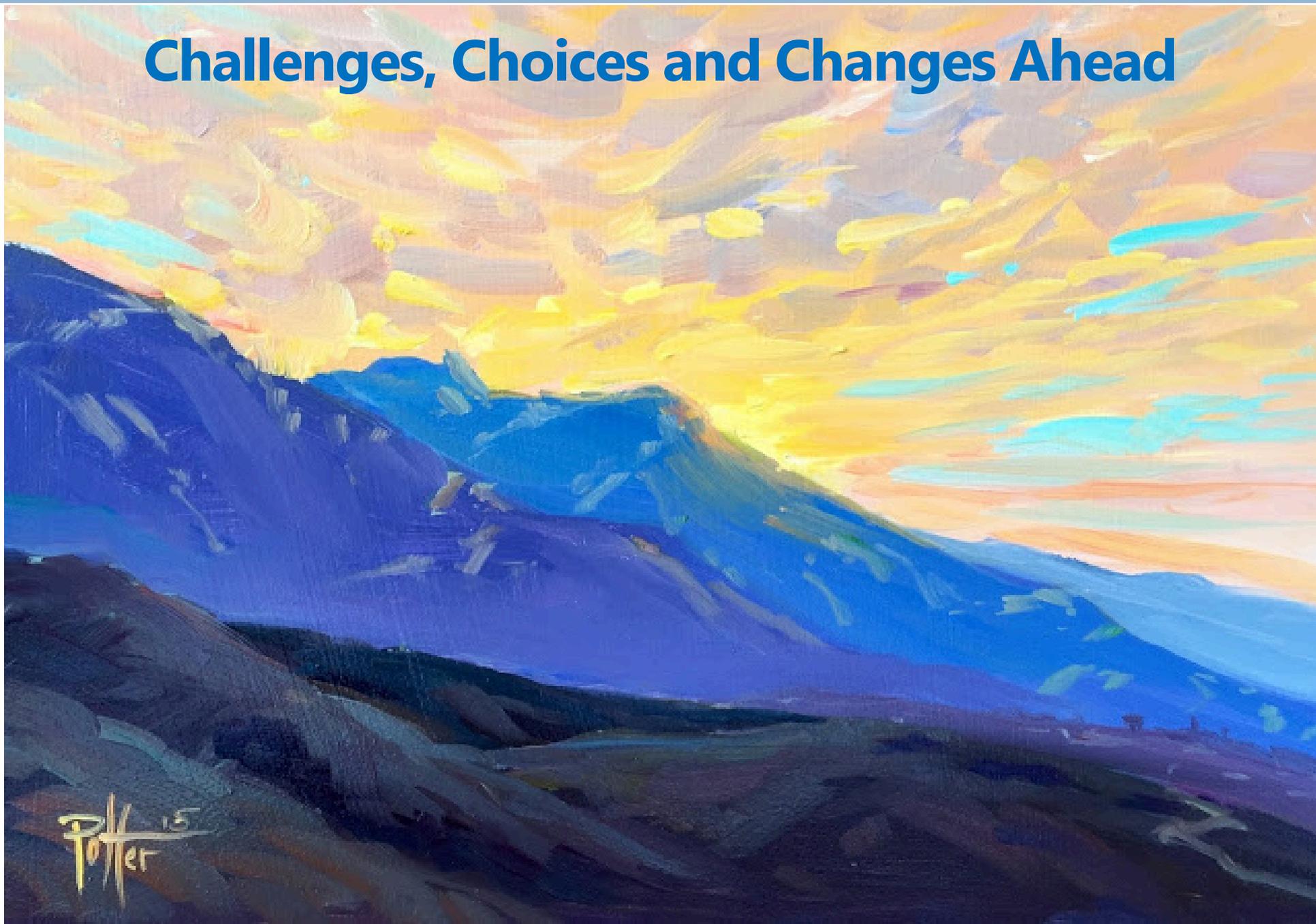


# 2016-2018 BUDGET WORKSHOP

---

## **Budget Overview**

# Challenges, Choices and Changes Ahead



# Where We've Been

20 years ago.....

- "...the Proposed Budget cuts many of our most popular community services, does little to protect our infrastructure of roads and facilities, continues erosion of...internal service departments...There is no General Reserve for economic downturns or natural catastrophes."

## PROPOSED BUDGET

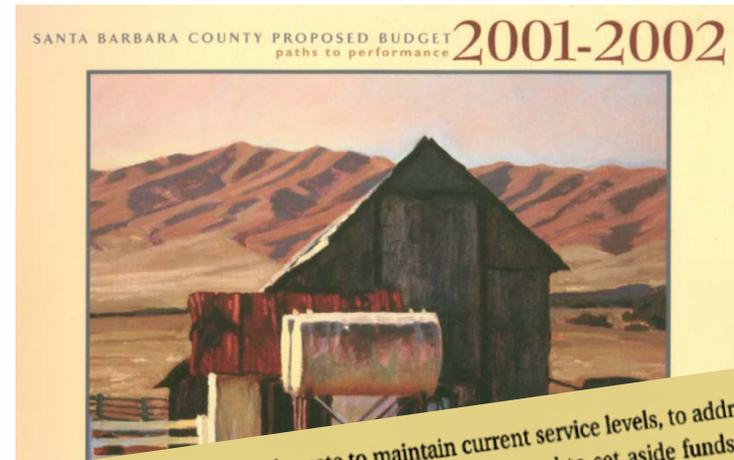
1996-97 Fiscal Year

*I would summarize this Proposed Budget as one that largely holds the line for most criminal justice and human service departments, cuts many of our most popular community services, does little to protect our infrastructure of roads and facilities, continues the erosion of services for many of our internal service departments and provides only a minimal level of funds for unforeseen needs and emergencies. There is no General Reserve for future economic down turns or natural catastrophes.*

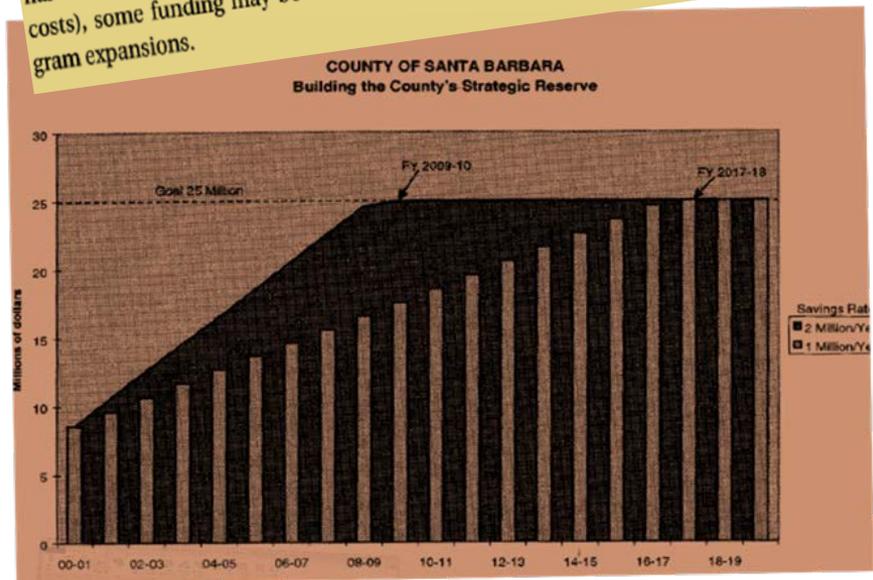
# Where We've Been

15 years ago....

- "...resource are adequate to maintain current service levels.... address a portion of the backlog of facilities maintenance needs and to set aside funds for the Strategic Reserve..."
- "...some funding (for) modest... program expansion"
- Strategic reserve target (\$25 million) projected by 2017-18



Again this year, resources are adequate to maintain current service levels, to address a portion of the backlog of facilities maintenance needs, and to set aside funds for the Strategic Reserve. Additionally, barring unforeseen negative impacts from external factors (for example, State reduction of subventions necessitated by electricity costs), some funding may be available to address a modest level of unfunded program expansions.



# Where We've Been

## 10 years ago....

- Positive outlook
- Strategic Reserve funded up to \$25 million goal
- "...Budget balanced without use of...year end (prior)...fund balance for the first time in recent years."
- Discretionary revenue growth on pace with salary and benefit cost increases



2006-07

### County says budget in good shape

BARNEY McMANIGAL  
June 27, 2006 12:00 AM

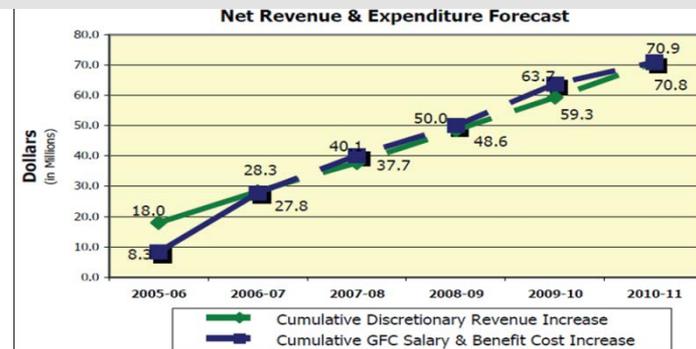
Share Story [facebook](#) [Tweet](#)

#### LOCAL TAKE

County officials on Monday said that the tentative agreement on the state's \$131 billion budget would leave them in good shape even if localities don't get reimbursed for last year's special election. "If it stayed the same as it was two weeks ago, it's OK," said county Executive Officer Mike Brown. "It's about the best year we've had in a long time." While state legislators and Gov. Arnold Schwarzenegger have not released details, most analysts say it contains a surprise influx of property tax

Due to property tax growth in the current year, as well as one time revenues from the State, the FY 06-07 Recommended Budget has been balanced without the use of the year end undesignated (prior) fund balance for the first time in recent years.

The Strategic Reserve has been funded up to the \$25 million goal set when the reserve was first established in 1997, ahead of the target date of 2011-12.



# Where We've Been

## 5 years ago...

- "...Proposed Budget closes a gap of \$72 million..."
- "...reflects significant service level impacts..."
- "The County's current budget challenges are not a one-year phenomenon"
- "The organization remains committed to fiscal stability...reduce...non-core, discretionary services while scaling back others."



### More Reductions Needed for FY 2011-12

Despite these efforts undertaken by departments to maintain a level of scarce resources, the size of the budget gap...

**Santa Barbara County faces drastic budget cuts**  
BY MALORY ENSOR



# Where We are Today



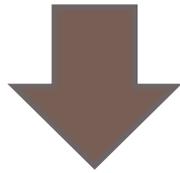
- Still in long shadow of Great Recession

But:

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

# What's Different Now versus Then?

Board has, and continues to, address long-term initiatives and funding large liabilities



- Northern Branch Jail
- Enhanced Fire Safety
- Deferred Maintenance
- Pension fund unfunded liability
- Retiree health unfunded liability
- Workers Compensation Recovery plan
- Fully funded 30-day operations reserve

- *Prior commitments limit funding for significant new costs or major expansions in near term*

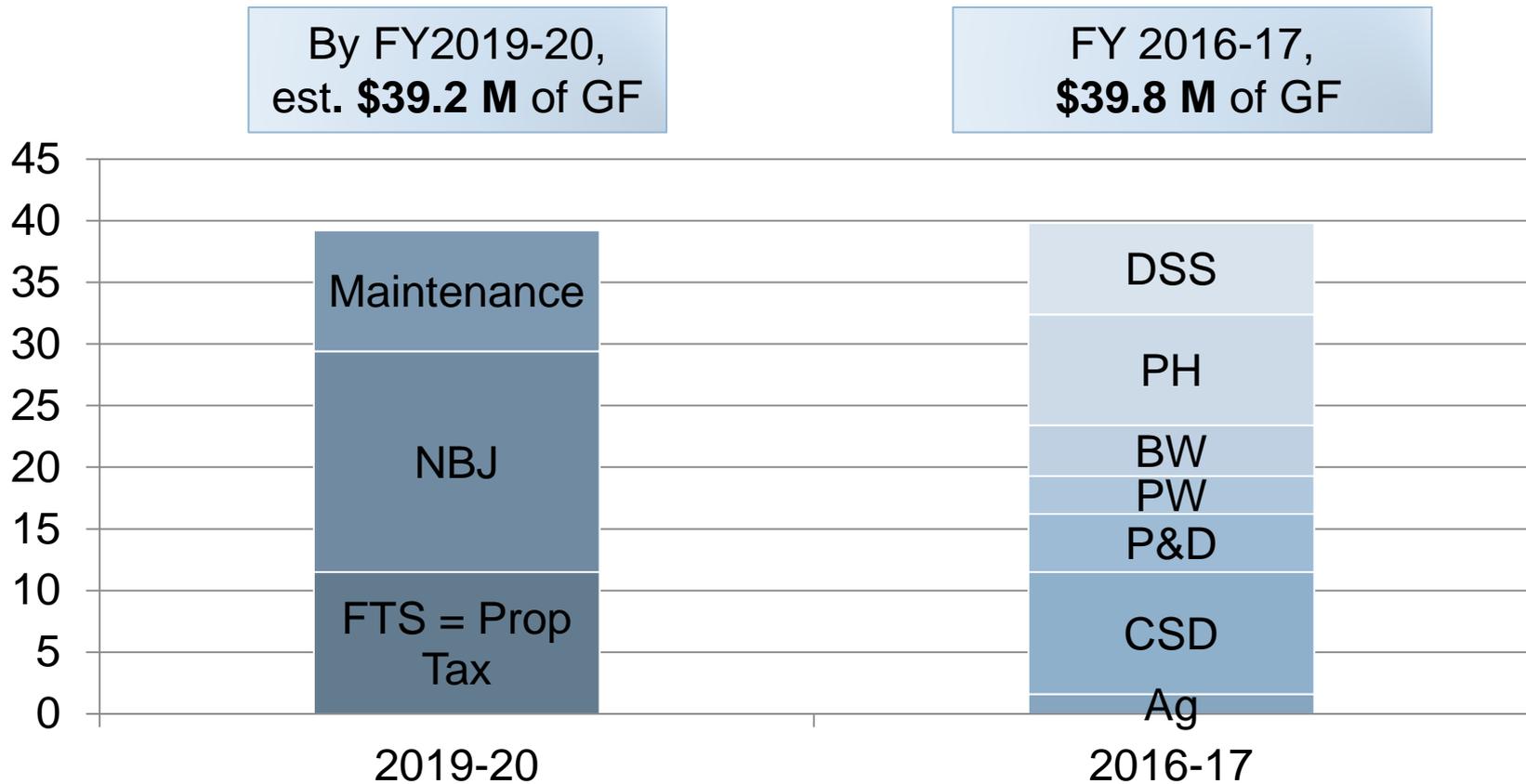
# What's Different?

- Pre-Recession: County payment for unfunded pension liability: approx. 9% of payroll
- Post-Recession: closer to 20% of payroll; current rate reflects amortization policy



# What's Different?

Significant commitment of future, annual discretionary General Fund (and property tax revenue) to our major priorities



Investigation of oil spill – prosecution of largest gang case ever – services to human trafficking victims – rapid Sheriff/Fire Air response to Gibraltar Fire – safety in Isla Vista – resentencing petitions of Prop 47 applicants – collaboration of Community Corrections Partnership – improved pre-trial services – increased moral reconnection therapy for offenders – addressed racial & ethnic disparity in juvenile justice system – initiated rebuild of fire station in Cuyama – record fire deployment of mutual aid – in depth evaluation of new jail operations – ad hoc committee assistance Chumash negotiations – recovered millions in oil spill claims – prevailed in 10 of 11 court of appeal cases – collected \$27.4 million in child support payments – interactive technology for child support customers – supported 1600 children in First Five grants to community agencies – quality improvement services to 125 childcare centers and programs – served 36% of County population with social service programs – examined continuum of Child Welfare services – expanded capacity at health centers – improving animal services – new mental health crisis services – new safe and stable housing – prepared flood control and roads for El Nino – bridge replacements – progress on sustainable alternative at Tajiguas Landfill – new cabins at Lake Cachuma – retention of Goleta Beach Rock Revetment – Community Choice Energy evaluation – Arroyo Burro Park improvements – Courthouse tower ADA compliant elevator – Isla Vista Clinic building renovation – **\$10.5 million in veterans' and retroactive benefits – top 3 for secured tax collections** – VoteCal system implemented – 77,500 documents recorded – implemented new property tax system – new employee time card system – *new employee orientation program – recruited and placed 352 new employees* – new Detector Dog team – invasive weed eradication – processed 1,250 zoning permits and 3,100 building permits – 99.7% on-time inspection rate (within 24 hours) – completed community plans

# Santa Barbara County....

- Provides significant services day in day out through our dedicated departments and employees
- Makes progress toward complex goals
- Faces challenging regulations, state and federal mandates, with many stakeholders
- Continues accountable, customer-focused and efficient and effective services
- Must continue with caution and realistic expectations
- Is in a positive and stable financial position due to the Board's leadership, prudence and past choices

# Purpose of Workshops

1. Review presentations from departments on FY 2016-18 Draft Budgets
2. Review “Special Issue” areas in select Departments
  - NBJ Transitional Staffing Plan Prior to Opening
  - Fire Tax Shift & Operational Progress
  - Affordable Care Act (ACA) Update
  - Update on Maintenance, Capital and Potential Debt Financing
  - Long Range Planning Work Program (P&D)
3. Receive public input
4. Provide direction to CEO on budget issues or to departments on Special Issues

Board funding decisions not required at this time

# 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



# Challenges, Choices & Changes Ahead

- Continue the Board's prior commitments
- Moderate revenue growth
- Continue rebuilding the organization and finances after the recession
  - Rebuilding financial reserves
  - Incrementally address organizational needs & unfunded liabilities
  - Meet new and existing mandates
  - Ensure core missions met
- Create a thriving and engaged workforce
- Create efficiencies in department operations through process improvements, technology, innovation
- Minimize service reductions and impacts to the public
- Strategically address new and emerging issues

# Continue Board's Prior Commitments

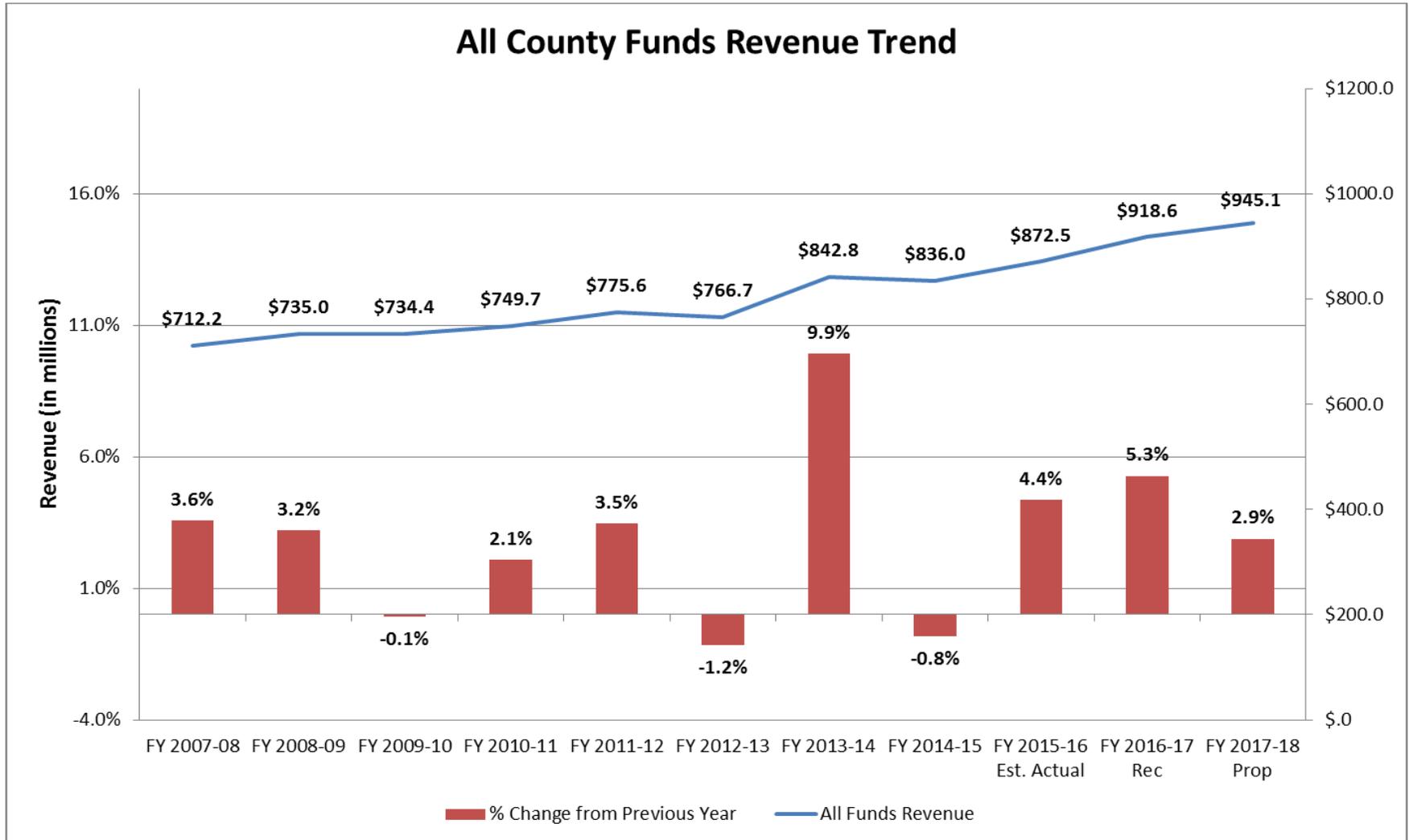
- Property tax shift to the Fire District
- Northern Branch Jail - Operations Fund
- Expanded resources maintenance needs
- Funding of existing labor agreements

# Moderate Revenue Growth

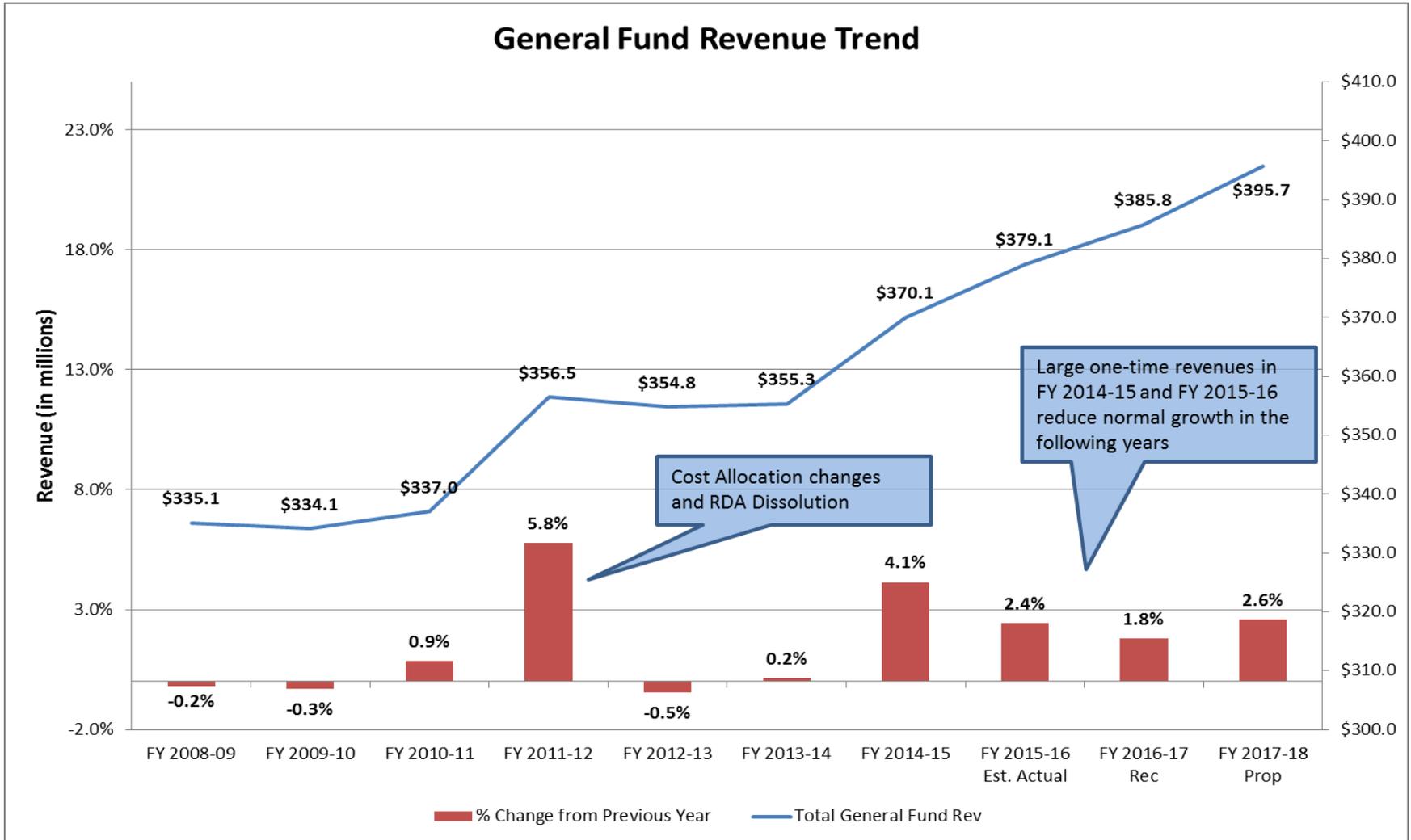
- Property Tax growth assumed at approx. 4.5%
- State and federal revenues generally stable or slightly improving
- Exceptions:
  - State Highway Users Tax (gas tax) (\$-2.9M)
  - Prop 172 –adj. to the base funding in FY 2015-16
- Oil Impacts – price per barrel impacts property tax
- Existing commitments - limit flexibility
- Unallocated, ongoing General Fund - est. \$4.6M
- One-time – Still To Be Determined
- Federal Payment-In-Lieu - \$1.6 M in FY 2015-16; uncertain in future

# Revenue Trends

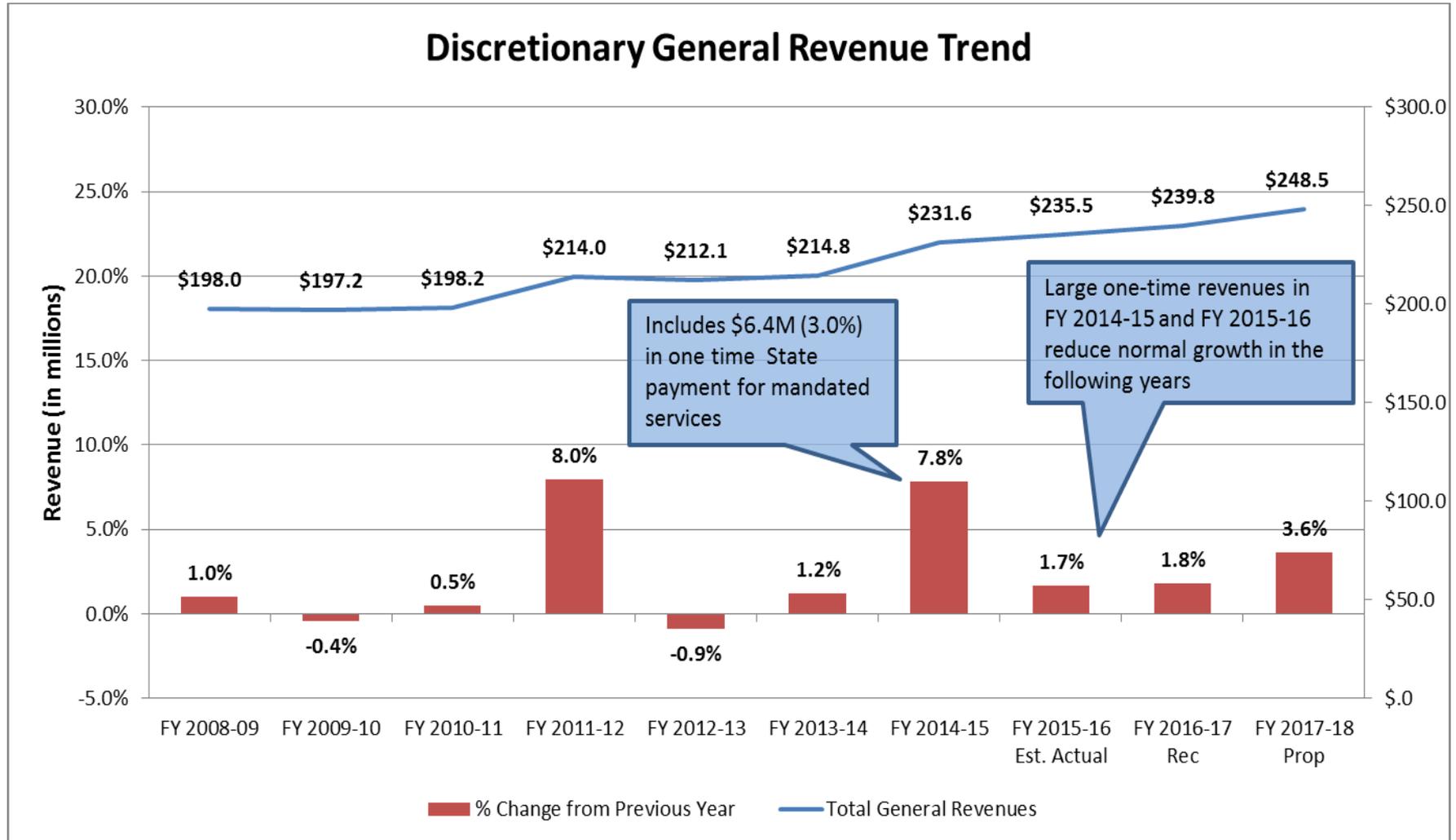
# Countywide Revenue Trend



# General Fund Revenue Trend

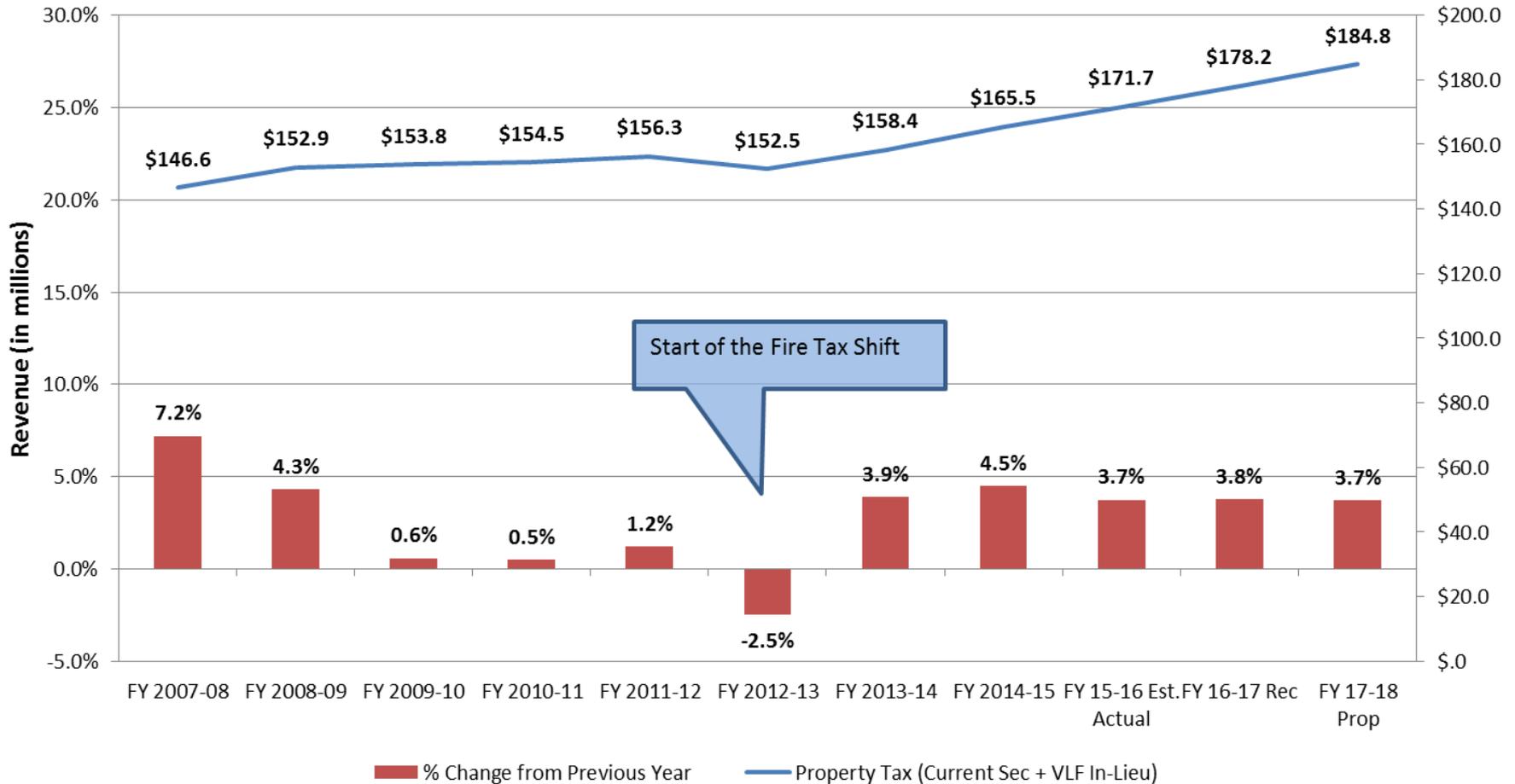


# Discretionary General Revenues

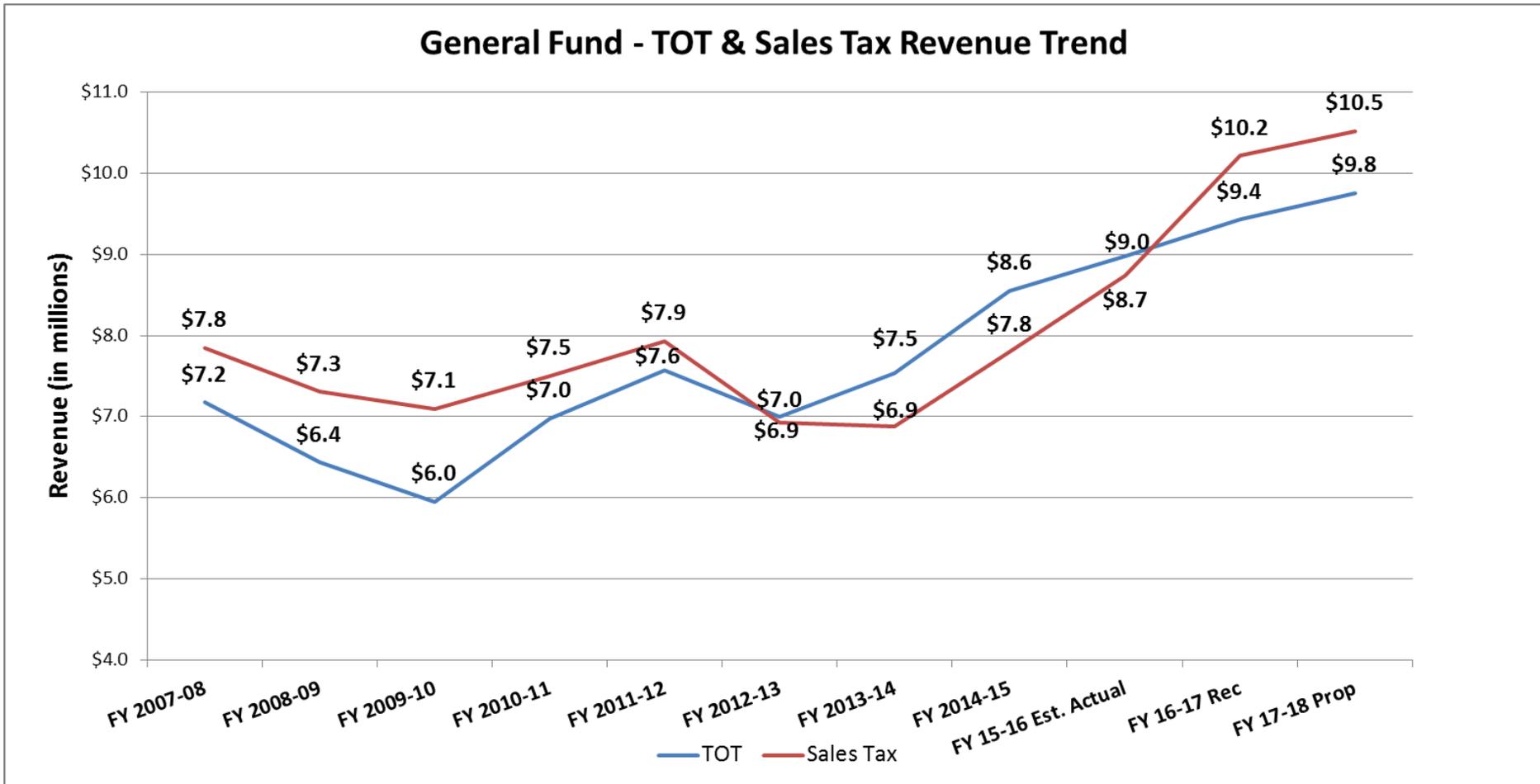


# Property Tax Trends

## General Fund - Property Tax Revenue Trend

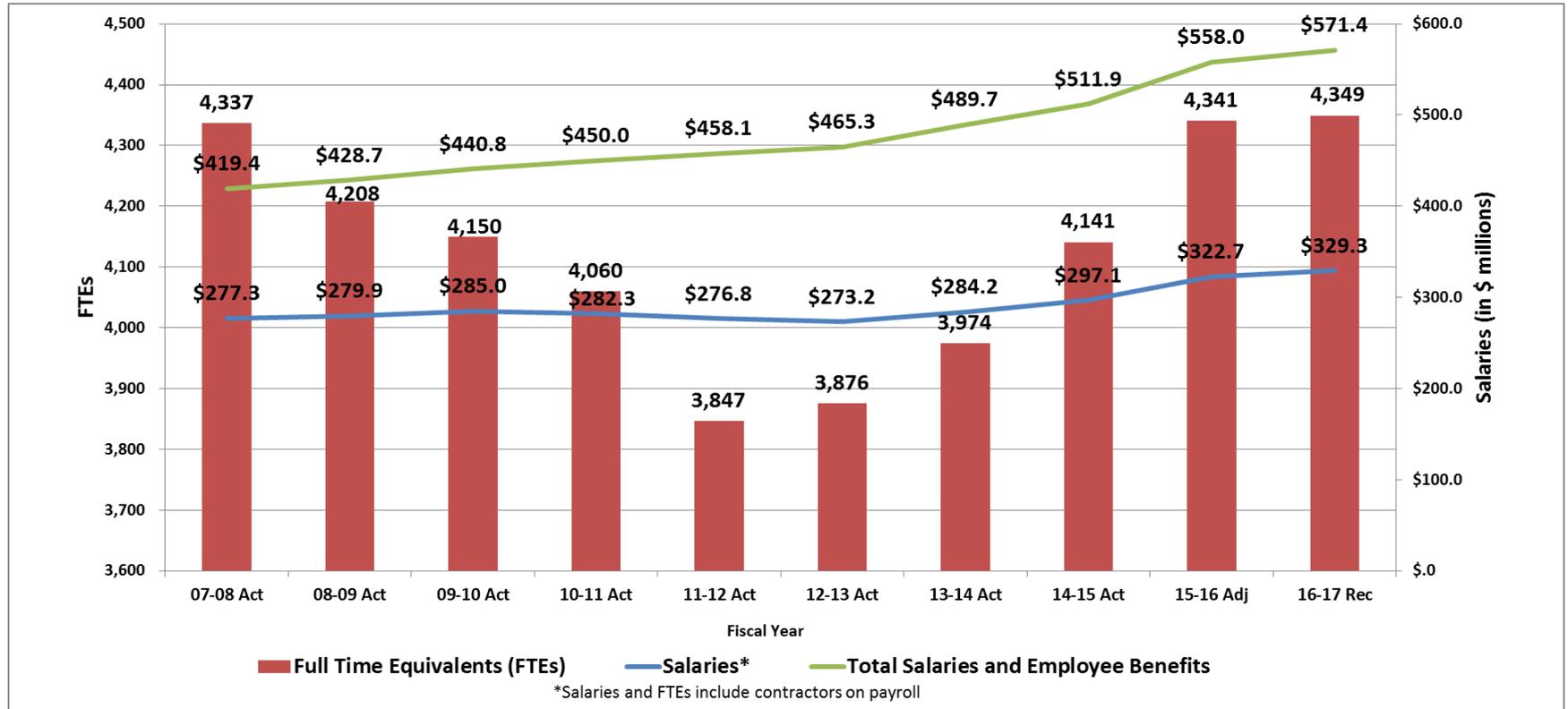


# TOT & Sales Tax Revenue Trends

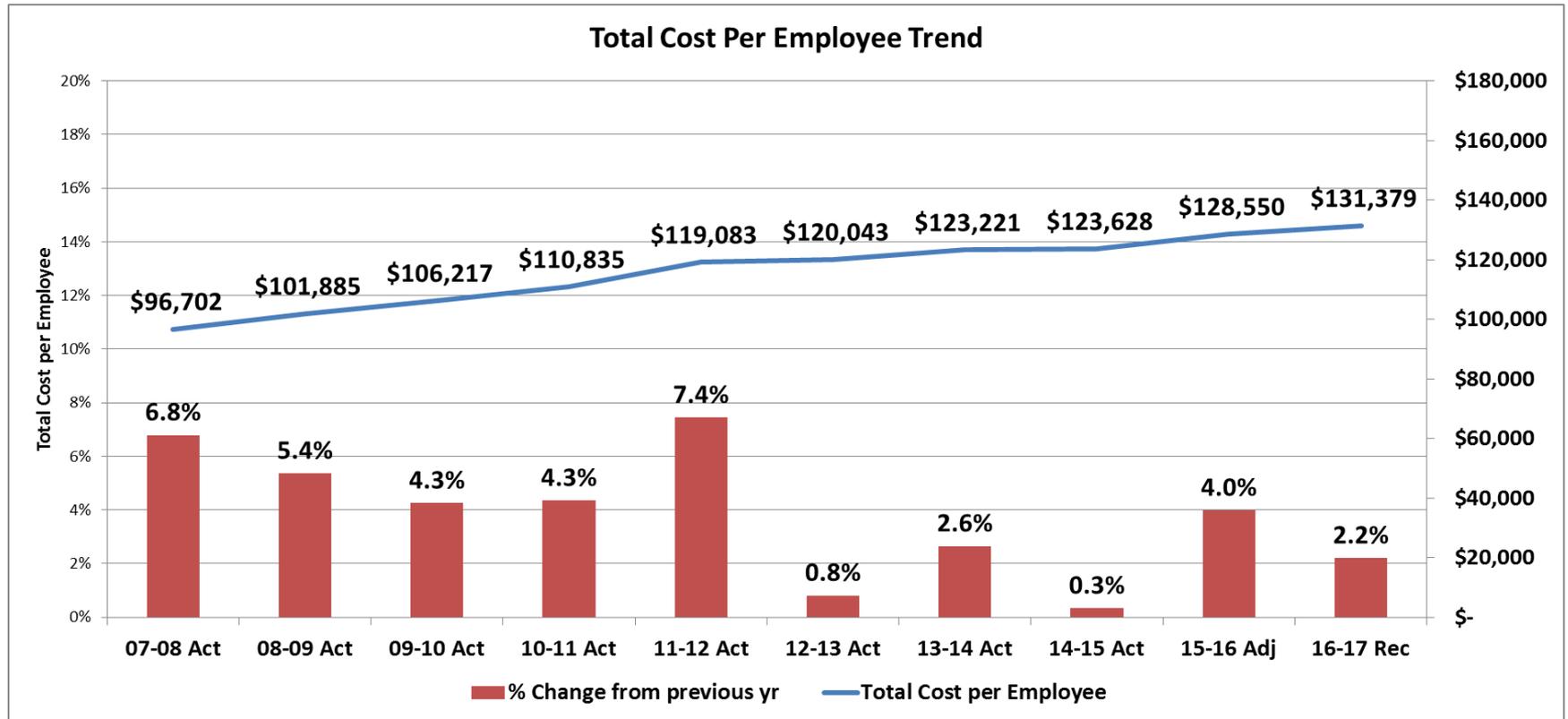


# Salary & Benefit Trends

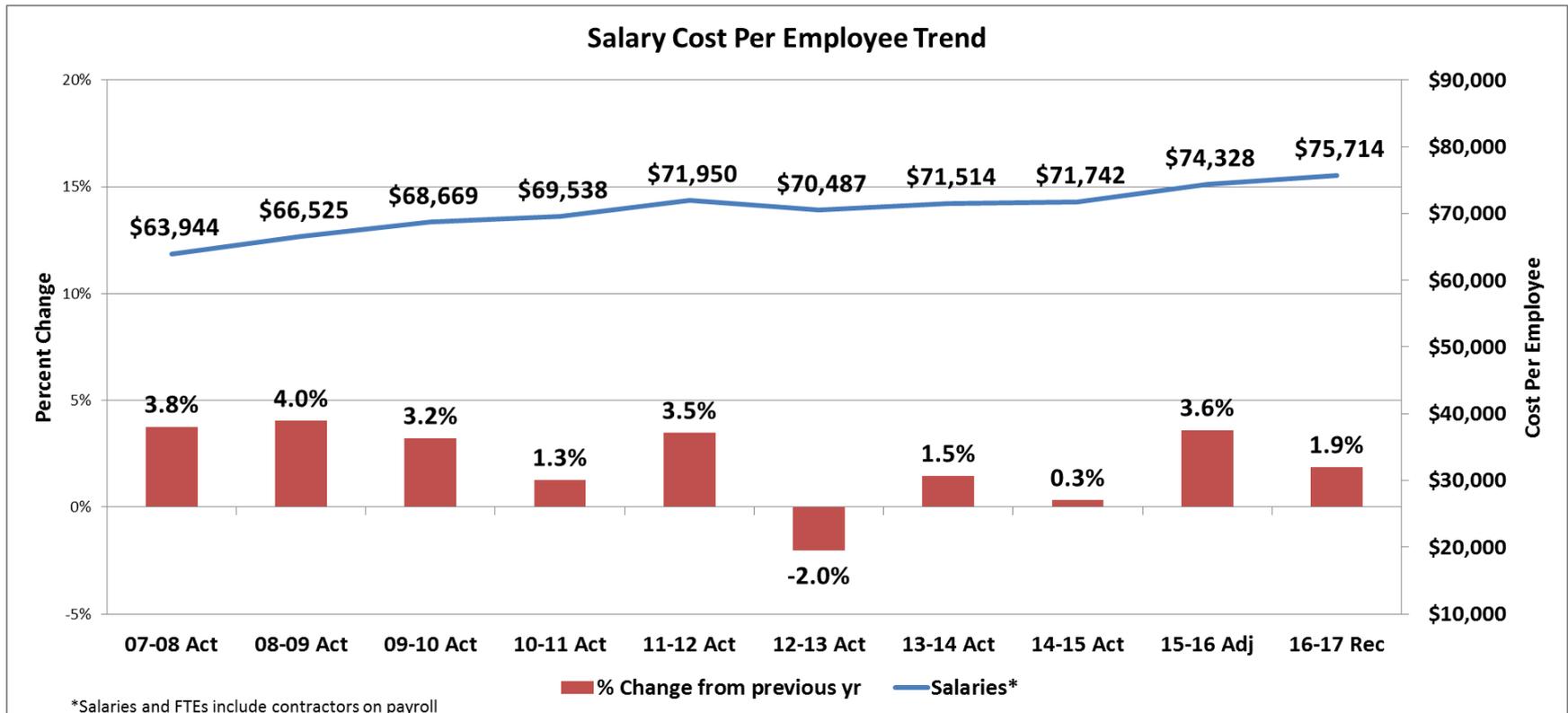
# FTE & Salary Expense Trends



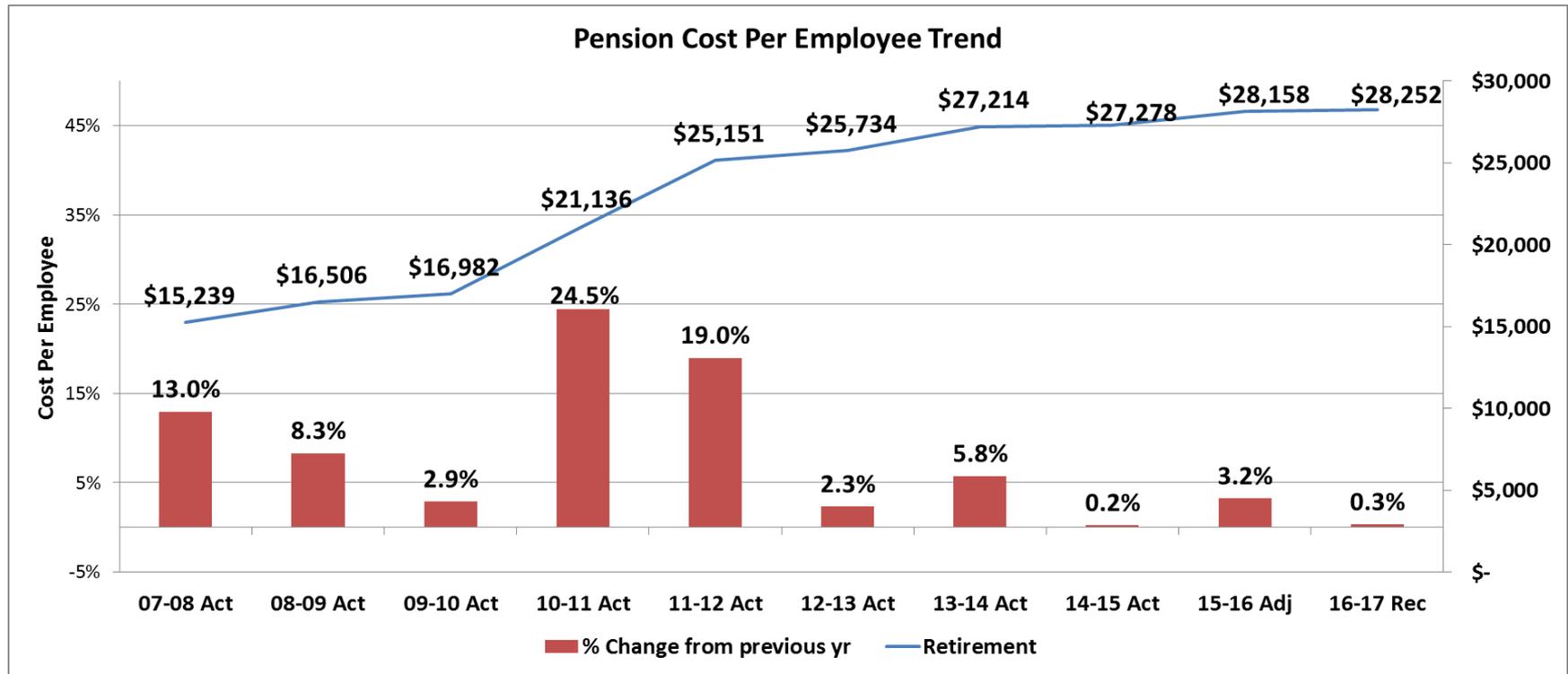
# Salary & Benefit per Employee Trend



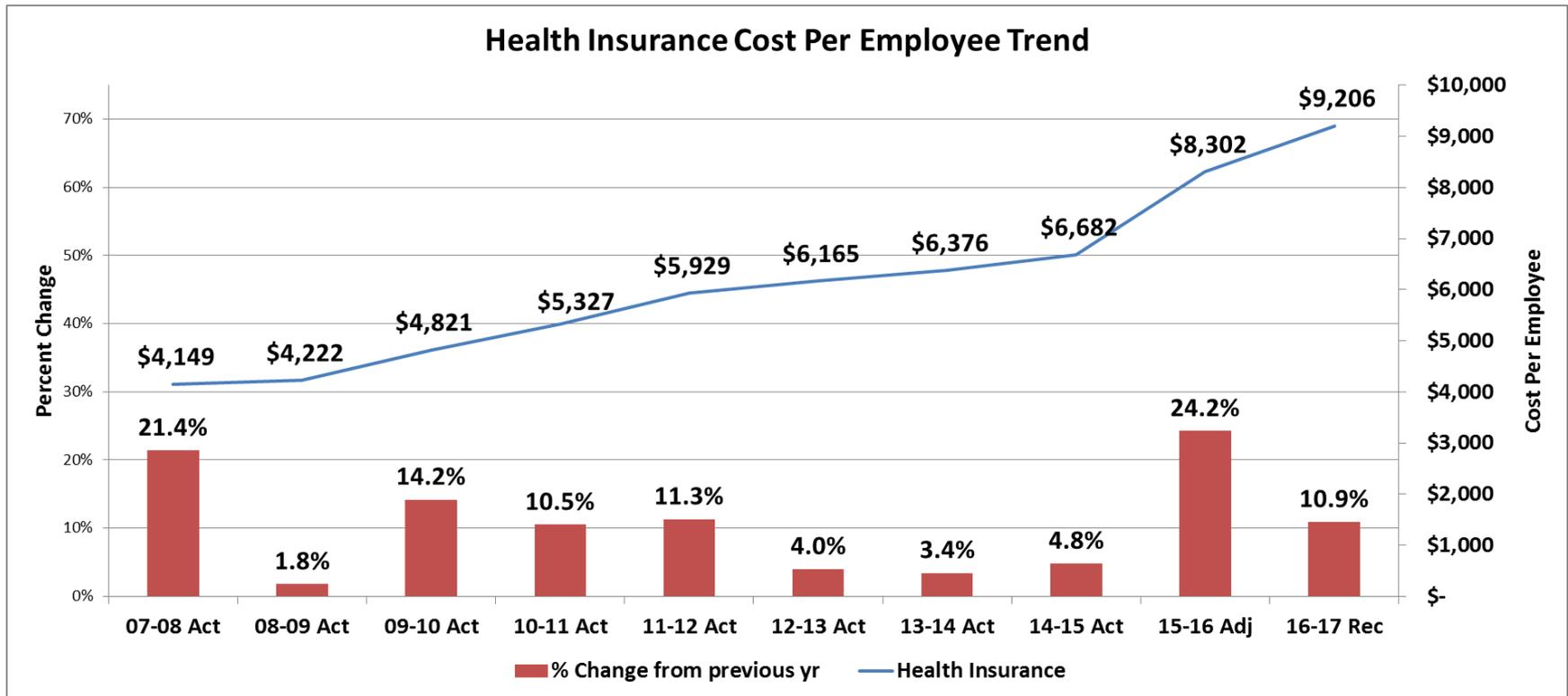
# Salary Trends (without Benefits)



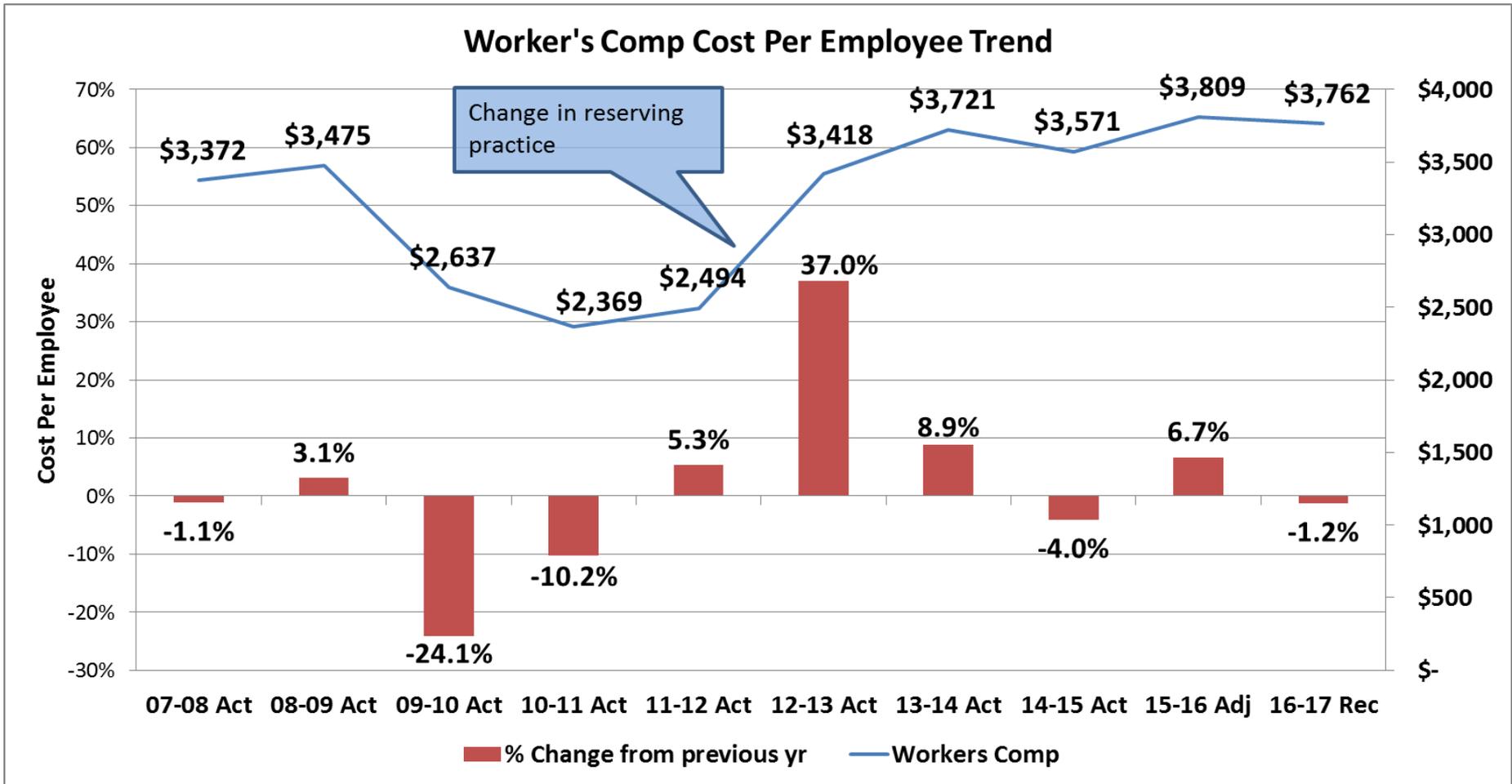
# Pension Cost per Employee



# Health Insurance Trends



# Workers' Comp. Trends



# Common Themes and Trends

- Funding increased salary & benefit costs
- Limited growth in outside funding (Federal, State and other)
- Retirements & workforce planning
- Software enhancements & new systems
- Security of facilities

# Proposed Service Level Reductions

*With improving economy, fewer budget reductions than in past years*

## **Service Reductions:**

- Sheriff – \$1.0M reductions; close Santa Maria Branch Jail (un-fund 6.0 vacant FTE)
- County Counsel – \$257k reduction of Senior Deputy County Counsel (1.0 vacant FTE)
- Public Works - \$2.5M reduction in contracted road maintenance plan; \$0.8M reduction in staff, supplies and equipment used for Road Operations (3.0 vacant FTE)
- DBW - \$2.8M reduction in contracted inpatient beds
- Child Support – \$146k reduction through attrition (1.7 positions)

# Service Delivery Concerns

## **Funding Concerns; Potential Structural Imbalances :**

- DBW – existing funding insufficient for current inpatient demand; new beds expected to improve capacity
- PW – loss of HUTA/gas tax funds requires unsustainable use of fund balance
- DA – Reduced Prop.172 and recording revenues combined with S&B and insurance increases requires unsustainable use of fund balance
- DSS – limited growth in Federal & State funding combined with increasing S&B costs and local match requirements requires unsustainable use of fund balance

## Proposed Budget Saving (Efficiencies) and Expansion Requests

Efficiencies: GF = \$608k; Non-GF = \$694k

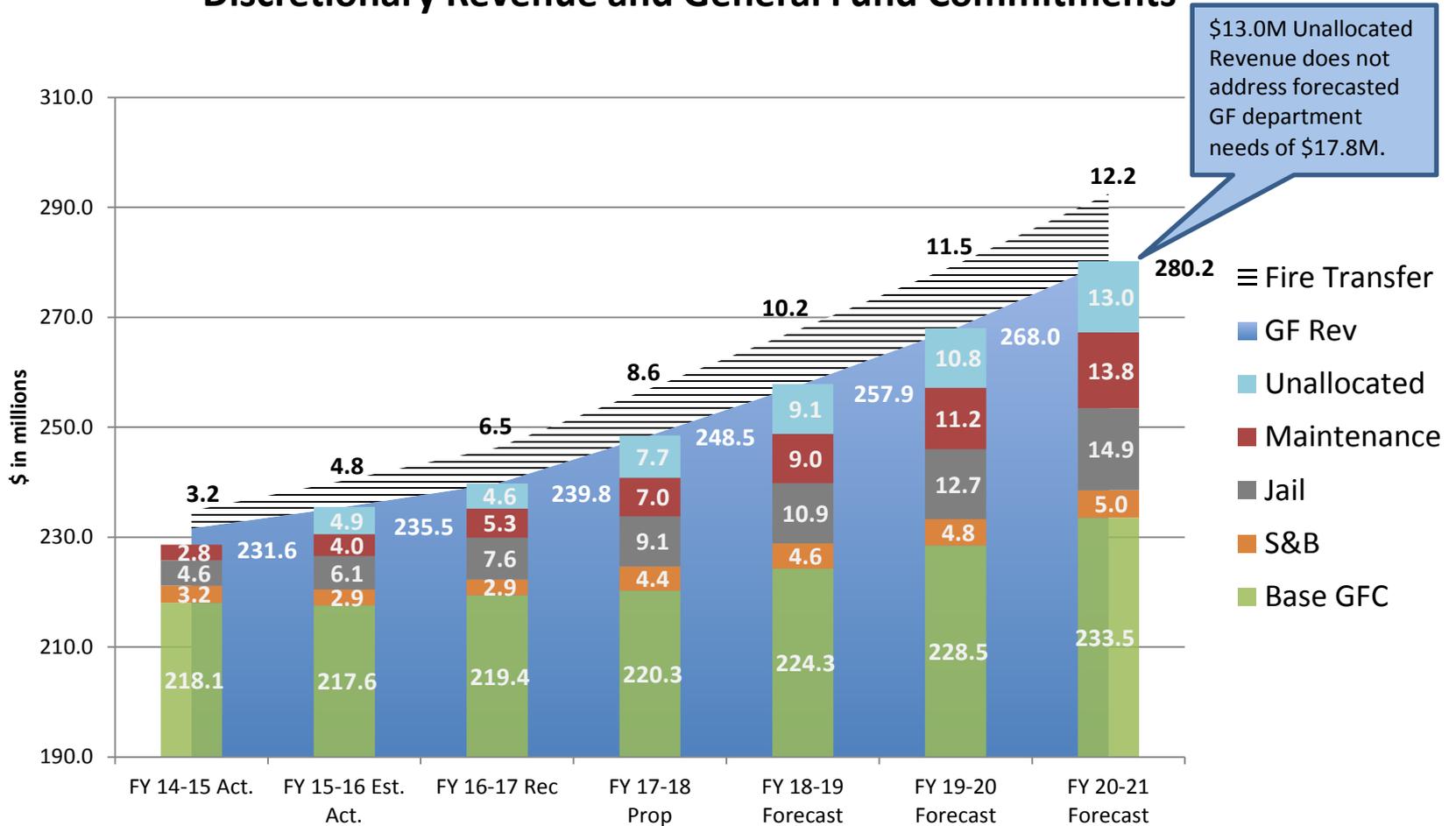
- Probation – increase use of CBO's of non-custodial programs
- Probation – reduced need for word processing function
- Behavioral Wellness – reduced need of certain CBO services since implementation of the ACA

Expansions: Demand by departments for positions and service expansions beyond available revenue

- GF = \$17.3M Ongoing
- GF = \$11.8M Onetime
- 78.26 FTE's (all funds)

# Limited Unallocated Revenues

## Discretionary Revenue and General Fund Commitments



\$13.0M Unallocated Revenue does not address forecasted GF department needs of \$17.8M.

Note: Fire, 18% Maintenance, and Jail amounts are shown cumulatively

# 5-Year Forecast: General Fund and Special Revenue Funds

Sources and Uses (\$ in millions)	2015/2016 Adopted	2016/2017 Recommended	2017/2018 Proposed	2018/2019 Forecast	2019/2020 Forecast	2020/2021 Forecast
<b>Fund Type 01 -- General</b>						
S -- Source of Funds	\$ 401.1	\$ 416.4	\$ 413.1	\$ 422.7	\$ 435.7	\$ 451.9
U -- Use of Funds	401.1	411.8	414.8	424.2	439.7	456.7
General	-	4.6	(1.7)	(1.6)	(4.0)	(4.8)
<b>Fund Type 02 -- Special Revenue</b>						
S -- Source of Funds	575.0	595.9	581.5	590.4	587.6	602.7
U -- Use of Funds	575.0	595.9	591.0	602.7	603.4	622.1
Special Revenue	-	0.0	(9.5)	(12.3)	(15.8)	(19.4)
<b>Net Financial Impact</b>	<b>\$ -</b>	<b>\$ 4.6</b>	<b>\$ (11.2)</b>	<b>\$ (13.8)</b>	<b>\$ (19.8)</b>	<b>\$ (24.2)</b>

# 5-Year Forecast: NFI by General Fund Department

Department (\$ in millions)	2015/2016 Adopted	2016/2017 Recommended	2017/2018 Proposed	2018/2019 Forecast	2019/2020 Forecast	2020/2021 Forecast
021 -- District Attorney	-	-	(1.2)	(1.8)	(2.1)	(2.4)
022 -- Probation	-	-	(0.8)	(1.5)	(1.8)	(2.2)
032 -- Sheriff	-	-	(2.6)	(3.4)	(4.9)	(6.5)
041 -- Public Health	-	-	(0.5)	(0.5)	(0.8)	(1.0)
052 -- Parks	-	-	(0.3)	(0.5)	(0.6)	(0.8)
055 -- Housing/Community Development	-	-	(0.3)	(0.2)	(0.2)	(0.2)
057 -- Community Services	-	-	(0.0)	(0.0)	(0.0)	(0.0)
062 -- Clerk-Recorder-Assessor	-	-	(2.4)	(0.6)	(0.8)	(0.2)
063 -- General Services	-	-	(0.6)	(0.8)	(1.0)	(1.2)
991 -- General Revenues	-	4.6	8.2	9.4	10.8	13.0
All Other GF Departments			(1.2)	(1.8)	(2.6)	(3.4)
<b>Net Financial Impact</b>	<b>-</b>	<b>4.6</b>	<b>(1.7)</b>	<b>(1.6)</b>	<b>(4.0)</b>	<b>(4.8)</b>

# 5-Year Forecast: NFI by Special Revenue Fund

Fund (\$ in millions)	2015/2016 Adopted	2016/2017 Recommended	2017/2018 Proposed	2018/2019 Forecast	2019/2020 Forecast	2020/2021 Forecast
0042 -- Health Care	\$ -	\$ -	\$ (0.1)	\$ (1.6)	\$ (2.4)	\$ (3.4)
0044 -- Mental Health Services	-	-	(1.5)	(2.0)	(2.4)	(2.8)
0048 -- Mental Health Services Act	-	-	(2.4)	(3.2)	(4.0)	(4.5)
0055 -- Social Services	-	-	(4.0)	(3.3)	(4.3)	(5.5)
0056 -- SB IHSS Public Authority	-	-	(1.0)	(0.7)	(0.8)	(0.8)
0057 -- Child Support Services	-	-	(0.3)	(0.6)	(0.9)	(1.3)
All Other Special Revenue Funds	-	0.0	(0.2)	(0.9)	(1.0)	(1.2)
<b>Net Financial Impact</b>	<b>\$ -</b>	<b>\$ 0.0</b>	<b>\$ (9.5)</b>	<b>\$ (12.3)</b>	<b>\$ (15.8)</b>	<b>\$ (19.4)</b>

# Unfunded Liabilities

- Pension Costs
  - Amortization Plan to eliminate 2013 liability in 17 years
  - Unfunded liability increased \$114M from \$584M to \$698M, primarily due to lower than targeted investment returns
  - Potential future increases (in FY 17-18 and beyond) pending market performance and SBCERS decisions in Fall 2016.
- Retiree Medical Cost
  - OPEB unfunded liability = \$175M
  - Developed funding plan in FY 2015-16
  - Annual funding level of 4% of pensionable payroll
  - Fully funded in FY 2033-34 (if assumption met)

# Continued Challenges/Risks

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

# Summary:

## Looking Ahead to FY16-17 and Beyond

- Overall, stable, status quo budget (with exceptions in proposed service reductions noted)
- Positive financial outlook next year and in near term
- Moderate property tax growth assumption (4.7% in FY 2016-17; 4.5% assumed in subsequent years)
- Prior commitments reduce flexibility for ongoing expansion of services
- Limited unallocated revenues
- Emerging needs create challenges
- Within existing resources, County departments are able to provide high quality services and advance important goals

# Next Steps

- Following workshops, CEO will finalize recommendations
- CEO and Auditor's Office complete Recommended Budget - released May 12, 2016
- Budget Hearings (adoption) - June 13, 15 and 17, 2016

# Recommended Actions

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

# Questions