Section B

Executive Summary

COUNTY OF SANTA BARBARA

CALIFORNIA

Executive Summary

Challenges, Changes, and Choices Ahead

Chair Adam and Board Members,

As we look to the upcoming 2016-17 Fiscal Year, the County's fiscal situation is projected to be positive, and continues to improve at a moderate pace. As federal, state and local revenues have strengthened, the past two budgets have allowed for our ability to restore some previous budget cuts and enabled the expansion of some services to address mandated or emerging needs. In this time period, the County fully funded its General Fund strategic reserve (or 30-day operating reserve) and developed plans to address long-term liabilities, such as paying down unfunded pension and retiree health liabilities over the next two decades, and annually increasing funding toward deferred maintenance needs.

All of this is good news, but caution is still required. In the past, the Board has made difficult choices and tradeoffs to ensure a balanced budget. After reducing 580 positions and cutting operations by approximately $60 million during the Great Recession, financial and operational challenges continue. Maintaining fiscal stability and ensuring a balanced budget in the coming years requires continued prudence, realistic expectations and restraint.

This year's budget theme, "Challenges, Choices and Changes Ahead," reflects the need to maintain existing levels of service amid growing demands and high expectations. Given limited available revenues and the need to address existing liabilities and prior funding commitments, we face continued challenges. These prior commitments, which obligate future ongoing revenue, reduce our capacity for significant expansions of programs and services, or other expenditure increases, in the near term. These challenges will require a continued commitment to responsible choices to deliver the level and quality of programs and services desired by the residents of Santa Barbara County. Next year also signifies important changes in the County, with newly elected and appointed leadership, in addition to expected employee retirements.

Yet even with these challenges, your County government continues to strive to provide high quality work, advancing major initiatives and fulfilling priorities to serve Santa Barbara County residents. Significant services are provided day in and day out by County departments, and all have made substantial progress to accomplish goals set by the Board to better serve our communities. These achievements are listed in their budget narratives.

General Priorities to guide the budget development process. Similar to last year, general priorities to guide the budget development process are as follows:

- Continue the Board's prior commitments
- Rebuild our financial reserves and incrementally address organizational needs, addressing the highest needs that meet mandates and core missions
- Create a thriving and engaged workforce
- Create efficiencies through technology and process improvements
- Strategically plan for the future
- Minimize service reductions and impacts to the public, to the extent possible
- Address new and emerging needs

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Key Issues in FY 2016-17 and Near Term. While this Recommended Operating Plan is largely a status quo budget, several key factors have influenced our operations next year.

- State funding to the County for roads continues to decline. As was the case last year, the State provided $2.7 million less to the County for roads. Funding shortfalls caused by reduction in State funding has put pressure on the General Fund to contribute towards maintaining our roads. If no relief is provided by the State, this is an unsustainable situation for local roads, faced by all local governments in California. In addition, State funding is flat (not growing) or has a cap (spending limit) for some programs, such as Child Support Services, and programs in Social Services. This means no additional funding is provided by the State to cover normal increases in labor costs or supplies and expenses.

- We continue to experience a higher demand for inpatient mental health services than in the recent past, although the addition of new services to assist those in crisis appear to be helping reduce this pressure.

- As County services have expanded in the last few years, largely due to state and federal programs such as the Affordable Care Act, there has been a greater demand on internal service departments.

- A recent increase in violent crime in North County has affected our public safety and justice departments. According to the District Attorney's office, the caseload for serious and violent crimes in North County (defined as murder, non-negligent manslaughter, rape, robbery, and aggravated assault) increased 42% between calendar years 2012 and 2015.

- We also continue to face increased employee-related costs, such as a higher health care and general liability costs. Pension costs have stabilized for now but could be increased in FY 17-18 pending the performance of the pension portfolio and decisions by the retirement board in the fall. Contracts for our largest labor groups terminate at the end of fiscal year 2016, and negotiations for these successor agreements begin this spring. This is a significant factor that is unknown at this time.

- Departments are experiencing retirements of experienced employees, necessitating the need for increased efforts in workforce (succession) planning, retention and recruitment.

- Recent events have also put a spotlight on employee security and safety; as a result, since January 2016, an interdepartmental work group has been meeting to develop short, medium and longer-term recommendations. Facility improvements in public areas have been requested and General Services has been coordinating those evaluations.

- During the Recession, few new capital projects funded by the General Fund were possible. Prior to the recession, the General Fund contributed $0.5 million annually for various capital projects, and several larger projects employed debt financing. The County stopped allocating funding for capital and shifted these funds for maintenance needs. With a growing list of capital needs, work has resumed to identify high priority needs and adequate funding to begin addressing them.

To address some of these issues, the CEO is recommending enhancing services in select areas using available, discretionary General Fund revenue. (See table – CEO Recommended Budget Expansions.). Departments are also reallocating resources within their operations to address these and other emerging needs. Unfortunately, the County's capacity for significant expansions of programs, services, staff or other increases is limited in the near term given our projected revenue growth and prior funding commitments.

Continued commitments to Board priorities. The FY2016-17 Recommended Budget continues prior funding commitments.

- The County has significant deferred maintenance needs. In recognition of our aging infrastructure and facilities, the Board approved a plan to allocate 18% of unallocated, discretionary General Fund revenue each year, allowing it to incrementally grow over time so that in ten years an estimated $100 million will have been accumulated. Maintenance funding will increase pursuant to the "18% funding policy" by $1.2 million (to $2.5 million). This is in addition to $2.8 million of discretionary General Fund revenue that is already allocated to maintenance, pursuant to another Board policy. The County's maintenance need for roads, buildings, and park structures continue to be a significant challenge, and staff continues to effectively prioritize the use of these funds.

- For several years, the County has proceeded in developing the Northern Branch Jail, a 376-bed new jail outside of Santa Maria. While the State is providing most of the construction funding, the operations are expected to cost $17 million annually beginning in FY 2018-19, funded by the General Fund. The County's funding plan guides setting aside increasing amounts of General Fund revenues each year to cover the operating costs. The Recommended Budget includes $7.6 million for the eventual operations, per the funding plan. In April 2016, construction bids for the project were received and exceeded staff's estimates. As of the release of this Recommended Budget, staff is continuing to work on options for the Board's review to address this issue.

- The Board had also committed an ongoing shift of property tax revenue to the Fire District to ensure adequate staffing, equipment and facilities for this service. One quarter percent 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). This shift continues, resulting in an additional $6.5 million in revenue to the Fire District in FY 16-17.

- Employee agreements are being satisfied. The Recommended Budget for FY 2016-17 includes increases for employee salary and benefits, pursuant to negotiated labor agreements approved to date and expected costs.

Financial stability and Planning for the Future. The Recommended FY 2016-17 Budget continues to place the County on the path of fiscal prudence and long-term financial sustainability.

- The Strategic Reserve in the General Fund is recommended to be fully funded ($31.0 million or 8% of operating revenues).

- Plans are in place to eliminate the unfunded pension and retiree health liabilities, assuming investment returns meet expectations. The Recommended Budget funds the required contributions per these plans.

- The County Executive Office began a countywide, internal-facing strategic planning initiative in FY2015-16 which will continue in FY 2016-17 to improve the efficiency and effectiveness of the County's operations. Several departments are also revising or initiating strategic planning for their departments.

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Budget Savings (Efficiencies) Departments continue to be efficient through process improvements, technology, and innovation to better serve the public. Departments also propose efficiencies, or budget reductions, that may reduce their resources but does not result in a reduction of service to the public or clients.

In FY 2016-17, the following efficiencies (budget reductions without service impacts) are proposed:

- Behavioral Wellness has a reduced need of certain Community Based Organization (CBO) services since implementation of the Affordable Care Act (ACA).

- Probation has a reduced need for the word processing function. In addition, at the Alternative Report and Resource Centers (ARRC), Probation will increase the level of staffing from Community Based Organizations (CBO's) to provide enhanced programming and treatment opportunities in a more cost efficient manner. Probation will have a plan in place for programming before the beginning of the new fiscal year

Service Level Reductions. Recommended Service Level Reductions necessary to balance select departments' budgets are proposed each year. (See table - Service Level Reduction Summary). As in the prior year, with an improving fiscal situation, there are fewer proposed budget reductions than in past years. No layoffs of staff are currently anticipated. Service Level Reductions are proposed in the budgets for Behavioral Wellness, Child Support, County Counsel, Public Works and Sheriff. **To minimize impacts to the public, however, the CEO's Recommended Expansions mitigate all of these service level reductions except for the loss of State gas tax in Public Works. The CEO is recommending offsetting some of the State revenue loss but not backfilling the entire loss.**

- Behavioral Wellness is proposing a $2.8 million reduction in current level of inpatient beds (existing funding is insufficient for current demand) but the department is only requesting $1.6 million to help restore (given that new crisis services and safe and stable housing beds will help abate the demand).

- Child Support is reducing their costs by $146 thousand (1.7 FTEs) through attrition as retirements occur to meet increased expenses but fixed State funding.

- County Counsel was proposing a $257 thousand (1 vacant FTE) reduction related to a vacant Senior Deputy County Counsel position. However, given discussion at the Budget Workshops and need for the immediate hire, the CEO directed the early restoration of the positon. Therefore, the positon is now included in the Recommended Budget as part of the department's baseline budget.

- Public Works is reducing their costs by $3.3 million (3 vacant FTEs) through a $2.5 million reduction in contracted road maintenance plan and $0.8 million reduction in staff, supplies, and equipment used for Road Operations (due to loss of gas tax funding).

- The Sherriff is proposing to a $1.0 million reduction (6 vacant FTEs) by closing the Santa Maria Branch Jail.

Figure 1: FY 2016-17 Service Level Reduction Summary

Service Level Reduction Summary			
Department	**Amount**	**FTE**	**Description**
Behavioral Wellness	$ 2,800,000	0.00	Reduction of contracted out of county services ($2,500,000): Short term acute bed usage from 11 beds/day to 3 beds/day and Reduction of contracted out of county services ($300,000): Long term IMD bed usage from 43 beds/day to 38.3 beds/day
Child Support Services	146,000	1.70	Case Management and Collections Program: Child support officers retirements
Public Works	2,500,000	0.00	Reductions in Road Maintenance Annual Plan of $3,000,000 resulting in the reduction of approximately 23 lane miles of pavement preservation that will be deferred
Public Works	800,000	3.00	Road Operations - Reduction of 3 vacant maintenance workers, reductions of Services & Supplies, and reductions in Capital Equipment
Sheriff	951,898	6.00	Close the Santa Maria Branch Jail for all Custodial and booking activities. All staff are shifted to the Main Jail and 6 Custody Deputy positions are zero-funded
Total	**$ 7,197,898**	**10.70**	

CEO Recommended Expansions. For FY 2016-17, departments requested a total of $17.3M ongoing and $11.8 one-time General Fund increases to their budgets. CEO Recommended Expansions for FY 2016-17 are shown in Figure 2. Expansion requests were evaluated and recommendations made based on the following: new or existing mandates or requirements; Board established priorities and policies; significant financial, legal, health or safety risk or liability; well documented need based on past studies or data; or self-funded or cost-covering initiatives. As stated earlier, to minimize impacts to the public, expansions are also recommended to mitigate service level reductions.

The FY 2016-17 and FY 2017-18 Operational Plan continues to represent financially prudent choices while addressing critical needs, mitigating risks, and delivering on the Board's highest priorities. The County is in a positive financial position but faces "Challenges, Choices and Changes Ahead." We are in better financial shape than in the most recent years and continue to face funding challenges and greater expectations, requiring diligence in managing expectation and prioritizing the most critical needs. As we look to FY 2016-17 and FY 2017-18, the County remains optimistic but realistic about what we can achieve and dedicated to providing high-quality services through an engaged and accountable workforce.

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The Plan was prepared in accordance with the Board's adopted Budget and General Fund Allocation Policies with consideration of the Board's six goals adopted on April 21, 1998, and revised on November 21, 2006. These adopted organizational goals help to unify, focus, and align the wide variety of services provided by the County of Santa Barbara and identifies how the organization should operate. The goals are:

- Goal 1: EFFICIENT AND RESPONSIVE GOVERNMENT: An efficient professionally managed government able to anticipate and to effectively respond to the needs of the community;
- Goal 2: HEALTH AND SAFETY: Safe and healthy communities in which to live, work, and visit;
- Goal 3: ECONOMIC VITALITY: A community that is economically vital & sustainable;
- Goal 4: QUALITY OF LIFE: A high quality of life for all residents;
- Goal 5: CITIZEN INVOLVEMENT: A County government that is accessible, open, and citizen-friendly; and
- Goal 6: FAMILIES AND CHILDREN: A community that fosters the safety and well-being of families and children.

Figure 2: CEO FY 2016-17 Recommended Expansions

Department	Description	FTE	GFC Ongoing	GFC One-time	Non-GFC
General Fund Expansions					
Auditor - Controller	**Accountant Auditor** - This adjustment funds one Accountant-Auditor for the New Auditor Training & Development program, which will maintain and enhance the Auditor's commitment to the development of strong fiscal staff throughout the County. It will be partially offset by payments through the cost allocation plan in the future.	1.00	$ 94,000		
Behavioral Wellness	***Inpatient beds** - This expansion will provide funding to cover anticipated demand for inpatient contracted acute and long term beds.			1,606,556	
CEO	**Development Impact Fee** - This adjustment would fund a Development Impact Fee (AB1600) study by outside consultants to ensure that County assessed fees are reflective of the current cost structure and that the County is achieving full cost recovery.			250,000	
	Everbridge- This adjustment would fund software licensing fees ($82,000 ongoing) for the continuation of the Everbridge mass notification system as the County's primary tool for emergency public information and warning; and fund a half time staff position ($45,000 onetime) for expanded Everbridge implementation.	0.50	82,000	45,000	
Child Support Services	***Child Support Officers** - This adjustment will enable the Department to hire (replace) two Child Support Officers for a two-year period by using a 2-1 match of Federal dollars. Total General Fund cost for ***each*** position is $25,000 per year, for a total of $100,000 over two years. Federal matching funds will be approximately $200,000 over the two-year period. The department will reduce staff or take other cost reduction measures after two years if more state funding is not provided.	2.00		100,000	
Clerk-Recorder-Assessor	**VoteCal System** - This expansion will allow the Elections Division of the Clerk-Recorder-Assessor's office to increase temporary staff costs needed to process voter registration under the new VoteCal rules, which now require continual processing of voter registration.		120,000		
	Appraiser - This adjustment provides on-going funding for 1 property appraiser position to assist with property appraisals and timely completion of the County's annual property tax roll.	1.00	88,900		
Community Services	**Libraries** - This adjustment adds an additional $33,135 to a total award of $3,414,578 to maintain the libraries per capital funding at $7.80, per the Board's previous direction last year to maintain this dollar level of per capita funding.		33,135		
	Cuyama Pool Operations - This adjustment will fund on-going operations for the Cuyama Pool, scheduled to re-open in FY16-17.		170,000		
	Goleta Beach - This adjustment will allow the department to fulfill it's 20 year conditional permit and obligation to the California Coastal Commission (CCC) for required monitoring, surveys, and maintenance (including cover of the revetment) of Goleta Beach Park's revetment.		130,000		
	Dead Tree Clearing - This adjustment will help address Parks' significant need for maintenance of dead and dying trees, which are a safety concern countywide. Parks plans on leveraging these funds by applying for a CAL FIRE grant in early 2017.			100,000	
	Homeless Count - This adjustment will fund the County's share of the bi-annual Point in Time Count for the Homeless Program required by HUD.			15,000	

*Service Level Reduction Restoration

Figure 2: CEO FY 2016-17 Recommended Expansions (Continued)

Department	Description	FTE	GFC Ongoing	GFC One-time	Non-GFC
General Fund Expansions					
Community Services	**Emergency Solutions Grant Administration -** This adjustment funds 0.50 FTE for part-time assistance administering the State's Emergency Solutions Grant program, offset by administration fee revenue of $8,000 annually, as directed by the Board on May 3, 2016.	0.50	46,000		
County Counsel	**Flexible Promotions -** This adjustment reflects positions within the salary model for FY 2016-17 which are eligible for flexible promotion.		28,000		
District Attorney	**North County Deputy DA -** This adjustment will add 1.0 Deputy District Attorney in the North County to assist with the increased workload and complexity associated with the 42% increase in violent crime cases over the past 4 years.	1.00	171,000		
	Translation & Transcription Costs - This adjustment will fund increasing costs for translations and transcription services. The department is experiencing an increase in costs primarily due to an increase in discoverable digital evidence used to prosecute criminal cases.			80,000	
General Services	**Security Enhancements -** This will provide funds for installation of security-related upgrades to front reception areas of high use or high profile across several departments countywide. No funding is shown here as it is anticipated to be funded by debt financing (see General County Programs).				
	Real Property Assistance - This adjustment will add 1.0 FTE in Real Property to assist in the day to day operation and management of the increasing workload (the division recently assumed responsibility for all Public Works real property work). The funding source is General Fund Contribution of $68,000 and revenue for services charged to County departments (mostly State and Federal sources) of $68,000. The request is for one-time funds until extra help can be reduced in FY 2017-18 to offset the General Fund Contribution.	1.00		68,000	
	Water Reduction Measures - This adjustment will provide water reduction measures which, due to the extended drought, will continue to be reviewed at all facilities to identify cost efficiencies. This investment is estimated to have a two-year payback, and would save 5 million gallons of water annually.			100,000	
	Facility Manager Assistance - This adjustment will add 0.5 FTE to assist the Facility Manager with contract administration, permits, annual reporting to regulatory agencies, and budget preparation. There has been an increase in workload associated with additional projects, including deferred maintenance.	0.50	47,000		
Human Resources	**HR Recruiter -** This adjustment adds funding for an additional recruiter position to address the increasing needs of Human Resources' customers and to upgrade HR's recruiting capacity to meet the significant increase in needed services and tightening labor market.	1.00	134,096		
	Labor Relations Manager - This adjustment adds funding for an additional Labor Relations Manager to handle increasing workload in labor relations and investigations. This adjustment will also allow HR to be more proactive and responsive in resolving Employee Relations issues.	1.00	155,369		

Figure 2: CEO FY 2016-17 Recommended Expansions (Continued)

Department	Description	FTE	GFC Ongoing	GFC One-time	Non-GFC
General Fund Expansions					
Probation	**Deputy Probation Officer -** This adjustment will add 1.0 Deputy Probation Officer to supervise caseloads. This will allow better alignment of caseloads to evidence-based standards.	1.00	131,666		
Public Defender	**Writs & Appeals -** This adjustment creates a Writs and Appeals attorney/training director position for the Office of the Public Defender. The position will serve as a resource for the trial attorneys in the Office. Additionally, this position will function as the attorney training director, ensuring that newly hired attorneys are quickly and appropriately trained, as well as providing on-going best practices training for all the attorneys.	1.00	158,700		
	Data Management - This adjustment funds extra help for implementation of a new case management system ($40,000) and increased contract costs related to electronic discoverable digital data management ($40,000).			80,000	
Public Health	**Animal Control Officer -** This adjustment will add 1.0 FTE Animal Control Officer position to act as the Dispatcher for officer field services. This position will assign field service calls and monitor officers in the field for efficiency and safety purposes and was identified as a key finding in the AHA assessment.	1.00	92,119		
	Animal Services Extra Help Conversion - This adjustment is requesting general fund contribution to convert 1.0 FTE extra help Animal Services Attendant to a regular position. This position was identified by the Animal Services Oversight Committee as a necessary addition.		31,386		
Public Works - Roads	***Maintenance for Roads** - This adjustment would provide $1.25M to the Road Maintenance Annual Plan for pavement preservation program deferred maintenance work; reductions resulted from State Board of Equalization approval of gas tax rate reductions (new HUTA). This will bring the total General Fund for Roads to $3M (an increase of $500,000 over last year).			1,250,000	
Sheriff	***Santa Maria Branch Jail -** This budget expansion restores, on a one-time basis for FY 2016-17, the Service Level Reduction (SLR) included in the Sheriff's Recommended Budget that would otherwise close the Santa Maria Branch Jail.	6.00		951,898	
General County Programs	**Employee/Pension Costs Reserve -** This adjustment will set aside funds to be used in the event of unexpected increases to employee costs, or changes to pension contributions.		1,250,000		
	Debt Service - This adjustment will set aside funds necessary for annual debt service of approximately $20 million in proceeds to be used for needed capital improvements. This amount may be paired with non-General Fund capital needs for a larger debt issuance.		1,400,000		
General Fund Subtotals		**18.50**	**$ 4,363,371**	**$ 4,646,454**	**$ -**

*Service Level Reduction Restoration

Figure 2: CEO FY 2016-17 Recommended Expansions (Continued)

Department	Description	FTE	GFC Ongoing	GFC One-time	Non-GFC
Non-General Fund Expansions					
Fire	**Helicopter Fire Captain -** This adjustment adds a staff Fire Captain to the Helicopter program and is necessary to ensure continuity of effective daily operations plus after hours response capabilities 7 days per week.	1.00			204,969
Fire	**Inspection Services -** This adjustment adds 2 civilian inspectors to the Inspection Services/Investigations section and is necessary to ensure that critical fire code inspections are completed within established timelines, leading to improved safety of lives and property.	2.00			291,658
Fire	**Inspection Services AOP -** This adjustment adds an Administrative Office Professional to the Inspections Services/Investigations section. This position provides critical administrative support, ensuring data is recorded, compiled and reported accurately, and inspections are scheduled appropriately.	1.00			78,514
Human Resources	**Benefits Division -** This adjustment increases a 0.5 FTE position in the Employee Benefits Division to 0.75 FTE to accommodate increased workload due to monitoring 400+ Extra Help employees to determine eligibility under the Affordable Care Act and managing their enrollment. Commissions received from the discount prescription drug card program will be utilized to cover the cost of this addition.	0.25			29,045
Public Health	**Health Education Associate -** This adjustment will add 1.0 FTE Health Education Associate, offset by a reduction in extra help, to replace the current use of contracted services and will provide surveillance activities and linkages to care to clients at risk of or newly diagnosed with HIV/AIDS through our Surveillance and Prevention HIV Disease Programs. There will be no additional costs. (Funded through State and Federal grants)	1.00			-
Public Health	**Health Educator -** This adjustment will add 1.0 FTE Health Educator position, offset by a reduction in extra help, and will provide core public health promotion activities and assist with chronic disease prevention and awareness of emerging issues. (Funded with Tobacco Settlement Funds)	1.00			-
Public Health	**Health Care Practitioner** - This adjustment will add 0.50 Health Care Practitioner (HCP) to the OB/GYN practice at the Santa Maria Health Care Center. The current 0.50 FTE HCP will be retiring and the patient volume will support the additional 0.50 FTE. (Primarily funded through Medi-Cal/Medicare)	0.50			41,415
Public Health	**Lompoc Medical Assistant and AOP -** This adjustment will add 1.0 FTE Medical Assistant and 1.0 AOP in the Lompoc Health Care Center. Grant enhancements have allowed for the hiring of additional provider staff that will require these additional support staff. (Primarily funded through Medi-Cal/Medicare)	2.00			46,446

Figure 2: CEO FY 2016-17 Recommended Expansions (Continued)

Department	Description	FTE	GFC Ongoing	GFC One-time	Non-GFC
Non-General Fund Expansions					
Public Health	**Santa Barbara Staff Nurse** - This adjustment will add 1.0 FTE Staff Nurse to the Santa Barbara Health Care Center to cover expanded specialty care, such as OBGYN and other services. (Primarily funded through Medi-Cal/Medicare)	1.00			51,022
	Franklin Center AOP - This adjustment will add a 1.0 FTE Administrative Office Professional (AOP) to the Franklin Health Care Center for patient registration at the Care Center and the two South County Homeless Shelter clinics. The addition of this AOP will free up provider staff to see more patients. (Primarily funded through Medi-Cal/Medicare)	1.00			24,196
	Family Health Admin AOP - This adjustment will add 1.0 FTE Administrative Office Professional, offset by a reduction in extra help, for Primary Care and Family Health Administration for the support, maintenance, and implementation of the i2i Tracks software system necessary for quality, utilization, and other reporting. (Funded through CenCal ACE Program)	1.00			-
	Santa Maria Center Clinical Social Worker - This adjustment will add a 1.0 FTE Licensed Clinical Social Worker (LCSW) Behavioral Health Specialist at the Santa Maria Health Care Center to provide behavioral health services for integrated care for PHD patients. (Primarily funded through Medi-Cal/Medicare)	1.00			48,340
	Team Project Leader - This adjustment will add a Team Project Leader as part of a restructuring of the PHD Fiscal programs due to increased workload, increased federal and other regulatory requirements, and increased audit/other risk from grant and healthcare programs. (Primarily funded through Medi-Cal/Medicare)	1.00			157,631
	Department Business Specialist - This adjustment will add a 1.0 Department Business Specialist (DBS) to the Public Health Administration Division to provide support for new initiatives, capital and maintenance projects, and to monitor and maintain systems around new federal requirements. (Primarily funded through Medi-Cal/Medicare)	1.00			99,374
	Environmental Health Interns - This adjustment will add 2 - 0.50 positions to hire paid interns in the Environmental Health Services programs for a one-time six month project to digitize plan checks and records for storage purposes. (Funded with Fund Balance)	1.00			25,000
Non-General Fund Subtotals		**15.75**	**$ -**	**$ -**	**$ 1,097,610**
Total		**34.25**	**$4,363,371**	**$4,646,454**	**$1,097,610**

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Fiscal Year 2016-17 At-A-Glance

The CEO Recommended Operational Plan for Fiscal Years 2016-17 and 2017-18 presents a balanced budget, with FY 2016-17 Operating Revenues of $1,018.5 million and Operating Expenditures of $1,008.1 million resulting in an operating surplus of $10.4 million. Improving revenues, up $46.9 million (4.8%), and measured expenditure growth, $28.9 million (3.0%), have helped to develop a balanced Recommended Budget.

In FY 2017-18, Operating Revenues are projected to grow by $30.7 million (3.0%) to $1,049.3 million and Operating Expenditures are project to increase by $27.1 million (2.7%) to $1,035.2 million, resulting an operating surplus of $14.1 million in the FY 2017-18 Proposed Budget .

The FY 2016-17 Recommended Staffing levels will modestly increase by 9.1 Full Time Equivalents (FTEs) from 4,340.9 in the FY 2015-16 Adopted Budget, to 4,350.0 FTEs in the FY 2016-17 Recommended Plan. A 10 year history of Countywide FTE's can be found in Section C.

Figure 3: FY 2016-18 Recommended and Proposed Budgets at a Glance
($'s in millions)

	FY 2014-15 Actual	FY 2015-16 Adopted	FY 2016-17 Recommended	FY 2017-18 Proposed
Total Operating Revenues	924.9	971.6	1,018.5	1,049.3
Total Operating Expenditures	882.9	979.2	$ 1,008.1	1,035.2
Net Operating Impact*	$ 42.0	$ (7.6)	$ 10.4	$ 14.1
Staffing FTE's	4,141.4	4,340.9	**4,350.0**	4,348.0

*Net Operating Impact is funded by Other Financing Sources or use of Fund Balances

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Fiscal Year 2016-17 Recommended Budget

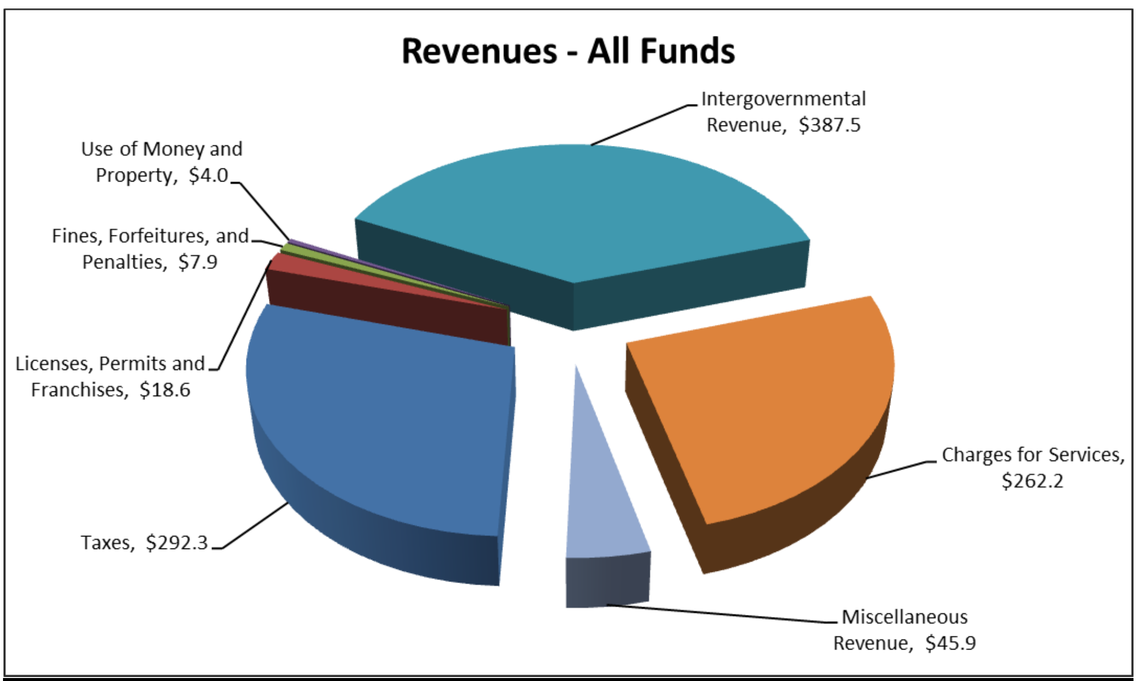
Operating Revenues: All Funds

Figure 4: All Funds – Revenue by Category

Budget By Categories of Revenues	Actual FY 14-15	Adopted FY 15-16	Change from FY15-16 Ado to FY16-17 Rec	Recommended FY 16-17	Proposed FY 17-18
Taxes	$ 269,399,429	$ 279,148,006	$ 13,174,102	$ 292,322,108	$ 305,423,531
Licenses, Permits and Franchises	16,891,218	18,053,768	587,647	18,641,415	19,106,194
Fines, Forfeitures, and Penalties	9,579,252	7,960,844	(30,027)	7,930,817	7,817,160
Use of Money and Property	5,892,070	4,015,819	17,504	4,033,323	4,125,908
Intergovernmental Revenue	344,784,302	373,026,761	14,425,906	387,452,667	397,502,261
Charges for Services	229,964,379	245,604,661	16,629,932	262,234,593	267,016,673
Miscellaneous Revenue	48,364,904	43,785,647	2,134,069	45,919,716	48,282,137
Total Operating Revenues	**924,875,555**	**971,595,506**	**46,939,133**	**1,018,534,639**	**1,049,273,864**

The Operating Revenues for all funds is $1,018.5 million, reflecting an increase of $46.9 million or 4.8% from the FY 2015-16 Adopted Budget. The graph below identifies the major categories of County revenues.

Figure 5: Operating Revenue - All Funds $1,018.5 million
(Dollars in millions)



Revenues by Category - Significant Areas of Revenue Change

Revenues from all taxes are projected to increase by $13.2 million or 4.7% from the FY 2015-16 Adopted Budget for total Recommended Tax revenue of $292.3 million; and as a percent of operating revenues is 28.7%. The primary drivers of the increase are Property Taxes from Secured, In-Lieu of Vehicle License Fee (VLF), and Local Sales Taxes. Secured Property Taxes are projected to increase by $9.0 million or 5.1% and is the largest source of the tax category. The growth reflects continued increases in the assessed value of local real estate that has been occurring for the last few years. Property Taxes In-Lieu of VLF are projected to increase by 4.8% or $2.4 million and Local Sales Tax is expected to increase by $1.4 million or 15.6% from the FY 2015-16 Adopted Budget.

Intergovernmental revenues are comprised of State, Federal and other governmental sources and are projected to increase by $14.4 million or 3.9% to $387.5 million. The increase reflects anticipated State Revenue from the Board of State and Community Corrections (BSCC) Conditional Award for the construction of a Northern Branch Jail. The project's one-time funding is anticipated to be $30.0 million in FY 2016-17, see discussion on the Jail later in this Executive Summary.

Charges for Services are expected to grow $16.6 million or 6.8% over FY 2015-16 Adopted Budget figures. The growth is spread across many different sources. Charges for Services include revenue such as, but not limited to, Medi-Cal and Medicare services performed, allocated costs for administrative and other services, State Federally Qualified Health Centers (FGHC), and Development Fees.

Fines, Forfeitures, and Penalties are projected to remain relatively flat, with a decrease of $30.0 thousand or -0.4% from the FY 2015-16 Adopted Budget. The main reason for the decrease is a reduction in Penalties related to Property Taxes. This trend is usual when the real estate market improves and property values increase.

Miscellaneous Revenue is comprised of numerous sources that do not fall into a specific category. It is estimated that Miscellaneous Revenues will increase by $2.1 million or 4.9% in FY 2016-17. The main drivers are increased insurance premium contributions.

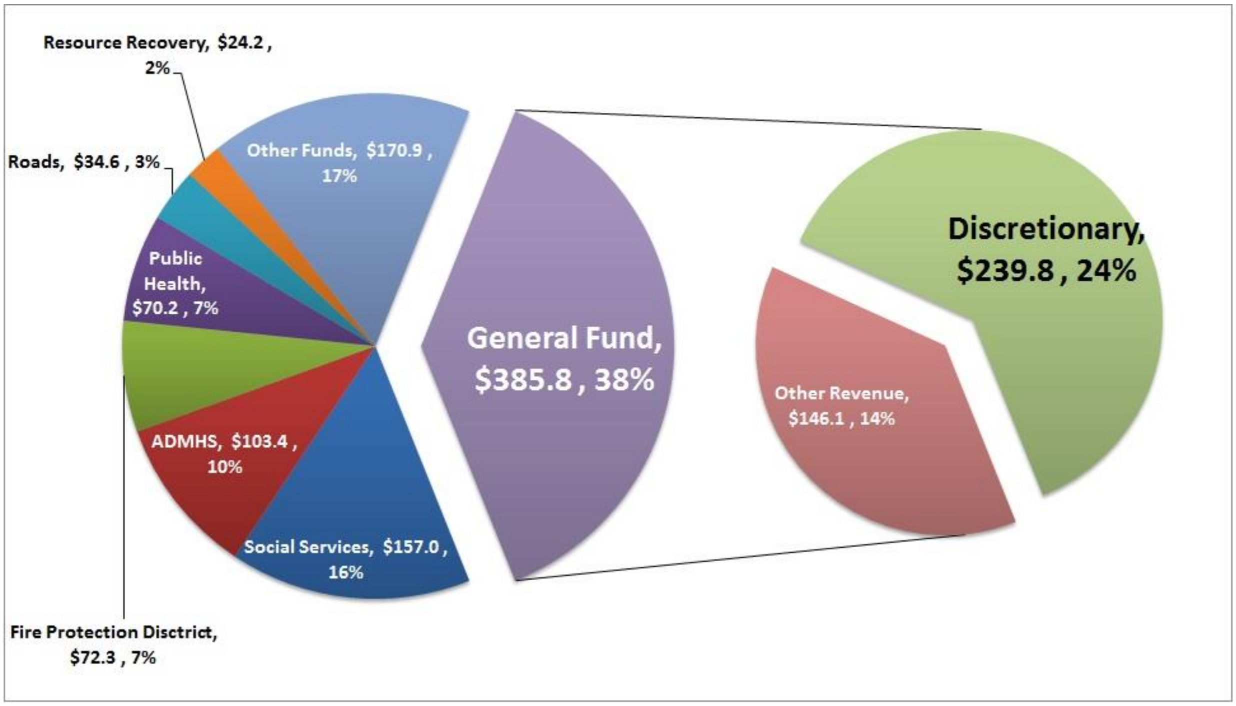
Revenues by Fund

Countywide revenues can also be viewed by fund. The majority of revenues are derived in the General Fund and Special Revenue Funds. The General Fund is the chief operating fund of the County and Special Revenue Funds are typically used when revenues are provided for a specific purpose, such as gasoline tax for road maintenance or specific funding for food stamp programs. A description of Government Funds can be found in Section F, Annual Budgetary Processes, Policies and Fund Structure.

The table below displays the Recommended Revenues for FY 2016-17 by major funds, the largest of which is the General Fund representing 38% of countywide revenues. The General Fund can be further broken down into Discretionary General Revenues and Other Revenues.

Executive Summary

Figure 6: Operating Revenues by Fund, $1,085.5 million
(In millions)



Local Discretionary Revenues

The Fiscal Year 2016-17 Recommended All Funds Operating Revenues are $1,018.5 million. Of these total revenues, the locally elected Board of Supervisors has some discretion over the allocation of about 23.5% or $239.8 million. This latter revenue figure, predominately from local taxes, is called local discretionary revenue.

The table below summarizes the General Fund discretionary revenues available in FY 2016-17 and compares them with prior fiscal periods. Property taxes, sales taxes, and Transient Occupancy Taxes (TOT) are the three major local sources of revenue generated from the performance of the local economy. Significant property taxes (including secured, unsecured, In-Lieu of Vehicle License Fees, and property transfer taxes) make up 82.6% of total discretionary revenues and 85.0% if RDA proceeds are included.

In the Recommended Fiscal Year 2016-17 budget, local discretionary revenues increased $9.3 million from the Fiscal Year 2015-16 adopted revenues, for a total of $239.8 million. This increase is most notably from property taxes, sales tax, and Transient Occupancy Tax (TOT). Cost Allocation Services reflect charges for support services provided by General Fund departments and are projected to decrease $0.7 million in FY 2016-17 to $11.2 million.

Figure 7: FY 2014-15 through FY 2017-18 Discretionary Revenue
(in millions)

Source (Dollars in Millions)	FY 2014-15 Actual	Adopted FY 2015-16	FY 2016-17 Recommend	FY 2017-18 Proposed
Significant Property Taxes	$ 185.3	$ 188.1	$ 198.1	$ 205.7
RDA Dissolution Proceeds - One time	-	-	-	-
RDA Prop. Tax - Ongoing	5.2	5.4	5.7	5.9
Subtotal Property Taxes	**$ 190.5**	**$ 193.5**	**$ 203.8**	**$ 211.6**
Cost Allocation Services	9.3	11.9	11.2	11.3
Local Sales Tax	7.8	8.8	10.2	10.5
Transient Occupancy Tax	8.6	8.0	9.4	9.8
Payments in Lieu of Tax	1.7	-	-	-
All Other (Franchise, interest, misc State)	14.0	8.3	5.2	5.3
Total Discretionary Revenues	**$ 231.8**	**$ 230.5**	**$ 239.8**	**$ 248.5**
Growth Year over Year			**$ 9.3**	**$ 8.7**
Rate of Growth			**4.0%**	**3.6%**

The main drivers of the revenue changes depicted above are as follows:

Property Tax Growth

Property values are a key component of the local economy, and modest growth is expected to continue, thereby providing increased property tax revenue. Property taxes are the largest source of funds for the County's budget. The FY 2016-17 Recommended Budget of $203.8 million projects that there will be 5.3% growth ($10.3 million) over FY 2015-16 Adopted amount of $193.5 million. The FY 2017-18 Proposed Budget is expected to have a 3.8% growth ($7.8 million) over the FY 2016-17 Recommended Budget.

Dissolved Redevelopment Agencies (RDA)

The County General Fund will receive $5.7 million in FY 2016-17 and $5.9 million in FY 2017-18 from ongoing Redevelopment Property Tax Trust Funds that distribute RDA dissolution proceeds from the seven dissolved redevelopment agencies in the County. These ongoing revenues are ultimately expected to grow to approximately $9.0 million dollars in annual taxes for the County's General Fund, once all outstanding RDA debt obligations of the dissolved agencies are paid.

Local Sales Tax

Local retail sales tax represents the local portion of the retail sales tax collected by the State from sales generated within the unincorporated areas of the County. Retail sales tax is an economically sensitive revenue source that is used to support the general operations of the County.

Sales taxes are expected to have significant growth in FY 2016-17, up $1.4 million (15.9%) for the Recommended Budget. Included in the growth in Sales Tax for FY 2016-17 is the mid-year restoration of the sales taxes rate from 0.75% to 1.00% as the Triple Flip program comes to an end. The Triple Flip was a complex series of revenue exchanges to repay $15 billion in state deficit financing bonds or economic recovery bonds (ERBs) from the 2004 Proposition 57. This method reimbursed cities and counties with property tax proceeds "In-Lieu of Local

Sales Tax" to compensate for the sales tax revenue being redirected to the State to pay off the ERBs. This increase will be offset in FY 2016-17 by a reduction of In-Lieu of Local Sales Tax revenue as this is where the proceeds of the Triple Flip were recorded. Sales tax growth is expected to return to a more normal growth rate of 2.9% ($0.3 million) in the FY 2017-18 Proposed Budget.

Transient Occupancy Tax (TOT)

This source of revenue is highly dependent on tourism and the quantity of lodging in the unincorporated County. TOT is taxed at a 10% rate in the unincorporated areas and is related to consumer spending and tourism that should continue to increase if the economy continues to grow and remains stable. Thus, TOT is estimated to increase by $1.4 million (17.5%) in FY 2016-17 over FY 2015-16, and another 4.3% or $400 thousand in FY 2017-18. The County is placing a ballot measure before the voters on the November 8, 2016 ballot to increase the TOT from 10% to 12% to more closely align with rates of most cities within the county.

Payments In-Lieu of Tax (PILT)

PILT are Federal payments to local governments that help offset losses in property taxes due to non-taxable Federal lands within their boundaries. The Federal Budget during FY 2015-16 did not originally have any PILT funding and was not included in the County's Adopted Budget. Funding has now been appropriated and thus included in the FY 2015-16 projected year end results; however, due to the uncertainty of PILT funding, it is again not included as ongoing revenue in the FY 2016-17 Recommended or the FY 2017-18 Proposed budgets but it is included in our FY 2015-16 projections. Nevertheless, the County is advocating for full PILT funding through its Legislative Advocates.

All Other Revenues

This category is made up of Franchise Fees, Interest Income, State, and Federal Payments. These revenues will decrease in FY 2016-17 Recommended, but will stay relatively flat in the Proposed Budget year. In-Lieu of Local Sales Tax is expected to decrease by $2.5 million in FY 2016-17 with an offsetting increase in Local Sales Tax; In-Lieu of Local Sales Tax represents the Property Taxes given to the County in-lieu of the 0.25% Sales Tax that was given up as part of the "Triple Flip" as discussed above. The decrease is the result of the ending of the program and the restoration of 1.00% County Sales Tax rate.

Significant Property Taxes depicted in Figure 7 above include but are not limited to secured and unsecured property taxes, property taxes in-lieu of vehicle license fees, and fines and penalties.

Executive Summary

Operating Expenditures: All Funds

Significant Changes from FY 2015-16 Adopted Budget

The County's Recommended FY 2016-17 operating expenditures are $1,008.1 million, a $28.9 million (3.0%) increase over the FY 2015-16 Adopted Budget of $979.2 million. The rate of expenditure increase is down from the 4.8% that occurred in FY 2015-16, with the majority of the projected increase ($15.8 million) in Salaries and Benefits. While Contractual Services, in FY 2016-17, are stable, there was a large increase in this object level in FY 2015-16; of the $39.5 million increase in Contractual and Special Services, in FY 2015-16, $18.8 million is due to budgeted capital expenditures for the North County Jail and $13.5 million is due to various Public Works projects. The table below identifies significant categories of these expenditures.

Figure 8: Significant Changes from FY 2015-16 Adopted Budget:

(Dollars in millions)	FY 2014-15 Actual	FY 2015-16 Adopted	Change from FY 2015-16 to FY 2016-17	FY 2016-17 Recommend	FY 2017-18 Proposed
Salaries and Employee Benefits					
Regular Salaries	$ 293.8	$ 332.2	$ 15.1	$ 347.3	$ 359.5
Budgeted Salary Savings	0.0	(14.8)	$ (4.1)	(18.9)	(20.2)
Retirement Contribution	113.0	122.2	0.8	123.0	127.0
Retiree Medical OPEB	9.1	12.7	1.3	14.0	15.4
Health Insurance Contrib	27.7	36.0	4.1	40.1	44.4
Workers Compensation	14.8	16.5	0.9	17.4	19.2
Other Salaries & Benefits	53.5	52.5	(2.3)	50.2	50.9
Total Salaries and Benefits	$ 511.9	$ 557.3	$ 15.8	$ 573.1	$ 596.2
% Change			2.8%		
Services and Supplies					
Contractual & Special Services	83.5	123.0	1.7	124.7	127.6
All Other Services & Supplies	157.1	176.8	7.4	184.2	178.6
Total Services and Supplies	$ 240.6	$ 299.8	$ 9.1	$ 308.9	$ 306.2
% Change			3.0%		
Other Charges					
Cash Assistance Payments	48.3	49.7	1.7	51.4	52.2
All Other Charges	82.0	72.4	2.3	74.7	80.6
Total Other Charges	$ 130.3	$ 122.1	$ 4.0	$ 126.1	$ 132.8
% Change			3.3%		
Total Operating Expenditures	**$ 882.8**	**$ 979.2**	**$ 28.9**	**$ 1,008.1**	**$ 1,035.2**
% Change			**3.0%**		

Salary Costs in line with Growth in Employees:

Recommended salaries of $573.1 million represent a 2.8% increase over FY 2015-16, mostly comprised of a projected increase in the cost per employee of 2.5% and the impact of adding 9 new employees (0.2% increase) which will be added throughout FY 2016-17. The blended impact of these factors results in the majority of the 2.5% increase.

Figure 9A illustrates the trend in County staff and historic salary costs. Note that salaries were relatively flat from FY 2008-09 ($279.9 million) to FY 2013-14 ($284.2 million) and that the 4,341 employees as of 2015-16 is effectively the same number as in 2007-08.

Figure 9A: Change in FTE (All Funds) FY 2007-08 to 2016-17

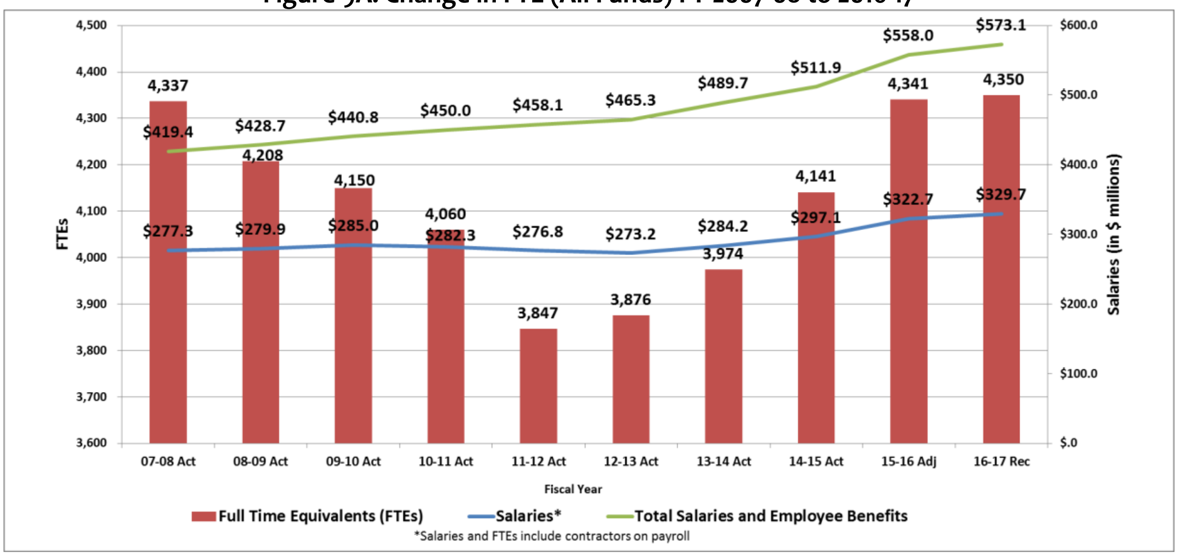
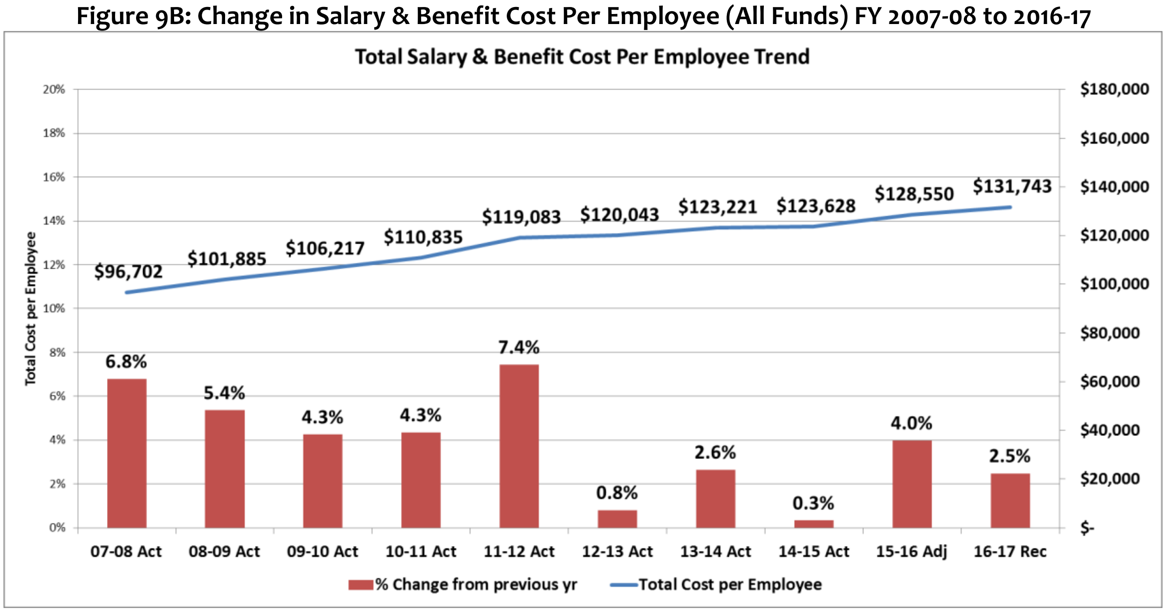


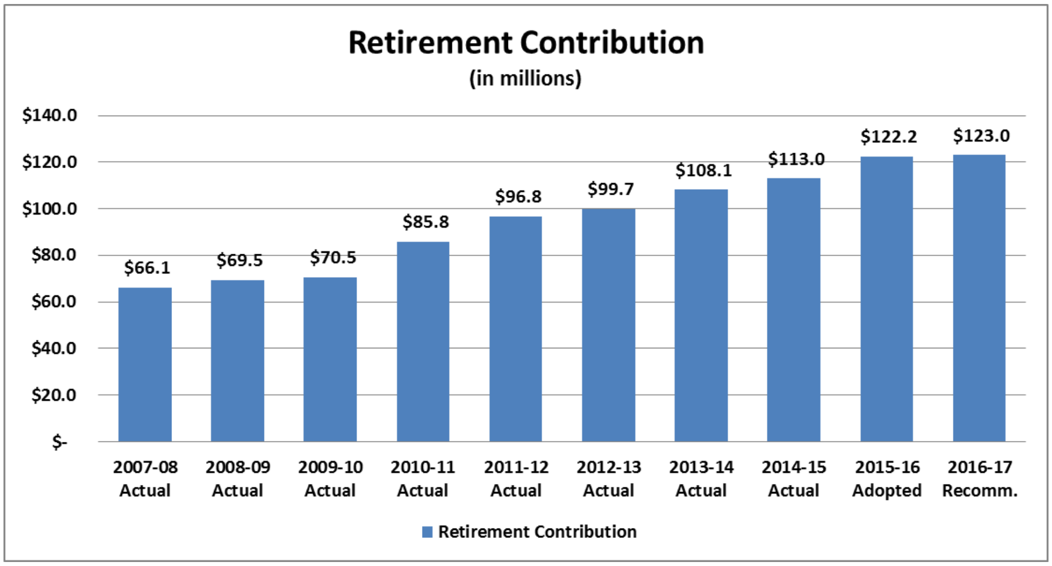
Figure 9B: Change in Salary & Benefit Cost Per Employee (All Funds) FY 2007-08 to 2016-17



Retirement - Pension Costs Stabilizing

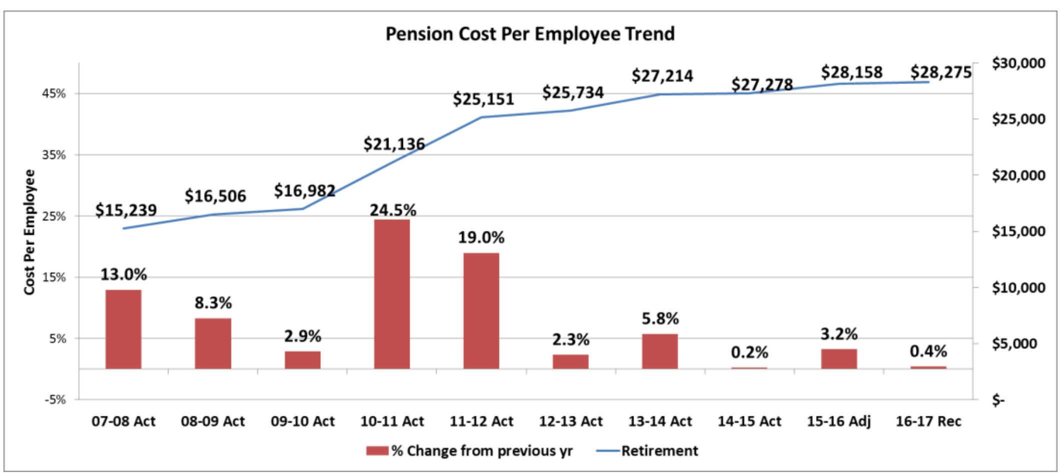
The annual County pension contribution is budgeted to remain relatively flat, with an increase of $800 thousand (0.65%) to $123.0 million in the FY 2016-17 Recommended Budget. Like most other public entities, pension costs have been one of the fastest growing cost elements in recent years but have stabilized in recent years.

Figure 10: FY 2007-08 to FY 2016-17; Countywide Retirement Contribution



The total pension costs as shown above may increase or decreasing based on the change in the number of employees. To normalize the data, it can be helpful to view these costs as pension cost per employee. As can be seen in the graph below, the pension cost per employee increased significantly between 2010-11 through FY 2013-14, but has been relatively stable since then.

Figure 11: FY 2007-08 to FY 2016-17; Countywide Pension Cost per Employee



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Employer contribution rates are set by the independent Santa Barbara County Employee's Retirement System (SBCERS) Board and paid by the County and shown in the graph below. The rate of growth in pension contributions accelerated between FY 2009-10 and FY 2013-14 due to investment losses that needed to be absorbed into the ongoing rates. Smoothing formulas have enabled the rates to increase incrementally during these periods. At the same time, the projected rate of return included in the actuarial assumptions was reduced from 8.16% to 7.75% for FY 2011-12 and from 7.75% to 7.50% for FY 2014-15. Additionally, the unfunded liability as of 6/30/2013 was fixed and is being amortized over 15 years starting with the pension rates for FY 2014-15 and will be fully amortized by 2030, at which time the employer rate will significantly decrease (if other assumptions are met). Future gains and losses will be amortized over a 19 year period. As of June 30, 2015, the pension fund had a funded ratio of 78.4%.

Figure 12: FY 2014-34 Actuary's Projected Countywide Retirement Contribution Rate

Finally, should the pension board change its assumed rate of return (currently at 7.5%), this would require more funding from the County. The pension board will make its decision this coming fall, after it conducts its three-year experience study. These changes could potentially result in a 1% to 2% increase in FY2017-18, equating to $3.3 million to $6.6 million in additional County costs ($1 million to $2 million in Discretionary General Revenues).

Other Post-Employment Benefits (Retiree Health Care Costs)

The Santa Barbara County Employees' Retirement System (SBCERS) administers a cost sharing multiple-employer defined benefit post-employment healthcare plan, which the County participates in. This Other Post-Employment Benefit (OPEB) Plan provides medical benefits to eligible retired County employees and their eligible dependents. In recent years, the Board approved a budget policy to address current requirements and the unfunded liability. This year, the Board formalized that policy and approved a plan to pay down the unfunded liability by contributing 4% of payroll annually. This plan would eliminate the unfunded OPEB liability by 2034, if all investment return assumptions are met. In next year's budget, the 4% funding is included to reflect this policy.

Employee Healthcare Costs - Fastest Growing Cost in Salaries & Benefits Category:

The County's Health insurance costs are budgeted to increase by $4.1 million to $40.1 million (11.4%) in the Recommended Budget for Fiscal Year 2016-17, with continued increases projected for the FY 2017-18 period. This represents the largest percentage increase in the Salaries and Benefits category of expenditures.

All Funds Operating Expenditures by Functional Area

The County's Recommended FY 2016-17 expenditures can also be viewed by Functional area. The increases were primarily in the functions of Public Safety, Health & Human Services, and General Government & Support Services. General Government & Support Services illustrates a large increase due to the anticipated first year of construction of the North County Jail. The main drivers of the increase in these functions are summarized below by department. Significant changes are explained more fully in Section D of this book.

Figure 13: Total Operating Expenditures by Functional Group/by Department

	Actual FY 14-15	Adopted FY 15-16	Change from FY15-16 Ado to FY16-17 Rec	Recommended FY 16-17	Proposed FY 17-18
Policy & Executive					
Board of Supervisors	$ 2,705,673	$ 2,953,300	$ 85,000	$ 3,038,300	$ 3,155,864
County Executive Office	28,553,772	34,990,536	2,585,381	37,575,917	39,084,755
County Counsel	7,033,154	7,438,480	367,216	7,805,696	8,219,968
Sub-Total	**38,292,598**	**45,382,316**	**3,037,597**	**48,419,913**	**50,460,587**
Public Safety					
Court Special Services	15,315,695	15,378,930	(130,030)	15,248,900	15,360,636
District Attorney	21,251,342	22,202,535	1,128,583	23,331,118	24,383,798
Fire	56,728,327	62,321,675	4,071,773	66,393,448	68,864,971
Probation	49,558,503	51,892,606	1,776,076	53,668,682	55,558,728
Public Defender	10,522,775	11,044,299	307,495	11,351,794	11,885,638
Sheriff	124,832,897	124,657,785	2,856,986	127,514,771	131,314,214
Sub-Total	**278,209,538**	**287,497,830**	**10,010,883**	**297,508,713**	**307,367,985**
Health & Human Services					
Behavioral Wellness	101,949,720	104,881,405	4,159,357	109,040,762	114,327,443
Child Support Services	9,432,468	9,436,946	(199)	9,436,747	9,769,962
First 5, Children & Families	4,991,550	4,657,421	(707,331)	3,950,090	3,522,380
Public Health	77,430,371	82,383,565	7,038,811	89,422,376	91,104,781
Social Services	159,241,201	172,878,314	1,332,884	174,211,198	179,152,585
Sub-Total	**353,045,311**	**374,237,651**	**11,823,522**	**386,061,173**	**397,877,151**
Community Resources & Public Facilities					
Agricultural Commissioner/W&M	4,507,324	5,049,098	96,673	5,145,771	5,423,705
Community Services	21,748,486	24,848,580	440,462	25,289,042	23,632,256
Planning & Development	14,728,660	19,240,543	(112,304)	19,128,239	19,204,581
Public Works	87,849,086	108,310,722	(6,493,309)	101,817,413	97,596,027
Sub-Total	**128,833,557**	**157,448,943**	**(6,068,478)**	**151,380,465**	**145,856,569**
General Government & Support Services					
Auditor-Controller	7,875,469	8,626,702	280,298	8,907,000	9,249,000
Clerk-Recorder-Assessor	14,118,053	16,542,401	278,894	16,821,295	17,165,321
Debt Service	2,606,053	2,128,362	(112,732)	2,015,630	1,902,641
General Services	38,607,847	44,433,291	2,208,802	46,642,093	46,440,080
Human Resources	8,820,363	8,471,046	(317,121)	8,153,925	8,171,945
North County Jail	2,516,095	24,071,489	8,317,713	32,389,202	41,497,323
Treasurer-Tax Collector-Public	6,696,519	7,296,789	151,212	7,448,001	7,767,820
Sub-Total	**81,240,399**	**111,570,080**	**10,807,066**	**122,377,146**	**132,194,130**
General County Programs					
General County Programs	3,234,985	3,019,048	(702,606)	2,316,442	1,444,251
Sub-Total	**3,234,985**	**3,019,048**	**(702,606)**	**2,316,442**	**1,444,251**
Operating Appropriations Total	**$ 882,856,388**	**$ 979,155,868**	**$ 28,907,984**	**$ 1,008,063,852**	**$ 1,035,200,673**

Executive Summary

Policy & Executive

County Executive Office: The FY 16-17 Budget increases by $2.6 million (7.4%) to $37.6 million from the FY 2015-16 Adopted Budget of $35.0 million due primarily to increases to Risk Management insurance costs.

Public Safety

District Attorney: The FY 2016-17 Budget increases by $1.1 million (5.1%) to $23.3 million from the FY 2015-16 Adopted Budget of $22.2 million due primarily to anticipated increases in salaries, retirement costs, health insurance, and workers compensation costs.

Fire: The FY 2016-17 Budget increases by $4.1 million (6.6%) to $66.4 million from the FY 2015-16 Adopted Budget of $62.3 million due primarily to anticipated increases in labor agreements, retirement costs, health insurance, vehicle expenditures and workers compensation costs. The increases are more than offset by increases in revenue from property taxes, including the County Property Tax Shift to Fire.

Probation: The FY 2016-17 budget increases by $1.8 million to $54.7 million from the FY 2015-16 Adopted Budget of $52.9 million due primarily to anticipated increases in salaries, retirement costs, health insurance, and workers compensation costs along with increased costs for Services & Supplies for health care for incarcerated juveniles and contracts for services with Community Based Organizations for Adult and Juvenile programs. These increased costs are partially offset by increases in Federal and State revenues for Public Safety Realignment and Public Safety sales tax distributions.

Sheriff: The FY 2016-17 budget increases by $2.9 million (2.3%) to $127.5 million from the FY 2015-16 Adopted budget of $124.7 million due primarily to anticipated increases in labor agreements and an increase in liability insurance premiums.

Health & Human Services Function

Public Health: The FY 2016-17 budget increases by $7.0 million (8.5%) to $89.4 million from the FY 2015-16 Adopted Budget of $82.4 million due primarily to increased staffing, insurance costs, and an increase in pharmaceutical expenditures.

Behavioral Wellness: The FY 2016-17 budget increases by $4.2 million (4.0%) to $109.0 million from the FY 2015-16 Adopted budget of $104.9 million due to implementation of the Crisis Stabilization unit and overall salary and benefit rate increases.

Social Services: The FY 2016-17 Budget increases by $1.3 million (0.8%) to $174.2 million from the FY 2015-16 Adopted Budget of $172.9 million due primarily to increases in cash assistance payments. These increases are funded primarily through state and federal sources.

Community Resources & Public Assistance Function

Public Works: The FY 2016-17 budget decreases by $6.5 million (-6.0%) to $101.8 million from the FY 2015-16 Adopted Budget of $108.3 million mostly due to decrease for capital projects and maintenance in Transportation.

Executive Summary

General Government & Support Services

The increases in this functional group are primarily derived from construction costs associated with the Northern Branch Jail Project.

General County Programs

General County Programs is made up of programs and projects that are not directly associated with one specific department. The FY 2016-17 budget decreases by $702 thousand to $2.3 million as a result of a prior year one-time allocation of $431 thousand to outside agencies and a $225 thousand reduction in funding of the Children's Healthcare Initiative as children will soon qualify for full scope Medi-Cal under AB-75.

Executive Summary

Five Year Forecast of Discretionary General Funds

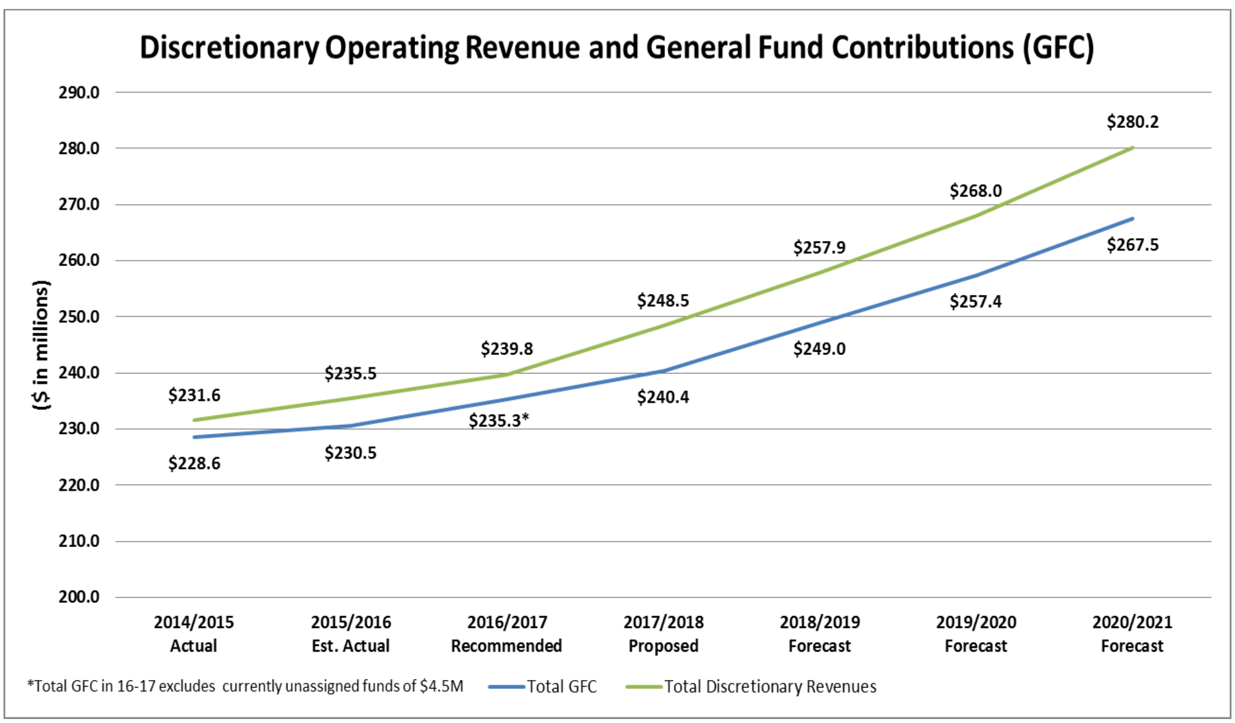
This five year forecast is intended to provide additional information that may be helpful in weighing the financial consequences of current year decisions and understanding commitments that have already been made. The Discretionary General Fund Forecast focuses on Discretionary Revenues, General Fund Allocations or Contributions (GFC's), and additions to Committed Fund Balances; all of which are described below.

Discretionary Revenues

Discretionary Revenues are those revenues which the locally elected Board of Supervisors has some discretion over their ultimate allocation and represent about 24.0% of Countywide revenues or $239.8 million in the FY 2016-17 Recommended Budget. These revenues, predominantly from local taxes, are called local discretionary revenue.

The major source of discretionary revenue is taxes on property and property transactions. The growth rate assumed for property and other taxes is 4.5% (before the Fire Tax Shift) and is comparable to current property tax estimates reflecting changes to assessed property values, recent inflationary trends and other market factors. Other revenues include Sales Tax, Transient Occupancy Tax, and cost allocation recovery from non-General Fund entities. Projected local discretionary revenues are displayed as the top line in the graph below. This discretionary revenue is $231.6 million in FY 2014-15, $235.5 million in FY 2015-16, $239.8 million in FY 2016-17 and so on. The line below that displays discretionary expenditures, which are discussed in more detail in the following section.

Figure 14– Local Discretionary Operating Revenues and Expenditures



Discretionary Expenditures

Discretionary expenditures are those costs not fixed in amount by legal obligation prior to adoption of the annual budget by the Board of Supervisors. The forecast in Figure 16 is comprised of four main categories and are displayed as stacked bars on the graph:

1. General Fund Allocations or Contributions to all departments (shown as base GFC in graph).
2. Incremental Changes to Salaries and Benefits funded with discretionary revenues (i.e. requiring additional General Fund allocations, shown as S&B on the graph), and
3. Board identified funding priorities. These priorities are funded by increases to the Committed Fund balance accounts, shown with separate stacked bars on the graph below and will be discussed in more detail. These include:
   - Fire Tax Shift
   - North Branch Jail Operations Funding
   - Maintenance Funding (Base of $2.8 million, plus 18 % of unallocated discretionary revenues)
4. Unallocated discretionary revenues are those remaining funds available for funding Board priorities or other necessary matters.

General Fund Allocations or Contributions (GFCs)

General Fund Contributions (shown as "Base GFC" on the graph) are the most significant revenue source for General Fund departments in the delivery of services to the community. Other funds are allocated GFC based on Federal and State maintenance of effort requirements or payments for specific purposes, such as local match for transportation funding in the Roads Fund. Projected General Fund Contributions assume the prior year's allocation plus incremental changes to salaries and benefits (S&B) and any other necessary changes.

Salary and Benefit Changes

Salary and Employee Benefit changes include anticipated personnel related expenditures. They are primarily determined based on negotiated Memoranda of Understanding (MOU), health insurance, and retirement benefit cost projections, and mandated costs such as Social Security contributions. Additionally, the County is currently funding certain Other Post-Employment Benefits (OPEB) related to providing medical coverage to retirees.

Generally, salaries for FY 2016-17 and 2017-18 are based on detailed positions by department (salary model), existing wages, and any scheduled wage increases per MOU with the various bargaining units or anticipated increases for unrepresented employees.

Total employee salary and benefit costs are expected to increase at 2.8% in FY 2016-17; however, contracts for the County's largest employee labor groups terminate at the end of fiscal year 2015-16. Labor negotiations for many of these successor contracts are currently underway or will soon begin. This is a significant financial factor that is unknown at this time. The chart below lists the expiration dates of MOUs by Employee Organization.

Figure 15: Memoranda of Understanding (MOU); Listing by Expiration Date

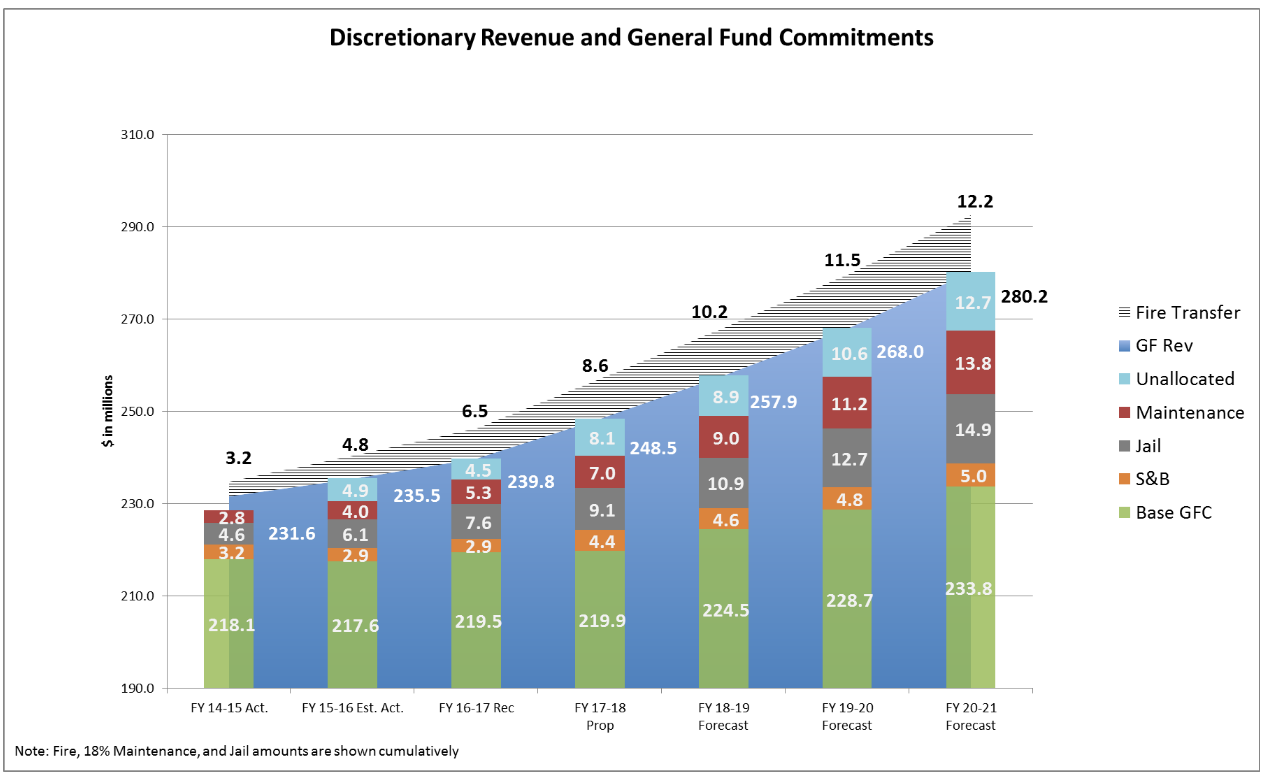
Group	Current MOU Expires
Deputy Sheriffs' Association	Expired 2/15/2015
Sheriff's Managers Association	Expired 4/12/2015
Fire Fighters Local 2046	Expired 2/28/2016
Engineers and Technicians Association	7/3/2016
SEIU Local 620	7/3/2016
SEIU Local 721	7/3/2016
Civil Attorneys Association	12/18/2016
Deputy District Attorneys' Association	12/18/2016
Probation Peace Officers' Association	9/24/2017
Union of American Physicians and Dentists	11/19/2017

Committed Fund Balance

Committed fund balances are used to set aside General Funds for Board priorities, such as deferred maintenance, Northern Branch Jail operations funding, building of the strategic reserve, or other funding requirements that arise over time.

The graph below displays the Five Year Forecast of discretionary revenues, property tax revenue shifted to the Fire District, General Fund Contributions, and the various increases to committed fund balances.

Figure 16: Five-Year Forecast of Local Discretionary Revenue and Expenditures



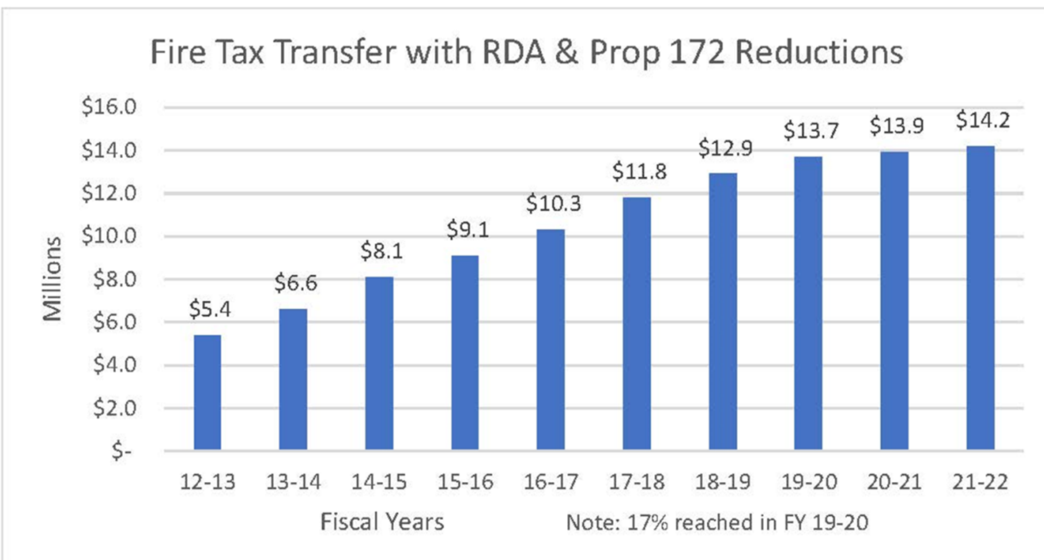
Long Term Funding Commitments Impacting the Five Year Forecast

Fire Tax Shift Allocates 25% of Property Tax Growth to the Fire District

Fire services are vital to Santa Barbara County, and its history of fires are reminders of the constant danger given our geography and climate. To ensure adequate staffing, equipment and fire station facilities, the County shifted future property tax revenue from the General Fund to the Fire District. The target is 17% of property taxes to the Fire District (from about 14.3% in FY 2012-13). To do this, a formula was developed that shifts a quarter growth in property taxes until the 17% target is reached (projected in FY 2019-20). The new revenue gained by the Fire District through this shift of taxes would otherwise have been General Fund revenue. As part of this tax shift agreement, the Fire District also forgoes a share of other revenue it had previously received.

The current allocation of property taxes in FY 2015-16 is 15.7%. In FY 2016-17 the shift will result in $6.5 million more to the Fire District than would have occurred without the tax shift. The shift is expected to result in an additional $11.5 million annually to the Fire District by the time the 17% target is reached in FY 2019-20. To date, this new revenue has been used to improve fire safety throughout the County. Future expenditures are anticipated to largely address significant capital needs of the department. The Fire Department will provide a progress report on use of these funds as a "Special Issues" presentation at the Budget Workshops.

Figure 17: Fire Property Tax Shift



North Branch Jail (AB 900), Construction and Operations Funding

The Northern Branch Jail (NBJ) Project is located near the City of Santa Maria, California; when completed, the facility will provide capacity to hold 376 individuals, of which 32 beds are reserved in a separate housing unit for individuals with medical and mental health challenges. The entire jail complex is composed of several buildings estimated to be approximately 139,000 square feet for inmate housing and ancillary support functions. The facility will be built on a ten-acre portion of a 50-acre County-owned property located at Black and Betteravia Roads.

Executive Summary

On January 15, 2013, the Board of Supervisors approved a Project Construction and Delivery Agreement with the State of California that stipulated the terms of an $80 million award of funds towards the construction of a new Northern Branch jail near the City of Santa Maria. The cost to build the jail was originally anticipated to be $96 million. In April 2016, construction bids received were significantly greater than the original budget and additional funds have not yet been approved. The Board will hear options and consider alternatives in May 2016 and may continue any decisions into the June 2016 budget hearings. Prior to the receipt of bids, the planned opening was November 2018.

In November 2015, the consulting firm of Carter, Goble, and Lee estimated the additional operating costs of the new jail, including shift relief at $16.8 million in the first full year of operation. If we include additional maintenance staff and costs, the total annual operating cost of the new facility would be $17.6 million. The County adopted a funding plan in FY 2011-12 to annually allocate an increasing amount of General Funds towards the ultimate operating costs. Funding for the NBJ operating costs has been occurring per the original funding plan (shown below) and is accumulating in a NBJ Operations fund balance.

Figure 18: Plan for Future Jail Operations Funding

Fiscal Year	GFC Base	GFC Increase	Total Annual GFC	Construction Match	Annual Operating Costs	Year End Op. Fund Balance
2011-12	$ -	$ 1.0	$ 1.0	$ -	$ -	$ 1.0
2012-13	1.0	1.0	2.0	(3.0)	-	-
2013-14	2.0	1.3	3.3	-	-	3.3
2014-15	3.3	1.3	4.6	-	-	7.9
2015-16	4.6	1.5	6.1	-	(0.3)	13.7
2016-17	6.1	1.5	7.6	-	(2.7)	18.6
2017-18	7.6	1.5	9.1	-	(10.5)	17.2
2018-19	9.1	1.8	10.9	-	(17.3)	10.7
2019-20	10.9	1.8	12.7	-	(17.9)	5.6
2020-21	12.7	2.2	14.9	-	(18.4)	2.1
2021-22	14.9	2.2	17.1	-	(19.0)	0.2
2022-23	$ 17.1	$ 2.2	$ 19.3	$ -	$ (19.5)	$ 0.0

Maintenance Funding Plan Accumulates Additional Funds Incrementally for Maintenance Needs

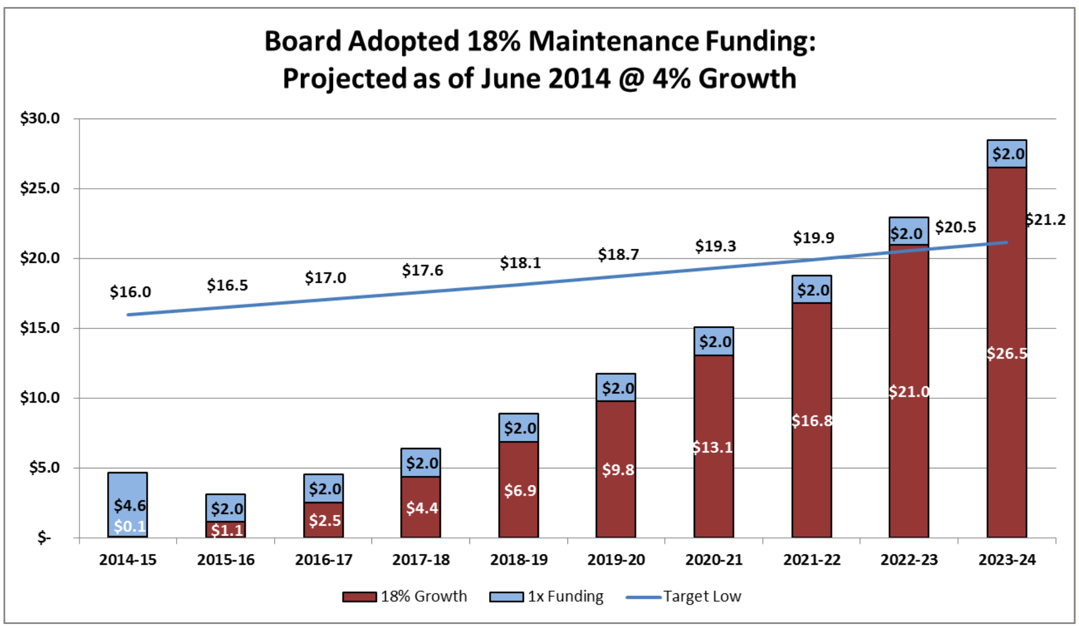
In recognition of our aging infrastructure and facilities, the Board developed a policy of annually setting aside 18 percent of available revenue to fund deferred maintenance needs. This has resulted in $2.5 million of ongoing, dedicated maintenance funding in FY 2016-17, which is in addition to a minimum of $3 million annual funding previously authorized by Board policy for these needs. It is envisioned that the ongoing funding will build over time as additional General Fund is added annually, so that $100 million will have been accumulated over 10 years (see Figure 19 below).

Unbudgeted emergency repairs for County buildings, however, have increased $1.3 million this past year for items such as transformer replacements, generators and sewer lines. These unplanned emergency repairs will likely continue in the near future until ongoing funding builds and deferred maintenance levels stabilize. More one-time funding will likely be needed in the near term for these needs.

Road maintenance also has seen a need for increased funding. In the past, the County's roads were funded from federal, state and regional funding sources. Measure A, passed in 2008, provides regional funds to the County, but it is less than local road funding provided by its predecessor, Measure D. The state provides Gas Tax (Highway User Tax Account or HUTA) funds, which have diminished in the last two years. As a result, many counties are in the same predicament as Santa Barbara. Over 77% of California Counties have Pavement Condition Index ratings in the 50-70 range ("at risk"). (In Santa Barbara County, the overall PCI is 59, with a higher PCI rating in more urban areas (66) to compared rural areas (55)).

To help ensure roads are maintained at a safe level, in FY 2015-16 the County provided one-time General Funds to road maintenance of $1.4 million in addition to the dedicated 18% maintenance funding. While the issue is being debated in the State Legislature, there is no certainty of improved funding. Without improved state assistance in FY 2016-17, contribution from the General Fund again is being requested and $1.25 million in one-time funds is being recommended for the FY 2016-17 budget.

Figure 19: Plan for Maintenance Funding



Executive Summary

Capital Summary

The County has a large list of unfunded capital items; some are new capital improvements, such as new facilities, while others are capital replacement of systems to address significant deferred maintenance. Prior to the recession, the General Fund contributed $0.5 million annually for various capital projects, and several larger projects employed debt financing. Many of the capital projects were improvements to replace aging or obsolete buildings and fix major systems. In FY 2013-14, the County stopped allocating $0.5 million for capital and shifted these funds for maintenance needs.

The County now has a long list of capital projects requiring significant funding. A Capital Executive Committee was re-established this year to establish criteria for ranking non-Public Works capital projects (buildings, parks etc.) in an effort to prioritize needs. The results of a preliminary evaluation identified 12 high priority projects totaling $22.3 million. (There are significantly more unfunded projects but these are considered the highest need). Available one-time funding and/or potential use of debt is being considered to start rebuilding a capital improvement program for the County.

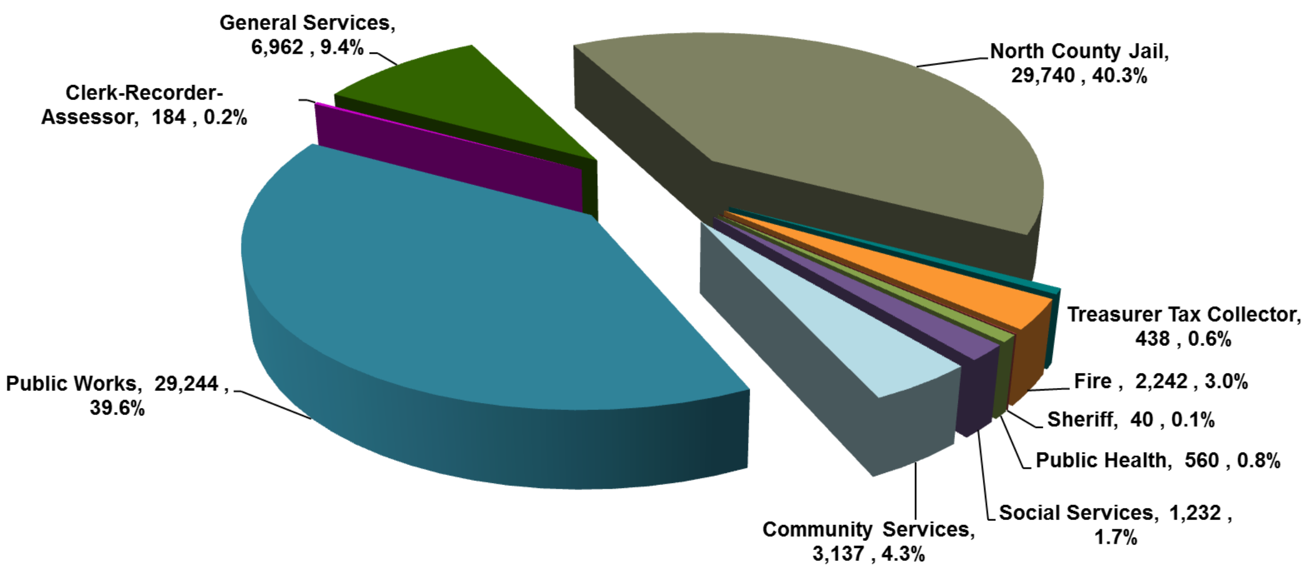
A complete summary of projects and recommended appropriations for Capital Expenditures can be found in Section E of this document. The following is a summary of the County's Five Year Capital Improvement Program (CIP).

The Fiscal Year 2016-2021 CIP contains 181 capital projects and 12 maintenance projects. This includes 38 projects that are new this year. Of this total, 73 projects are fully funded, 33 are partially funded, and 75 are currently unfunded. A funded project is one that has identified specific funding, including ongoing/existing sources to fully implement the project. A partially funded project has funding to accomplish various portions of the project but lacks sufficient funding to fully complete the project. An unfunded project is one that has been identified in the CIP as a need but has no funding secured to implement the program.

Figure 20: Five Year CIP – Funded/Unfunded Totals by Fiscal Year Ending June 30, 2021
(In thousands of dollars)

Fiscal Year	Funded	Unfunded*	Total
2016-17	$73,779	$20,422	$94,201
2017-18	83,452	46,982	130,434
2018-19	65,766	60,198	125,964
2019-20	36,339	43,377	79,716
2020-21	19,822	134,572	154,394
Five Year Total	**$279,158**	**$305,551**	**$584,709**

Figure 21: One Year CIP for Recommended Fiscal Year Ending June 30, 2017, by Department
(In thousands of dollars)



Fiscal Year 2015-2016 Significant Completed Projects

Significant projects are detailed in Section E of this book and are summarized below:

- **Cathedral Oaks Road Bridge**
  Total cost of the project: $5.1 million
- **Countywide Telephone System Modernization**
  Total cost of the project: $6.8 million
- **Livescan Fingerprint Equipment**
  Total cost of the project: $0.8 million.
- **Jalama Road Bridge Replacement**
  Total cost of the project: $6.8 million
- **Arroyo Burro Park Improvements**
  Total cost of the project: $1.3 million

Fiscal Year 2016-2018 Significant Funded Projects

The proposed CIP continues to address the significant public infrastructure needs identified in various strategies and long-range plans adopted by the County, including funding for the proposed new North County Jail, the maintenance and repair of public buildings, and the transportation infrastructure system maintenance. Significant projects planned for FY 2016-17 are:

- Northern Branch County Jail AB-900
- Goleta Beach Access Bridge
- Fire Station 21 Rebuild – Cuyama
- Landfill Heavy Equipment Replacement
- Jalama Beach Affordable Overnight Accommodations
- Lower Mission Creek Flood Control Project