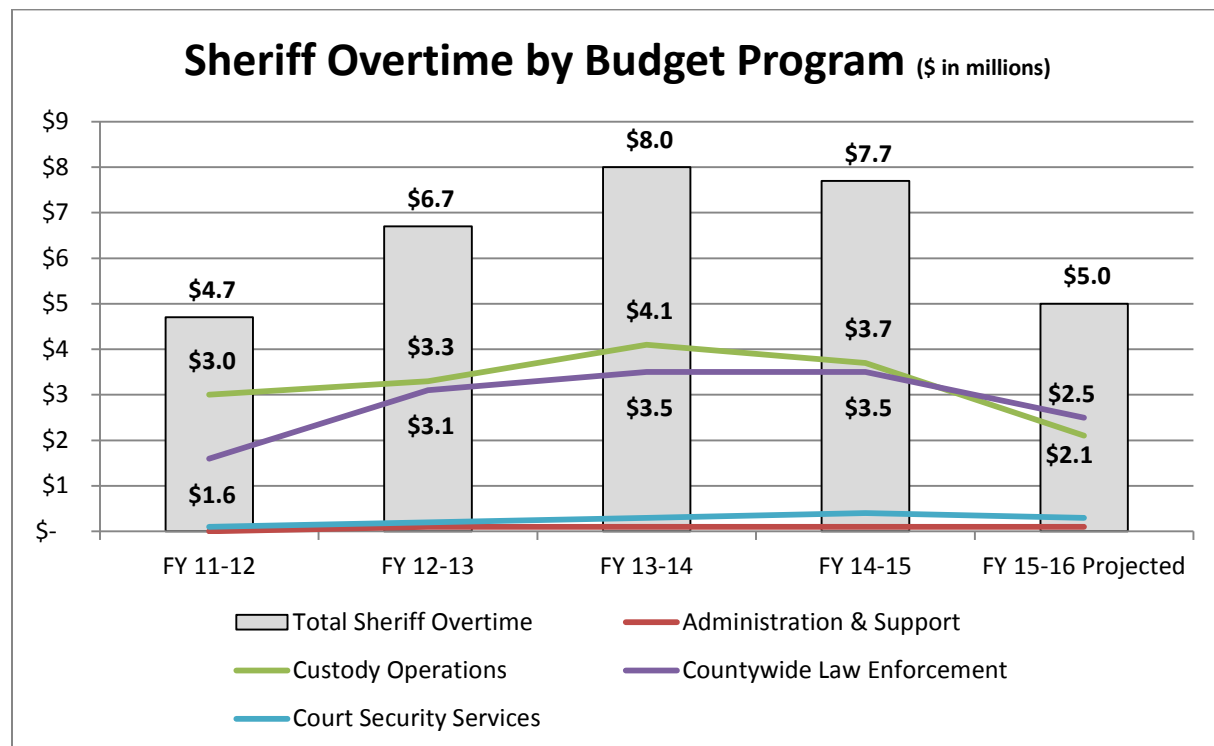
ADMHS also anticipates future audit settlements to decrease, however this depends largely on State audit procedures and application of billing rules.

### 15. Sheriff Overtime and Staffing Levels

Sheriff staffing levels affect overtime costs for custody and law enforcement operations which necessitate the usage of overtime to backfill 24/7 post positions to account for vacancies and training. This issue negatively impacts the budget as both overtime of existing staff and regular salaries of the new staff are being incurred simultaneously during training periods (6 months training for a Custody Deputy and 9 months for a Deputy).

During FYs 2012-13 and 2013-14 new hires increased significantly to 48 and 52, respectively, and overtime costs increased from \$4.7 million in FY 2011-12 to \$6.7 million in FY 2012-13 and \$8.0 million in FY 2013-14. In 2014, the trend continued, with the Sheriff adding 59 new hires, and overspending the Board Adopted FY 2014-15 budget by approximately \$2 million, mostly due to overtime costs of \$7.7 million.

The following chart shows annual spending on overtime from FY 2011-12 thru FY 2014-15, both in total and by Budget Program, as well as projected FY 2015-16 spending. The current projection of \$5.0 million in overtime for FY 2015-16 is \$500 thousand over the \$4.5 million budget.



Salary savings due to the vacancies are currently off-setting overtime costs in FY 2015-16, but if the Department fills these vacancies at a faster rate than separations, the savings will diminish, and overtime will also increase as staff is trained. As of October 2015, the Sheriff had only 7

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Custody Deputy vacancies, but 18 Sheriff Deputy vacancies, (and 43 vacancies Department-wide). The CEO's Office will continue to work closely with Sheriff staff to monitor overtime usage; additionally, the Sheriff's Office management has taken a more proactive role in managing overtime including biweekly analysis and monthly meetings with cost center managers to review the use of overtime and the underlying causes.