Section B

Executive Summary

COUNTY OF SANTA BARBARA

CALIFORNIA

Executive Summary

Honoring Our Commitments | Transforming Our Future

Chair Lavagnino and Board Members,

Fiscal Year 2019-20 represents a turning point anticipated for over a decade. Decisions to set aside resources for future initiatives—undertaken even during challenging fiscal times—are coming to fruition, with the County well positioned for any future economic uncertainty. The FY 2019-20 recommended budget marks the first time since FY 2007-08 that no service level reductions were required of any County department to balance revenues and expenditures. This positive news is the result of years of the Board's prioritization and commitment to key projects, careful planning, managing resources, preparing for the future, aided by no new natural disasters in this past year. In addition, there has been continued, modest growth in local revenues, and a healthy State budget with a surplus. Further, net pension costs are slightly lower next year as compared to the current year, as a result of pension cost sharing agreements the County negotiated with our labor unions last year.

Looking Backward, Forward, and Renew '22

The FY 2019-20 budget marks 10 years since the end of the Great Recession. In looking back, not just 10 years, but 20 years, it is clear that the County has made significant progress, but is not immune to, and in fact is greatly impacted by, the business cycle and changes to the local, state and federal economies.

Twenty years ago, in 1999, the County was fully recovering from the national recession of the early 1990s and the ensuing sluggish economy. Secured property values were back on the rise, with rates growing from a low of 1.8% in 1994-95 to 6.5% in 1999-2000. In the slowdown of the early and mid-1990s, budget cuts to popular community services had been required, with little funding for infrastructure and internal services, and no reserve for economic downturns or disasters.

But by 1999, the County was beginning to fund its General Fund Strategic Reserve to buffer against future uncertainty, and provided additional funds for infrastructure maintenance. Pension costs accounted for less than 10% of payroll, and services were provided by more than 4,200 employees.

Ten years ago, in 2009, the landscape had changed. The county's property value growth was less than 1% and, while the Great Recession would officially end in June 2009, growth in the county's property values would not exceed 1.5% until 2013-14 (when it rose to over 4%). The County was discussing a potential sales tax ballot measure to fund operations of a new northern county jail (these costs were estimated at $13 million annually). In 2009, the recommended budget included cuts of $12.9 million and 138 positions in the General Fund, as pension costs rose to 39.4% of payroll. One-time funding was used as a short-lived panacea to address reductions, and the following year budget cuts continued, with the recommended budget closing a projected $72 million gap.

Now, ten years since the Great Recession, the County still lives in its shadow. The economic climate has been steadily improving and revenues have been modestly increasing. While property values have grown 4%-5% annually since FY 2012-13, this is not nearly the 6%-11% witnessed before the recession. Several program areas are still operating with fewer staff than prior to the Recession, although, with the new jail and other State-funded program expansions, the recommended budget includes 4,248 employees, which is within pre-Recession levels.

There is still significant deferred maintenance, replacement, and investment needed in the County's facilities, roads, and technology infrastructure.

In the immediate future, a recession is possible but still unknown. Recent signs have shown slower growth in the economy and tightening of fiscal policy. To address this possibility, the County continues to follow responsible fiscal practices to reduce potential service level impacts of a future recession, which include the following:

- Ensuring use of one-time funds for one-time (not ongoing) uses
- Allocating cannabis revenue, after enforcement costs, to one-time uses only
- Increasing the Strategic Reserve balance to full funding ($36.4 million in FY 2019-20)
- Making investments that have ongoing returns in either savings or new revenues, such as departmental management and operational reviews
- Continuing efficiencies and process improvements
- Seeking grant opportunities and better grant coordination
- Partnering with other departments and agencies

The essence of Renew '22 is to fortify the organization to be more resilient and prepared for the next economic downturn or natural emergency. This does not mean future reductions in budget, staff, and services will not be necessary; they may. The Renew '22 effort, in its third year in FY 2019-20, is designed to ensure our County can withstand these changes and bounce back effectively and quickly. This can be achieved through better systems and technology; improved revenues, augmented reserves, and efficient services; responsiveness to our clients and customers; and retention and attraction of quality employees. By transforming how we do our work, constantly learning and improving, and exploring ways to work differently, employees are equipped to thrive in the present, adapt to tomorrow, and anticipate the future.

Honoring Our Commitments

FY 2019-20 will be a milestone year, with the culmination of major funding initiatives that have been in the making for years. These projects are the result of the County's commitment of resources, over decades in some cases, and continued prioritization.

- The ***Northern Branch Jail*** is slated to finish construction and begin operations. A new jail has been in discussion since at least the year 2000. After two failed sales tax measures, in 2000 and 2010, the Board approved a funding plan for new jail operations, which began in FY 2011-12. While the State provided a majority of the funding for construction, the ongoing operating costs are the responsibility of the County General Fund, and are currently estimated at $18.8 million for the first full year of operations (FY 2020-21) with annual increases in future years. By adding incrementally higher amounts of GFC each year to a dedicated jail operating fund, we are slowly building towards the annual funding amount needed to operate the new jail. Currently, we are well over halfway towards building up sufficient ongoing funding to fully operate the new jail; the plan is expected to continue until FY 2022-23.

- The ***Fire Tax Shift*** will reach its target of 17% of property tax revenues in FY 2019-20. In 2012, the Board approved a plan to enhance Fire District services and address annual deficits in the District budget. This plan shifts 25% of the General Fund incremental property tax growth each year to the Fire District, until the share of local property taxes for the Fire District reaches 17%. In FY 2019-20, $11.6 million of ongoing revenue is attributed to the shift (i.e., the amount above the FY 2011-12 discretionary General Fund transfer amount).

- The ***Tajiguas Resource Recovery Project***, approved in FY 2018-19, will remain under construction in FY 2019-20. This regional project, when completed, will meet State requirements for landfill waste diversion and will represent the single largest reduction in greenhouse gases in the county.
- ***Pension cost sharing*** will result in a net reduction to our pension contribution costs starting in FY 2019-20. Foreseeing potential future pension cost hikes, the County two years ago worked with its labor unions on pension cost-sharing agreements to share the risk. While most agreements were approved in the prior fiscal year, the net reduction takes effect next year, with full impact not experienced until FY 2020-21, since the cost-sharing agreements were phased in over three years. The County's total pension contribution next year is $143.8 million, representing a $0.2 million reduction from the FY 2018-19 adopted budget.
- ***Major capital improvement projects*** requiring General Fund support have been unfunded for several years. However, in the current year, the Board approved a list of projects for a combination of debt and one-time funding. These include improvements to the Main Jail, Cachuma Park infrastructure upgrades, Courthouse roof replacement, Calle Real campus water system replacement, renewable energy upgrades, public safety radio tower enhancements, a new South County headquarters building for Probation, and expansion of the Emergency Operations Center (EOC). The CEO and General Services will work together this coming year to develop a funding strategy for the large public safety radio replacement project.
- ***Deferred maintenance*** remains a significant issue for County departments, with a backlog of maintenance and capital renewal needs for our parks, roads, and County facilities. In response to growing deferred maintenance needs, the Board developed a funding policy, effective in July 2015, providing a mechanism to increase ongoing funding available for maintenance projects. The policy commits 18% of unallocated discretionary general revenue growth to address maintenance needs on an annual basis, thereby increasing the ongoing funding available every year when there is growth in discretionary revenues. The recommended budget allocates $6.4 million in ongoing General Fund revenues for deferred maintenance per the 18% formula, reflecting growth of $2 million from the prior year's budget.

  In addition to this improved level of ongoing revenues available to meet deferred maintenance needs, the recommended budget includes $2.3 million in ongoing GFC for capital improvements and infrastructure maintenance, as well as $7.2 million in one-time General Fund resources to address key deferred infrastructure replacement projects. For the first year since the funding plan was implemented, this additional GFC resource allocation exceeds the targeted investment level that was identified in the 2014 analysis. Along with General Fund resources, approximately $24.1 million is provided by Special Revenue sources for Roads capital projects and maintenance. Statewide, additional funding from SB 1 is assisting local governments with road funding, which is $6.6 million to Public Works in FY 2019-20 and projected to grow to over $15 million by FY 2026-27. Despite the annual growth anticipated in funding, the backlog of deferred maintenance projects countywide remains in the $400 million range, leaving a very significant gap between allocated funding and current need.
- ***Cannabis Enforcement*** remains a priority. The FY 2018-19 adopted budget included 10.5 FTEs dedicated to enforcement against unlicensed cannabis operations, and an additional District Attorney Investigator was

added mid-year. The FY 2019-20 recommended budget increases enforcement staffing by 0.5 Sheriff Sergeant (a change from half-time to full-time) and 1.0 Sheriff Deputy (shifted from cannabis licensing), bringing total cannabis enforcement team staffing to 13.0 FTE. The enforcement team made up of staff from the Sheriff, District Attorney, Agricultural Commissioner, and Public Health Departments. In FY 2019-20, the recommended budget dedicates $2.8 million to enforcement activities, an increase of $1.1 million from the FY 2018-19 adopted budget of $1.7 million, reflecting the additional enforcement staff in Sheriff and District Attorney, as well as additional equipment and supplies costs associated with enforcement operations. The budget also includes $0.3 million of cannabis tax revenue to support tax collection and program administration costs.

Key Challenges

Every year, the County develops a balanced budget while maintaining focus on community priorities, State and federal mandates, legislative and regulatory changes, and building a strong future. Some challenges are unique to Santa Barbara County, and some are prevalent in many local governments. As departments identified their key challenges, some common themes emerged, many of which were identified in last year's budget as well.

- ***Recruitment, retention, and succession planning:*** The tight labor market, high cost of housing in the county, and expected retirement of experienced workers are challenging the Human Resources Department's ability to address departments' needs for timely recruitments. Department directors recently cited recruitment, retention, and succession planning needs as their number one issue in 2019. As a result, the recommended budget provides an expansion of two recruiter positions in Human Resources to help meet this critical demand.
- ***Increasing and changing State and federal mandates and regulations:*** Legislative and regulatory changes continue to impact funding, workload, and service delivery systems. These changes are particularly prevalent among the social service and criminal justice departments. For example, Public Health faces a number of challenges, including the Governor's proposed additional redirection of $2.1 million in 1991 Realignment funding and the Governor's Executive Order that has the potential to increase net pharmaceutical costs by $2.4 million starting in January 2021. Behavioral Wellness will lose $0.7 million in MHSA growth funds due to redirection of funds for No Place Like Home (though this should have positive impacts in the communities we serve). Departments continue to work closely with their respective professional organizations to mitigate impacts or prevent detrimental changes, as well as explore ways to work with the CEO's office to find opportunities to meet new demands.
- ***Growing need for updated technology infrastructure, security, and data storage capabilities:*** In a recent survey of County department directors, more than half identified the need to invest in updated technology as one of the County's top issues. The County needs to replace core IT infrastructure to implement critical security protocols and network standards and to implement new business applications. Departments' ability to implement new technology solutions to enhance processes, automation, case management, coordination, data sharing and information processing is hampered until we address system-wide deficiencies. The recommended budget includes an investment of $2 million to establish a Technology Replacement & Investment Fund to address critical Countywide and multi-departmental IT projects. Potential projects will be vetted through the County's Executive Information Technology Council and be

ranked based on the following criteria: scope of County benefit, County Technology Strategic Plan alignment, urgency, and payback period. The recommended budget does not allocate this funding to specific projects; any projects identified for funding will be brought to the Board for approval during the year.

- ***Diverting mentally ill individuals from the criminal justice system:*** Efforts have been underway for several years to increase diversion of those with mental illness from the justice system, which affects many departments and partner agencies, and contributes to high costs in the social service and criminal justice systems. County diversion efforts at the departmental level are many: Behavioral Wellness runs the Justice Alliance Program as well as a crisis co-response team (CRT) collaboration with Sheriff; the District Attorney operates a Misdemeanor Diversion Program; the Public Defender has a Pre-Arraignment Unit and has adopted the holistic defense model; Probation, District Attorney, and Public Defender participate in the Collaborative Courts; Sheriff offers crisis intervention training (CIT) to law enforcement officers and implementation of a jail-based competency treatment program is pending. Several collaborative efforts are also underway, including a Public Safety Working Group and IST Workgroup, and planning for a new Felony Mental Health Diversion program (funded by an AB 1810 grant) as well as potential Proposition 47 grant funding to support a sobering center, crisis hub, and countywide co-response program.
- ***Addressing Homelessness:*** Several County departments have been involved in providing services to prevent, address, and mitigate homelessness or house homeless individuals. The Governor has proposed several new funding sources to help local communities address this issue. This past year, the County created the Homeless Interagency Policy Council, made up of multiple County departments, to develop a coordinated work plan and Countywide effort.

A Balanced Budget with Modest Expansions

Revenues are expected to continue moderate growth in FY 2019-20. Discretionary revenue sources, including property taxes, sales taxes, and transient occupancy taxes, have largely recovered from the impacts of the Thomas Fire and debris flow in winter 2017-2018, and new revenues from cannabis taxes and hotel openings will boost available funds. State and federal funds for ongoing services are anticipated to improve slightly, with several exceptions. Cannabis tax revenue is expected to meet budgeted levels, and is assumed to reach $5.6 million next year, which allows full support for enforcement operations as well as one-time funding for certain Board-identified items.

With no service level reductions required in FY 2019-20 and a modest funding surplus, departments presented expansion requests in response to staffing deficiencies, structural deficits, or new service requirements.

Early Expansions: In advance of the budget workshops, certain funding needs were addressed given consideration of the severity of the impacts on the County as a whole, or in response to mandated services. In essence, these are items where funding is necessary to avoid liability or address chronic deficiencies. The following chart shows these early expansions included in departments' budgets and presented at budget workshops.

FY 2018-19 Pre-Budget Workshop Expansions

Department	Description	FTE	Ongoing GFC
Community Services	Increased funding for Warming Centers	-	$ 30,000
Human Resources	Add two recruiter positions	2.0	278,900
Public Defender	Add one Computer Systems Specialist position	1.0	110,800
Public Defender	Expand LPS/Conservatorship/Probate program staffing by one extra help attorney (DPD III); convert extra help investigator to regular position	1.0	176,700
Treasurer-Tax Collector	Add one Public Administrator/Conservator II position	1.0	121,600
	Total	**5.0**	**$ 718,000**

- **Warming Centers (Community Services Department):** An additional $30,000 in ongoing funding was allocated towards Warming Centers, which provide overnight accommodations, including meals and personal items, for homeless individuals, bringing the total budget for this service to $80,000. Based on an increasing number of shelter activations experienced over the last few years, the recommended budget allocates a higher level of County contribution toward this important safety net service.

  The additional funding will also allow Warming Center staff to collaborate with the Coordinated Entry System team and collect basic personal data of participants for reporting. This is valuable to the overall system of care, particularly considering that the Warming Centers appear to serve a population that other shelter and housing providers do not. This data and linking to the Coordinated Entry System will assist in establishing eligibility and assessment for housing.

- **Recruitment Services (Human Resources):** Two recruiter positions were added to the Employment and Workforce Planning Division. These positions are necessary to meet the current need that exists across the organization for timely and robust recruitments. Human Resources is now challenged to meet department needs for timely recruitments, with an increase of 94 recruitments over the last year—representing a 55% increase. The County's vacancy rate is increasing annually and the existing recruitment staffing level is unable to replace employees at the rate employees are leaving the County's employment.

  The tight labor market also significantly impacts the ability to quickly recruit talent. According to the UCSB Economic Forecast, the unemployment rate is 3.8% in Santa Barbara County and 4.2% statewide, resulting in a competitive market, especially for positions requiring special skills or licensure. The additional recruitment staff will allow Human Resources to be more responsive to operating department needs by conducting more simultaneous recruitments, thereby reducing the time it takes to fill critical vacancies, as well as to conduct more outreach, an important strategy to attract talent in a competitive labor market.

- **IT Support (Public Defender):** One Computer Systems Specialist position was added to the Public Defender's Office. The department has minimal central administrative staffing, with one regular full-time IT support position and a Chief Financial and Administrative Officer who concurrently serves as IT Manager. The IT function is responsible for servicing all voice and data services including telephones, voicemail, computers, and data servers. Business needs have changed, particularly as the department has gone paperless, and the entire IT infrastructure of the department needs to be rebuilt. The tools available and applications employed by staff have increased significantly over the past few years, including mandatory web applications for e-filing and e-discovery, video conferencing with clients from remote locations, and the increasing complexity of discovery information such as body cameras, cell phone extracts, financial information, and numerous surveillance systems.

The additional position will meet the needs of the department and allow the CFAO to focus on other critical responsibilities including budget management, daily financial transactions and tracking, personnel management, oversight of administrative staff, and redesign of the case management system. Additionally, adequate IT staffing will reduce the number of cases continued unnecessarily, thereby contributing to the efficiency of the justice system. Even with this additional IT support position, the Public Defender's Office will still have the lowest IT staffing level of all the criminal justice departments.

- **Conservatorship (Treasurer-Tax Collector & Public Defender):** Additional staffing for the Treasurer-Tax Collector's Office and the Public Defender's Office are included in the recommended budget to meet the demands of conservatorship services. In the Treasurer-Tax Collector's Office, a single LPS Investigator is currently responsible for all LPS investigations in North and South County and carries a caseload of 40 ongoing LPS cases, which are usually reestablished every year. The additional position dedicated to LPS conservatorship investigations will ensure this vulnerable population is effectively protected and the County fulfills our statutory requirements in a more timely manner. Due to a sharp rise in individuals found Incompetent to Stand Trial (IST), Court-ordered investigations have increased by over 500% in the last five years, from six in FY 2014-15 to 40 in FY 2017-18. Santa Barbara County is one of the top 15 counties for IST per capita.

  In the Public Defender's Office, a single attorney and part-time extra-help investigator are currently assigned to these cases in both North and South County. The investigator typically visits each conservatorship client in person, one time per year, just prior to the establishment (or reestablishment) of conservatorship (LPS) or conservatorship reviews (Probate). In FY 2017-18, these visits averaged 19 per month. The current attorney caseload is 268 Probate Conservatorships, 137 LPS Conservatorships, and 72 writs. An additional attorney and a full-time investigator dedicated to the conservatorship caseloads would help ensure effective protection for these vulnerable populations.

CEO Recommended Expansions. Following the workshops wherein the Board and public provided input and comment on the departments' budgets, the County Executive Office continued to work with departments on specific issues and conducted more analysis on expenditures and available revenues. As a result, some expansion requests were considered and included in this recommended budget. CEO recommended expansions total $2.5 million in General Fund ($0.6 million in ongoing funding and $1.9 million in one-time funding) and 3 FTE. Funding recommendations were based on consideration of State and federal requirements, Board priorities, established needs, and areas in which the County could face significant financial, legal, health, or safety risk or liability.

FY 2019-20 CEO Recommended Expansions

Description	FTE	Ongoing GFC	One-Time GFC
County Executive Office			
Establish 2-year pilot of Management Analyst Intern Program	1.0	$ -	$ 250,000
Community Services			
Regional Climate Action Planning & Coordination (2-year project)	-	-	324,000
Planning & Development			
Farmstays project	-	-	115,000
Probation			
Transfer Pretrial Assessments from Courts Special Services and add two Deputy Probation Officers to meet existing Pretrial Supervision caseload needs (full cost of expansion is $0.6 million; transfer of GFC from Courts to Probation offsets most of this cost)	11.0*	36,000	-
Public Defender			
Increase Misdemeanor Attorney staffing by one regular DPD I position and 1 extra help DPD I	1.0	234,200	-
Continue FSA Social Worker Program in FY 2019-20	-	-	110,000
Sheriff			
Establish Behavioral Science Unit Manager as permanent position	1.0	160,000	-
COBAN MDC Replacement	-	185,000**	1,107,600
Total	**3.0**	**$ 615,200**	**$ 1,906,600**

* 11.0 FTEs would be transferred from Courts to Probation.

** Set aside in General County Programs to build replacement funds.

- **Criminal Justice System Enhancements (Probation, Public Defender, Sheriff):** Pretrial assessments will be transferred from Courts Special Services to the Probation Department to achieve efficiencies through integration of pretrial assessment and supervision into one process. It is intended that the transfer of funds from the Courts to Probation for this program will occur at mid year. The goal of a risk assessment-based pretrial system is to release people from custody as early as possible in the process, and with the least restrictive conditions that will help to ensure their return to court and protect public safety, and to preventively detain only those for whom no set of conditions will assure public safety or return to court.

  Public Defender has used salary savings to hire extra help attorney support for their misdemeanor caseload, but this is not sustainable as salary savings are not available every year. This expansion adds a regular full-time misdemeanor attorney and funds an extra help attorney to assist with the misdemeanor caseload. One-time funding for a partnership with the Family Services Agency is also included, which will provide social workers to provide holistic defense services for Public Defender clients.

  Ongoing funding for the Behavioral Science Unit Manager position in the Sheriff's Office—funded with one-time funds in the FY 2018-19 budget—is included in the recommended budget, which will allow this work, including crisis intervention training for sworn staff as well as specialized trainings for dispatchers, to continue. In addition, one-time funds of $1.1 million are included to replace the Sheriff's in-car mobile data computers as well as $185,000 in ongoing funds to build up a replacement reserve for the system.

- **Farmstays Land Use Policy (Planning & Development):** The expansion would expedite amendments to the County Land Use Development Code, Article II, and Uniform Rules to allow farmstays consistent with regulations adopted in the Gaviota Coastal Plan area. Funds would be used to cover labor and consultant costs.
- **Regional Climate Action Planning (Community Services):** In December 2018, the Board directed staff to update the Energy and Climate Action Plan (ECAP) with an aggressive new GHG reduction target of 50 percent below 1990 levels by 2030. The Board also directed staff to employ a regional approach to updating the ECAP inclusive of interested neighboring jurisdictions and community stakeholders. This expansion will fund $324,000, to be spent over a two-year period, to conduct the inter-jurisdictional, multi-stakeholder collaboration required to update the ECAP and meet the newly adopted GHG reduction goal.
- **Management Analyst Intern Program (County Executive Office):** The intent of the Management Analyst Intern Program is to integrate with local post-secondary educational institutions such as UCSB, SBCC, Allan Hancock, Westmont, etc., and create a gateway from higher education to County employment. The purpose of the program is to grow, mentor, and develop the high-performing County workforce of the future. It is anticipated that the participants in the proposed Management Analyst Intern Program will work on special projects in the CEO's office as well as potential assignments in other County departments. The program is designed as a two-year limited-term apprenticeship program, and this expansion provides funding for the first round of the program.

Though we approach FY 2019-20 as a fiscally stable organization, with revenues expected to meet operational needs and some modest service expansions, caution is warranted. Unmet needs continue, such as required investments in the County's facilities, roads, public safety communications system, and core Countywide technology infrastructure. Since emerging from the most recent recession, departments have been seeking ways to restructure operations, find efficiencies, and prioritize use of resources through their Renew '22 initiatives. In addition, a recession within the next few years is possible, based on consensus among leading economists, and we must therefore continue caution and judiciousness in fiscal decision-making.

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Budget Summary

The recommended budget for FY 2019-20 is balanced, with total operating revenues of $1,141.0 million and total operating expenditures of $1,133.5 million. Operating expenditures include both ongoing and one-time costs, and ongoing costs are largely supported by ongoing revenues. The FY 2019-20 recommended budget includes full-time equivalent (FTE) staffing of 4,248.

FY 2019-20 Recommended Budget Summary
(in millions)

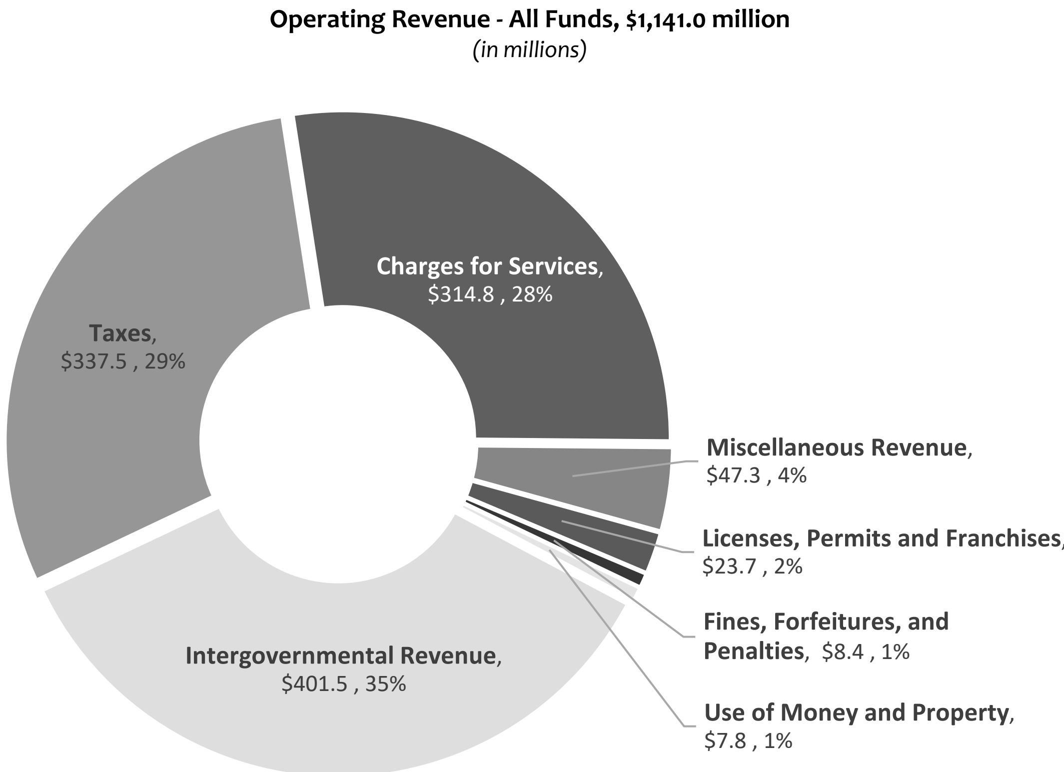
	FY 2017-18 Actual	FY 2018-19 Adopted	FY 2019-20 Recommended
Total Operating Revenues	$ 1,061.7	$ 1,110.9	$ 1,141.0
Total Operating Expenditures	$ 1,009.0	$ 1,107.1	$ 1,133.5
Net Operating Impact	$ 52.7	$ 3.8	$ 7.6
Staffing FTEs	3,804.7	4,170.2	4,247.8

Operating Revenues: All Funds

All Funds – Revenue by Category

Budget by Category of Revenue	FY 2017-18 Actual	FY 2018-19 Adopted	FY 2019-20 Recommended	Change from FY 2018-19 Ado to FY 2019-20 Rec
Intergovernmental Revenue	$ 391.3	$ 409.2	$ 401.5	$ (7.7)
Taxes	310.0	320.5	337.5	17.0
Charges for Services	274.1	298.3	314.8	16.6
Miscellaneous Revenue	50.0	46.8	47.3	0.5
Licenses, Permits and Franchises	19.6	22.6	23.7	1.1
Fines, Forfeitures, and Penalties	11.3	8.6	8.4	(0.2)
Use of Money and Property	5.5	5.0	7.8	2.8
Total Operating Revenues	**$ 1,061.7**	**$ 1,110.9**	**$ 1,141.0**	**$ 30.1**

Operating revenues for all funds total $1,141.0 million, reflecting an increase of $30.1 million or 2.7% from the FY 2018-19 adopted budget. The graph below identifies the major categories of County revenues.



Operating Revenues by Category

Revenues from taxes are projected to increase by $17.0 million or 5.3% from the FY 2018-19 adopted budget for total recommended tax revenue of $337.5 million, making up 29.6% of operating revenues. The primary drivers of the increase are Secured Property Tax, Property Tax In-Lieu of Vehicle License Fee (VLF), RDA Property Tax Trust Fund (RPTTF) residual distributions, and Transient Occupancy Tax (TOT).

Countywide, Secured Property Taxes are projected to increase by $8.9 million—or 4.4%—and are received by the County's General Fund, Fire Protection District, and Flood Control Districts as well as various minor funds. The projected growth in the County General Fund is $6.0 million and reflects an increase of 4.4%. Property Tax In-Lieu of VLF is projected to increase by 5.8% or $3.3 million from the FY 2018-19 adopted budget. RDA RPTTF residual distributions are expected to grow by $3.2 million, a significant 43% increase from the FY 2018-19 adopted budget due to normal grown and additional revenue resulting from the end of debt service obligations. It is expected that TOT will increase close to 18%, or $2.0 million, due to the opening of the Miramar and a full year of operations of San Ysidro Ranch, which was damaged in the debris flow and didn't generate TOT during much of FY 2018-19.

Use of Money and Property is expected to increase by $2.8 million or 55.5%, and includes interest income, revenue from building and land leases, and revenues from public phone and vending machine use.

Intergovernmental Revenues include State, federal, and other governmental sources and are projected to decrease by $7.7 million or 1.9% to $401.5 million. The decrease reflects lower State Revenue from the Board of State and Community Corrections (BSCC) for the construction of the Northern Branch Jail compared to FY 2018-19, due to projected completion of the Jail in FY 2019-20. The project's one-time funding is anticipated to be $4.0 million in FY 2019-20.

Charges for Services are expected to grow by $16.6 million or 5.6% over FY 2018-19 adopted budget levels. The growth is spread across many different sources. The largest revenue growth areas are in Medi-Cal and Drug Medi-Cal reimbursement, sanitation services, allocated costs for administrative and other services, and fire protection services for government incidents.

Fines, Forfeitures, and Penalties are projected to decrease by $0.2 million or 2.3% from the FY 2018-19 adopted budget, reflecting decreased revenue to Court Special Services due to the passage of AB 103 as well as fewer case filings.

Miscellaneous Revenues are expected to remain relatively flat, with 1.1% growth of $0.5 million. These revenues include numerous sources that do not fall into specific categories, largely insurance premium contributions.

Revenues 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 restricted for specific purposes, 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 FY 2019-20 operating revenues by major fund, the largest of which is the General Fund, making up 39% of countywide revenues. The General Fund can be further broken down into Discretionary General Revenues and Other Revenues.

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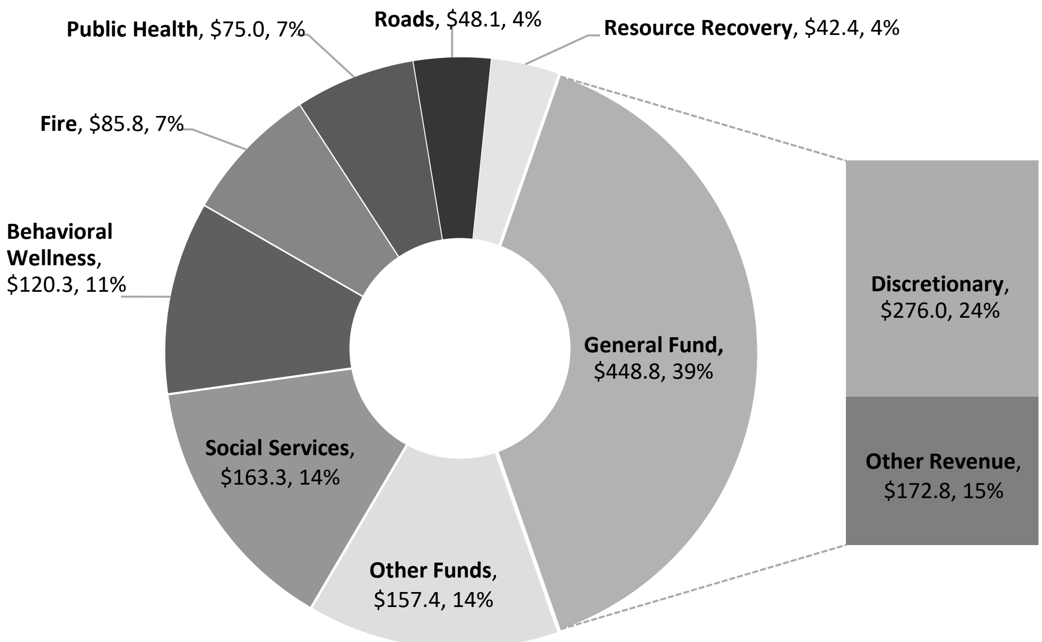
Operating Revenues by Fund, $1,141.0 million

(In millions)



Local Discretionary Revenues

The FY 2019-20 recommended operating revenues across all funds are $1,141.0 million. Of these total revenues, the Board of Supervisors has complete discretion over the allocation of about 24.2% or $276.0 million, which is made up primarily of property tax revenues. This local discretionary revenue is allocated out to departments as General Fund Contribution (GFC), with 86% to General Fund departments and 14% to other funds. GFC funds services that do not have alternate funding sources, including administrative costs, and, in Special Revenue Funds, often serves as match funding for State and federal sources.

The table below summarizes the General Fund discretionary revenues anticipated in FY 2019-20 and compares them with prior fiscal years. Property taxes, sales taxes, and Transient Occupancy Taxes (TOT) are three major local sources of revenue generated based on the performance of the local economy. Significant property taxes (including secured, unsecured, In-Lieu of Vehicle License Fees, and property transfer taxes) make up 79% of total discretionary revenues.

In the recommended budget, local discretionary revenues increased by $8.5 million from the FY 2018-19 adopted budget, for a total of $276.0 million. This increase is most notably from property taxes and TOT revenue.

FY 2017-18 through FY 2019-20 Discretionary Revenue
(in millions)

	FY 2017-18 Actual	FY 2018-19 Adopted	FY 2019-20 Recommended
Significant Property Taxes*	$ 206.8	$ 210.4	$ 218.4
RDA Dissolution Proceeds	1.6	-	-
RDA Prop. Tax - Ongoing	7.6	6.3	9.4
Subtotal Property Taxes	**$ 215.9**	**$ 216.7**	**$ 227.9**
Cost Allocation Services	10.7	12.8	11.1
Local Sales Tax	10.3	10.7	11.0
Transient Occupancy Tax	8.4	11.2	13.2
Cannabis Tax	-	5.5	5.6
All Other	12.7	10.5	7.2
Total Discretionary Revenues	**$ 257.9**	**$ 267.5**	**$ 276.0**
Growth Year over Year			$ 8.5
Rate of Growth			3.2%

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

The main drivers of discretionary revenue growth are as follows:

Property Taxes

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 discretionary funds in the County's budget. The FY 2019-20 recommended budget of $218.4 million projects that there will be net 3.8% growth ($8.0 million) over the FY 2018-19 adopted budget of $210.4 million. In the FY 2019-20 recommended budget, increases in secured property tax and property tax in-lieu of VLF are partially offset by anticipated decreases in unsecured and supplemental property taxes.

Local Sales Tax

Local 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, and is expected to have low growth (0.02% or $0.2 million), which is consistent with historical trends.

Transient Occupancy Tax (TOT)

This source of revenue is highly dependent on tourism and the quantity of lodging in the unincorporated County. TOT is expected to increase in FY 2019-20 by $2.0 million, or about 18%, as a result of the opening of the Miramar as well as the first full year of operations for the reopened San Ysidro Ranch, which was damaged during the debris flow and did not generate TOT during much of FY 2018-19.

Executive Summary

Cannabis Tax

FY 2019-20 will be the second year of cannabis tax generation for the County. Receipts are expected to increase by 3% to $5.6 million in the recommended budget. These taxes fully fund enforcement operations as well as several one-time projects approved by the Board.

	FY 2018-19 Adopted	FY 2018-19 Est Actual	FY 2019-20 Recommended
Enforcement Costs			
County Executive Office	$ 96,700	$ 47,500	$ 84,500
County Counsel	102,300	102,300	107,400
District Attorney	202,900	387,600	527,600
Sheriff	696,200	1,006,375	1,526,000
Public Health	100,000	100,000	100,000
Agricultural Commissioner/W&M	116,200	116,200	116,200
Planning & Development	376,000	330,000	354,100
Subtotal Enforcement Costs	**$ 1,690,300**	**$ 2,089,975**	**$ 2,815,800**
Tax Collection & Program Administration			
County Executive Office	$ -	$ 200,300	$ 99,700
Treasurer-Tax Collector-Public Administrator	-	-	165,000
General County Programs	-	-	65,000
Subtotal Tax Collection & Program Admin.	**$ -**	**$ 200,300**	**$ 329,700**
Total	**$ 1,690,300**	**$ 2,290,275**	**$ 3,145,500**

All Other Discretionary Revenues

This category is made up of Franchise Fees, Interest Income, State, and Federal Payments. These revenues are expected to decrease by $3.1 million or 1.2% in the FY 2019-20 recommended budget due to a decrease in State aid for disaster, which experienced a significant one-time bump in the FY 2018-19 budget due to the Thomas Fire and 1/9 Debris Flow.

Operating Expenditures: All Funds

Significant Changes from FY 2018-19 Adopted Budget

The County's recommended FY 2019-20 operating expenditures are $1,133.5 million, a $26.3 million or 2.4% increase over the FY 2018-19 adopted budget of $1,107.1 million. Salaries and benefits show a projected 3.8% increase of $23.3 million; services and supplies are expected to decrease by $6.4 million or 1.8%; and other charges are expected to increase by $9.5 million or 7.0%. The table below identifies significant categories of these expenditures.

Significant Changes from FY 2018-19 Adopted Budget

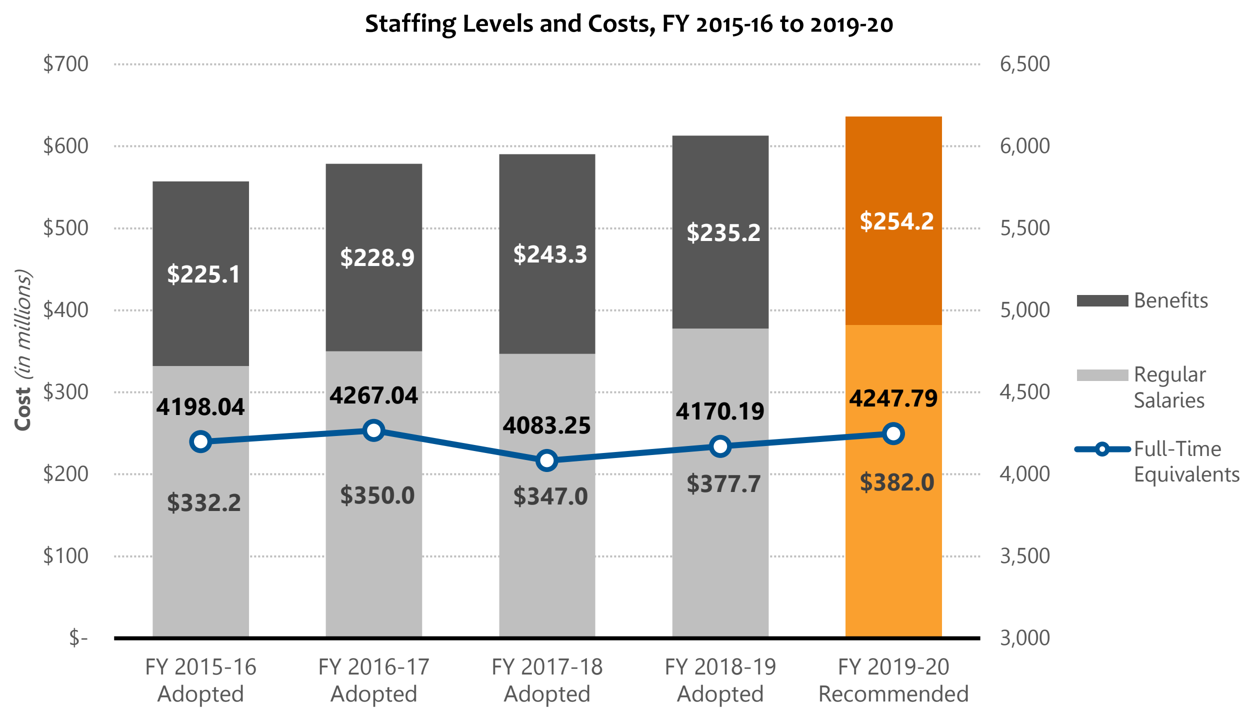
(in millions)

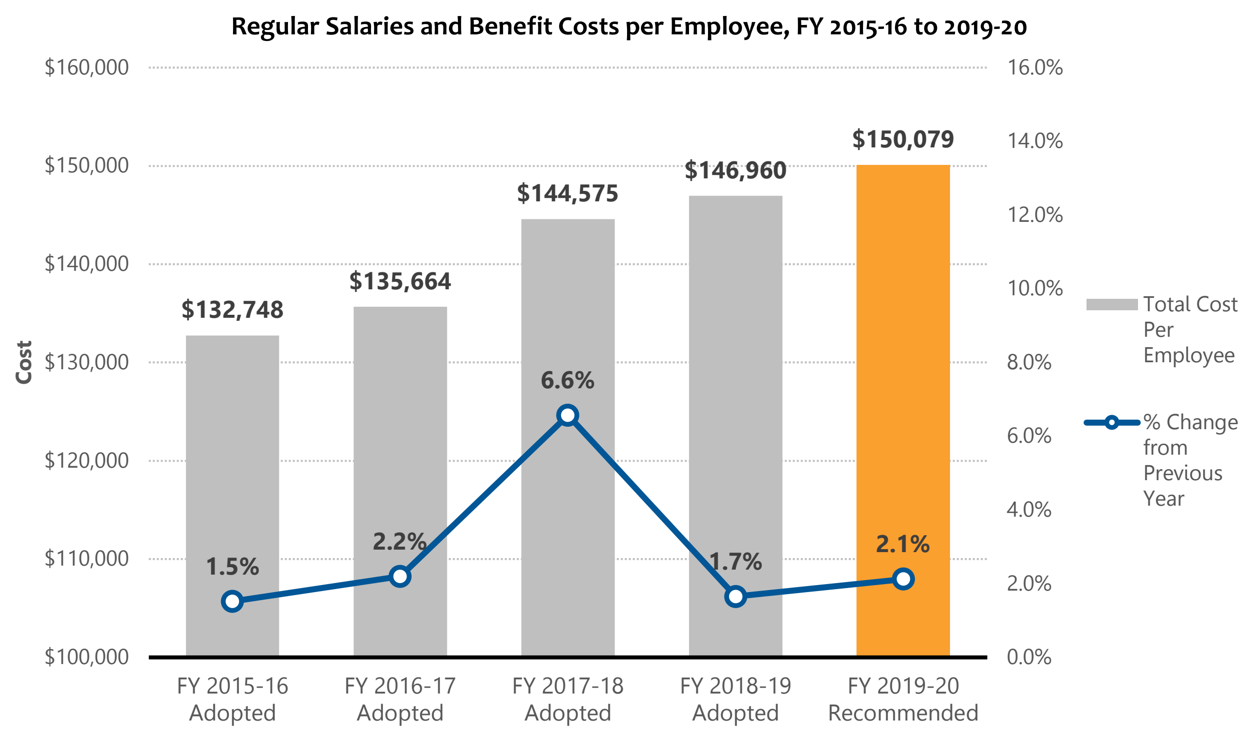
	FY 2017-18 Actual	FY 2018-19 Adopted	FY 2019-20 Recommended	Change from FY 2018-19 Ado to FY 2019-20 Rec
Salaries and Employee Benefits				
Regular Salaries	$ 317.8	$ 377.7	$ 382.0	$ 4.3
Budgeted Salary Savings	-	(16.5)	(23.6)	(7.1)
Retirement Contribution *(net of employee offset)*	121.2	143.9	143.8	(0.2)
Retiree Medical OPEB	12.7	15.2	15.4	0.2
Health Insurance Contribution	35.2	43.3	43.9	0.6
Workers Compensation	17.1	16.3	16.2	(0.1)
Other Salaries and Employee Benefits	71.2	32.9	58.5	25.6
Total Salaries and Employee Benefits	**$ 575.2**	**$ 612.9**	**$ 636.2**	**$ 23.3**
% Change				3.8%
Services and Supplies				
Contractual and Special Services	$ 129.2	$ 152.2	$ 129.2	$ (22.9)
All Other Services and Supplies	186.4	207.5	224.0	16.5
Total Services and Supplies	**$ 315.6**	**$ 359.7**	**$ 353.3**	**$ (6.4)**
% Change				-1.8%
Other Charges				
Cash Assistance Payments	$ 45.8	$ 48.8	$ 47.0	$ (1.8)
All Other Charges	72.5	85.8	97.0	11.2
Total Other Charges	**$ 118.3**	**$ 134.6**	**$ 144.0**	**$ 9.5**
% Change				7.0%
Total Operating Expenditures	**$ 1,009.0**	**$ 1,107.1**	**$ 1,133.5**	**$ 26.3**
% Change				2.4%

Salaries and Employee Benefits

Recommended salary and benefit costs of $636.2 million in FY 2019-20 represent the combined impacts of the addition of 77.6 FTEs, negotiated salary increases, and employee benefit cost increases. The increase in FTEs is largely attributable to additional positions in the Office of the Sheriff primarily for the Northern Branch Jail (22.2 FTEs) and the Behavioral Wellness Department due to additional federal and State funding (19.3 FTEs). Each department gives a detailed breakdown of the changes in their FTEs in Section D of this book. The cost per employee is projected to increase by 2.1% to $150,079 in FY 2019-20.

The chart below illustrates the trend in County staffing levels and costs.

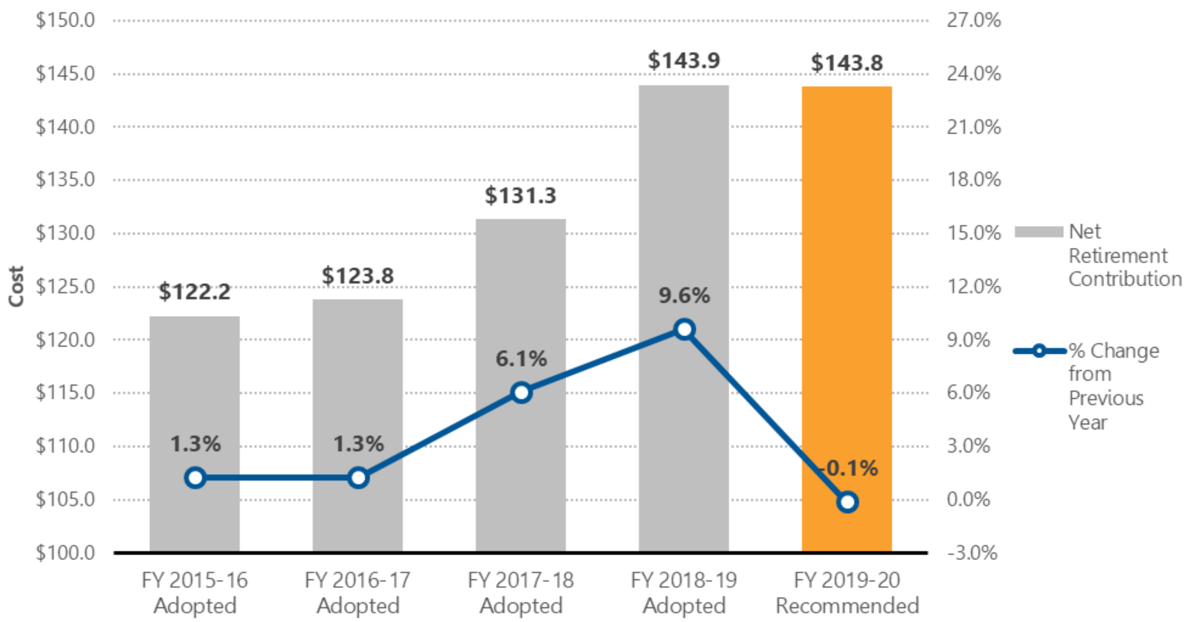

Staffing Levels and Costs, FY 2015-16 to 2019-20
Cost (in millions)
$700
$600
$500
$400
$300
$200
$100
$-
6,500
6,000
5,500
5,000
4,500
4,000
3,500
3,000
$225.1
$228.9
$243.3
$235.2
$254.2
4198.04
4267.04
4083.25
4170.19
4247.79
$332.2
$350.0
$347.0
$377.7
$382.0
FY 2015-16 Adopted
FY 2016-17 Adopted
FY 2017-18 Adopted
FY 2018-19 Adopted
FY 2019-20 Recommended
Benefits
Regular Salaries
Full-Time Equivalents


Regular Salaries and Benefit Costs per Employee, FY 2015-16 to 2019-20
Cost
$160,000
$150,000
$140,000
$130,000
$120,000
$110,000
$100,000
16.0%
14.0%
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
$132,748
$135,664
$144,575
$146,960
$150,079
1.5%
2.2%
6.6%
1.7%
2.1%
FY 2015-16 Adopted
FY 2016-17 Adopted
FY 2017-18 Adopted
FY 2018-19 Adopted
FY 2019-20 Recommended
Total Cost Per Employee
% Change from Previous Year

Retirement Contributions

The County's net retirement contribution decreases slightly by $165,900 or 0.1% from the FY 2018-19 adopted budget to the FY 2019-20 recommended budget. Retirement cost sharing between the County and employees was negotiated and implemented during FY 2018-19 and will generate cost savings to the County in FY 2019-20 and subsequent years as the cost-sharing provisions continue to phase in; the County will not experience the full impact of retirement cost sharing until FY 2020-21. These cost savings are reflected in the FY 2019-20 recommended budget as FY 2019-20 will be the first full year of implementation of the cost sharing provisions. The FY 2018-19 adopted budget does not reflect these cost savings as the cost-sharing provisions were implemented mid-year.

Countywide Retirement Contribution, FY 2015-16 to FY 2019-20



Note: The significant increase from FY 2017-18 adopted to FY 2018-19 adopted was the result of an accounting accrual and does not reflect a significant change in staffing or retirement contribution rates.

Northern Branch Jail Construction and Operations

The Northern Branch Jail Project is located outside the City of Santa Maria, California; when completed, the facility will provide capacity to hold 376 individuals, of which 32 beds are to be reserved in a separate housing unit for individuals with medical and mental health challenges. The entire jail complex is composed of several buildings totaling approximately 139,000 square feet for inmate housing and ancillary support functions.

The County continues construction of the new jail, which is anticipated to open in winter 2019. The Northern Branch Jail project represents a significant ongoing commitment of future General Fund revenue. While the State provided a majority of the funding for construction through an AB 900 grant, the ongoing operating costs are the responsibility of the County General Fund, and are currently estimated at $18.8 million for the first full year of operations (FY 2020-21), with annual increases in future years.

Executive Summary

By adding incrementally higher amounts of GFC each year to a dedicated jail fund, we are slowly building towards the annual funding amount needed to operate the new jail. As shown below, $12.7 million is allocated to this fund in the FY 2019-20 budget, building upon the balances contributed in prior years, and the Sheriff anticipates drawing $14.6 million in FY 2019-20 as they continue the hiring and training of staff necessary to operate the new jail, as well as a partial year of operations. The fund balance at year-end is estimated to be $13.1 million. Currently, we are well over halfway to building up sufficient ongoing funding to fully operate the new jail. A $6.4 million balance is showing in FY 2022-23, which will carry to future years until the GFC contribution matches the full operating cost.

Plan for Future Jail Operations Funding

Fiscal Year	GFC Base	GFC Increase	Total GFC	County Match Construction	Operating Costs	End of Year 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	-	(0.2)	13.8
2016-17	6.1	1.5	$ 7.6	(12.3)	(1.3)	7.8
2017-18	7.6	1.5	$ 9.1	-	(3.5)	13.4
2018-19	9.1	1.8	$ 10.9	(2.0)	(7.3)	15.0
2019-20	10.9	1.8	$ 12.7	-	(14.6)	13.1
2020-21	12.7	2.2	$ 14.9	-	(18.8)	9.2
2021-22	14.9	2.2	$ 17.1	-	(19.3)	7.0
2022-23	$ 17.1	$ 2.2	$ 19.3	$ -	(19.9)	6.4

Capital Expenditures

The County has a large list of capital items, both funded and unfunded, including new capital improvements and capital replacement of systems to address significant deferred maintenance. The Board of Supervisors approved a list of priority capital projects for which to pursue debt financing through issuance of Certificates of Participation (COP) in FY 2019-20. The project costs and COP revenue are not included in the recommended budget, but the budget does include the anticipated debt payment amount of $3.1 million. A complete summary of projects and recommended appropriations for capital expenditures can be found in Section E of the recommended budget book.

All Funds Operating Expenditures by Functional Area

FY 2019-20 recommended expenditures are grouped by functional area in the table below. Most areas are seeing significant increases, though there is a large decrease in the North County Jail construction account, due to the project's anticipated completion in FY 2019-20. The main drivers of these changes are summarized below by department, and significant changes are explained more fully in the department detail pages in Section D of this book.

Total Operating Expenditures by Functional Group and Department

	2017-18 Actual	2018-19 Adopted	2018-19 Estimated Actual	2019-20 Recommended	Change from FY18-19 Ado to FY19-20 Rec
Policy & Executive					
Board of Supervisors	$ 2,987,522	$ 3,163,500	$ 3,151,600	$ 3,216,500	$ 53,000
County Executive Office	37,921,929	38,498,500	41,620,900	42,245,400	3,746,900
County Counsel	8,380,787	9,374,400	9,314,700	9,519,900	145,500
Sub-Total	**49,290,238**	**51,036,400**	**54,087,200**	**54,981,800**	**3,945,400**
Public Safety					
Court Special Services	14,552,035	14,576,000	14,613,800	14,695,400	119,400
District Attorney	23,813,614	25,373,900	25,286,200	27,339,100	1,965,200
Fire	78,661,119	78,026,600	77,082,700	84,906,300	6,879,700
Probation	52,908,068	57,549,100	55,265,200	58,931,500	1,382,400
Public Defender	11,574,874	12,293,600	12,379,700	13,556,800	1,263,200
Sheriff	144,932,992	146,894,900	143,265,850	154,871,000	7,976,100
Sub-Total	**326,442,702**	**334,714,100**	**327,893,450**	**354,300,100**	**19,586,000**
Health & Human Services					
Behavioral Wellness	108,531,932	126,118,158	119,306,900	132,321,400	6,203,242
Child Support Services	9,451,346	9,547,300	9,349,700	9,601,400	54,100
First 5, Children & Families	4,318,142	3,768,500	3,734,900	3,496,300	(272,200)
Public Health	87,361,923	90,844,600	89,876,900	93,895,500	3,050,900
Social Services	158,038,544	172,107,900	168,466,700	173,888,900	1,781,000
Sub-Total	**367,701,887**	**402,386,458**	**390,735,100**	**413,203,500**	**10,817,042**
Community Resources & Public Facilities					
Agricultural Commissioner/W&M	4,932,352	5,981,700	6,199,200	6,233,600	251,900
Community Services	25,135,422	32,364,100	32,805,300	35,927,700	3,563,600
Planning & Development	15,376,876	22,423,500	18,448,300	24,438,400	2,014,900
Public Works	94,371,679	124,461,900	118,956,700	136,668,900	12,207,000
Sub-Total	**139,816,329**	**185,231,200**	**176,409,500**	**203,268,600**	**18,037,400**
General Government & Support Services					
Auditor-Controller	8,098,527	9,056,800	8,637,600	9,158,900	102,100
Clerk-Recorder-Assessor	15,671,989	17,968,100	16,348,700	18,499,500	531,400
Debt Service	1,896,360	1,792,300	1,842,100	1,724,500	(67,800)
General Services	45,318,457	49,482,300	46,542,300	52,492,100	3,009,800
Human Resources	8,921,093	8,511,700	8,065,500	8,609,000	97,300
North County Jail	37,331,268	37,364,200	30,732,900	7,556,400	(29,807,800)
Treasurer-Tax Collector-Public	6,905,339	7,896,200	7,589,000	8,088,200	192,000
Sub-Total	**124,143,032**	**132,071,600**	**119,758,100**	**106,128,600**	**(25,943,000)**
General County Programs					
General County Programs	1,628,991	1,696,800	1,386,500	1,591,300	(105,500)
Sub-Total	**1,628,991**	**1,696,800**	**1,386,500**	**1,591,300**	**(105,500)**
Operating Appropriations Total	**$ 1,009,023,180**	**$ 1,107,136,558**	**$ 1,070,269,850**	**$ 1,133,473,900**	**$ 26,337,342**

Executive Summary

Significant changes in department operating budgets are described below, grouped by functional area:

Policy & Executive

County Executive Office: The FY 2019-20 recommended budget increases by $3.7 million from the FY 2018-19 budget, primarily reflecting increases in risk management costs.

Public Safety

District Attorney: The FY 2019-20 recommended budget increases by $2.0 million, primarily due to staffing increases of 7.5 FTE, of which 4.5 FTE are grant-funded and the addition of 1.0 FTE, for a total of 2.0, dedicated to cannabis-related enforcement.

Fire: The FY 2019-20 recommended budget increases by $6.9 million, primarily due to salary and benefit increases associated with constant staffing overtime cost increases and the addition of 9 FTEs, as well as costs associated with turning the Black Hawk helicopter purchased in FY 2018-19 into a mission-ready Firehawk.

Probation: The FY 2019-20 recommended budget increases by $1.4 million, primarily due to general salary and benefit increases and additional grant contracts, as well as increased costs for services provided by Behavioral Wellness and medical services in the probation institutions.

Public Defender: The FY 2019-20 recommended budget increases by $1.3 million, primarily resulting from increased staffing, salary and benefit increases, and increased general liability costs.

Sheriff: The FY 2019-20 recommended budget increases by $8.0 million or 5.4%, primarily due to annual salary and benefit increases, including the final addition of 24.65 FTE for the Northern Branch Jail. Additionally, charges for Liability Insurance and vehicle costs increased by almost $1.2 million, and $1.1 million in one-time funding is allocated for the replacement of patrol vehicle computer and video equipment.

Health & Human Services

Behavioral Wellness: The FY 2019-20 recommended budget increases by $6.2 million, primarily due to increases in contractual services for the new Drug Medi-Cal Organized Delivery System as well as general salary and benefit increases.

First 5, Children and Families: The FY 2019-20 recommended budget decreases by $0.3 million primarily due to reductions in Proposition 10 revenue and staffing reorganization.

Public Health: The FY 2019-20 recommended budget increases by $3.1 million, primarily due to general salary and benefit increases, cost increases for pharmaceuticals, as well as increased premiums for malpractice insurance, information technology, and communications charges from internal service providers.

Social Services: The FY 2019-20 recommended budget increases by $1.8 million primarily due to salary and benefit increases and the addition of several staff positions.

Executive Summary

Community Resources & Public Facilities

Planning & Development: The FY 2019-20 recommended budget increases by $2.0 million primarily due to increases in applicant-funded consultant services and contract-based projects.

Public Works: The FY 2019-20 recommended budget increases by $12.2 million, primarily due to landfill projects, disaster-related maintenance, flood control projects, and projects funded by SB 1 and Prop 42.

Community Services: The FY 2019-20 recommended budget increase of $3.6 is mainly due to general salary and benefit increases, as well as two new State homeless programs: Homeless Emergency Assistance Program (HEAP) and California Emergency Solutions and Housing Program (CESH).

General Government & Support Services

Clerk Recorder Assessor: The FY 2019-20 recommended budget increases by $0.5 million primarily due to general increases in salaries and benefits and elections-related costs.

General Services: The FY 2019-20 recommended budget increases by $3.0 million resulting primarily from salary and benefit increases, increased fuel costs, and increased depreciation expenses resulting from the replacement of fully depreciated assets.

North County Jail: The significant decrease of $29.8 million reflects a reduction in Northern Branch Jail construction costs due to anticipated completion in FY 2019-20.