

2017-2019 BUDGET WORKSHOP

Budget Overview

Purpose of Workshops

1. Review presentations from departments on FY 2017-19 Draft Budgets
2. Review “Special Issue” areas
 - Addressing the Mentally Ill in the Criminal Justice System
 - Update on Affordable Care Act
 - Long Range Planning Work Program for FY 2017-18
 - Maintenance Update
 - Long Term Rebalancing Project
3. Receive public input
4. Provide direction to CEO on budget issues or to departments on Special Issues

Final Board funding decisions not required at this time



ONE COUNTY, ONE FUTURE

One County, One Future

- Coordinated and interconnected organization
- Building upon the strengths of individual departments
- Fiscal challenges call for a rebalancing for highest priorities and needs
- Continued collaboration, common goals and relationships

Challenges – Main Drivers

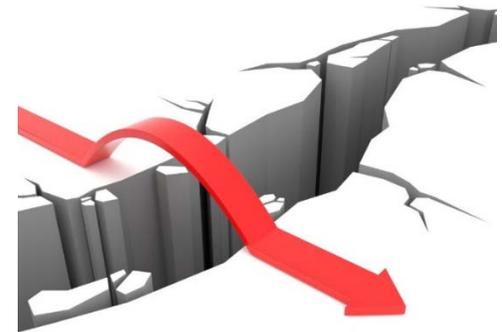
- Unlike Recession, local revenues are growing at moderate pace
- Increased salary and pension costs
- Continuing budget shortfalls in
 - Public safety departments
 - Behavioral Wellness for inpatient costs
- Higher costs of providing state and federal programs than available revenue
- Lower state revenues for DSS programs
- Uncertainty of state and federal funding

Prior Funding Commitments

- **Continued commitment to prior priorities lead to less funding flexibility**
 - Northern Branch Jail (\$9.1 million)
 - Fire Tax Shift (\$8 million)
 - Deferred Maintenance (\$3 million)
 - Labor Agreements
- **Financial Plans in place**
 - Pension liability
 - Retiree Health liability
 - Workers Compensation

Strategies to Close the Budget Gap

- Additional revenues or full cost recovery/ fee increases where feasible
- Changes to budget/funding policies
 - No additional funding to Strategic Reserve
 - Suspend “outside agency” funding
 - Evaluate Shift of Prop 172 Revenues from Fire
- Scrutiny of all expenditures and promote efficiencies
- Budget cuts/service level reductions
- Limited use of one-time funds to phase in changes



Guidance on Budget Balancing

- Continue the Board's prior commitments
- Maintain reserves at prudent levels; but no additional funds to the Strategic Reserve
- Address priority organizational needs and mandates
- 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

Priority Work Plan Initiatives for FY 2017-18

- Possible cannabis ordinance and ballot measure
- Dispatch services
- Reducing the inmate population where feasible, and in particular, mentally ill individuals in the jail
- Reducing costs of mental health inpatient services
- Continual improvement in the organization
 - Internal-facing Strategic Plan (improved HR, IT practices, etc.)
 - Technology improvements
 - One-time funding for program audits or evaluations/other Budget Rebalancing suggestions

Our Future

- Difficult decisions ahead
- Uncertainty of state, federal funds changes to and safety net programs
- Further pension increases in 3 years?
- Deferred maintenance issues
- Loss of institutional knowledge
- Increase in mental health issues
- Drought

Our Future (Cont'd)

Positioned well for future success:

- BOS rebuilt the Strategic Reserve
- Major liabilities have funding plans
- Started Rebalancing process
 - Strategically realign services and costs to provide those services
 - Opportunity to rethink and reshape our organization
 - Balance short term vs. long term
 - Chart course to new future
 - Time for analysis/review
- Departments - collaboration, efficiencies, cost reduction or revenue maximization.
- Employees – offering suggestions, engaging in changes

Timeline

- Workshops held early – more Board and public review prior to Recommended Budget completion
 - 1 month before release; 2 months before Budget Adoption hearings
- Materials – not intended to be inclusive of Recommended Budget
- Funding decisions – Budget Adoption Hearings scheduled for June

Dec. 2016

Fiscal
Outlook,
Budget
Policies

Jan. 2017

Budget
Overview
and
Update

Mar. 2017

Budget
Gap
Update

April 17-21

Budget
Workshops

May

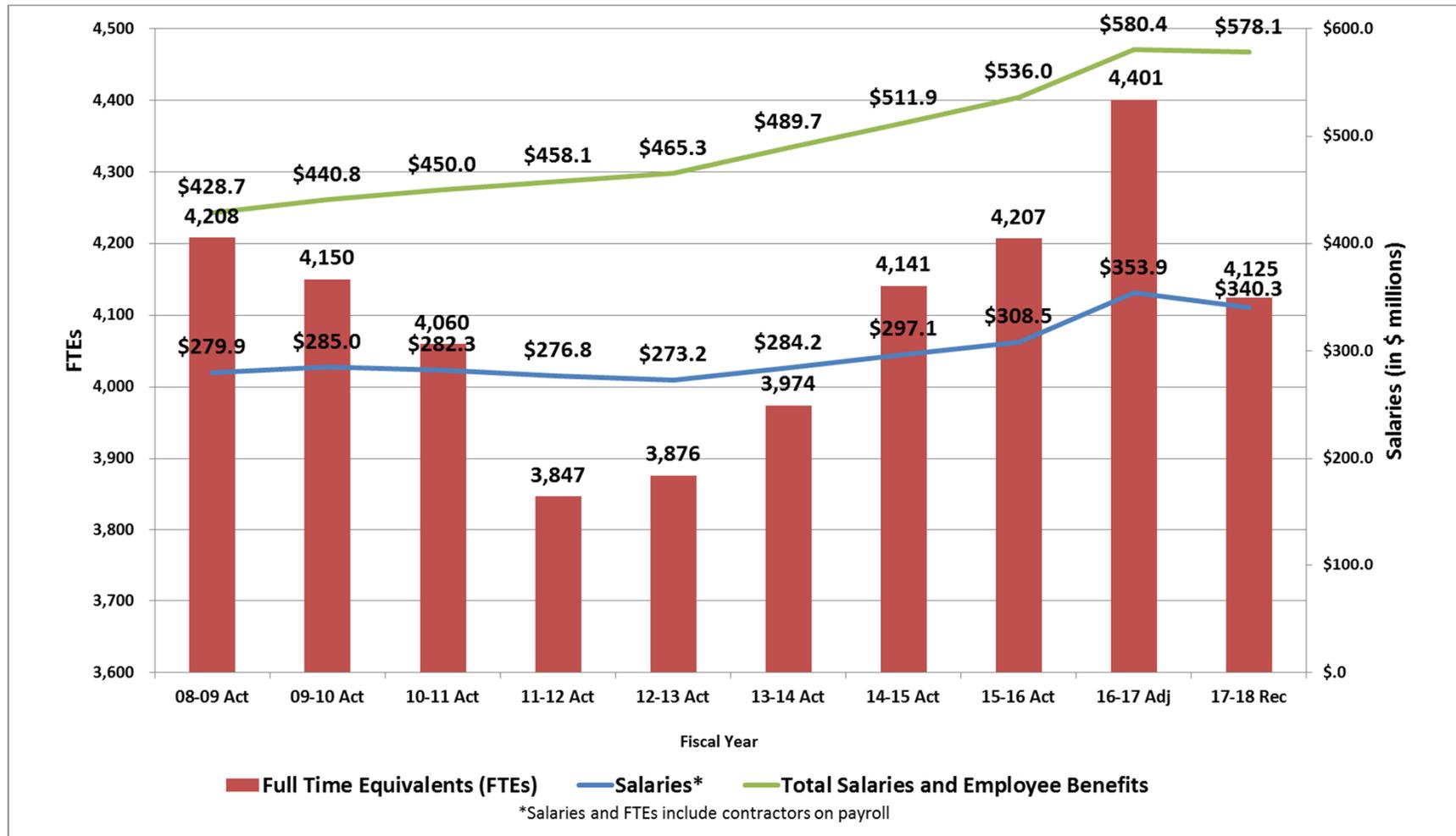
Budget
Book
Released

June 12-
16

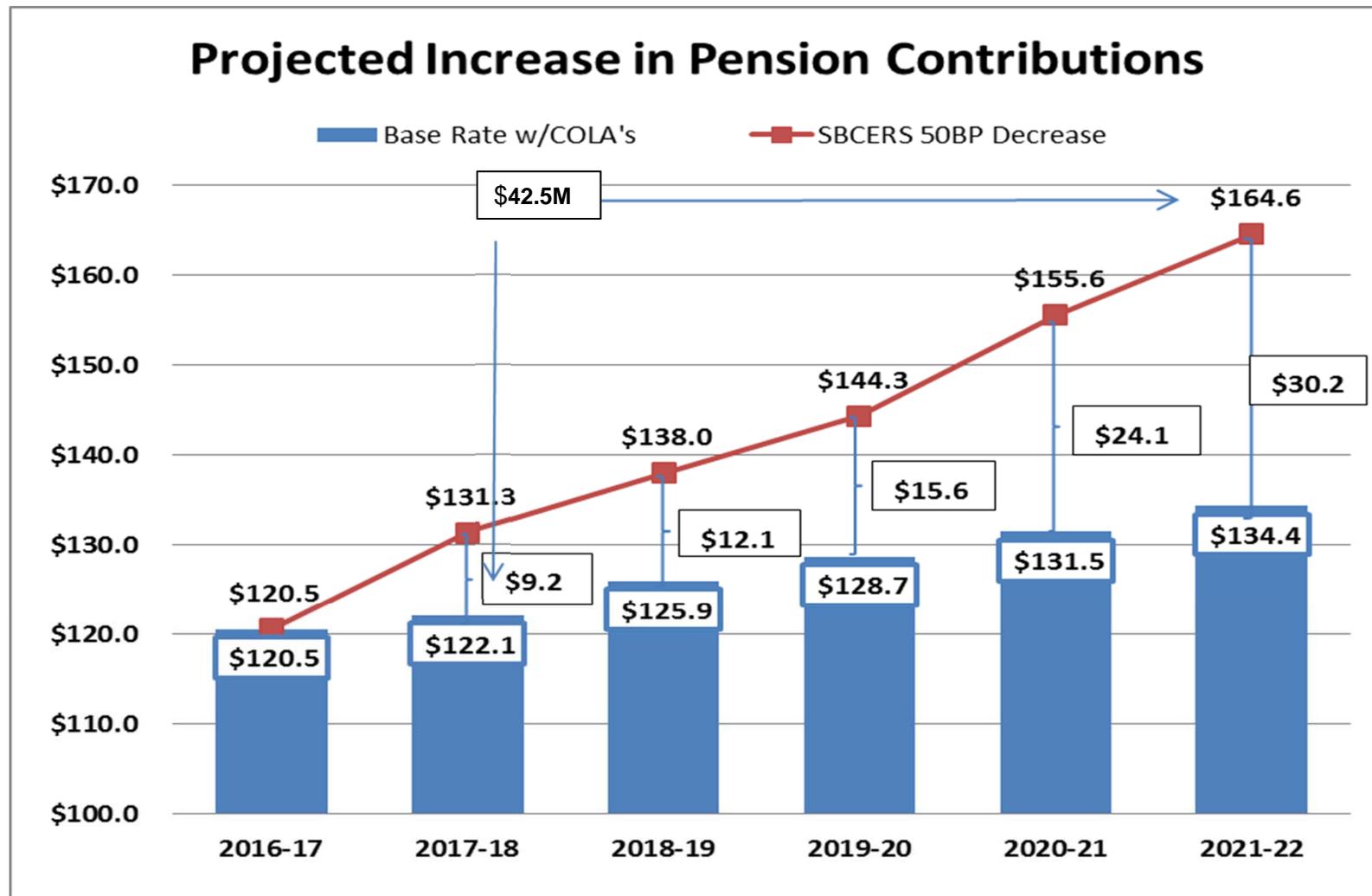
Budget
Hearings

Salary & Benefit Trends

FTE & Salary Expense Trends



Projected Pension Contribution Increases



Unfunded Liabilities

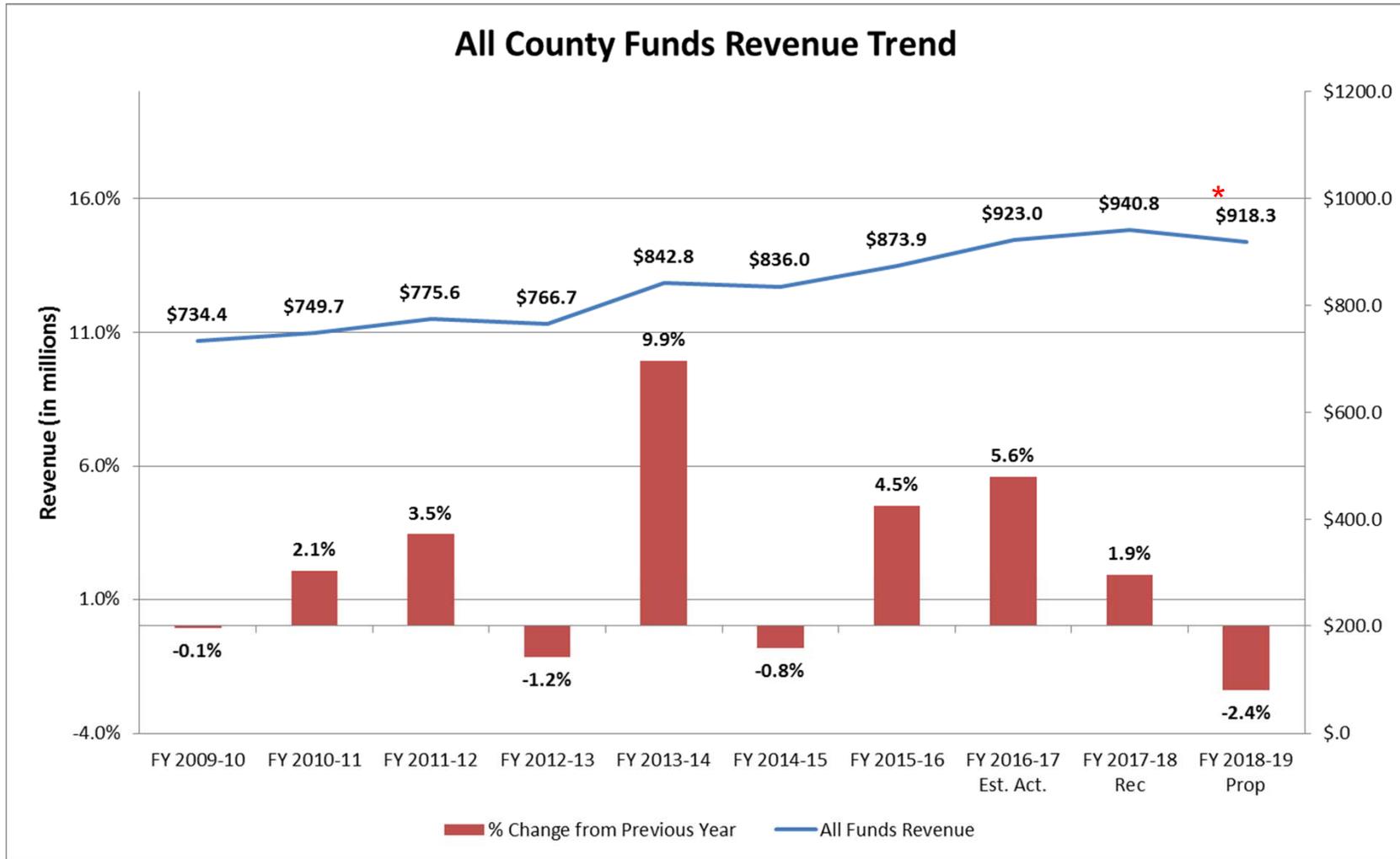
- Pension Costs
 - Amortization Plan to eliminate 2013 liability in 14 years
 - Unfunded liability increased \$318.7M from \$698.6M to \$1,017.3M, primarily due to assumption changes
- Retiree Medical Cost
 - OPEB unfunded liability = \$133.0M
 - Developed funding plan in FY 2015-16
 - Annual funding level of 4% of pensionable payroll
 - Fully funded in FY 2033-34 (if all assumptions met)

Revenue Trends

Changes to County Revenues

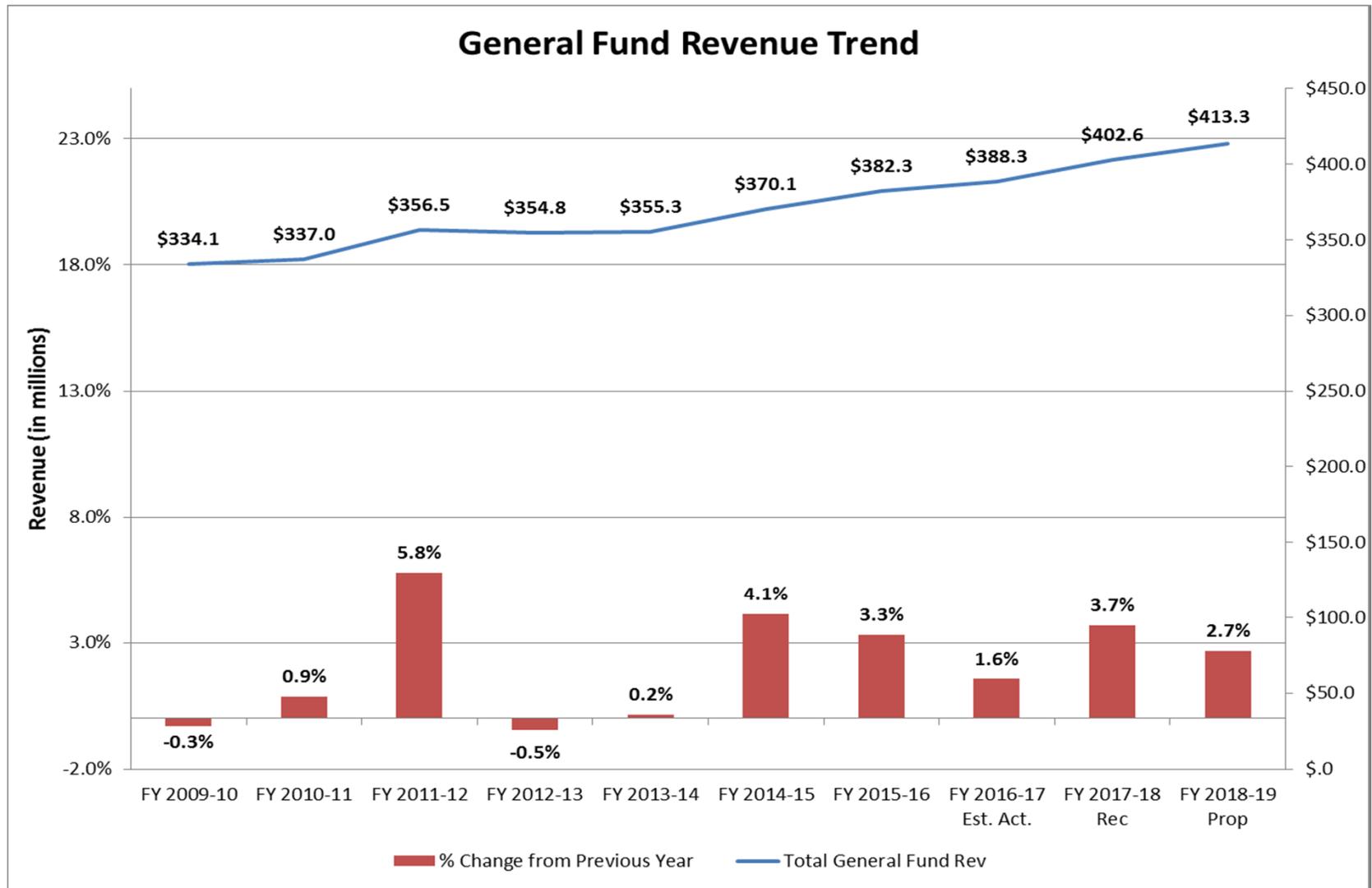
- General Fund Property Tax growth assumed at approximately 4.5% gross (3.6% net Fire Tax Shift)
- State and Federal Revenues
 - Significant State reductions in governor's budget – Workforce Innovation and Opportunity Act (WIOA), CalFresh and CalWorks Allocations
 - 1991/2011 Realignment growth not keeping pace with increased costs
 - Increases to local match requirements for In-Home-Support Services (IHSS)
 - Capped State Allocations for Child Support Services
 - Stagnant growth in Prop 172 sales tax revenues
 - Potential reduction in federal Community Development Block Grant and HOME Funding

Countywide Revenue Trend

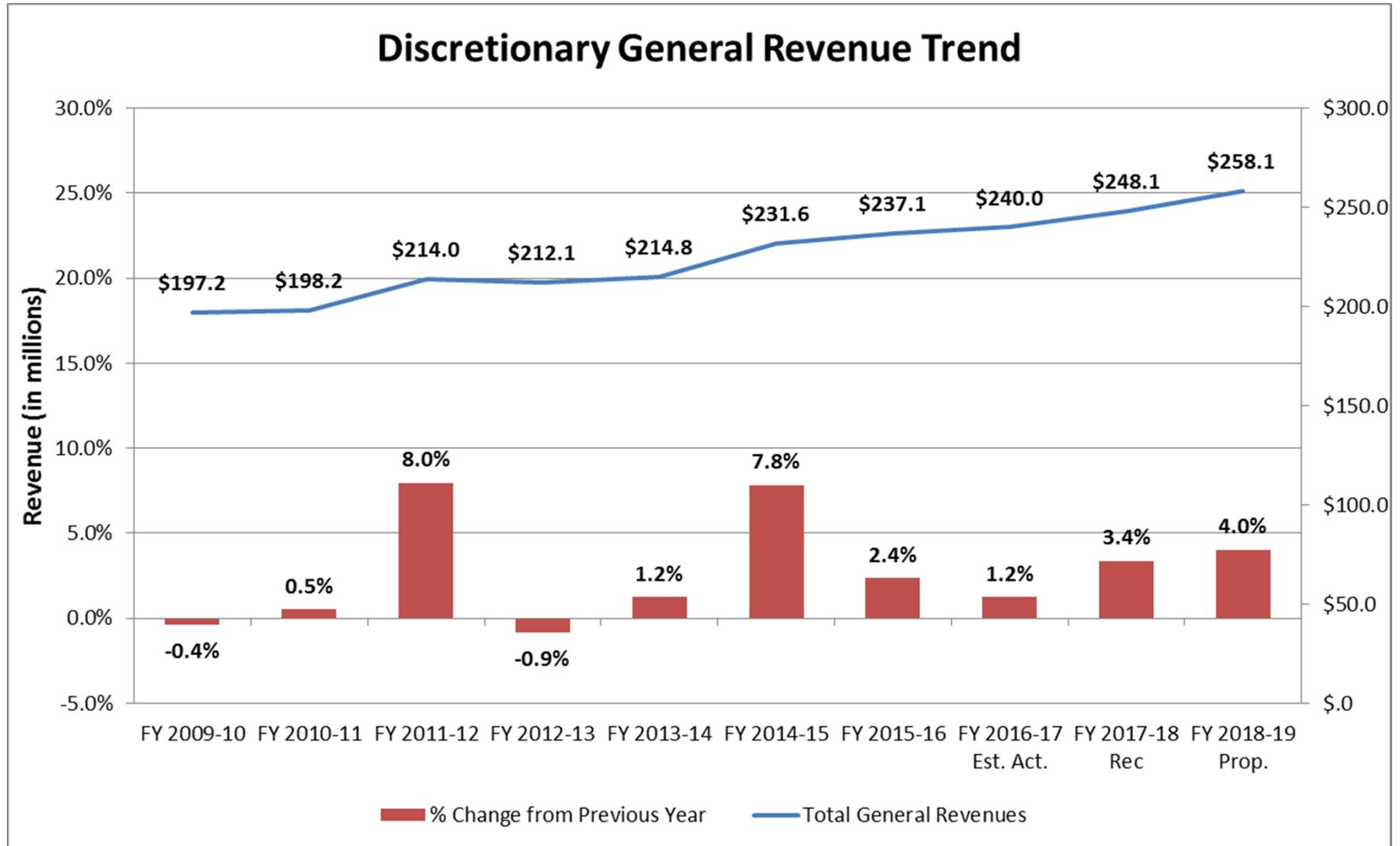


*State Grant Funding for North County Jail expected to completed by FY 17-18

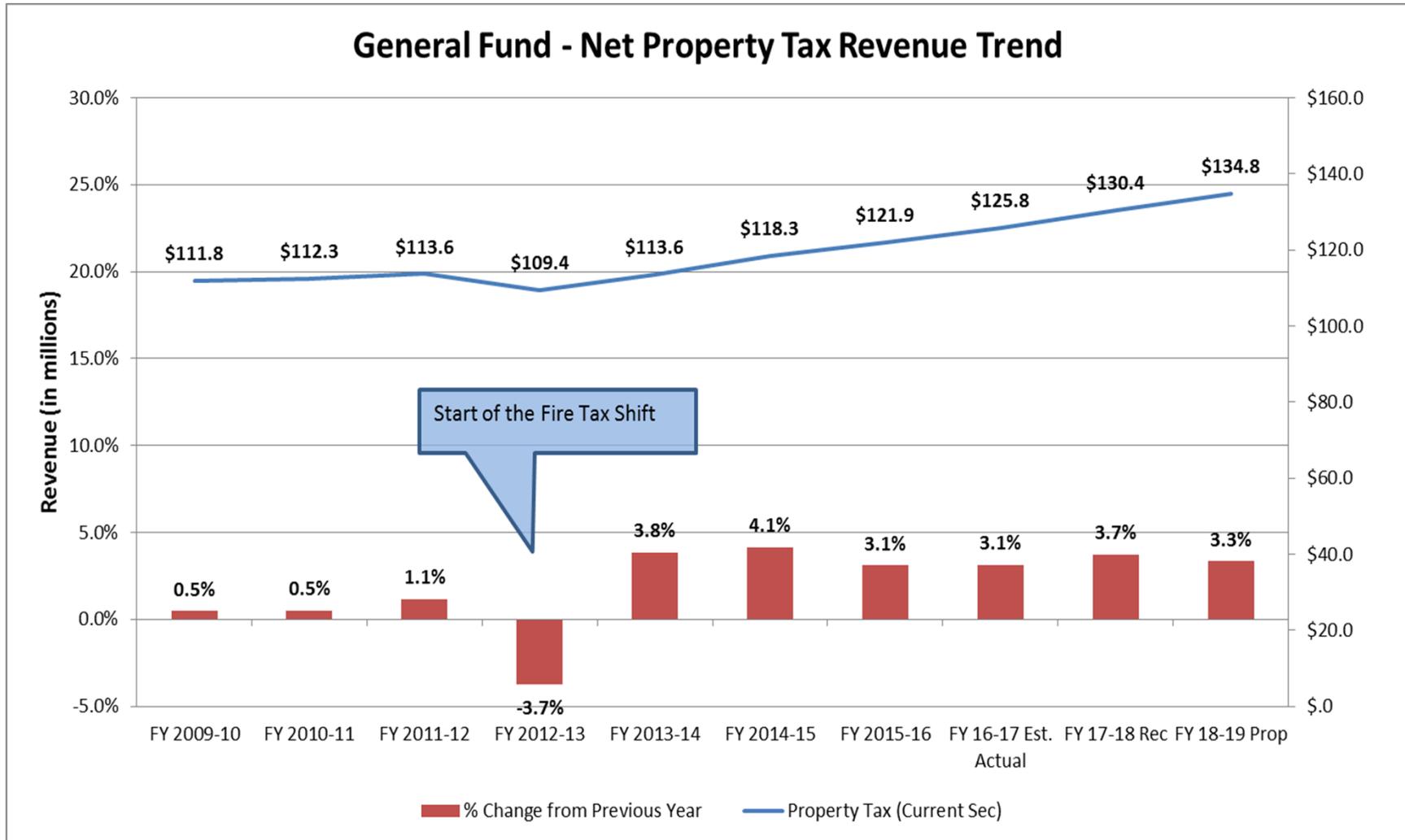
General Fund Revenue Trend



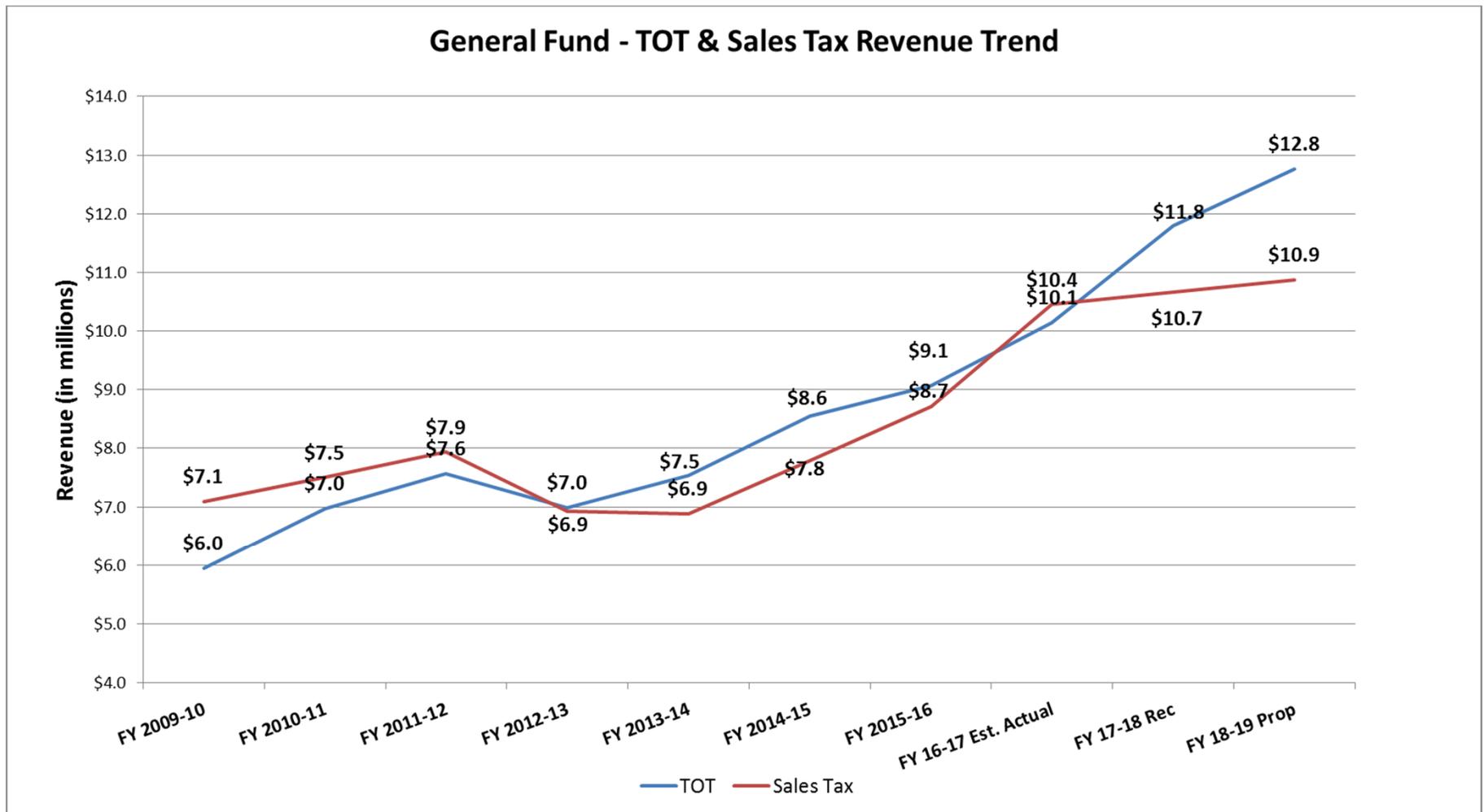
Discretionary General Revenues



Property Tax Trends



TOT & Sales Tax Revenue Trends



Summary of Budgetary Trends

- Cost of Providing State/Federal Programs outstrip the availability of funding sources
- Pension and wage increases
- Mental health in-patient costs
- Sheriff and jail costs
- Maintenance of effort in Social Services
- Prior commitments for maintenance, enhanced fire service, NB jail
- Modest growth in local sources
- Static or Reduced fed/ state funding in some programs

What to Expect...

Each Department will be present:

- Key Challenges/Emerging Issues
- Financial Summary
- Staffing trends
- Accomplishments/Objectives
- Service Level Reductions
- Restoration/Expansion Requests

Service Level Reductions

- Service level reductions are necessary when departments are without sufficient revenue to meet current expenditure levels
- In FY 17-18 service level reductions are anticipated for a majority of departments with the most severe service level reductions anticipated in the DSS, Sheriff, Probation and Behavioral Wellness
- Generally, vacant positions are eliminated first but layoffs of staff are currently anticipated

Service Level Reductions

• General Fund Depts	\$12.9 M	78.3 <i>FTE</i>
• <u>Special Revenue Depts</u>	\$26.6 M	228.0 <i>FTE</i>
Service Level Reductions	\$39.5 M	306.3 <i>FTE</i>

Requested Budget Restorations & Enhancements

Budget Restoration:

- Ongoing and one-time requests for funding to bring service levels back to the prior year adopted level

Enhancements:

- Ongoing and one-time requests for funding to increase service levels above the prior year adopted level

Requested Budget Restorations & Enhancements

• General Fund Depts	\$15.0 M	72.5 FTE
• <u>Special Revenue Depts</u>	<u>\$21.1 M</u>	<u>46.0 FTE</u>
Restoration/Expansion	\$36.1 M	118.5 FTE

General Fund Restorations/Expansions Already Incorporated at Budget Workshop Stage

• Sheriff	Jail Medical Contract	\$1.9M
• Probation	Jail Medical Contract	\$0.1M
• DSS	IHSS MOE	\$2.0M
• DSS	CalFresh MOE	\$0.9M
• Courts	Restore to full MOE	\$0.4M
• Probation	Prison Rape Elim. Act (PREA)	\$0.5M
Total		\$5.8M

Funding Options For the Board

- Available FY 17-18 GF Revenues (\$7.4M)
- Prior year Residual Fund Balance (\$0.6M)
- SB 1 Gas Tax Revenue for Roads (Preliminary FY 17-18 Estimate \$2.8M)
- Prop 172 Reallocation from Fire District (\$1.2M)
- Use of Tobacco Settlement Fund Balance (\$1.0M)
- Extend Workers Comp Liability Amortization (\$0.5M)
- Strategic Reserve (\$30.9M)

Continued Challenges/Risks

- Northern Branch Jail Construction & Op. Costs
- Mental Health Inpatient Costs
- Technology/software upgrades
- Maintenance and unfunded capital needs
- Workforce planning and retention
- Salary and Benefit increases
- Federal Budget Uncertainty

Next Steps

- Following workshops, CEO will finalize recommendations
- CEO and Auditor's Office complete Recommended Budget to be released May 2017
- Budget Hearings (adoption) - June 12, 14 and 16, 2017

Recommended Actions

- a) Hold budget workshops to receive presentations
- b) Provide direction, if any, regarding items to be included in the CEO's Recommended Budget
- c) Regarding P&D's Proposed FY 17-18 Long Range Planning Annual Work Program
 - i. Receive and Review
 - ii. Provide direction to continue current projects, initiate recommended new projects, and direct staff to make any other requested changes to the Annual Work Program
- d) Regarding other Special Issues, provide direction as appropriate
- e) Determine pursuant to CEQA Guidelines 15378(b)(4) that actions are not a project

Questions

