



**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 Names: County Executive
Office (CEO)
Department No: 012
For Agenda Of: April 17, 19, & 21, 2017
Placement: Departmental
Estimated Tme:
Continued Item: 20 Hours
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Mona Miyasato, County Executive Officer
Directors
Contact Info: Jeff Frapwell, Assistant CEO, Budget & Research
SUBJECT: Fiscal Year 2017-19 Budget Development Workshops

Recommended Actions:

It is recommended that the Board of Supervisors:

- a) Hold budget workshops on April 17, 19 and 21, 2017 to receive presentations on the Fiscal Year 2017-18 Recommended and FY 2018-19 Proposed Budgets;
- b) Provide direction, if any, regarding items to be addressed or included in the CEO's Recommended Budget, scheduled for release in May and Board adoption scheduled for June 12, 14 and 16, 2017.
- c) Regarding Planning and Development's Proposed FY 2017-2018 Long Range Planning Annual Work Program:
 - i. Receive and review the proposed Annual Work Program; and
 - ii. Provide direction to continue current projects, initiate recommended new projects, and direct staff to make any other requested changes to the Annual Work Program.
- d) Regarding other Special Issues discussed, provide direction as appropriate; and
- e) Determine pursuant to CEQA Guidelines 15378(b)(4) that the above actions are not a project subject to CEQA review, because it is a government fiscal activity that does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

Summary Text:

This year's budget theme, "One County, One Future" recognizes that in order to successfully address our challenges ahead, we will need to do so as a coordinated and interconnected organization, building upon the strengths of individual departments. Our fiscal challenges also call for a reallocation of limited discretionary revenue not just within but among our departments to ensure the Board's highest priorities for the community and organization are met.

Next year, we face fiscal challenges driven by increased salary and pension costs, continuing budget shortfalls in public safety departments and Behavioral Wellness, and higher costs of providing state and federal programs than available revenue for these programs. We also continue to encounter deferred maintenance issues while ensuring our major funding priorities continue. Impacts on department services vary, depending on their funding sources and operations, but all will need to address increased costs in the near term. These challenges will continue unless we can reduce spending, increase or reallocate revenue or change operations.

With this coming year's budget, we have the opportunity to address these challenges and make decisions that will position the County for success in the future. We have started a rebalancing process to reshape the organization and strategically realign services and costs to provide those services. The Board has prudently rebuilt the Strategic Reserve over the last few years, and the County has not incurred much debt. Departments are collaborating, making their organizations more efficient, and reducing costs or maximizing revenue. All of these actions allow us to chart a course for a sustainable and sound future so that we can continue to serve our community and meet your Board's highest priorities.

Purpose of the Budget Workshops

The purpose of the April budget workshops is to provide the Board an early opportunity to:

- Review and discuss departments' proposed budgets, special issues, staffing plans, accomplishments, work objectives, service level reductions, and budget enhancement requests;
- Receive public input; and
- Provide the CEO direction on policy issues or specific items for consideration prior to completion of the Recommended Budget.

The workshops are held one month prior to release of the Recommended Budget and two months prior to the Budget Adoption Hearings (at which the Board will adopt the FY 17-18 Recommended Budget and FY 2018-19 Proposed Budget) to allow for this early review.

At the workshops, Department Directors will present a summary of their departments' draft budgets and work objectives, commonly referred to as their "D pages" (in reference to their section in the Recommended Budget). The County Executive Office in conjunction with the Auditor Controller's Office has completed the review of submitted draft department budgets and revenue estimates, which are subject to change until the tax roll is completed.

The materials provided at the workshop are **not** intended to be inclusive of the entire Recommended Budget, which is being finalized with all financial schedules and other information. The workshops are intended to provide the Board and public an early review of departments' work plans and highlight significant issues. **No final budget decisions are requested or required of the Board at this time.**

Following the workshop and any Board-requested changes, staff will complete the Recommended Budget, scheduled for release in May, followed by Budget Adoption hearings on June 12, 14 and 16,

2017. At those hearings, staff will present and review the Recommended Budget for the Board's consideration, amendment and adoption.

Special Issues to be Presented

The workshops also provide an opportunity for the Board to receive information and provide direction to staff, as appropriate, on particular policy issues ("Special Issues") that affect certain departments' budgets. This year, the workshops include discussion of the following:

- Addressing the Issue of the Mentally Ill within the Criminal Justice System
- Affordable Care Act Update
- Maintenance Update
- Long Range Planning Work Program for FY 17-18
- Long Term Rebalancing Project

Overview of FY 2017-19 Budget Workshops

This year, an "Overview of the FY 2017-19 Budget Workshops" is being provided as Attachment C to this Board Letter. Key elements of this Overview are provided below.

- **The County's Fiscal Outlook – Facing Challenges Ahead-** The County of Santa Barbara government continues to experience modest growth in discretionary revenues, and is currently faced with some significant challenges. Pension and wage obligations are rising, mental health in-patient costs have increased along with costs for the Sheriff and the Jail. The County is experiencing effects of reductions to federal and state programs, primarily in the Department of Social Services (DSS). Through these challenges, staff have thoroughly examined their operations and explored various short term and long-term strategies to stabilize its finances, while mitigating effects to service levels. Staff will continue to address priority commitments and deferred needs. However, there is very limited revenue for expanded or enhanced services in the current financial climate. A further discussion of anticipated revenue and expenditure changes is provided in the Overview.
- **Common Themes Emerged in Departments' Proposed Budgets -** Challenge of accommodating increased salary and benefit costs; Retirements and Workforce (Succession) Planning; Software updates and new data systems.
- **Service Level Reductions –** Despite staff's efforts to strategically balance the budget, proposed budget reductions are anticipated to be more severe in the current year than the past few years. Generally, vacant positions are eliminated first but layoffs of staff are currently anticipated. Service level reductions are proposed when departments are without sufficient revenue to meet current expenditure levels. Service level reductions are anticipated for a majority of departments at approximately \$39.5 million with the most severe service level reductions anticipated in Social Services, Sheriff and Behavioral Wellness. Departments without service level reductions next year were able to absorb costs increases within their budget through offsetting revenue, or changes to their operations.
- **Budget Restoration/Enhancements -** Departments continue to face financial and operational challenges of new or changing regulations, reductions or capped State or Federal funding, and other activities beyond local government's control that increase their work. Departments are requesting on-going restorations and expansions to their budgets for additional funding, totaling \$30.9 million

in ongoing General Fund and \$5.3 million in one-time General Fund funding. There is limited available revenue for redistribution to address some of these needs. The CEO will provide an update of this amount at the workshops.

- **Managing Expectations Continues** - Given growing demands for service, high expectations, and existing liabilities - yet limited available revenues and prior funding commitments - difficult choices and tradeoffs are still required. But even with these challenges, the County continues to provide high levels of service and advance many initiatives to better serve our community.

Budget Schedule 2017

- April 17, 19 and 21, 2017 – Budget Workshops
- May 2017 – Release of Recommended Budget FY 2017-18
- June 12, 14 and 16, 2017 – Budget Hearings for Board to adopt Recommended Budget FY 2017-18 and Proposed FY 2018-19

Fiscal Impacts:

There are no fiscal impacts associated with holding the Budget Workshops. Addressing the information presented during the workshops will provide staff direction in finalizing the Fiscal Year 2017-18 Recommended and FY 2018-19 Proposed Budgets for adoption at the June Budget hearings.

Attachments:

Attachment A: Fiscal Year 2017-19 Budget Development Workshop Binder

Attachment B: Long Range Planning Work Program (Workshop Binder Tab 16)

Attachment C: Overview of FY 2017-19 Budget Workshops (Workshop Binder Tab 7)

Authored by:

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cc:

All Assistant CEOs

All Department Directors

All CEO Fiscal and Policy Analysts