

2016-2018

BUDGET WORKSHOP



Budget Workshop Summary
Challenges, Choices and Changes Ahead

April 15, 2016

Where We are Today



- Still in long shadow of Great Recession

But:

- Stable fiscal situation
- Growth continues at moderate rate
- Fully funded Strategic Reserve
- Major milestones and long-term initiatives being
- Challenges still ahead

County's Financial Health

- Fund Balances include Non spendable; Restricted; Committed
- General Fund , Fund Balance Projection (preliminary) as of June 30, 2016 = \$101.9 million
 - Non-spendable \$11.1 million
 - Restricted \$24.2 million
 - Committed and Residual \$66.6 Million
 - Includes Strategic Reserve
- County maintains AA+ bond rating
- For FY 16-17, unallocated funds of \$4.6 million after funding obligations and Board priorities

Challenges and Risks

- Reduced State funding for Roads
- Northern Branch Jail Construction & Op. Costs
- Mental Health Inpatient Costs
- Technology/software upgrades
- Maintenance and unfunded capital needs
- Workforce planning and retention
- Right-sizing given past staff reductions
- Salary and Benefit increases
- Lasting impact of drought
- Managing expectations

Budget Expansion Requests

- No layoffs proposed
- GF Expansion Requests
 - \$17.3 M ongoing
 - \$2.5 M PW for Roads funding backfill of State reduction
 - \$7.75 M PW for pavement maintenance
 - \$7.05 M (net of maintenance requests)
 - \$11.77 M one-time
 - \$0.675 Parks deferred maintenance
 - \$5.7 M for General Services deferred maintenance
 - \$5.4 M (net of maintenancerequests)

Key factors influencing budget issues

- Increase in violent crimes in City of Santa Maria
 - District Attorney; impact on Public Defender, Court Special Services, Sheriff
- Inadequate State funding
 - Roads (loss of State Gas tax); Child Support (flat funding for 16 years); DSS (increase in local match)
- High demand for inpatient and acute mental health services
- Greater demand by departments for support services
 - HR recruitment and other activities; County Counsel; General Services for building upgrades and maintenance; Auditor-Controller financial succession planning
- Need for greater revenue generation
 - Clerk-Recorder-Assessor backlog and need for positions; DIF study request
- New needs and restoration of service levels – many departments
- Continued maintenance issues
 - GS, PW, CSD

Guidance in budget development

1. Continue the Board's prior commitments
2. Budget within (moderate) revenue growth projections
3. Continue rebuilding the organization and finances after the recession
4. Create efficiencies in department operations through process improvements, technology, innovation
5. Minimize service reductions and impacts to the public
6. Create a thriving and engaged workforce
7. Strategically address new and emerging issues

Continue Board's Prior Commitments

- Fire Tax Shift
 - Additional \$6.5 million provided than would have occurred without the shift in FY 16-17
 - Operational and capital needs are being addressed
- Northern Branch Jail Operations fund
 - Additional \$7.6 funding provided in FY 16-17, per funding plan
 - Return in May for discussion with NBJ Construction Cost options
- Maintenance Needs
 - Base amount of \$2.8 million continuing to be provided
 - 18% policy generates additional \$2.5 million in FY 16-17
 - One-time funds to be allocated if available
 - *Proposal: consider half of year-end savings for maintenance or capital needs*

Budget within Moderate Revenue Growth Projections

- AV Growth - Projected 3.375% net of Fire Tax Shift (4.5% gross)
- State and federal revenue – stable but big reduction in State Highway Users Tax (gas tax); inadequate in other areas
- Unallocated, ongoing General Fund - \$4.6 M
- One-time – TBD
- Additional Property tax revenue
 - Uncertain until June; (\$675K for ½% increase)
- Manage Expectations
 - *Develop clear information on limited available revenues given commitments; total compensation paid by County; County contribution toward pensions, etc.*

Rebuild our reserves and incrementally address organizational needs

- Fully fund strategic reserve - Funded at \$30.9 M FY 16-17
- Ensure reserve for greater mental health costs occurring during year -Continue \$1 M on reserve
- Mitigate financial risks – *Evaluate reserve for expected employee-related costs (pensions for example), if funding available*
- Five year forecast – work with departments early on addressing potential future budget issues
- Incrementally address needs; evaluate expansions
 - New or existing mandates or regulatory requirements
 - Board established policy/priorities
 - Significant financial, legal, health and safety risk or liability
 - Documented need (study or data demonstrated)
 - Self-funded (revenue generated would cover costs)

Workforce Engagement and Strategic Planning for the Future

- Ensure retention, engagement, and succession planning – recruitment is top priority request of department directors; HR developing better tools and processes
- Strategically plan for the future – Five year forecast identifies potential issues and allows time to address; CEO internal strategic plan; department strategic planning

Minimize Service Reduction Impacts

- County Counsel reduction of Senior Deputy - **Early restoration to allow immediate hire**
- Child Support – reduction of positions through attrition due to inadequate State funding - **Evaluate ways to leverage state funds for limited time; (but not ongoing subsidy)**
- Behavioral Wellness – Reduction in beds - **Restore necessary beds (in concert with new safe and stable housing and crisis services)**
- Public Works – reduction in contracted maintenance due to reduced State Gas Tax - **Develop balanced approach to backfill some of the loss**
- Sheriff – closure or SM Branch Jail - **Evaluate options; potentially place funds in reserve, if available**

Budget Savings (Efficiencies)

- Probation – reduced need for word processing function - [Accept Probation's efficiency change](#)
- Probation – increased use of CBOs at ARRC - [Review recommended change \(ensure JJCC review/input\) and ensure plan in place for post-July programming.](#)
- Behavioral Wellness – reduced need of certain CBO services since implementation of ACA – [Accept BWD's efficiency change](#)

Other Board Direction

- Any specific direction on budget priorities, given the limited, available funds?

Next Steps

- Following Board direction at workshops, CEO will evaluate information and develop recommendations
- CEO & Auditor's Office complete Recommended Budget - released May 12, 2016
- Continue to monitor revenues; update Board with any expected changes
- Budget Hearings (adoption) - June 13, 15, 17

Recommended Actions

- a) Hold budget workshops to receive presentations
- b) Direct staff to proceed with budget development process
- c) Provide direction, if any, regarding items to be included in the CEO's Recommended Budget
- d) Regarding P&D's Proposed FY 16-17 Long Range Planning Annual Work Program
 - i. Receive and Review
 - ii. Provide direction to continue current projects and initiate recommended new projects
- e) Regarding other Special Issues, provide direction as appropriate
- f) Determine pursuant to CEQA Guidelines 15378(b)(4) that actions are not a project



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