

2017-2019 BUDGET WORKSHOP

Summary



ONE COUNTY, ONE FUTURE

Challenges – Main Drivers

This is unlike the Great Recession

- Revenues are growing
- Expenditures outpace revenues
- Employee costs growing, in particular, pension costs rising over 5 years
- New discretionary general revenue already committed to priorities
- Continuing budget shortfalls in some departments
 - General Fund: Largely public safety
 - Special Revenue Funds: Behavioral Wellness; Department of Social Services (2/3 of all SLRs)
- Higher costs of providing state and federal programs than revenue provided
 - Lower state revenues for DSS programs
 - Uncertainty of state and federal funding

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



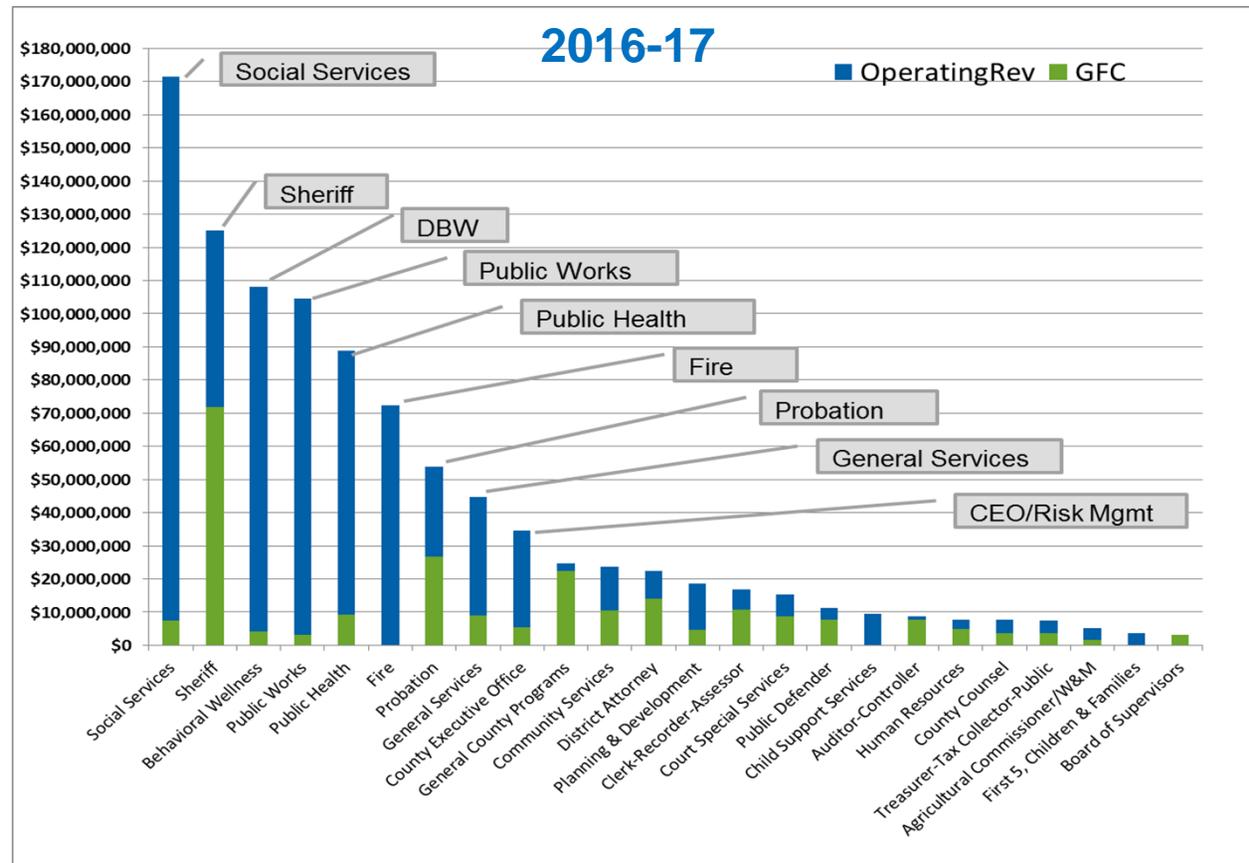
Funding Options For the Board

- **Available FY 17-18 GF Revenues (\$7.4M)**
- **Prior year Residual Fund Balance (\$0.6M)** - *will need some part for Cannabis EIR in FY 16-17*
- **SB 1 Gas Tax Revenue for Roads** (Preliminary FY 17-18 Estimate \$2.8M) - *will include in PW budget*
- **Prop 172 Reallocation from Fire District (\$1.2M)** - *will set aside for Public Safety priorities*
- **Use of Tobacco Settlement Fund Balance (\$1.0M)** - *will seek \$1 M from PHD for BW 1x uses*
- **Extend Workers Comp Liability Amortization (\$0.5M)** - *will provide relief and reduce cuts for Sheriff, Probation and Social Services*
- **Strategic Reserve (\$30.9M)** - *Limited use for 1x needs*

Budget Balancing – Questions

#1. Should discretionary revenue backfill/ make up for reductions in non GFC programs (historically or largely funded by state/feds)?

Not typically but depends on the program and priority



Budget Balancing – Questions

#2. Given expected deficits in coming years, how can we minimize cuts in the future (FY 18-19 and beyond)?

- Budget Balancing in FY 17-18 is short-lived, given expected funding gaps in the future
 - Cannabis revenue unknown and uncertain
 - Future reductions lessened *if fewer ongoing* restorations made in 17-18 (Items resto
 - red in FY 17-18 likely cut again for FY 18-19)
 - General Fund issues manageable in future
 - DSS and BW will continue to have deficits; Rebalancing effort needs to address these issues
- **Because reductions are impactful, recommend balanced, hybrid approach**
 - Limited use of ongoing funds for restorations/expansions in FY 17-18 (\$4.3 M)
 - Provide 1x funding for phase down of programs or time to develop options

Budget Balancing – Questions

GENERAL FUND FORECAST				
	2017/2018	2018/2019	2018/2019	2018/2019
Sources and Uses	Recommended	Forecast	Forecast	Forecast
Fund Type 01 - General				
S --Sources of Funds	431.2	431.4	431.4	431.4
U--Uses of Funds	423.9	427.1	434.4	431.4
	7.4	4.3	(3.00)	0.0
		\$7.4 M 1x only (No ongoing)	\$7.4 M ongoing	Hybrid \$4.3 M ongoing; \$3.1 M 1x
		\$4.3 M surplus	\$3 M deficit	No Deficit

Forecast shows General Fund departments can manage increased costs if

- ongoing restorations/expansions limited to \$4.3 M in FY 17-18.
- 1x restorations/expansions \$3.1 M plus other 1x revenue

Budget Balancing – Questions

SPECIAL REVENUE FUNDS		
	2017/2018	2018/2019
Sources and Uses	Recommended	Forecast
Fund Type 02 - Special Revenue		
S --Sources of Funds	583.3	563.8
U--Uses of Funds	583.3	577.5
	0	-13.8

Forecast shows Special Revenue departments – primarily DSS and BW - will continue to face deficits given existing structures and costs. Long-term Rebalancing effort will evaluate these challenges.

Budget Balancing – Questions

#3. Without much new discretionary general revenue, what priority programs should be restored/expanded and which reduced?

Clear consensus on only a few items

Detailed on later slides

Guidance on Budget Balancing – Potential Restorations/Expansions

- 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

Guidance on Budget Balancing

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- Northern Branch Jail
 - Fire Tax Shift
 - Pension and OPEB funding
 - Deferred Maintenance
 - Attempt to fund at the level projected in 2014 for 18% policy
 - Evaluate highest needs among General Services, Public Works, and Parks
 - Other Maintenance Needs - Desire to address in part or fully
 - Orcutt Community Park
 - Isla Vista Community Center

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- Suspension of the 8% Strategic Reserve Target
 - Consideration of one-time uses, either maintenance or phasing down of programs
 - Recommend using no more than \$2.7 M
 - Lowers Strategic Reserve from 8% to 7%
 - Acknowledges we have 5 years to go

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- Mandates/Obligations already addressed
 - CFMG (new medical/mental health provider in jail)
 - Probation – additional 4 Juvenile Institution Officers for PREA
 - Court MOE
 - CalFresh MOE
 - IHSS MOE
 - Funded with 1x funding of \$2 M
 - May Revise – if funding available, will allow for other uses
 - Other Mandates/Obligations to be addressed (not funded)
 - IHSS labor costs (\$450K)
 - Measure A MOE – still reviewing requirements

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- New Case Management System for DA
 - Use of DA's fund balance
 - Additional 1x GFC (\$400K)

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 - **Strategically plan for the future**
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- **Rebalancing Initiative**
 - Audits or studies, if necessary
 - Review year-end savings as funding source

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Social Safety Net

- Address most impactful safety net services with highest direct risk if not restored (in part or fully) and impact larger County goals
 - Mental health inpatient beds and Institutes of Mental Disease – recurring issue
 - Adult Protective services, Child Welfare Services, Foster Care
- Leverage state funds for CalFresh, if more State funding becomes available
 - Waiting for Governor's May Revise
 - Mid-year reallocation also uncertain
 - Hold some GFC funding aside should these occur if feasible

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Public Safety

- Address public safety needs with greatest direct impact and risk; support larger County goals
 - Work with Sheriff to provide partial relief from recurring lost time issue
 - Allow one-time funding for some services to provide bridge for longer term initiatives
 - Evaluate priority needs that reduce highest public safety risk
 - Need for MS 13 case;
 - \$300,000 already in budget; evaluate other needs

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Quality of Life

- Evaluate restorations or expansions – in part or in full – for high priority items
 - Libraries – restoration and ensure \$7.80 per capita continues
 - Homeless services pass through

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- Community Choice Energy
 - Cannabis
 - Funding for EIR in FY 16-17 of \$175K from \$600K balance (1x)
 - Other costs for 1x June election (\$150K)

Next Steps

- Following workshops, CEO staff to complete review of department requests and available funding
- CEO will finalize recommendations in early May
- 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) Provide direction, if any, regarding items to be considered in the CEO's Recommended Budget
- b) Receive & file all budget workshop materials
- c) Determine pursuant to CEQA Guidelines 15378(b)(4) that actions are not a project subject to CEQA review

Questions

