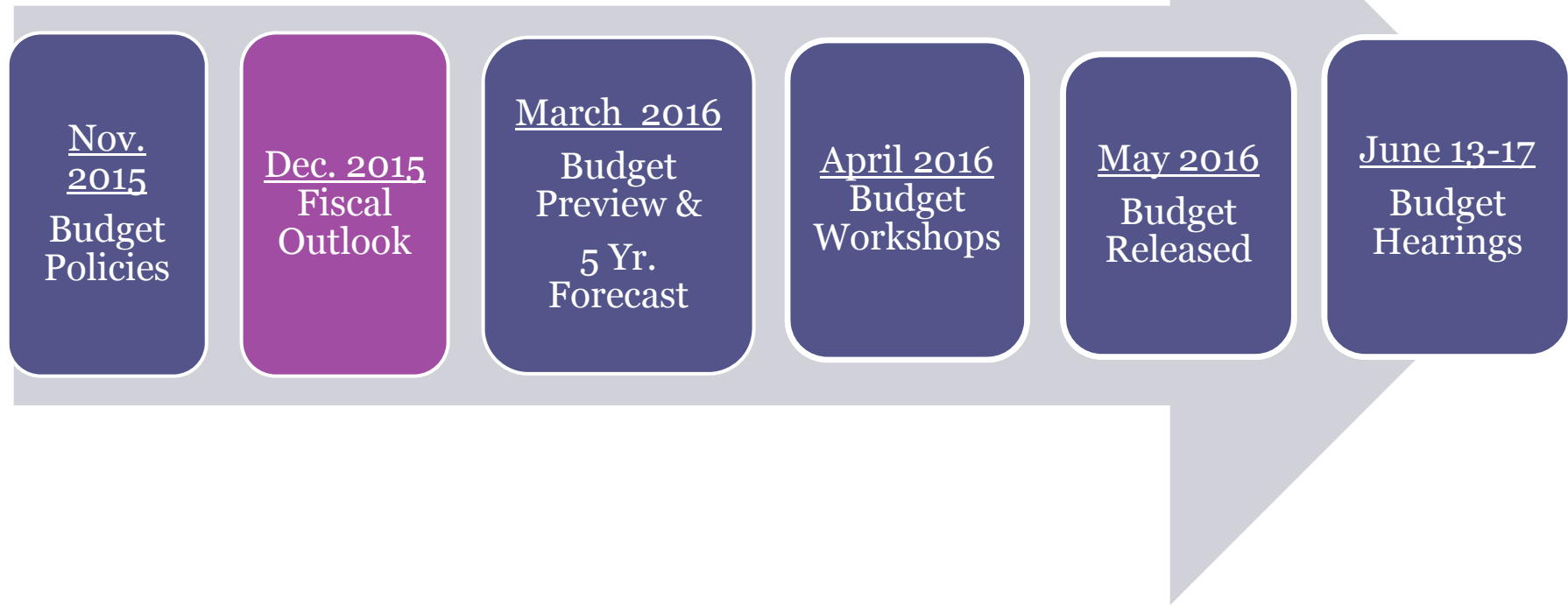


County of Santa Barbara

Fiscal Outlook Report

December 8, 2015

Budget Development Updates



Fiscal Outlook Agenda

- I. Fiscal Outlook Summary
- II. Economic Outlook
- III. Fiscal Issues
- IV. Closing Comments/Conclusions

I. Fiscal Outlook Summary

Positive signs

- National & local labor market near full employment
- SB property values; moderate growth
- Fed & State funding for Human Services up
- Minimal service reductions
- New focus on engaged workforce
- Dept. – use of technology, innovation & process improvement = operating efficiencies

I. Fiscal Outlook Summary (cont.)

Areas of caution or concern

- Workforce planning & retention
 - Compensation, turnover, recruitment and retention
 - Rising healthcare costs(insurance, Cadillac Tax, WC)
 - Pension and OPEB funding
- Existing commitments:
 - Northern Branch Jail (NBJ) operating costs
 - Fire Tax Shift
 - Maintenance needs
- Reduced State funding (gas tax) for Roads
- Mental Health inpatient costs and audit settlements
- NBJ – bids and construction
- Prolonged drought effects

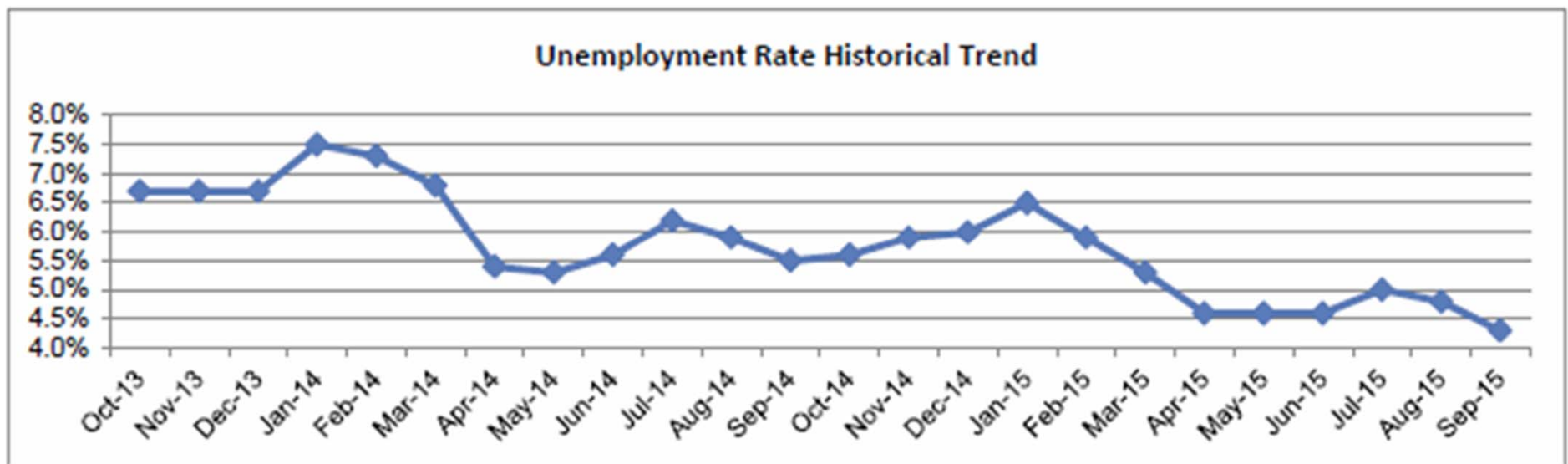
II. Economic Outlook

- GDP positive 15 of 16 quarters;
- GDP 2016 forecast +2.4%
- SBC Unemployment Rate 4.3%(Sept.)
- SBC Tax Roll improving >4% last 3 years
- SBC Discretionary Revenue Growth expected between \$7.0 - \$9.0M

II. US Gross Domestic Product (GDP)



II. SB County Unemployment Rate

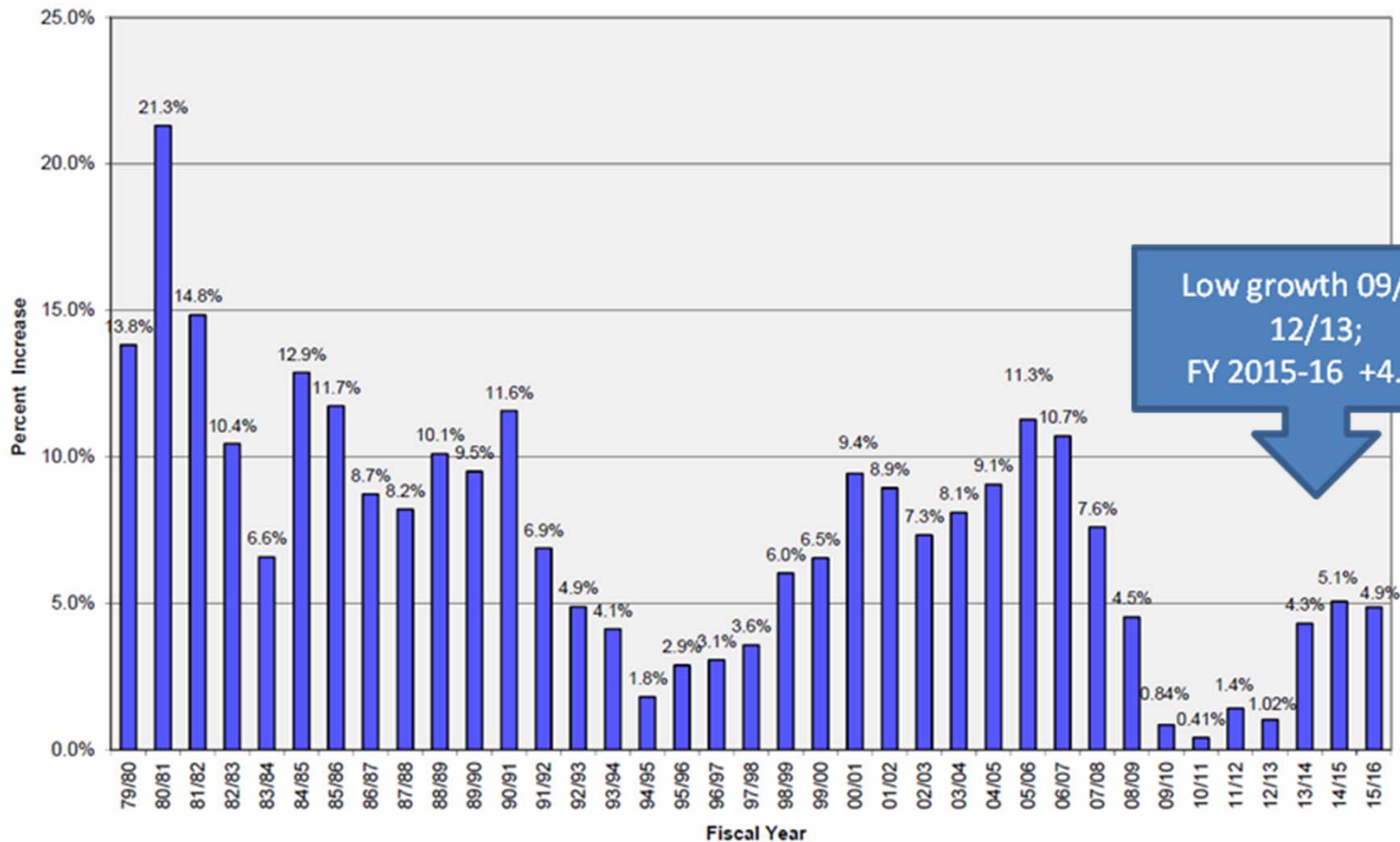


II. Countywide Assessed Value Growth over Time



JOSEPH E. HOLLAND
COUNTY CLERK, RECORDER AND ASSESSOR
REGISTRAR OF VOTERS

PERCENT INCREASE IN SECURED ROLL VALUE 1979/80 - 2015/16

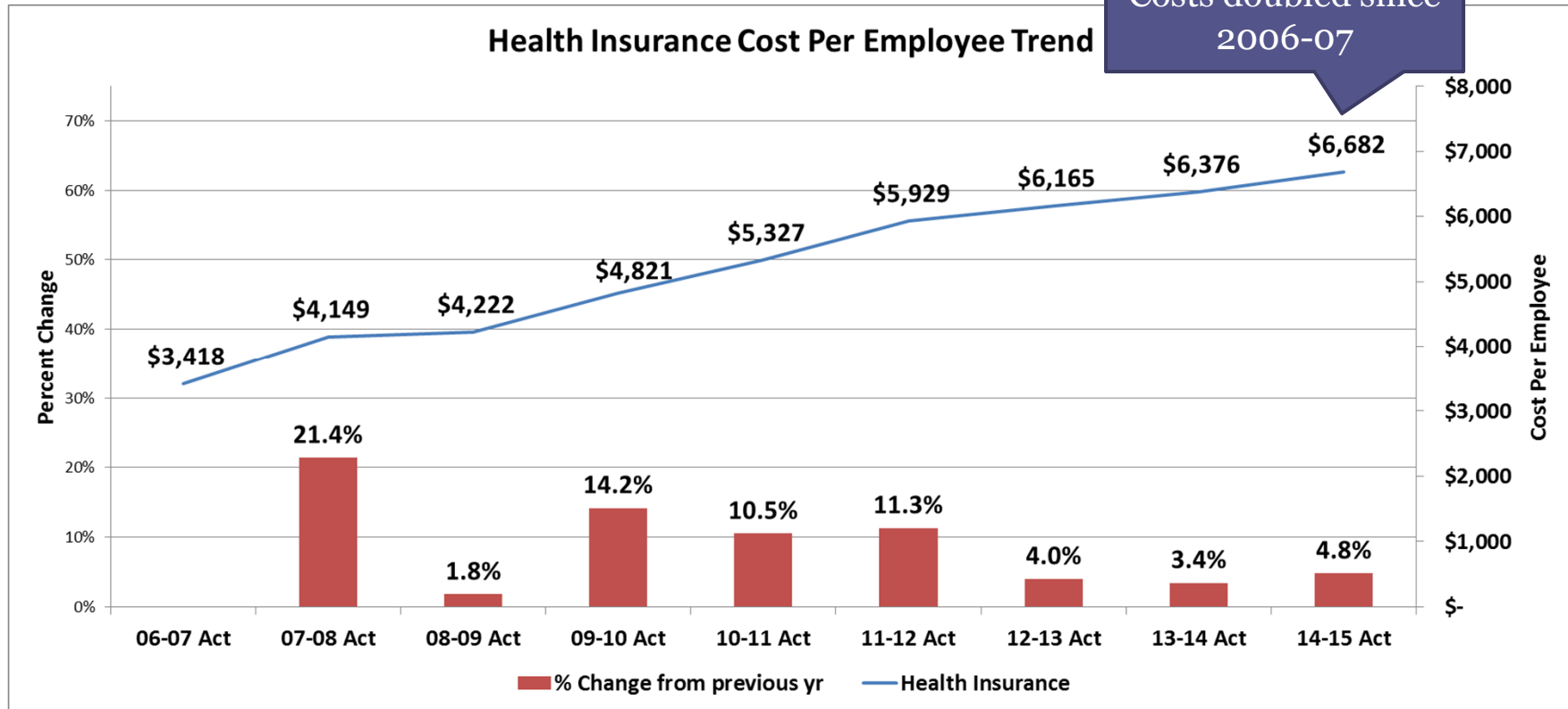


III. FY 2016-17 - Fiscal Issues

Tier 1 Issues: Expected occurrence within the next two fiscal years							
Issue		FY 2016-17 Impact	FY 2017-18 Additional Impact	Onetime or Ongoing	FY 2016-17 Discretionary Impact	FY 2017-18 Discretionary Impact	
		(\$ in millions)					
1	Health Insurance	\$ 4.2	\$ 4.5	Ongoing	\$ 1.4	\$ 1.5	
2	HUTA Revenues – Gas Tax Swap True-Up for 14-15	2.5	-	Onetime	2.5	-	
3	Compensation & Workforce Planning	2.1	2.3	Ongoing	0.7	0.7	
4	ADMHS Inpatient System	2.0	-	Ongoing	2.0	-	
5	Northern Branch Jail Operations Funding	1.5	1.5	Ongoing	1.5	1.5	
6	Deferred Maintenance Backlog	1.4	1.9	Ongoing	1.4	1.9	
7	Workers' Compensation	1.1	0.6	Ongoing	0.4	0.2	
8	Retiree Healthcare (OPEB)	0.8	0.8	Ongoing	0.3	0.3	
9	Jail Management System Replacement	0.1	0.8	Onetime	0.1	0.8	
10	Cadillac Tax	-	2.3	Ongoing		0.7	
Total		\$ 15.7	\$ 14.7		\$ 10.2	\$ 7.6	

- Maintenance \$'s above per the Funding Plan
- Compensation assumed generally at 3% increase for all

1. Healthcare Costs per Employee



- Cost/employee doubled since 2006-07
- 2016 costs expected to increase about 14%
- Cadillac Tax effective January 2018

2. Highway Users Tax Account (HUTA)

- HUTA revenues down \$2.5M in 2016-17
- Tax based on:
 - Fuel sold
 - Price per gallon volatility
- Less funds available for roads
- Ongoing issue
- State assessing tax methodology

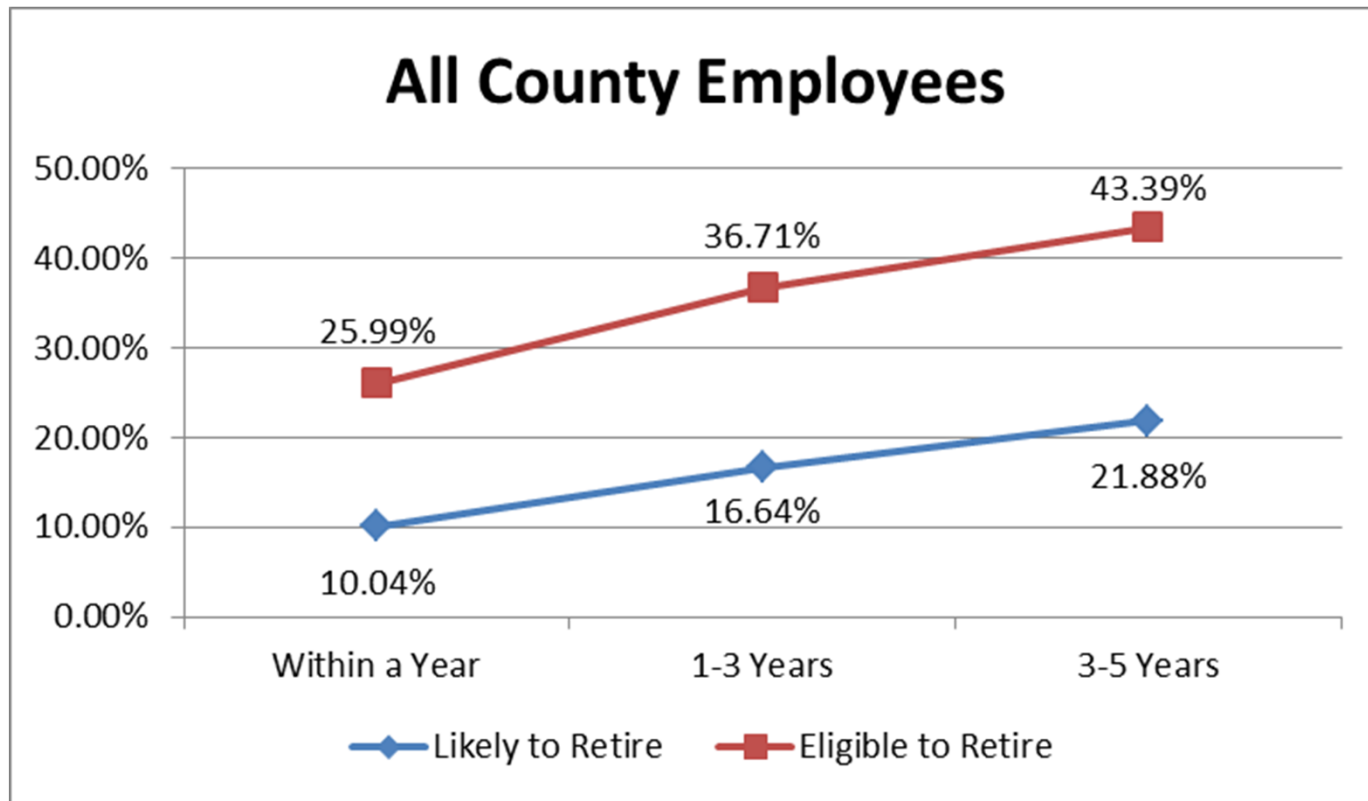
3. Mental Health Inpatient System

- New in-county beds (28)
- Relief in contracted bed use
- Full implementation next year
- Budget reflected beds in place this year
- Anticipated improvement but benefit unknown
- \$2.0M one-time funding in FY 2015-16, may again be required in FY 2016-17

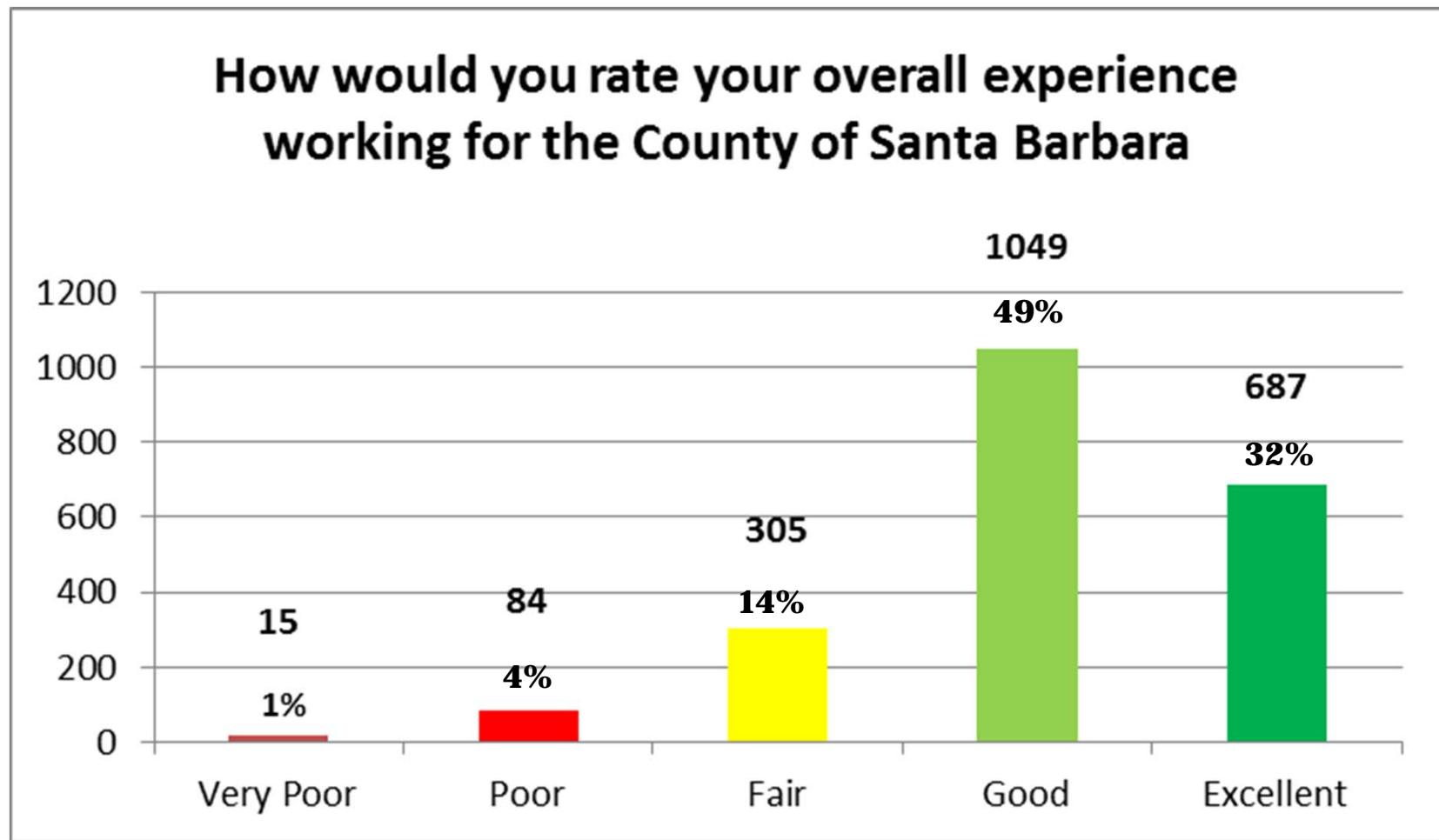
4. Compensation & Workforce Planning

- Anticipate high level of turnover in coming years
- Employees work experience = positive
- Salaries & Benefits = 57% of County budget
- Post recession pressure on compensation
 - Attracting new hires
 - Employee retention
- May create need for additional funding

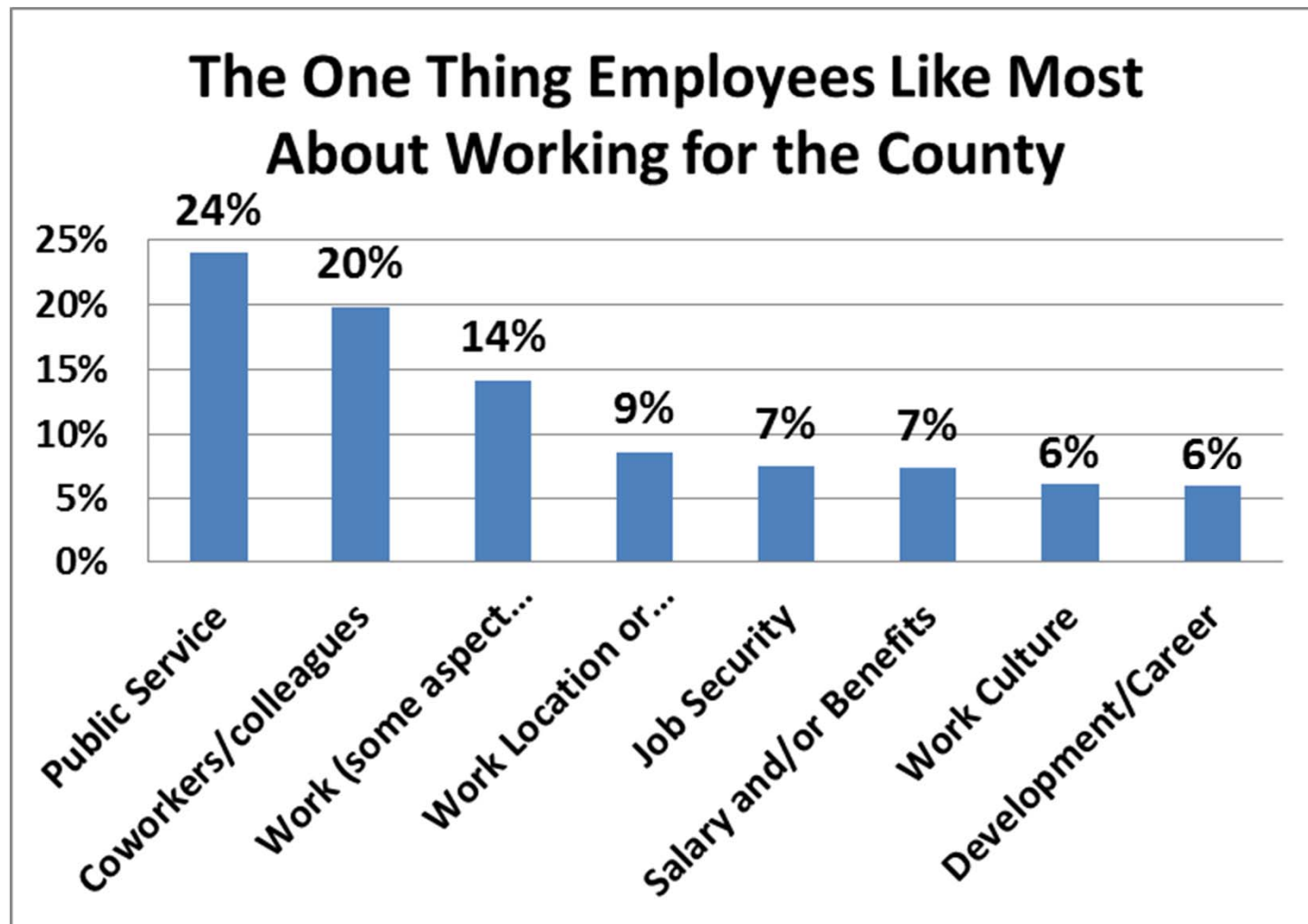
4. Employees Likely to Retire 3-5 Yrs.



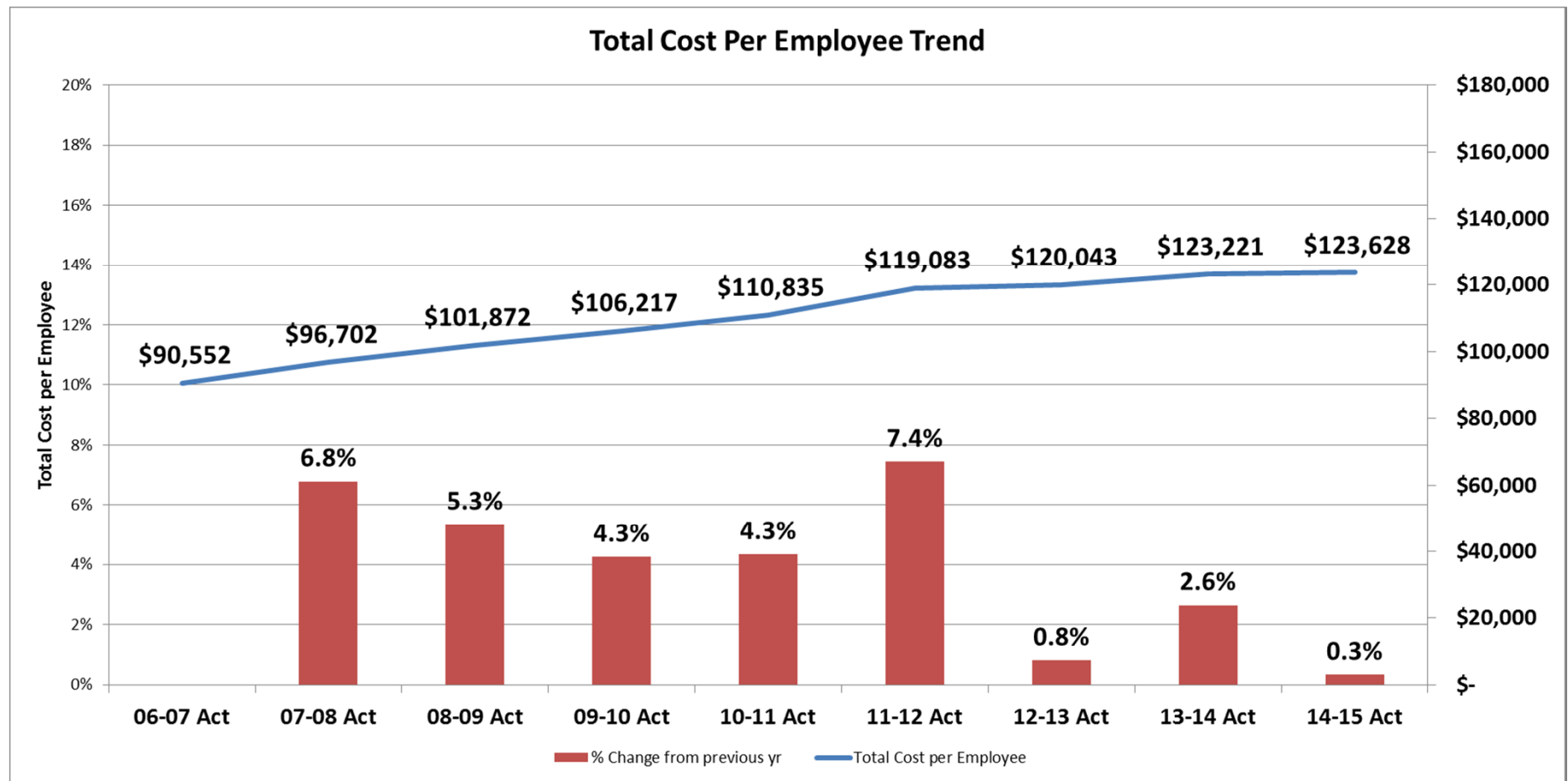
4. Overall Work Experience?



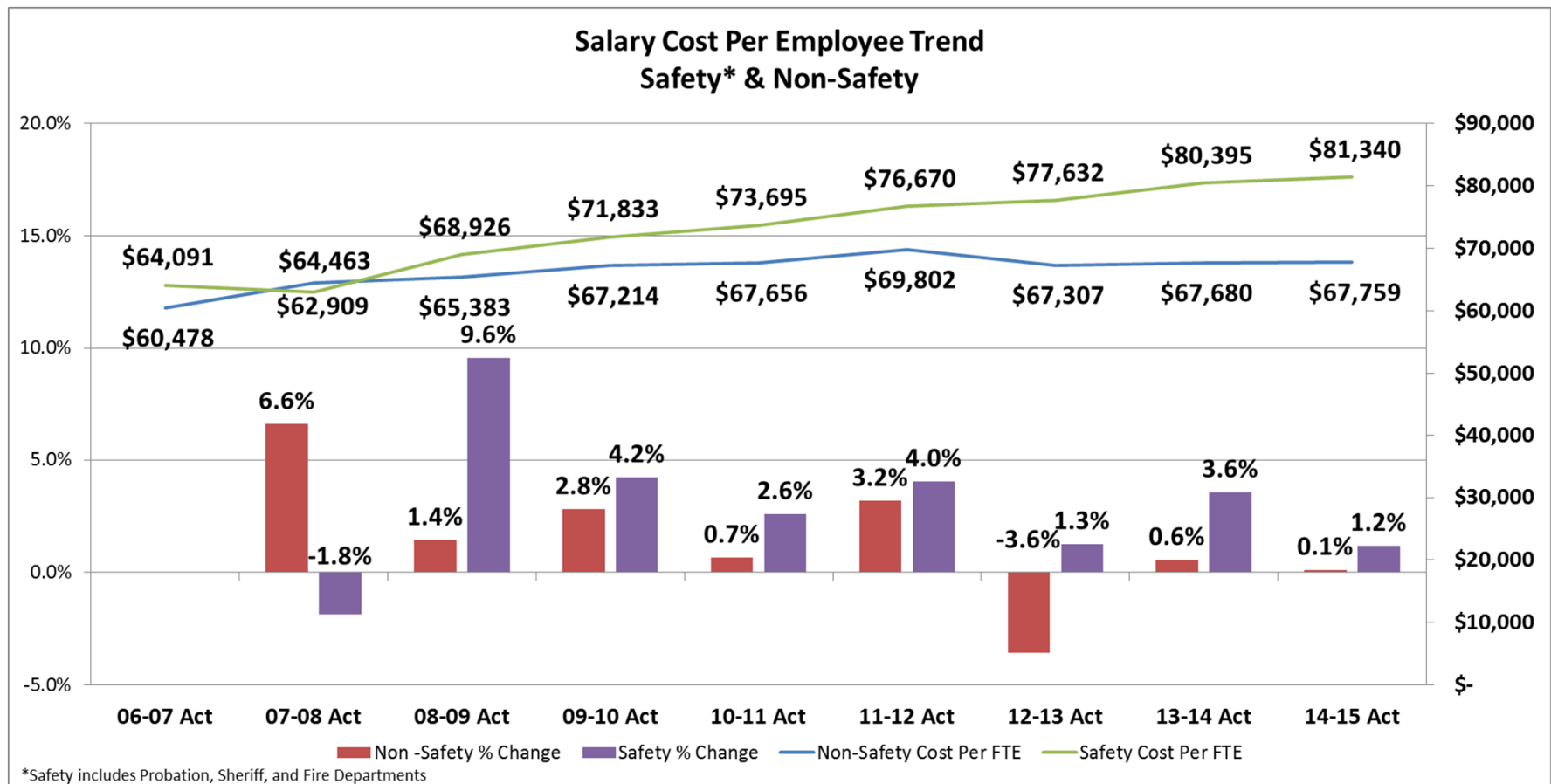
4. What Employees Like Most About Job



4. Compensation - Total Cost/Employee



4. Salary Cost per Employee



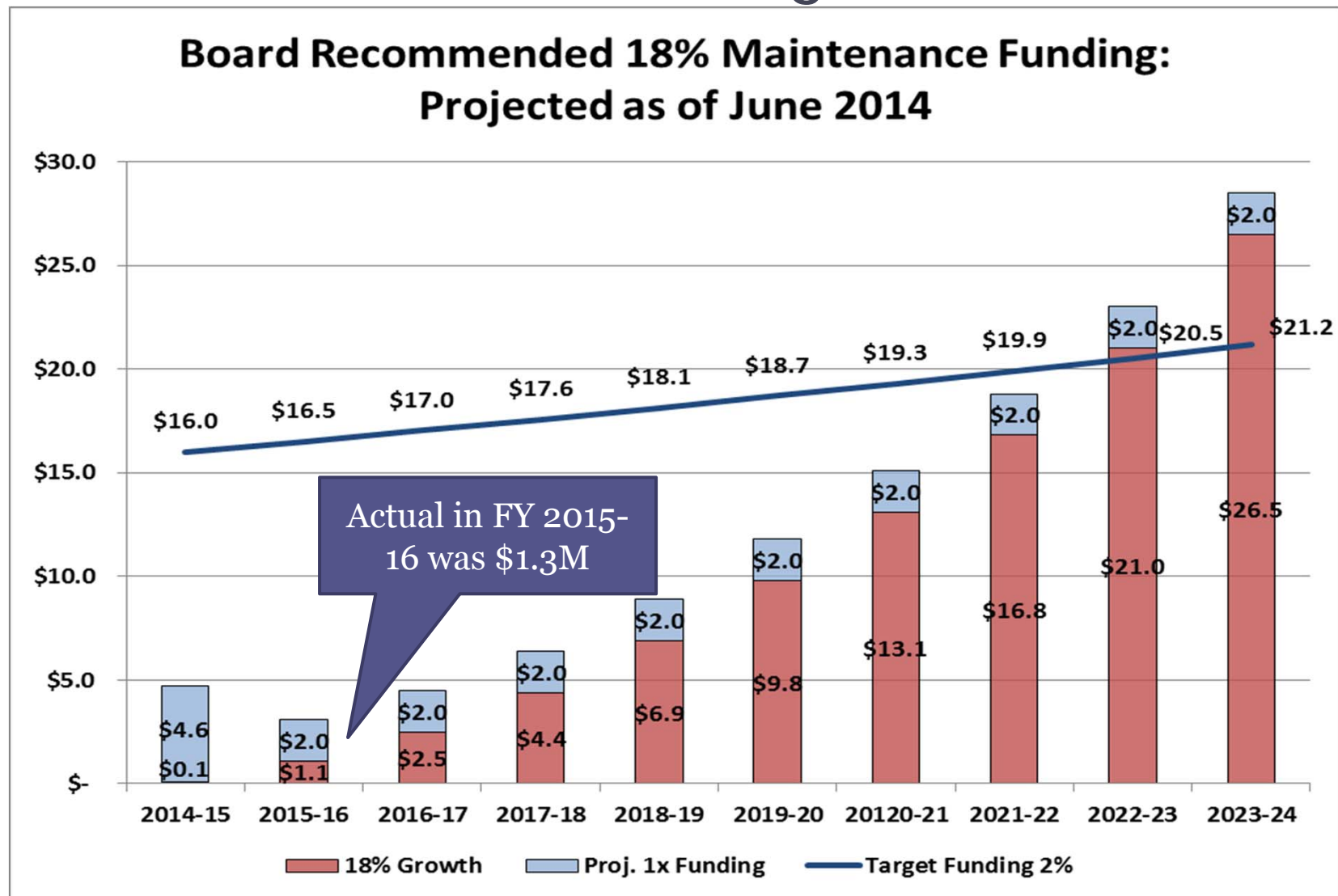
5. Jail Operations Funding Plan

- No change to existing funding plan
- New \$1.5M of DGF in FY 2016-17
- Total 16/17 GFC \$7.6M
- Planned opening in FY 2017-18
- Consider Marx/Okubo maintenance needs
- Consider Relief Factor for existing jail

6. GS & Parks Maint Backlog

- Maintenance Backlog estimated at \$345M
 - \$252M PW (pavement, roads, bridges, etc.)
 - \$93M for GS and Parks facilities
- FY 2015-16 1ST year of New Funding Plan
- Maintenance Funding Plan estimated to add
 - \$25M accumulated new funding over five years
 - \$100M accumulated new funding over ten years

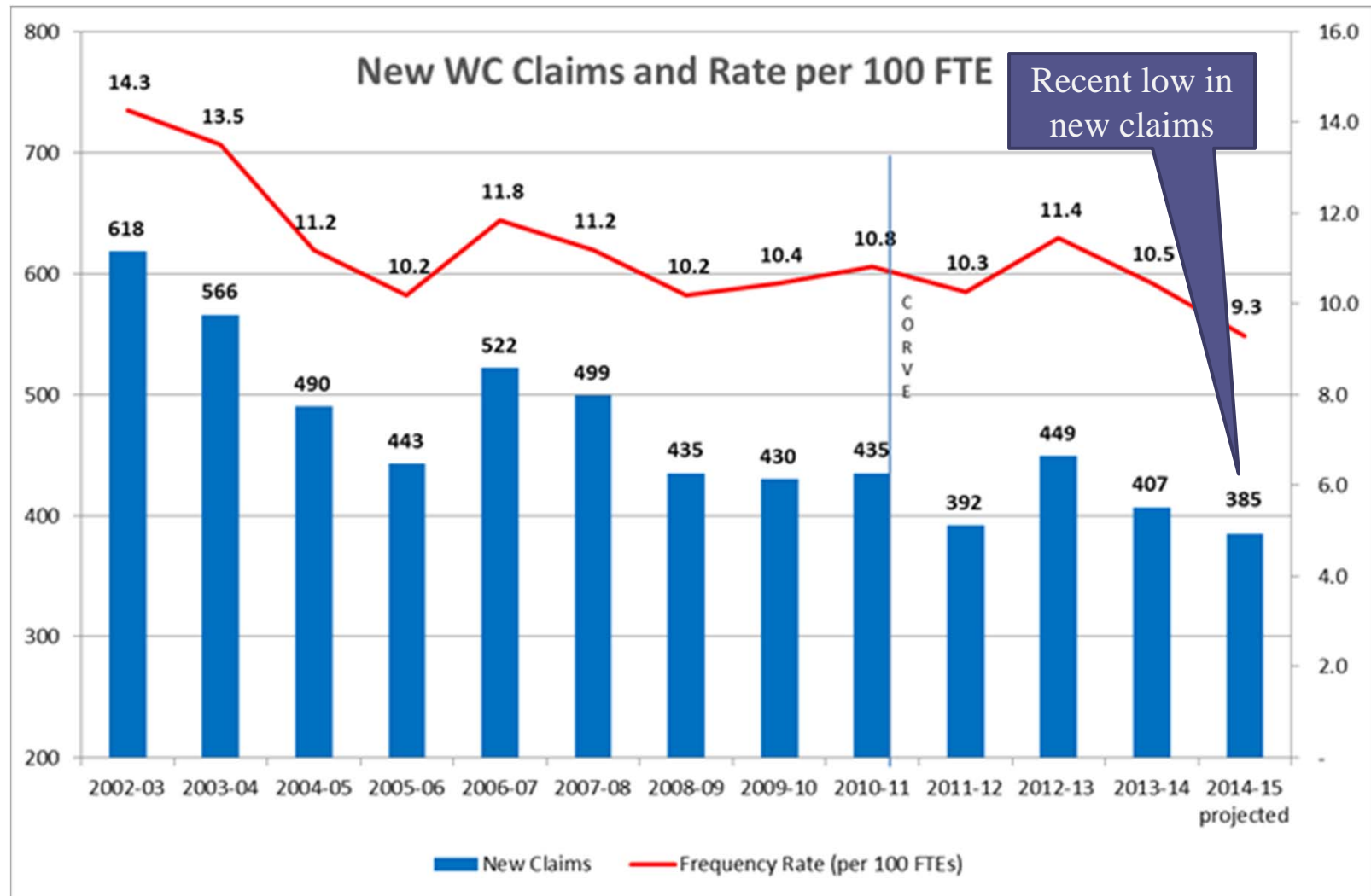
6. Maintenance Funding Plan



7. WC - Cost per Employee

- Frequency of claims lowest level in 15 years
- Tail claim recovery plan ahead of schedule
- New premiums increasing 22% in 2016-17 driver of increase:
 - Increased number of staff +4%
 - Higher medical costs
- Risk Management evaluating potential medical cost savings

7. WC Claims by Year



8. Other Post-Employment Benefits (OPEB)

- 2012 - County closed OPEB to General Members
- 2013-14 – New policy to increase funding % each year to address liability over time
- 2015-16 - working with SBCERS & actuary to develop comprehensive funding plan
- New OPEB funding plan to be presented to Board in Q3 FY 2015-16

9. Jail Management System

- \$860k expected cost
- Current system outdated and won't support multiple locations
- Needs to be in place when NBJ opens in 2018

10. Cadillac Tax

- 40% excise tax on high cost employer sponsored healthcare coverage; limits:
 - \$10,200/yr. individual
 - \$27,500/yr. family
- Effective date January 1, 2018
- \$4.6M estimated annual impact if no plan changes
- \$2.3M partial year impact on FY 2017-18

Pension Fund

(\$ in millions)	June 30, 2015	June 30, 2014	Change
Actuarial Liability	\$ 3,231.1	\$ 3,098.0	\$(133.1)
Market Value of Assets	\$ 2,532.5	\$ 2,513.6	\$ 18.9
Unfunded Actuarial Liability	\$ 698.6	\$ 584.4	\$(114.2)
Funding Ratio - Market Value	78.4%	81.1%	-2.7%
County Contribution Rate	36.55%	37.94%	-1.39%

- UAL increased \$114.2M to \$698.6
- Return on investment 0.8%; prior year was 15.0%
- Funding Ratio is 78.4%
- County contribution rate down 1.4%

Tax Impacts - Pipeline Closure

- Line 901 has been closed since May 2015 spill
- County collect property tax from oil & gas
- Assessment will occur in May/June 2016
- 2015-16 revenue:
 - \$718.6M total
 - \$15.0M (2.1%) from oil & gas
- Impacts may be greater to specific entities
- Damages related to spill may be claimed

IV. Closing Comments/Conclusions

- County has a solid economic foundation
- Revenues expected to moderately increase
- Existing strategic ongoing commitments will limit growth in other areas:
 - Fire tax shift, NBJ operations, Strategic Reserve, Pension & OPEB and Maintenance funding
- New issues will emerge
- Continued careful prioritization of issues and available resources

Recommended Actions:

- a) Receive the FY 2016-18 Fiscal Outlook Report and presentation
- b) Provide direction as appropriate on priorities for preparation of the FY 2016-17 and FY 2017-18 budgets

FY 2016-18 Fiscal Outlook Report

QUESTIONS?