

FY 2018-23

# FIVE-YEAR FORECAST

Board of Supervisors  
October 10, 2017



# FY 2018-23 Five-year Forecast

- Departments forecasted revenues and expenditures for the General Fund and other significant operating funds
- Estimates will be refined until FY 2018-19 budget adoption
- Intended to facilitate discussion and development of strategies to address projected budget gaps
  - Strategies will focus on efficiencies and seeking new ways of doing business
  - Department-specific and county-wide efforts to identify strategies and develop implementation plans underway



# Expenditure Assumptions

## Salaries and Benefits

- Major countywide cost drivers
- **Salaries:** 3% increase each year due to negotiated salary increases and expected step/merit increases
- **Retirement Costs:** Average increase of 6% each year due to pension investment return assumptions and expectations on existing/future retirees
- **Health Insurance Costs:** Average increase of 7% per year due to recent trends in health care insurance marketplace



# Expenditure Assumptions

## Other Growth Areas of Discretionary GF Revenue

- Annual set-aside for [Northern Branch Jail operations](#); will reach \$19.3M in FY 2022-23
- [Maintenance funding](#) to increase by 10% each year; will reach \$5.3M in FY 2022-23

## Additional Considerations

- Forecast does not include factors that are unquantifiable or not certain enough to reasonably assume, but will be monitored
- Recent issues have included Sheriff overtime costs, capital needs at the Main Jail, inpatient psychiatric beds, and Goleta Beach remediation measures



# Revenue Assumptions

- General Fund Contribution (GFC) allocations to operating departments at FY 2017-18 adopted budget levels (i.e., assumes status quo service)
- **Discretionary General Revenues** – *Most Likely Scenario*
  - **Secured Property Taxes:** Increase by gross 4.5% per year (Fire tax shift will net out in the first 2 forecast years)
  - **Sales Tax:** Increase by 3% per year
  - **Transient Occupancy Tax:** Increase by 3% per year
- **Other Revenues**
  - **Prop 172** revenues increase by 3% per year
  - Limited growth in **realignment** revenues
  - No additional revenues (or expenditures) from potential **cannabis** operations



# General Fund Budget Gaps by Department (\$ in millions)

| Fund 0001 - General Fund                      | 2018/2019<br>Forecast | 2019/2020<br>Forecast | 2020/2021<br>Forecast | 2021/2022<br>Forecast | 2022/2023<br>Forecast |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 011 -- Board of Supervisors                   | (0.1)                 | (0.2)                 | (0.3)                 | (0.5)                 | (0.6)                 |
| 012 -- County Executive Office                | (0.4)                 | (0.6)                 | (0.9)                 | (1.1)                 | (1.3)                 |
| 013 -- County Counsel                         | (0.2)                 | (0.4)                 | (0.6)                 | (0.8)                 | (1.1)                 |
| 021 -- District Attorney                      | (0.6)                 | (1.4)                 | (2.4)                 | (3.6)                 | (4.4)                 |
| 022 -- Probation                              | (2.4)                 | (3.7)                 | (5.5)                 | (7.3)                 | (8.5)                 |
| 023 -- Public Defender                        | (0.3)                 | (0.7)                 | (1.2)                 | (1.6)                 | (2.0)                 |
| 032 -- Sheriff                                | (2.4)                 | (4.9)                 | (8.8)                 | (12.4)                | (15.0)                |
| 041 -- Public Health                          | (0.0)                 | (0.2)                 | (0.7)                 | (1.1)                 | (1.3)                 |
| 051 -- Agricultural Commissioner/W&M          | (0.0)                 | (0.0)                 | (0.2)                 | (0.4)                 | (0.5)                 |
| 052 -- Parks                                  | (0.2)                 | (0.5)                 | (0.8)                 | (1.2)                 | (1.5)                 |
| 053 -- Planning & Development                 | (0.2)                 | (0.2)                 | (0.4)                 | (0.5)                 | (0.6)                 |
| 054 -- Public Works                           | -                     | -                     | -                     | -                     | -                     |
| 055 -- Housing/Community Development          | (0.1)                 | (0.2)                 | (0.3)                 | (0.3)                 | (0.4)                 |
| 057 -- Community Services                     | (0.1)                 | (0.1)                 | (0.2)                 | (0.2)                 | (0.2)                 |
| 061 -- Auditor-Controller                     | (0.4)                 | (0.7)                 | (1.1)                 | (1.5)                 | (1.8)                 |
| 062 -- Clerk-Recorder-Assessor                | (0.7)                 | (1.5)                 | (1.4)                 | (2.3)                 | (2.5)                 |
| 063 -- General Services                       | (1.7)                 | (2.0)                 | (2.5)                 | (3.0)                 | (3.4)                 |
| 064 -- Human Resources                        | (0.2)                 | (0.3)                 | (0.6)                 | (0.7)                 | (1.0)                 |
| 065 -- Treasurer-Tax Collector-Public         | (0.3)                 | (0.7)                 | (1.0)                 | (1.3)                 | (1.5)                 |
| 990 -- General County Programs                | (1.7)                 | (1.9)                 | (4.4)                 | (5.7)                 | (7.5)                 |
| General Fund Gap Subtotal                     | (12.2)                | (20.2)                | (33.2)                | (45.5)                | (55.2)                |
| GFC Allocation* (if historic policy followed) | 6.3                   | 13.8                  | 23.3                  | 32.3                  | 40.1                  |
| Remaining GF Gap                              | (6.0)                 | (6.4)                 | (9.9)                 | (13.2)                | (15.1)                |

\*Includes General Fund set asides for S&B Growth, NBJ Funding Plan and 18% Maintenance Policy



# Major Special Revenue Fund Budget Gaps (\$ in millions)

| Major Special Revenue Funds                  | 2018/2019<br>Forecast | 2019/2020<br>Forecast | 2020/2021<br>Forecast | 2021/2022<br>Forecast | 2022/2023<br>Forecast |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 0010 -- First 5 Child & Families Comm        | (0.5)                 | (0.5)                 | (0.7)                 | (0.7)                 | (0.8)                 |
| 0015 -- Roads-Operations                     | -                     | -                     | -                     | (4.5)                 | (8.9)                 |
| 0042 -- Health Care                          | (0.5)                 | (1.7)                 | (2.9)                 | (4.3)                 | (5.7)                 |
| 0044 -- Mental Health Services               | (0.3)                 | (1.0)                 | (1.8)                 | (2.7)                 | (3.3)                 |
| 0048 -- Mental Health Services Act           | (3.2)                 | (4.5)                 | (5.4)                 | (6.2)                 | (6.9)                 |
| 0049 -- Alcohol and Drug Programs            | -                     | -                     | -                     | -                     | -                     |
| 0055 -- Social Services                      | (4.1)                 | (8.2)                 | (12.1)                | (16.0)                | (19.6)                |
| 0056 -- SB IHSS Public Authority             | (1.7)                 | (2.1)                 | (2.5)                 | (3.0)                 | (3.4)                 |
| 0057 -- Child Support Services               | (0.4)                 | (0.8)                 | (1.3)                 | (1.7)                 | (2.1)                 |
| 0058 -- WIOA-WDB                             | (0.1)                 | (0.3)                 | (0.4)                 | (0.5)                 | (0.5)                 |
| 0069 -- Court Activities                     | (0.9)                 | (1.1)                 | (1.3)                 | (1.5)                 | (1.6)                 |
| Special Revenue Funds Gap Subtotal           | (11.5)                | (20.3)                | (28.3)                | (41.0)                | (52.8)                |
| GFC Allocation (if historic policy followed) | 0.4                   | 0.9                   | 1.5                   | 2.0                   | 2.5                   |
| Remaining Special Revenue Funds Gap          | (11.1)                | (19.4)                | (26.9)                | (39.0)                | (50.3)                |





# Looking Forward

- Five-year Forecast serves as a backdrop to the FY 2018-19 budget development process
- Challenge to align revenues and expenditures in the coming years
  - Increasing retirement and other personnel-related costs
  - Uncertain state and federal revenues
  - Changing service demands
- Opportunity to evaluate operations and develop rebalancing strategies to enhance service delivery in alignment with community and Board priorities





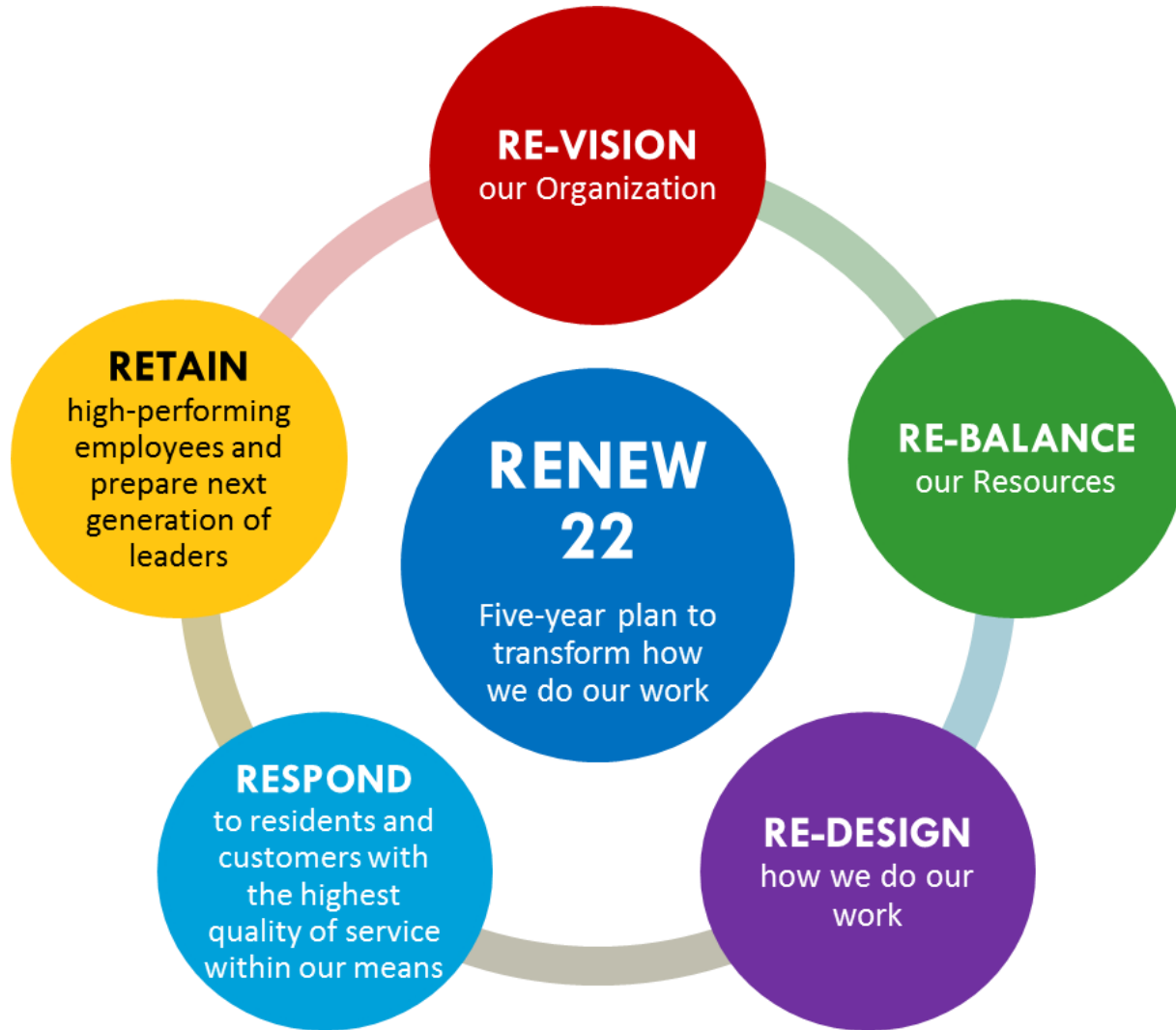


- Fully-integrated countywide initiative
- Position the county to thrive as an organization
- Employees in all departments actively involved in developing strategies, including union representatives
- Transformation — not simply transition

## MAIN ELEMENTS

- 1 Deeper examination of ideas identified in the rebalancing project that are interdepartmental and will have **countywide** effects
- 2 Identification and analysis of **department-level** strategies that will best position the departments to succeed given fiscal projections





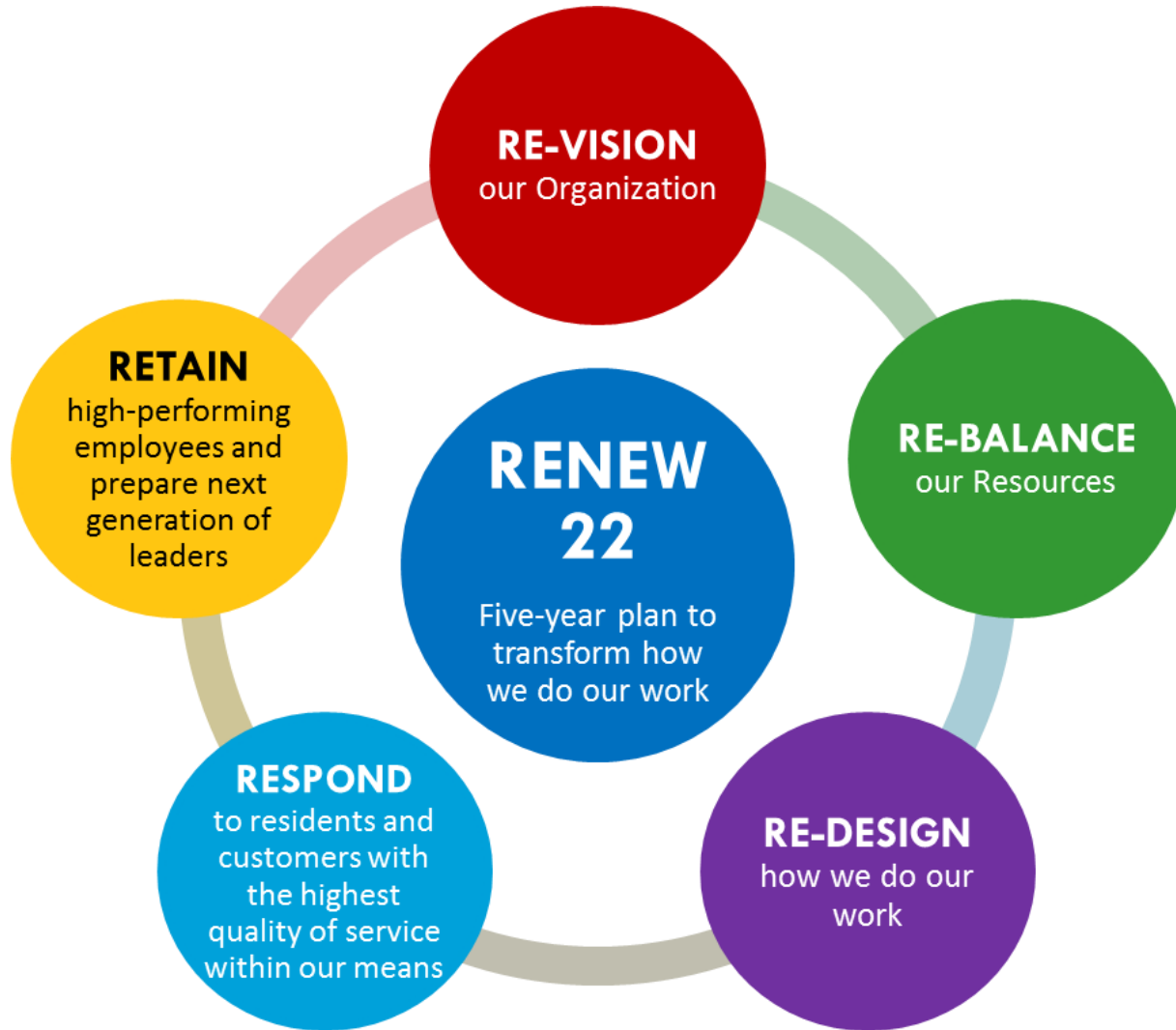
## 5 Color Teams

Departments and County Executive Office are working together to identify opportunities to reduce costs and enhance resources

## Exploring Strategies

- Consolidations
- Multi-department cooperative arrangements
- Information technology innovation
- Multi-agency partnerships
- Revenue enhancement
- New workforce initiatives and employment models





## Already Implemented or Underway

- Centralized hiring review
- Elimination of outside agency funding
- Space consolidations
- Full cost recovery service contracts
- Department fee updates

## What's Next

- Review specific action plans, timelines, and resource requirements for implementing ideas
- Recommended actions presented to the Board for consideration in December



FY 2018-23

# FIVE-YEAR FORECAST

## Recommended Actions

Receive and file the FY 2018-23 Five-year Forecast, including an early estimate of funding gaps and impending financial challenges faced by the County in the coming fiscal years; and

Determine pursuant to CEQA Guidelines §15378 that the above activity is not a project under the California Environmental Quality Act.

