



**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: June 11, 2018
Placement: Departmental
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Director(s) Mona Miyasato, County Executive Officer
Contact Info: Jeff Frapwell, Assistant County Executive Officer

SUBJECT: Fiscal Year 2018-19 Recommended Budget

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

It is recommended that the Board of Supervisors:

- a) Receive, consider, and file the Fiscal Year 2018-19 Recommended Budget (Attachment A);
- b) Approve final budget adjustments (Attachment A-2) to the Fiscal Year 2018-19 Recommended Budget;
- c) Adopt the Resolution of the Board of Supervisors entitled In the Matter of Adopting the Budget for Fiscal Year 2018-19 (Attachment D);
- d) Approve budget adjustments in the form of Attachment E, as amended during the hearings, to the Fiscal Year 2018-19 Recommended Budget;
- e) Delegate authority to the Chair of the Board to execute renewal of single-year grants and contracts (Attachments B and C) previously approved by the Board and included in the Fiscal Year 2018-19 Recommended Budget, where contract amounts are within 10% of previously contracted amounts;
- f) Adopt the salary resolution in Attachment F as of July 2, 2018, which updates job classifications and department position allocations with changes corresponding to the Fiscal Year 2018-19 Recommended Budget by amending the salary resolution;

- g) Adopt position changes previously approved by the County Executive Officer during Fiscal Year 2017-18 under Board Resolution 99-486, as shown in Attachment G; and
- h) Determine pursuant to CEQA Guidelines §15378(b)(4) that the above fiscal activities are not a project subject to the California Environmental Quality Act.

Summary Text:

The Fiscal Year (FY) 2018-19 Recommended Budget is hereby submitted to the Board of Supervisors. **Any Board adjustments to the budget made during the June Budget Hearings will also be incorporated in the form of Attachment E.** The information in this letter, attachments, and Hearing binder is provided to enable the Board to adopt a Fiscal Year 2018-19 budget during Budget Hearings. Budget Hearings are scheduled for June 11, and, if necessary June 13, and may also be continued into the week of June 18-22, 2018.

FY 2018-19 Recommended Budget Overview

The recommended budget is balanced, with total operating revenues of \$1,101.7 million (a 2% increase from FY 2017-18), total operating expenditures of \$1,103.9 million (a 2.5% increase from FY 2017-18), balanced by a net \$2.2 million in other sources (primarily use of fund balance). Operating expenditures include both ongoing and one-time costs, and ongoing costs are largely supported by ongoing revenues.

The FY 2018-19 recommended budget includes full-time equivalent (FTE) staffing of 4,166.7, an increase of 83.4 FTE from the FY 2017-18 adopted level of 4,083.3 FTE.

The Executive Summary of the Recommended Budget, Section B, details this information.

The recommended budget reflects revenue losses associated with Thomas Fire and 1/9 Debris Flow. The Governor's May Revise, released after development of the recommended budget, provides \$4.4 million in funding to backfill the County's property tax losses that will be incurred because of the disasters, and the funds are expected to be received in the upcoming fiscal year. These funds are a one-time backfill allocation and therefore should not be matched with ongoing spending commitments. In consideration of the risk of a future debris flow, it is recommended that we use this opportunity to rebuild the Strategic Reserve fund. A final budget adjustment is included in Attachment A-2 to recognize these funds and commit them to the Strategic Reserve, which will replenish a portion of the \$6.3 million pulled from the account for disaster response activities in the current year and close nearly half of the \$10 million gap between the current balance and the amount advised by Board policy.

The budget was developed with a focus on balancing short-term needs with long-term impacts, strategic realignment of services and the costs to provide these services, and opportunities for new ways of doing business. Even before beginning to develop FY 2018-19 budgets, departments had been seeking ways to restructure operations, find efficiencies, and prioritize use of resources through their Renew '22 initiatives. Many departments were thus able to avoid the need for service level reductions despite often uncontrollable cost increases without corresponding revenue increases. Some departments, however, did have recommended service level reductions included

in the budget, which were necessary either because of long-standing structural deficits, sharp increases in workload, or changes in revenue availability.

Summary of Service Level Reductions

Remaining service level reductions identified in the recommended budget total \$4.4 million and 6.2 FTE. These are detailed in Section B of the budget book and summarized below.

- County Counsel: Unfund a half-time extra help Deputy County Counsel, Sr.
- Sheriff: Unfund a Sheriff Sergeant in the Air Support Unit and reduce overtime budget for law enforcement patrol and custody operations.
- Community Services: Unfund a Parks Planner position for two-thirds of the year and reduce the annual Cachuma trout fish plants from four to one.
- Behavioral Wellness: Reduce beds available for long-term IMD and board and care services up to 35%, and reduce out-of-county short-term psychiatric inpatient hospital services from 7 beds/day to 4.5 beds/day. These reductions may be partially mitigated by any improvement in the assumed acute-to-admin client ratio at the PHF, as well as the \$2 million set aside in General Fund contingency funds, should the department exceed their budgeted appropriation levels.
- Child Support Services: Unfund a Legal Office Professional Sr. and Financial Office Professional Sr. position.

Of the departments with service level reductions, only those reductions to the Behavioral Wellness Department were followed up with funding restoration requests. The departments did not request restorations of the reductions described above, because they are related to department restructuring and funding prioritization. No layoffs are anticipated as a result of these reductions.

Summary of Recommended Restorations and Expansions

The Recommended Budget includes funding to restore certain services given their critical nature or Board priority. Funding is also included to expand services to meet emerging needs. These recommendations were made after input from the Board at the April workshops and further discussion with departments. A summary of the restorations and expansions are described below and detailed in Section B of the budget book.

- CEO: Fund development of a comprehensive countywide five-year ADA transition plan, and provide ongoing funding for 3 positions in OEM that have been funded with one-time funds.
- Sheriff: Restore funding for 1.7 positions in IV Foot Patrol; restore funding for a Sheriff Special Duty Deputy for IV; fund development of a Crisis Intervention Training program in collaboration with Behavioral Wellness; fund the purchase and installation of software to automate the scheduling process; and set aside \$1.75 million in reserve should the Sheriff exceed the budgeted overtime allocation.
- District Attorney: Restore a DDA position to staff the South County Collaborative Justice Program and fund an additional investigator position.

- Public Defender: Fund an additional investigator position and increase funding for experts and evaluations now required in certain cases.
- Probation: Add a DPO to address increased workload resulting from Prop 63 and the need for a higher level of supervision of sex offenders.
- Public Works: Increase the 18% maintenance funding by \$550,000, for a total of \$2.2 million to address deferred maintenance needs, and earmark initial funds (\$130,000) to construct a required crossing at Vintage Ranch in Orcutt.
- Community Services: Increase the 18% maintenance funding by \$165,000, for a total of \$655,000 to address deferred maintenance needs; fund the County's share of the biennial point-in-time count for the HUD homeless program as well as the County's share of the HUD-required Fair Housing Assessment; fund the tree maintenance program to conduct surveys, emergency removal, and maintenance of dead or dying trees in County parks; and fund the replacement of a failing well at Waller Park.
- General Services: Increase the 18% maintenance funding by \$392,000, for a total of \$1.5 million to address deferred maintenance needs; fund upgrades to the public safety radio tower infrastructure; fund an ADA assessment of County facilities; fund installation of security-related upgrades at County facilities; and fund installation of water use reduction measures at County facilities.
- County Counsel: Restore a Legal Office Professional position and provide funding for a two-year Deputy County Counsel position to assist with ongoing disaster recovery operations.
- General County Programs: Fund annual Renew '22 initiatives, primarily management audits of departments.
- Fire: Convert two extra help Fire Crew positions to regular Squad Leader positions (funded with Fire District revenues).
- Public Health: Convert extra help budget to a regular Senior Epidemiologist position and two regular Medical Assistant positions (no budget impact).
- Cannabis: The FY 2018-19 Recommended Budget includes \$1.6 million in permitting and licensing costs, completely offset by permitting fees of \$0.5 million and licensing fees of \$1.1 million, as well as \$1.7 million in enforcement costs fully offset by tax revenue (pending passage of the cannabis tax measure on the June 5, 2018, ballot). The following department budgets include cannabis-related staffing expansions:
 - County Counsel: Add a Deputy County Counsel IV position for permitting- and enforcement-related activities.
 - Planning & Development: Add four Planner positions and a Supervising Planner position for permitting- and enforcement-related activities.
 - CEO: Add an Enterprise Leader position for licensing- and enforcement-related activities.
 - Sheriff: Add 3.5 Sheriff's Deputy Special Duty, one AOP, and 0.5 Sheriff's Sergeant positions for licensing- and enforcement-related activities.

- Public Health: Add an Environmental Health Specialist and Health Educator position for licensing- and enforcement-related activities.
- Ag Commissioner: Add three Ag Bio/Weights & Measures Inspectors and one Ag Bio/Weights & Measures Supervisor for licensing- and enforcement-related activities.
- Treasurer-Tax Collector: Add a half-time Financial Office Professional Sr. position for licensing-related activities.
- District Attorney: Add a DDA III and a half-time Legal Office Professional for enforcement-related activities.

Strategic Reserve Policy

The County's Strategic Reserve policy calls for a targeted funding level of 8% of operating revenue (approximately 30 days of working capital) for the General Fund to be appropriated annually by the Board of Supervisors as part of the budget adoption process. The existing reserve, expected to total \$23.6 million at the end of FY 2018-19, is \$10 million below the targeted policy level. It is recommended that the policy be suspended for FY 2018-19, as it was in FY 2017-18, due to the forecasted budget shortfall. However, the CEO recommends that the \$4.4 million expected to be received from the State for taxes lost due to the Thomas Fire and 1/9 Debris Flow, as included in the Governor's May Revise, be committed to the Strategic Reserve.

Continued Commitments to Board Priorities and Key Issues

The FY 2018-19 Recommended Budget continues to uphold prior funding commitments. These commitments obligate future ongoing revenue, thereby reducing our capacity to fund ongoing cost increases or service level expansions in the near term.

- Northern Branch Jail – The County's funding plan guides setting aside increasing amounts of General Fund revenues each year to cover the projected operating costs of the Northern Branch Jail, anticipated to be \$18.2 million in FY 2019-20, the first year of operations. The recommended budget allocates \$10.9 million to the dedicated jail fund, of which the Sheriff anticipates drawing \$10.6 million as they continue hiring and training of staff necessary to operate the new jail. An additional \$2.0 million is being transferred to the jail construction fund to cover additional constructions costs, if needed.
- Fire Tax Shift – Since adoption of the tax shift, one quarter of property tax growth that would have otherwise been allocated to the General Fund is shifted to the Fire District until the District's allocation reaches a 17% share of property taxes (from 14.3% in FY 2012-13). In FY 2018-19, this shift directs \$9.5 million in General Fund revenue to the Fire District.
- Deferred Maintenance Commitment – Pursuant to the 18% maintenance funding policy effective July 2015, the FY 2018-19 Recommended Budget includes \$4.4 million in ongoing GFC in the Public Works, General Services, and Parks Departments. In addition, \$2.3 million in ongoing GFC is allocated for capital improvements and infrastructure maintenance and \$1.5 million in one-time GFC is allocated for General Services and Parks capital projects. Special revenue sources for Roads capital projects and maintenance provide approximately \$17 million in funding, and SB 1 local roads funding is anticipated to be \$6.4 million in FY 2018-19.

Discussion of individual department work initiatives and budgets for the coming year were reviewed with the Board during the budget workshops conducted in April. At the June budget hearings, staff will provide an overview of the budget, respond to unanswered Board requests made at the workshops, and provide updates to department budgets since the April workshops.

Final Budget Adjustments:

As is the case each year, events have occurred since the Recommended Budget was prepared that prompt staff to recommend adjustments to various appropriations and revenues. The recommended adjustments are detailed in **Attachment A-2**, and include:

- Appropriations included in the Fiscal Year 2017-18 budget that were not spent but are planned to be spent in FY 2018-19. These planned expenditures were moved to a fund balance account via a Budget Revision during Fiscal Year 2017-18.
- Other recommended changes that adjust General Fund and non-General Fund budgets.

Department Expansion Requests - Deferred to Hearings:

Departments are requesting to restore, and in some cases expand and enhance, service levels, with requested additional General Fund Contribution as a one-time or ongoing funding source. These requested adjustments are detailed in **Attachment A-3**, and total \$1.4 million in ongoing funding, \$17.2 million in one-time funding, and 14.1 FTE.

Board Adjustments (further restorations or expansions) – Attachment E:

At the hearings, the CEO will provide an update on any available unallocated funding and recommendations for use of that funding. During the course of the hearings, the Board may wish to allocate those funds. **Attachment E** provides a form that can be used for Board deliberation.

Ongoing Grants and Contracts:

The County has numerous ongoing grants and contracts that are renewed each year with the funding and expenditures approved by the Board during annual budget adoption. The execution then becomes ministerial and is delegated to the Chair of the Board, who signs the contracts on behalf of the County, thus reducing the number of administrative agenda items that come before the Board during the year.

The Board has customarily delegated this authority to include grants and contracts where amounts are within 10% of current agreement amounts.

This process is only for single-year contracts, not multi-year agreements. To qualify for this process:

1. Contract terms and conditions, including contract scope of work, must remain materially unchanged from the prior contract, and

2. The value of the contract cannot change by more than 10% from the prior year value.

Ongoing contracts or grants in amounts that exceed this 10% threshold must be individually presented to the Board for approval. If rates or units of service change, the contract may qualify for the ongoing contracts process if these changes are clearly disclosed on the ongoing contract list.

The recommended ongoing grants and contracts by department are included as attachments with a recommendation that the Board approve, as a group, their renewal for FY 2018-19. The grants to be included in this year's budget hearings are identified in **Attachment B**. The contracts to be included in this year's budget hearings are identified in **Attachment C**. The contract list may include partial-year contracts that equate to an appropriate pro rata share (taking into account the 10% threshold) had the request been to renew for a full year.

Budget Resolution:

The Resolution of the Board of Supervisors follows as **Attachment D**. The resolution allows the County Executive Officer, under limited circumstances, to approve changes to appropriations for previously approved equipment purchases.

Salary Resolution

In recent years, the Human Resources Department has brought a Salary Resolution to the Board for approval a few weeks after budget adoption. This year, we are returning to past practice and bringing the salary resolution in conjunction with the budget for Board consideration and adoption, which streamlines the process for departments to implement personnel changes at the beginning of the fiscal year. **Attachment F** lists all positions requested for authorization by the Board, including those already authorized as well as any changes included in the recommended budget. This update of the master classification and salary plan is required by Section 27-17 of the County Code. **Attachment G** details the position changes approved by the CEO during FY 2017-18 under the authority granted through Resolution 99-486. This resolution delegates authority to the CEO to administratively approve position changes throughout the year when the changes do not result in a change to a department's budget or a net change in a department's allocated positions. The total number of positions changed in this manner cannot exceed 10% of the total authorized positions within a department for a fiscal year. The resolution also requires that the Board annually review and approve such administrative changes.

County Budget Act:

Among its requirements, the County Budget Act (California Government Code § 29000 et seq.) specifies that the Board of Supervisors must adopt a balanced budget each year, with funding sources equal to financing uses. Additionally, each department has an opportunity to address the Board regarding their recommended budget.

Fiscal Impacts:

Approval of these recommendations adopts the Fiscal Year 2018-19 Recommended Budget with any modifications determined by the Board, and authorizes the County Executive Officer and/or the County Auditor-Controller to take any necessary related fiscal actions.

Attachments:

- A FY 2018-19 Recommended Budget
- A-1 CEO Recommended Restorations and Expansions
- A-2 Final Budget Adjustments
- A-3 Department Expansion Requests - Deferred to Hearings
- B Ongoing Grants
- C Ongoing Contracts
- D Budget Resolution of the Board of Supervisors
- E Board Approved Budget Adjustments (pending Board deliberation)
- F FY 2018-19 Salary Resolution
- G FY 2017-18 Position Changes under Resolution 99-486

Authored by:

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Cc:

Department Directors
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