Fiscal Outlook Report

County Executive Office
December 2, 2014

SUMMARY

The national and local economy are improving and showing positive signs, indicating a stable fiscal environment for County government. Prior funding commitments and issues of fiscal concern, however, will limit significant opportunities for growth in the coming year.

Positive signs

- National & Local economy/real estate markets are improving, resulting in potentially greater Fed/State/Local revenue
- After four years of minimal growth to property tax revenues, County now has experienced two years of 4.3% and 5% growth
- Revenues are expected to grow in the near term; between 4%-7% for property tax related accounts
- Retirement costs have finally stabilized and are expected to modestly improve.

Areas of caution or concern

- Limited opportunities for new programs given continued commitment to prior funding priorities:
  - Northern Branch Jail operating costs
  - Fire Tax Shift
  - Maintenance Backlog
- Increased health insurance and workers' compensation costs
- Reduced State funding (gas tax) for Roads
- Increased Sheriff overtime and training costs
- Continued cost increases for inpatient system of care
- Continued Other Post Employment Benefit (OPEB) liability costs
- Continued operating gaps in department budgets
- Employee retention and turnover
- Desire for expanded programs

INTRODUCTION

The Fiscal Outlook Report is composed of the following three sections:

I. *Economic Outlook*
II. *Fiscal Issues*
III. *5 Year Forecast*

The *Economic Outlook* section describes current economic trends and projections at the federal and local levels. This outlook identifies leading economic indicators that drive the County's primary revenue sources such as property, sales, and transient occupancy taxes. This section serves as context for the fiscal issues and budget gap identified in this report.

The *Fiscal Issues* section identifies significant issues that will potentially impact the County within the next two years. The issues are organized into two tiers according to expected likelihood of occurrence. The issues are summarized in table form and explained in narrative form below the summary tables.

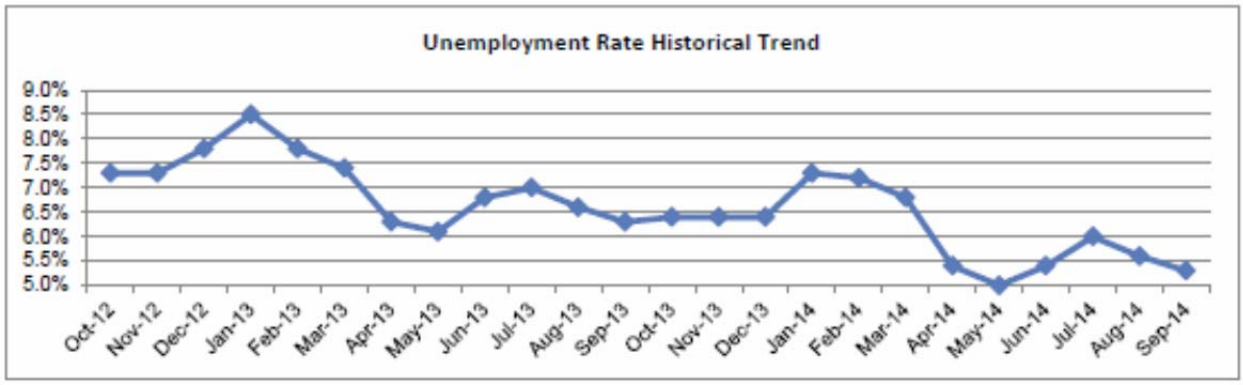
The *5 Year Forecast* shows the impacts of Fiscal Issues and various assumptions on the County for the period FY 2015-16 through FY 2019-20 to assist with long term planning. Department executives and staff, in partnership with the County Executive Office, have worked to anticipate, analyze and quantify the County's revenue and expenditure environment over the five years. These financial forecasts take into account conditions that can be reasonably anticipated over the time period and will require annual updates to continuously improve their value for policy planning.

The forecast does not include those fiscal issues that are unlikely to occur or already have identified funding sources such as reserve funds. The reports will highlight anticipated trends based on a set of assumptions and anticipated fiscal issues. These reports are not intended to solve issues but rather to point them out. During the budget development, a more precise calculation of the impacts and strategies to balance budgets will be created and communicated to the Board.

I. ECONOMIC OUTLOOK

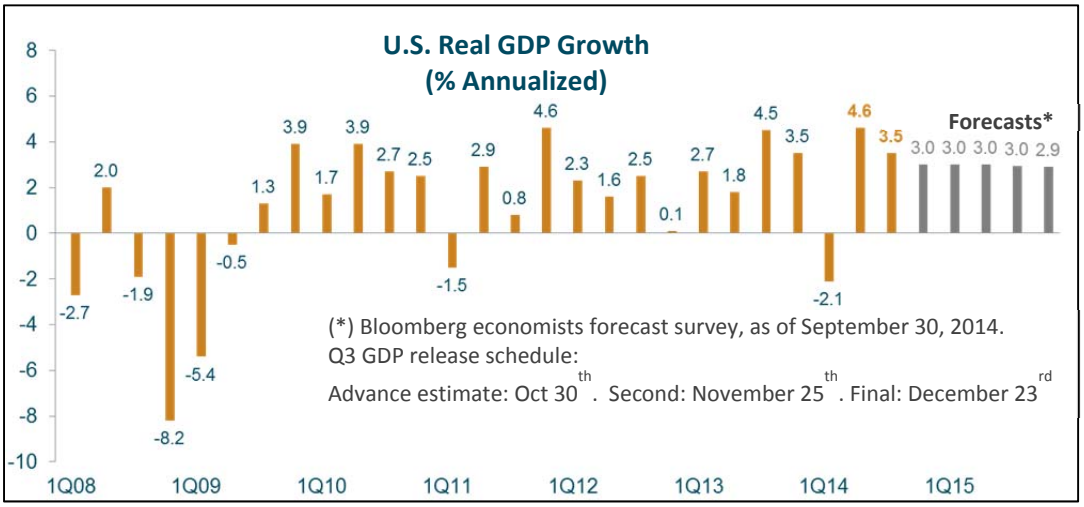
Economists are indicating that the national economy is on a positive track. The broad market indices of the Dow and the S&P 500 continue to set record highs. Oil prices have dropped to below $80 a barrel and gasoline prices are expected to stay low in 2015 (currently at a 4 year low), while inflation remains muted. Unemployment is at 5.8% for October, which is the lowest level in 6 years (Mutikani, U.S. labor market tightens, but wages still anemic, 2014). Although wage growth has remained minimal at about 2% for the last few years, it is expected to accelerate going forward. The third quarter had a 0.8% increase in wages and salaries per the Labor Department, which is the largest increase in six years (Mutikani, U.S. consumer spending falters; wage gains highest since 2008, 2014). All of these factors mean consumers will have more money to spend with higher confidence in the economy. Consumer confidence reached 94.5 in October, which is the highest level since October 2007 (Trubow, 2014).

These national indicators are positive signs for the broader economy, the State and the local economy. The Santa Barbara County unemployment rate was 5.3% in September, down a full percentage point from 6.3% one year ago. This trend should continue along with the expectation for stronger wage growth. On average, the expectation is for 3% or more wage growth and higher pay levels for technology, some healthcare, biotechnology, and finance related jobs (Schniepp, 2014). There should be a continued rise in consumer spending and tourism as both have increased for the fourth consecutive year. As stated in the Auditor Controller's Financial Highlights report released August 25th, there has been a steady upturn in housing sales, price appreciation, new housing starts, and permitting. Property taxes are the County's largest discretionary revenue source and property tax assessed value will increase 5.0% for FY 2014-15.



The expectations of increased employment and wages, more consumer spending and tourism, and growing housing markets are all favorable fundamentals for Santa Barbara. For the purposes of this report, the County should continue to experience economic growth over the next five years.

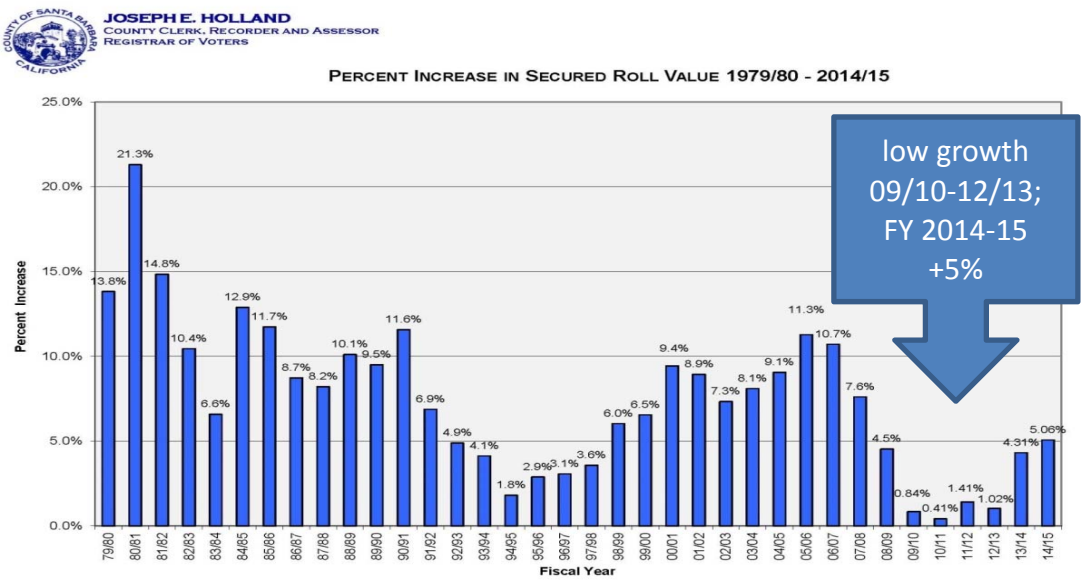
Another sign of the improving U.S. economy is the Gross Domestic Product (GDP) which grew at an annualized rate of 3.5% for the September 2014 quarter. The GDP experienced positive growth in 19 of the last 21 quarters.



U.S. Bureau of Economic Analysis U.S. Gross Domestic

- Q2 GDP was 4.6% (annualized) on rising corporate investment and household spending. It was the highest growth since 2011.
- Q3 GDP was 3.5% (annualized) – 10/30/14 release

At the local level, housing prices have stabilized and we have seen two years of greater than 4% growth in the assessed values of Santa Barbara properties. The following chart displays the increase in the value of properties in the County from one year to the next expressed in percentages. We project to see 6% growth FY 2015-16 (before the Fire tax shift) and have used 6% in the following 4 years for this Forecast.



FISCAL ISSUES

A. Tier 1 Fiscal Issues:

In recent years the biggest financial concerns were modest revenue growth and increasing benefit costs; primarily pension contributions. Revenues are now increasing and pension contribution rates have stabilized and are projected to modestly decline next year. The current Tier 1 Fiscal Issues for FY 2015-16 and FY 2016-17 are shown below in incremental amounts.

Tier 1 Issues: Expected occurrence within the next two fiscal years						
	Issue	FY 2015-16 Impact ($ in millions)	FY 2016-17 Additional Impact ($ in millions)	Onetime or Ongoing	FY 2015-16 Discretionary Impact	FY 2016-17 Discretionary Impact
1	Health Insurance	$ 4.2	$ 5.6	Ongoing	$ 1.4	$ 1.8
2	Deferred Maintenance Backlog	3.0	1.5	Ongoing	3.0	1.5
3	Workers' Compensation	2.7	1.3	Ongoing	0.9	0.4
4	ADMHS Inpatient System	2.6	-	Ongoing	2.6	-
5	Sheriff Overtime and Staffing Levels **(New)**	2.0	-	Ongoing	2.0	-
6A	Northern Branch Jail Operations Funding	1.5	1.5	Ongoing	1.5	1.5
6B	Northern Branch Jail Operations New Hires	Unknown	Unknown	Onetime	Unknown	Unknown
7	HUTA – Gas Tax Swap True-Up **(New)**	1.0	-	Onetime	1.0	-
8	Retiree Healthcare (OPEB)	0.8	0.8	Ongoing	0.3	0.3
9	Assessor Funding Gap	0.7	(0.5)	Ongoing	0.7	(0.5)
10	Compensation and Workforce Planning	Unknown	Unknown	Ongoing	Unknown	Unknown
	Total	**$ 18.5**	**$ 10.2**		**$ 13.3**	**$ 5.0**

1. Health Insurance

We expect a significant increase in health insurance premiums, despite a continued improvement in our claims performance, because County costs are still above the experience of those in our risk pool. This is largely due to a higher number of "large medical claims", a workforce that is older than the average of the pool and higher utilization of inpatient services.

Health insurance premiums continue to rise throughout the State. The primary driver of the increase is the rising cost of health care. The increases are due in part to new regulatory requirements that increased the eligibility age of children to twenty-six for health coverage through their parent's plan, as well as the requirement for the health plan to cover specific types of care, such as preventative care at no cost.

In 2009 the County's loss ratio was 159%, which means that for every $1.00 of premiums paid, County employees and dependents incurred $1.59 in healthcare claims. Since moving to CSAC-EIA Health, implementing the County's Employee Health Clinic Program, and introducing other health-benefit cost cutting strategies, the County's health plan's loss ratio has continued to decrease and now stands at a five-year average of 96.7%. Although this is a great improvement over 159%, it is still 10% above the risk pool's loss ratio of 86.7%. Because the County's loss ratio is above the risk pool's loss ratio the County received an increase of 15.3%, of which 13.9% is based on claims experience and 1.4% is a result of Affordable Care Act (ACA) related fees and

costs. This was the primary contributor to the increased calendar year 2015 renewal rate of 15.3% (FY 2014-15 budget assumed a 12.0% increase in 2015). The reasons for SB County's increased costs are:

- Significant number and cost of large medical claims (>$200,000). The average pool cost of large claims compared to total medical costs paid is 77%, while SB County is 84%.
- Average age of SB County employee on health insurance is 52 years of age vs. the pool average of 49
- Inpatient costs for SB County are $0.375 per dollar spent vs. $0.335 for the pool.

Based on the uncertainty surrounding the new ACA, CSAC guidance and rising health care costs, Human Resources recommends a rate increase of 18.0%, in calendar year 2016 and 2017. The impact of these rates would result in a FY 2015-16 increase of $4.2 million and an additional $5.6 million in FY 2016-17.

Our actual healthcare rate increases in recent years have been modest, around 4.0%; however, as stated above, the increase for calendar year 2015 is 15.3%. If we assume an 18.0% increase in calendar year 2016 and 2017, the premium increases would be about $4.2 million in FY 2015-16 and $5.6 million FY 2016-17.

2. Deferred Maintenance Backlog

Deferred maintenance needs are significant, and the Board approved a Maintenance Funding Plan which projected $24.7 million in accumulated new funding over the next five years to help address the need. In ten years, it was estimated that $100 million would be accumulated. This was calculated at 4% growth in property taxes, which will be updated in the budget process to reflect 6% growth. Staff will be bringing its maintenance expenditure plan and the final Jorgensen report to the Board in February 2015.

The County of Santa Barbara's deferred maintenance has grown over time while funding has remained relatively static. In June 2014, the Board directed staff to implement a maintenance funding plan that would increase ongoing General Fund Contributions (GFC) for maintenance projects by allocating 18% of unallocated Discretionary General Revenues towards maintenance projects. It is envisioned that the ongoing funding will build over time as a new layer of additional GFC is added annually.

The estimated backlog of Deferred Maintenance projects at June 30, 2014 is approximately $341 million ($258 million in Public Works pavement, bridges, drainage, concrete/other and an estimated $83 million in Parks and General Services). The $83 million for Parks and General Services reflects Observed Deferred Maintenance of $73.0 million and $10.0 million of extrapolated/unobserved maintenance. Public Works has indicated that to maintain the existing Pavement Condition Index, an additional $9.0 million in annual funding would be needed.

The recent Facilities Condition Assessment Report (Jorgensen Report) identifies the observed deferred maintenance needs for County parks, buildings, and facilities and breaks them out by

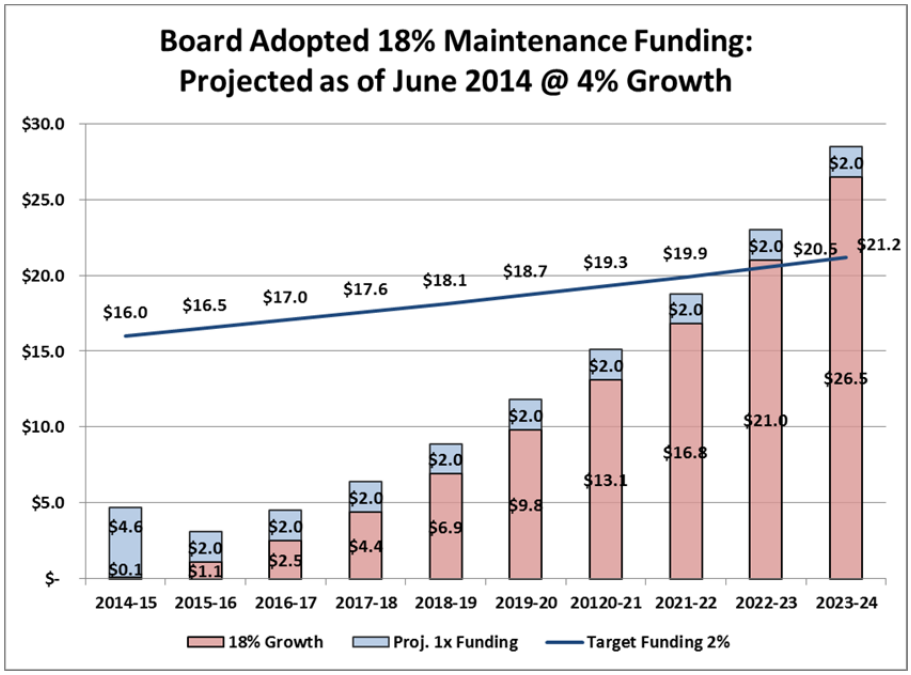
group and recommended timeline to complete. The table below summarizes Jorgensen recommended funding required by period.

Jorgensen Maintenance Management Plan					
(dollars in millions)	Yr. 1-5	Yr. 6-10	Yr. 11-15	Yr. 16-20	Total
Parks	$ 3.6	$ 22.4	$ 0.4	$ 1.1	$ 27.5
GS Building/Facilities	$ 7.3	$ 36.6	$ 1.6	$ -	$ 45.5
Combined	$ 10.9	$ 59.0	$ 2.0	$ 1.1	$ 73.0

The above figures use estimates of typical repair amounts and actual costs will differ based on the specific condition of each item. General Services and CSD-Parks Division are reviewing Jorgensen's detailed report and may recommend changes to these figures.

The Maintenance Funding Plan approved by the Board, as part of the FY 2015-16 Budget Development Policies, projects $24.7 million in new funding during the 5 year period ending FY 2019-20 (excluding the estimated $2.0 million per year of one-time funding). These projections were based on projected property tax increases of 4% per year (before the 25% Fire District Tax shift). As described in the Policy, these funds will be allocated to departments based on existing needs and priorities. The additional funding, per policy, will be calculated and allocated to departments in December. Staff will be bringing the Jorgensen report and maintenance expenditure plan to the Board in February 2015.

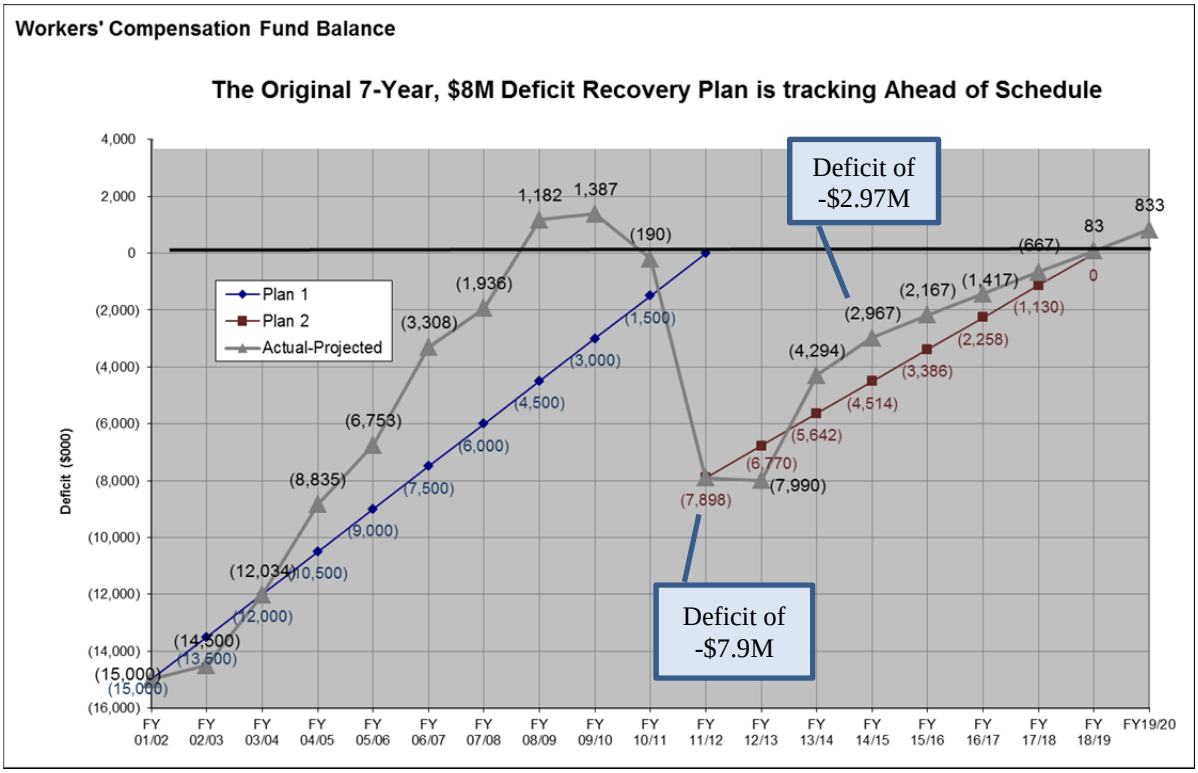
Staff will update the chart below to project growth at the expected 6% property tax growth rate, which we expect would generate $1.25 million in FY 2015-16, increasing to an annual contribution of $13.5 million in FY 2019-20.



3. Workers' Compensation

Workers' Compensation premium costs are increasing. The frequency of claims is below the average of our benchmark counties but the severity of claims is on the high end. The County is on track with the seven year plan to reduce the fund's deficit caused by tail claims (pre June 2010); however, recent information indicates higher CSAC-Excess Insurance Agency premiums in the near term as reserves were initially understated. We expect these to normalize in the coming years.

The County was self-insured for WC claims incurred through 06/30/10 (tail claims). The development of these claims since the program was closed has been much worse than initial projections. Over the three year period ending 6/30/2013, the projected ultimate liability for this closed pool of claims increased by almost $10 million. For the period ending 6/30/14, the actuarially projected ultimate loss has stabilized and marginally decreased. The improved results combined with increased premiums over the past four years have improved the Fund's deficit position from -$7.9 million to an expected -$2.97 million at the end of FY 2014-15.



As demonstrated by the graph, the fund is recovering; however, the underlying issue that created the deficit is that County claim reserves were understated at 6/30/2010 (the date the self-funded program was closed). These same 2010 claim reserves were the basis for pricing the County's new WC policy through CSAC-Excess Insurance Agency (started 7/1/2010). Premiums have been rising over the past several years and CSAC-EIA has just informed the County that a recent study shows that the reserves at 2010 had been approximately 31% understated from current estimates. This combined with an increasing number of employees

has resulted in 20%+ increases in our actual and projected premiums assessed in FY 2014-15 and FY 2015-16, of which approximately 57% is paid by General Fund departments. The actual and projected premium costs are shown in the table below, note the almost $6.0 million increase since FY 2010-11.

Policy Year	PWC/EWC TOTAL COMBINED Premiums	Total Prior Year Variance	Variance %
2010/11	9,071,198		
2011/12	8,514,226	(556,972)	-6%
2012/13	10,083,906	1,569,680	18%
2013/14	10,124,217	40,311	0%
2014/15	12,221,417	2,097,200	21%
2015/16	14,900,000	2,678,583	22%

The State approved a more conservative reserving practice that was implemented by Santa Barbara County in FY 2011-12 and FY 2012-13. We anticipate that rates will now normalize. The frequency of claims in SB County of 1.51 per $1.0 million of payroll is below the average of our benchmark counties; however, the severity of claims is on the high end at $9,926* per claim versus a benchmark average of $7,762. Risk Management has been providing this information to departments on a quarterly basis and providing more specific detail when negative trends warrant. Risk will continue to monitor and report on these key metrics in the coming years.

**** Actuary caps the loss at $100,000 per claim for this comparative analysis.***

4. Alcohol, Drug and Mental Health Services (ADMHS) Inpatient System

An increase in costs for the Inpatient System of Care (for contracted beds when the Psychiatric Health Facility [PHF] is full) is expected to continue in the short-term due to increased demand and court ordered placements of individuals referred for Incompetent to Stand Trial (IST) assessments and restorations, but ADMHS is starting new programs to enhance services that will likely reduce the inpatient impact in the near future.

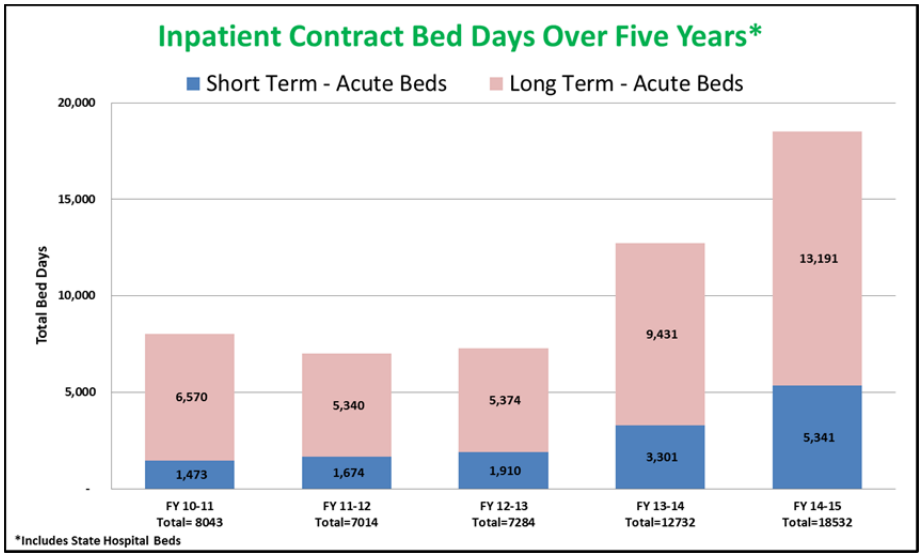
During FY 2012-13, ADMHS developed policies and procedures related to the involuntary hold process which reflected changes to the time limit clients will spend in emergency rooms. The result of this change combined with an overall increase in the demand for inpatient services has been an increase in costs to the Inpatient System of Care. The ongoing increase in costs is estimated to be $2.6 million annually.

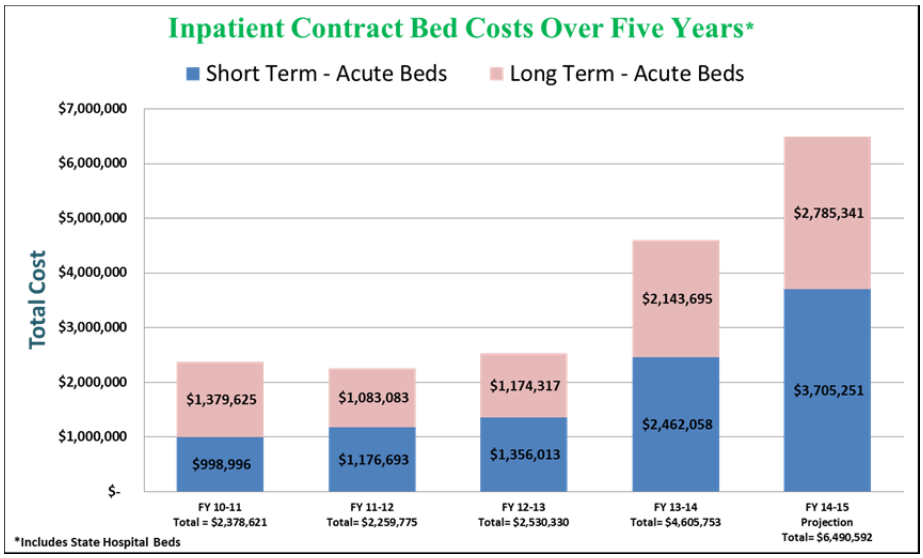
Emergency Room dispositions are generally now determined within 24 hours and all efforts are made to transfer clients from hospital emergency rooms into acute psychiatric inpatient facilities within 24 hours if there is available capacity. The changes were implemented in October 2012. The impact of the changes resulted in reduced timeframes for clients accessing these critical crisis services. The department also began to experience increased costs related

to inpatient contract bed services but was able to offset these with unanticipated revenues in FY 2013-14.

The FY 2014-15 Adopted Budget has $3.4 million budgeted to cover the costs of acute and long term inpatient contract beds (excludes State Hospital beds), but as illustrated below, the cost for these beds continue to increase significantly each year.

Fiscal Year	Inpatient Contract Bed Costs
2010-11	$1,991,824
2011-12	$1,680,000
2012-13	$1,903,650
2013-14	$4,071,821
2014-15 "Projected"	$6,010,592





ADMHS is starting new programs to enhance services that will likely reduce the inpatient impact. The County has developed a multi-department Incompetent to Stand Trial (IST) work group to try to reduce IST client stays in acute care facilities. The Crisis System redesign, starting a South County Crisis Stabilization Unit and Crisis Residential Unit, funded with SB 82 Grants will take effect in the 4th quarter of FY 2014-15. The Crisis System is expected to reduce inpatient demand and positive results for clients should be realized in FY 2015-16. ADMHS has also strengthened the Outpatient system by improving access and quality of care. Furthermore, the Department is collaborating with community partners, such as Cottage and Marian Hospitals, to better serve these clients.

The FY 2015-16 adopted Budget Development Policies include funding of $1.0 million in the Contingency Fund Balance account to be available for behavioral health inpatient bed costs in excess of budget where there is no other available departmental funding. This policy will be reviewed annually as part of the budget process.

5. Sheriff Overtime and Staffing Levels (New Issue)

The Sheriff's budget for FY 2014-15 is projected to be $2 million over budget (1.6% of the Department's overall budget) largely due to an increase in overtime associated with backfill costs incurred from new hires.

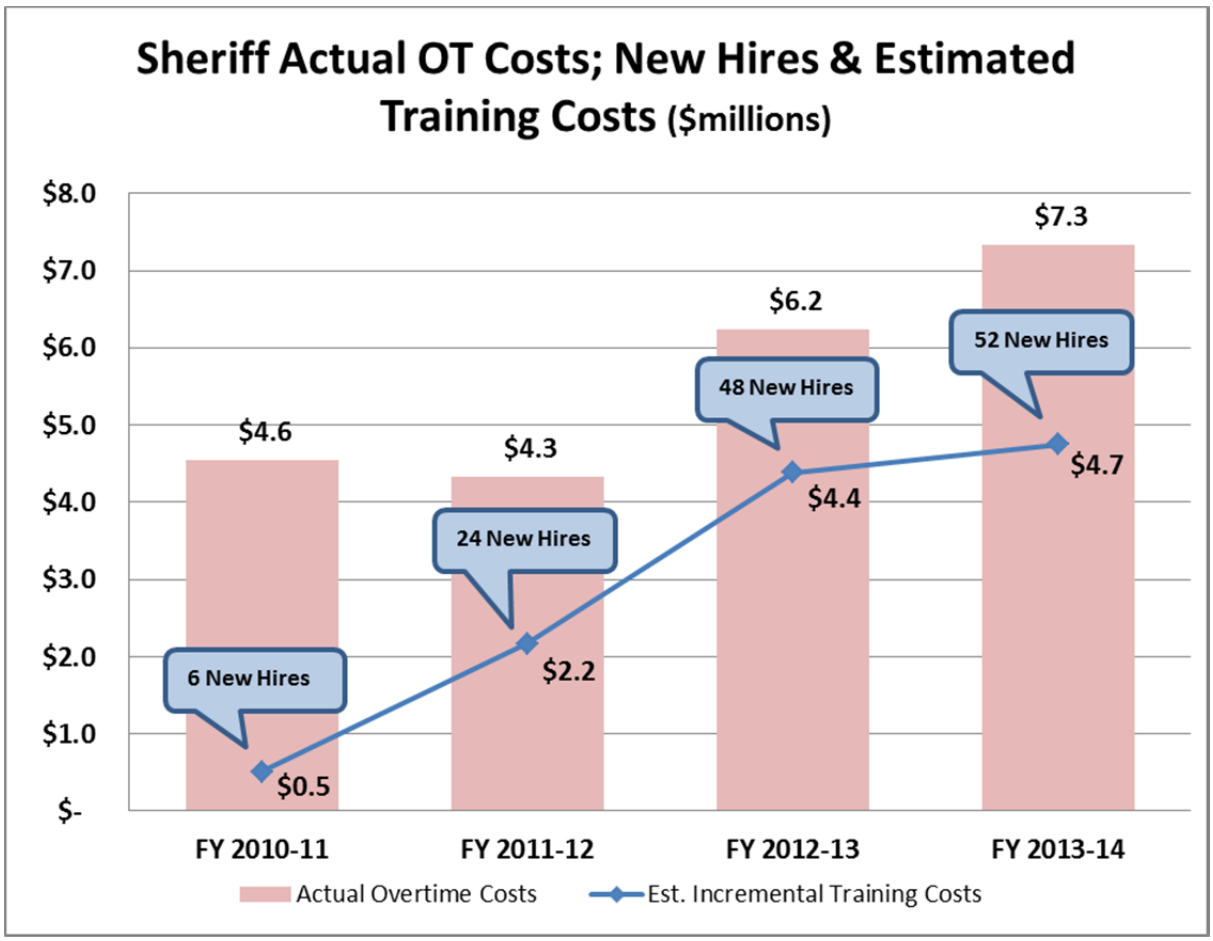
Sheriff staffing levels effect overtime costs for custody and law enforcement operations which necessitate the usage of overtime to backfill 24/7 post positions to account for vacancies and training. This issue negatively impacts the budget as both overtime of existing staff and regular salaries of the new staff are being incurred simultaneously during training periods (6 months training for a Custody Deputy and 9 months for a Deputy). For every 10 new Deputy/Custody Deputy positions hired the average cost in overtime to backfill posts and train staff is approximately $0.9 million.

During FYs 2010-11 and 2011-12, Sheriff new hires were fairly modest at 6 and 24; respectively, and overtime costs for these same periods were $4.6 million and $4.3 million. These overtime levels were consistent with the 5 year average annual costs of $4.2 million (FYs 2008-2012). For calendar years 2010 and 2011 the Sheriff's Department had more separations than new hires, thereby creating salary savings which allowed for funded vacant staff to fund overtime costs in excess of budget. Separations exceeded new hires by 21 and 22 in calendar years 2010 and 2011.

During FYs 2012-13 and 2013-14 new hires increased significantly to 48 and 52; respectively and overtime costs increased from the 5 year average by 48.5% to $6.2 million in FY 2012-13 and another 17.3% to $7.3 million in FY 2013-14. For 2012 and 2013 the Sheriff had negative 4 (-4) and positive 23 (+23) net new hires; respectively. This meant that the previously funded vacant positons that were able to fund overtime were no longer available and the Sheriff ended FY 2013-14 with a negative variance of $0.7 million.

Through the first three quarters of FY 2014-15, the Sheriff has added 3 net new hires, so this trend appears to be continuing and the Sheriff is on track to overspend the Board Adopted budget by approximately $2 million. Based on CEO-HR data for Sheriff Safety positions, it appears that approximately 25% are likely to retire during the next 3-5 years. There are approximately 458 safety positions within the Department which means about 23-38 positions are likely to retire each year. This could result in costs of $2.1 – $3.5 million in overtime to backfill posts and train staff in the coming years. Therefore this issue is expected to continue until a staffing plan is developed during this time of increased turnover that takes into account overtime backfill costs associated with new hires and the ability to keep positions vacant to ensure adequate funding. The CEO's office will work with the Department on feasible options for the Board to consider.

The following figure identifies actual overtime by year and illustrates how the number of new hires drives training related overtime costs.



6. Northern Branch Jail Operations Funding

The County continues to set aside incrementally increasing funding amounts for the Northern Branch Jail, pursuant to the Operations Funding Plan. The original, annual operating costs were estimated at $17.3 million; in July 2014, that number was estimated to increase by $0.6 million

per year by the Sheriff's Office. Since then, staff has found several areas of potential cost reductions, which have been communicated to Sheriff staff for their review and comment. Therefore, there is no recommendation to the Board to change the original funding plan at this time.

To address jail overcrowding conditions, limit the continued early release of persons convicted of crimes, and to upgrade and replace aged existing facilities; construction of a Northern Branch Jail has been approved. The project scope is for a 604 bed jail facility, of which 32 beds are for medical and mental health needs. The new facility is estimated to cost approximately $140 million and is funded in large part by two State grants totaling approximately $119 million and the balance with County General Funds. The NBJ will be built on a portion of the 50 acre property located at Black and Betteravia Roads just outside the City of Santa Maria.

Annual operating costs were originally estimated at $17.3 million, which is net of staffing and other costs transferred from existing jail facilities. This original estimate in FY 2018-19 dollars, was expected to change based on information as it becomes available such as new staff labor agreements and design updates. In July 2014, the Sheriff presented to the Board annual operating costs for both projects estimated to be $17.9 million. This increase was noted to the Board as a result of a staff re-evaluation of staffing levels for the STAR complex including supervision, shift relief factors and updated costs from FY 2014-15 salary modeling information. The estimated $0.6 million increase was primarily driven by the addition of four Custody Deputy Sergeants to the staffing model ($0.7 million), partially offset by additional cost transfers from the existing Main Jail and reduced cost of new hires. The Sheriff also noted to the Board that his office was already exploring several possible ways to reduce this increase in costs and these will be included in future jail updates.

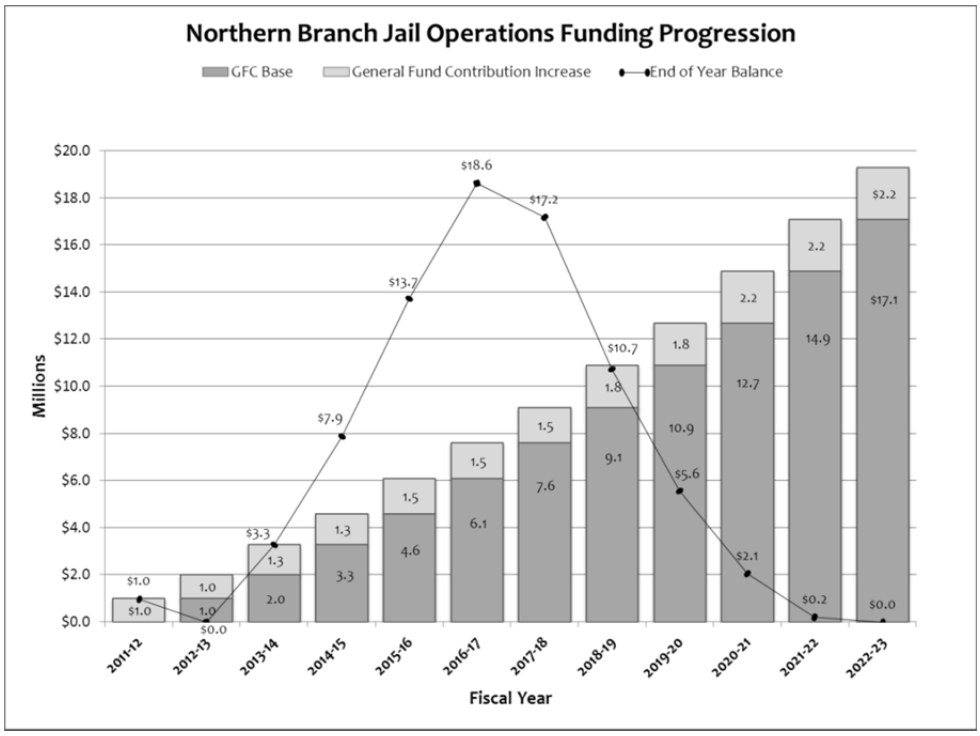
Staff has begun and continues to more thoroughly analyze the post opening costs of the NBJ and existing Main Jail, and has found several areas of potential cost reductions in areas such as: food, utilities and medical services. Also, potentially greater savings would be achieved as Custody Deputies retire over the coming four years and are replaced by new staff with lower retirement formulas than current long-term staff. The potential cost reductions above have been communicated to Sheriff's staff for their review and comment. The Board will be updated when the Sheriff's office has completed their analysis. Therefore there is no recommendation to the Board to change the original funding plan at this time and there may not be a need to propose a change to the original plan in the future.

New Hires: Pre-Opening of NBJ:

In April 2014, the Sheriff also presented to the Board a proposal to accelerate the hiring of new staff prior to Northern Branch Jail opening. Previously, the Sheriff's Office anticipated the majority of new staff would be hired in FY 2016-17 and beyond. Training staff limitations and the steep volume of new hires may require the hiring process to start sooner. Currently, draws on the NBJ Operations Fund Balance start in FY 2015-16 as hiring for the new facility is implemented and are presently shown in the existing funding plan as $0.3 million and $2.7 million for FY 2015-16 and FY 2016-17; respectively. This proposal to advance the hiring would increase the onetime pre-opening costs of the new facility by $1.0 million in FY 2015-16 and $2.0 million FY 2016-17. It is anticipated that all 154 staff will be hired and trained when the

new facilities open. Since these are one-time costs and proposed to begin in FY 2015-16 this will be a part of the Sheriff's FY 2015-16 budget request. As stated above, there are potential savings that may offset the Pre-Opening and ongoing operating costs; thus, no change to the existing funding plan is proposed at this time.

The existing NBJ Operations Funding Plan (shown below) sets aside incrementally increasing amounts of General Fund to accommodate the estimated increasing annual operational funding needs of the new jail. The following graph and table illustrate the Funding Plan, including the Base General Fund Contribution, the incremental General Fund Contribution and the ending Fund Balance of the North County Jail Operating Fund.



Annual GFC and operating costs for the Northern Branch Jail are shown below:

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

7. Highway User Tax Account (HUTA) Revenues – Gas Tax Swap True-Up for FY 2014-15 (New Issue)

A State reduction of $1.0 million in gas tax payments is expected in FY 2015-16. This will impact maintenance activities such as pavement patching, traffic striping, and concrete repairs. In the summer of 2015, the County will have a better indication of whether this is a one-time cost or a trend is developing where ongoing funding would be needed to maintain service levels.

The State will reduce its annual gas tax payments to Public Works Transportation by approximately $1.0 million in FY 2015-16. These annual gas tax (Highway User Tax Account, or HUTA) payments are made based on Board of Equalization (BOE) estimates of fuel to be sold, and the price per gallon. The Transportation Division is budgeted to receive $4.2 million in HUTA payments in FY 2014-15. The BOE periodically reviews their estimate and reconciles their estimated versus actuals. This 'true-up' resulted in a net reduction of $367 million across the state, which translates to a reduction for Santa Barbara County of approximately $1.0 million for the four year period ending 6/30/14.

Public Works' Transportation Division uses State Gas Tax (HUTA) to fund its operations and road maintenance work. Impacts from the lost revenue will be reduced maintenance service levels. A $1.0 million reduction equates to approximately six maintenance worker positions or 2/3 of materials purchased annually for maintenance activities such as pavement patching, traffic striping, and concrete repairs. Replacing the lost revenue with one-time funding would allow operations to continue at current levels. In the summer of 2015, when the next BOE true-up comes out, the County will have a better indication of whether this is a one-time cost or a trend is developing where ongoing funding would be needed to maintain service levels.

8. Retiree Healthcare OPEB

The County will continue its plan to increase its annual payment toward Other Post-Employment Benefits (OPEB) costs by 25 basis points each year to gradually increase funding and reduce our liability. The Board took actions to terminate OPEB benefits for all new General Members in 2012. A new actuarial study is underway and the report is expected in February 2015.

The Santa Barbara County Employees' Retirement System (SBCERS) administers a cost sharing multiple-employer defined benefit post-employment healthcare plan, which the County participates in. This Other Post-Employment Benefit (OPEB) Plan provides medical benefits to eligible retired County employees and their eligible dependents. The County determines the contribution rate to the Retirement System to fund the retiree healthcare program. The County had adopted an employer contribution rate of 3% of covered payroll which was intended to cover annual premium costs paid by the plan, also known as the "Pay as you Go" method.

The "Pay as you Go" method of financing requires contributions to the plan that are generally made at the same time and amount as benefit payments and expenses become due. While

providing near-term budgetary relief, the policy trade-offs of funding on a "Pay as you Go" basis create the following significant fiscal issues:

- The County is required to disclose and ultimately recognize a liability for the unfunded portion of the retiree medical program in its financial statements
- The County is not being reimbursed for the full cost of administering State and federally funded programs
- The County has not been able to take advantage of more favorable actuarial assumptions and longer term interest rates that would lower the expense of the program over time.

The result of the County's "Pay as you Go" funding approach was that the County's total unfunded liability for retiree medical benefits was $173.9 million as of the last actuarial study, completed two years ago using June 2012 data. The Board took actions to terminate OPEB benefits for new General Members, which will reduce future annual required contribution costs; however, OPEB benefits for Safety Member were not adjusted. A new actuarial study is underway and the report is expected in February 2015. In FY 2013-14, OPEB funding increased by 25 basis points to 3.25% of covered payroll and a Budget Policy was established to recommend an increased contribution of 25 basis points each year in order to gradually increase funding and reduce the liability. This has been implemented and the recommended contribution rate for FY 2015-16 will increase to 3.75% or about $12.0 million.

9. Assessor Funding Gap

Consistent with prior Fiscal Outlook Reports, the Department continues to have an ongoing funding gap, largely created by decreased property tax administration fees and budget reductions experienced during the recession. While other departments also suffer from funding gaps, the Assessor's deficit has been highlighted in the past because its operations potentially impact the County's property tax roll, which provides for most of the County's discretionary revenue.

The Department's ongoing funding gap, largely created by decreased property tax administration fees and budget reductions experienced during the recession continues. To absorb the decrease in funding sources and increasing costs over this period, the Department reduced staff, however the level of reductions needed to fully absorb the entire funding gap would have necessitated a much greater reduction than the County could risk. Rather, over the years the Department budgeted use of one-time sources of funding from departmental fund balances to fund ongoing costs. In recent years, the Department received increases to its ongoing General Fund Contribution (GFC) to mitigate the gap; however, a large funding gap remains. The $0.5 million FY 2014-15 gap was funded with budgeted use of one-time sources of funding from the General Fund and departmental fund balances. The gap is estimated to increase by $0.2 million to $0.7 million in FY 2015-16, mainly due to the loss of the $0.5 million one-time source of funding available in FY 2014-15 and a decrease of $0.3 million in revenues, mainly from the loss of election cost reimbursements for the FY 2015-16 Primary Election.

The projected funding gap for FY 2016-17 is estimated to improve by $0.5 million due to $0.9 million increase in funding sources from increased election cost reimbursements from local

agency consolidation in the General Election, property tax administration fees and GFC. The $0.9 million increase in funding source is offset by a $0.4 million increase in expenditures, mainly in the cost of salaries and benefits.

Property tax administration fees and the Department's GFC are expected to increase, however the increase in funding sources will not be sufficient to eliminate the Department's large funding gap, and therefore is expected to continue with annual fluctuations impacted by the type of election year. The ongoing funding gap will likely impact the Assessor if funding is not provided, as this is the functional area with the greatest discretionary level of funding. Failure to adequately fund the Assessor function impacts the Department's ability to create and maintain the County's property tax roll which provides for most of the County's discretionary revenue.

10. Compensation and Workforce Planning

Employee compensation and benefit costs make up 58% percent of the County's operating expenditure budget. One of the Board's adopted policies is to focus on attracting, retaining and developing a high performing workforce. As the economy improves, there will be increased pressure to adjust wages and/or benefits to keep pace with the market (pay of surrounding public agencies or comparable counties). Turnover is also expected given that 24% of employees are likely to retire in the next 3-5 years, which provides opportunity but also costs to replace employees' knowledge and experience.

The County of Santa Barbara's most valuable resource is its employees - the people who deliver services to the community and internal clients. In the coming years, as the economy continues to improve and more and more County employees consider their employment options and as the County's aging workforce increasingly contemplates retirement, the County faces significant talent shortages in the available workforce. With this in mind, the County began a workforce planning initiative in FY 2014-15 that focused on identifying critical positions likely to be vacated and key functions likely to change during the next two years. The input from the two-year scan conducted by County departments will be used to develop and implement strategies designed to get the right people, with the right skills, in the right job, at the right time and retain them in the organization. These strategies are in the process of being developed and will focus on the following areas:

- Ensuring competitive pay and benefits with comparison counties
- Creating a workplace culture that invites employees to remain employed with the County of Santa Barbara
- Knowledge transfer, cross-training, and employee skill development programs
- Job classifications that are flexible and reflect changing or developing aspects of a job
- Career tracks within the County of Santa Barbara
- Programs to retain employees eligible to retire and incent them to delay retirement
- Recruiting/marketing County jobs to Millennials

During the past two years, merit and step increases have been restored and the Five Year Forecast includes a salary assumption increase of 3% per year to accommodate salary and benefit increases. Additional funding may be needed to address market adjustments and/or equity issues. At this time, the impact of any necessary adjustment is not known but this issue will be monitored and adjusted as needed.

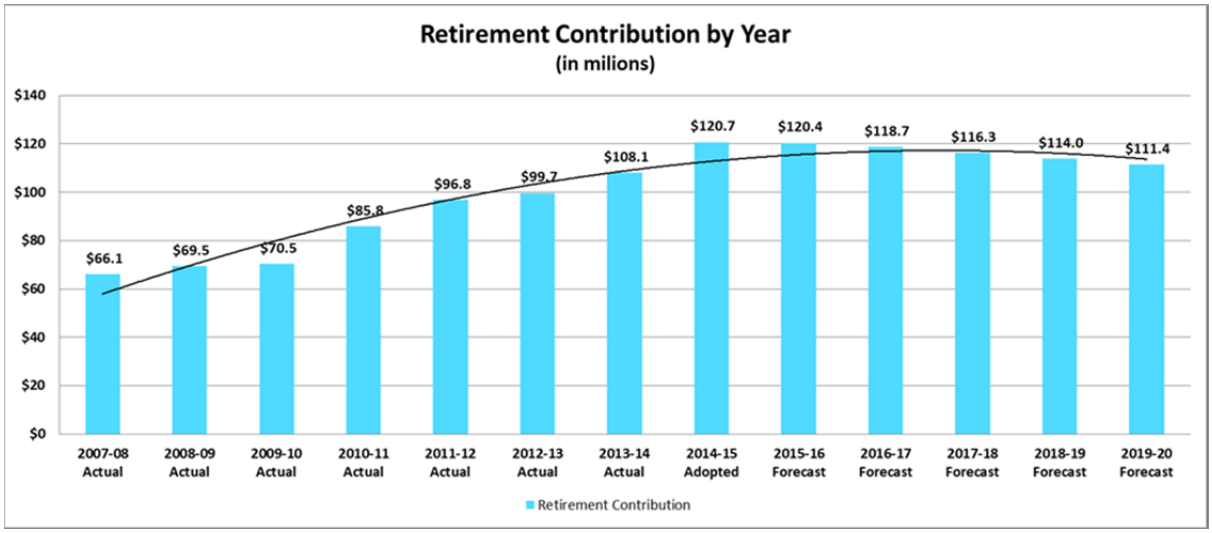
Pension Fund Stability Update (not in Tier I Table):

Pension costs have been one of the largest Fiscal Issues in every year since the Reports' inception. For FY 2015-16, the costs have now stabilized. While there is no projected increase to retirement costs (hence not included in the Tier I Table), there remains a large unfunded liability, which is predicted to be fully amortized in 16 years, if assumption rates are realized.

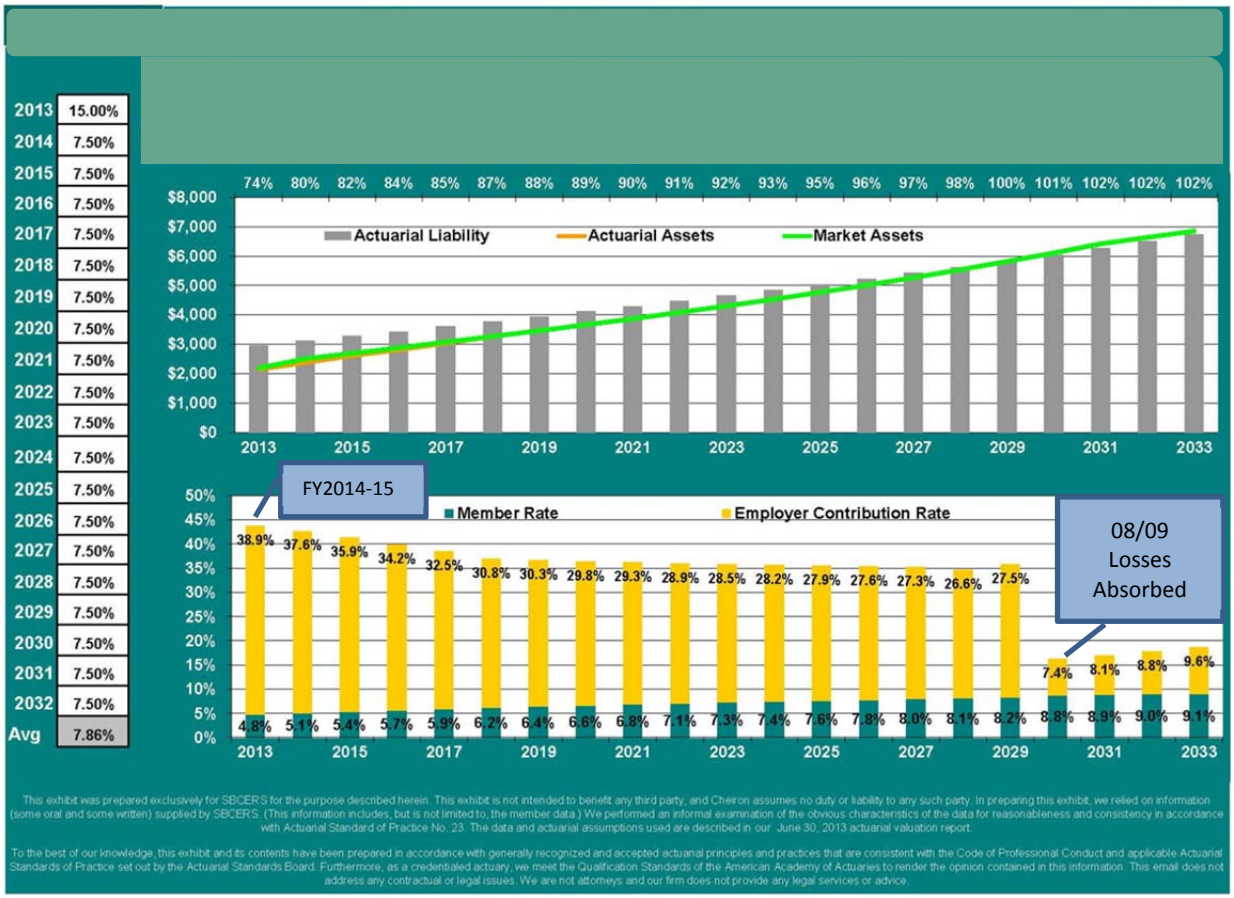
The November 2014 Preliminary Valuation Results identified an Unfunded Actuarial Liability (UAL) of $575.4 million (as of June 30, 2014), which is a reduction of more than $200 million from the prior year's report. This improves the Funded Ration from 73.7% last year to 81.4% in the current.

Background:
The Santa Barbara County Employees' Retirement System (SBCERS) administers a cost sharing multiple-employer defined benefit pension plan for the County of Santa Barbara. The County's pension costs rose significantly between FY 2009-10 and FY 2014-15 as a result of several factors including 2008 and 2009 Investment losses not seen since the Great Depression and two reductions to the assumed rate of return; first from 8.16% to 7.75% and then from 7.75% to 7.5%. The impact of these events significantly increased the County's funding requirements and increased the unfunded liability to $818 million.

To counter the increased pension costs, the County reduced the overall number of employees by 580 positions during the period from 2007-08 to 2013-14, collaboratively achieved employee salary concessions and in 2012 implemented a new retirement plan with a reduced level of benefits. In January 2013, California enacted the Public Employee's Pension Reform Act (PEPRA) and the County established new plans that are compliant with the PEPRA requirements. Most recently, SBCERS adopted a closed amortization period for gains and losses; the actual rate of return on invested funds for FY 2013-14 was approximately 15% and based on GASB requirements plan assets are now measured on a Market Value basis versus the previous use of Actuarial Valuation of assets. As a result of these events and combined with relatively conservative amortization policies established by SBCERS, the contribution percentages are expected to have peaked and are now projected to decline in the coming years.



The amounts presented in the 5 Year Forecast (also in the above graph) assume contribution rates provided by SBCERS' actuary and are shown on the following table, in the lower graph.



Unfunded Pension Liability:
The Preliminary Valuation Results presented by SBCERS' actuary on November 19, 2014 identified an Unfunded Actuarial Liability (UAL) for the system of $575.4 million as of June 30, 2014. This is a reduction of more than $200 million from the prior year's report (both computed using the Market Value of Assets). This also improves the Funded Ratio from 73.7% last year to 81.4% in the current.

Pension Plan - Looking Ahead:
As we move forward, it is expected that the UAL will continue to decrease as more that 50% of the total County contributions (37.9% of covered payroll) are allocated to pay down the unfunded liability. Future contribution rates should continue to decrease as a greater percentage of employees will fall into the PEPRA plans (a lower level of benefits, including limits on individual pension payments). After FY 2030-31, the current UAL should be fully amortized.

After years of employee concessions and limited raises, we should be aware that there will be budgetary pressure to increase compensation which will in turn increase retirement costs. Additionally, there is a growing concern that assumed rates of return for government pensions are too high and should be lowered. Such reductions to the rate of return would increase the UAL and the near term contribution rates.

B. Tier 2 Fiscal Issues:

Tier 2 Fiscal Issues are detailed in Appendix A of this Report, the table below highlights the probable fiscal issues.

Tier 2 Issues: Probable occurrence within the next two fiscal years				
	Issue	FY 2015-16 Impact	FY 2016-17 Additional Impact	Onetime or Ongoing
		($ in millions)		
11	Wireless Network Access	$ 1.0	$ -	Onetime
12	Assessor Property System **(New)**	0.3	0.3	Onetime
13	Health Care Reform Act (ADMHS, PH & DSS)	Unknown	Unknown	Ongoing
14	TB and Other Diseases	Unknown	Unknown	Ongoing
15	ADMHS Cost Report Settlement Issues	-	-	Ongoing
16	Public Health Loss of 1991 Realignment Funding	-	-	Ongoing
17	Elections Systems	-	Unknown	Onetime
	Total	**$ 1.3**	**$ 0.3**	

New Programs and Expansions

While not listed as a specific Tier 1 or Tier 2 issue, some departments have expressed a desire to add new staff, restore positions and/or expand programs. $20.6 million in unfunded department expansion requests were made in last year's budget process and we expect to receive similar requests again this year. Additional current year requests have been for improved inspections and safety staffing in Isla Vista and to potentially fund implementation of Laura's Law (should the Board adopt the program), to name a few. These may not all be funded by the General Fund. Staff will be evaluating all proposals when departments submit their budgets and bring recommendations to the Board as part of the budget process.

III. 5 YEAR FORECAST

In prior years, emphasis has been placed on the projected funding gap as expenditure growth was significantly outpacing revenue growth. As the economy recovers, the trend is reversing, whereby revenue growth is expected to exceed expenditure increases in the coming fiscal years.

Significant Assumptions:

Underlying our projections are the following significant assumptions:

- Secured Property Taxes are projected to grow approximately 4.5% (gross increase of 6%, less 1.5% (Fire Tax Shift of ¼ of the 6% growth)). Assuming an ongoing gross Property Tax increase of 6%, it is projected that the Fire tax allocation will reach 17% in FY 2018-19.
- Sales tax growth rate of 4%
- Transient Occupancy Tax (TOT) growth of 5%
- Salary increases 3% per year
- Retirement contribution rate, decreasing ~1.5% per year (based on latest actuarial study)
- Healthcare costs, projected to increase 5% - 9% through the forecast period (recent CSAC input suggests it may be higher in 2015-16 and 2016-17)
- Workers' Compensation was expected to have modest increases; recent CSAC information calls for a significant increase not included in the forecast for FY 2015-16.
- OPEB; contribution will increase by 25 basis points per year (as a % of covered payroll)
- Utilities are assumed to increase at roughly 5% per year
- Departmental program expansions are not assumed

Countywide Forecast:

The Countywide forecast projects an improving General Fund, partially offset by some negative conditions in the Special Revenue Funds. The table below displays the projected Countywide forecast by Fund Type, and Sources and Uses.

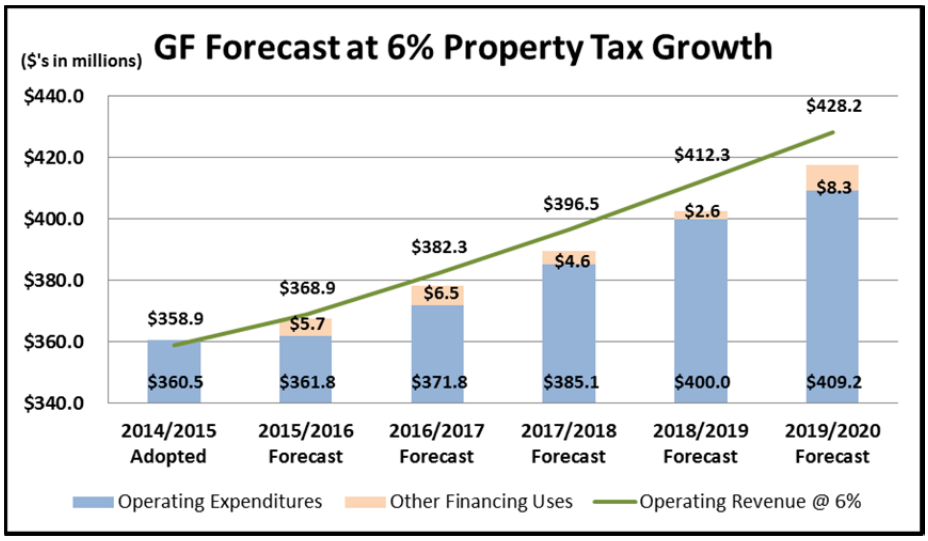
The General Fund is expected to have a surplus in FY 2015-16 due primarily to growth in property taxes and discussed in more detail in the following General Fund section. The offsetting conditions in the Special Revenue funds are due predominantly to a handful of funds, with the main issues being in the Roads Operations, Mental Health Services, and Social Services funds. Each of these Special Revenue funds has specific conditions causing the negative outlook, and these are discussed in-depth in the proceeding Special Revenue fund section. The funds will ultimately not have deficits as they are required to operate within their revenue sources, but the forecast helps to identify the underlying issues.

($ in millions) Source and Use	2014/2015 Adopted	2015/2016 Forecast	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
Fund Type 01 -- General						
S -- Source of Funds *	$ 573.4	$ 571.8	$ 595.1	$ 623.0	$ 654.8	$ 680.6
U -- Use of Funds *	573.4	570.4	591.1	616.2	645.2	669.7
General	-	1.4	4.0	6.7	9.6	10.8
Fund Type 02 -- Special Revenue	-	-	-	-	-	-
S -- Source of Funds	552.0	538.4	537.2	554.7	563.6	589.9
U -- Use of Funds	552.0	542.6	543.1	561.9	578.6	602.9
Special Revenue	-	(4.1)	(5.9)	(7.2)	(15.0)	(13.0)
Fund Type 03 -- Debt Service	-	-	-	-	-	-
S -- Source of Funds	6.6	6.1	6.1	6.1	6.0	5.9
U -- Use of Funds	6.6	6.1	6.1	6.1	6.0	5.9
Debt Service	-	0.0	0.0	0.0	0.0	0.0
Fund Type 04 -- Capital Projects	-	-	-	-	-	-
S -- Source of Funds	10.8	31.4	56.7	42.7	21.5	7.0
U -- Use of Funds	10.8	31.4	56.7	42.7	21.5	7.0
Capital Projects	-	0.0	0.0	0.0	0.0	0.0
Fund Type 05 -- Enterprise	-	-	-	-	-	-
S -- Source of Funds	47.4	52.5	56.0	40.8	43.7	43.6
U -- Use of Funds	47.4	52.5	56.0	40.8	43.7	43.6
Enterprise	-	-	-	-	-	-
Fund Type 06 -- Internal Service	-	-	-	-	-	-
S -- Source of Funds	68.4	66.5	68.8	71.5	72.0	73.8
U -- Use of Funds	68.4	66.9	69.4	71.2	71.1	72.0
Internal Service	-	(0.4)	(0.6)	0.3	0.9	1.7
Net Financial Impact	$ -	$ (3.1)	$ (2.5)	$ (0.2)	$ (4.5)	$ (0.4)

* General Fund Contributions of approximately $200 million are included as Intrafund Transfers and are both Sources and Uses; effectively grossing up both figures in the General Fund

General Fund Summary:

The following graph illustrates the 5 Year Forecast of revenues and expenditures in the General Fund and overlays Other Financing Uses (net). Other Financing Uses include setting aside funds for the Northern Branch Jail (NBJ) Operations Fund, adopted Maintenance Funding Policy which allocates 18% of unallocated Discretionary General Revenue towards maintenance needs, Strategic Reserve of 8% of Operating Revenues and other fund balances; offset by draws (Sources) on various fund balances, such as the NBJ which will draw $17.3 million as a funding source in FY 2018-19 (first full year of operations).



The General Fund table of Sources and Uses by Object Level below displays a small surplus of $1.4 million in FY 2015-16 and grows to $10.8 million in FY 2019-20. These estimates also include Changes to Fund Balances, as described above in Other Financing Uses (net). Also, significant staffing costs associated with the Northern Branch Jail are included in the Salaries and Benefits beginning in FY 2016-17. The forecast does not assume department program or staff expansions.

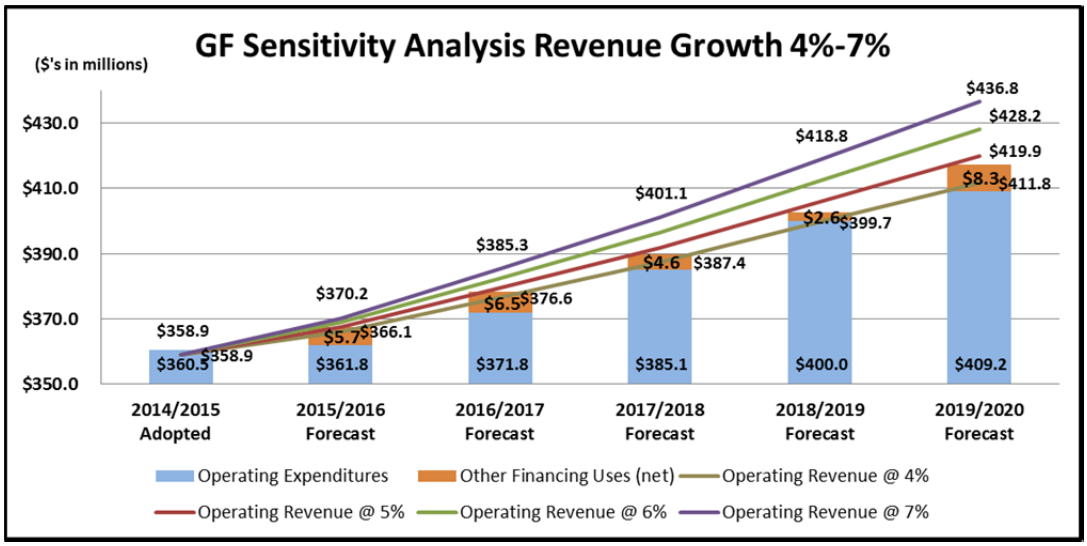
($ in millions) Object Level	2014/2015 Adopted	2015/2016 Forecast	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
Source of Funds						
05 -- Taxes	$ 199.5	$ 209.9	$ 220.7	$ 231.8	$ 243.4	$ 255.7
10 -- Licenses, Permits and Franchises	14.3	13.9	14.3	14.6	14.9	15.2
15 -- Fines, Forfeitures, and Penalties	4.4	3.6	3.3	3.4	3.6	3.8
20 -- Use of Money and Property	1.9	2.0	2.0	2.0	2.0	2.1
25 -- Intergovernmental Revenue-State	64.5	66.2	68.1	70.0	72.1	74.1
26 -- Intergovernmental Revenue-	3.8	3.1	3.0	3.0	3.1	3.1
27 -- Intergovernmental Revenue-Other	0.4	0.4	0.2	0.2	0.2	0.2
30 -- Charges for Services	61.8	62.7	63.5	64.2	65.7	66.7
40 -- Other Financing Sources	4.8	4.5	4.5	4.5	4.5	4.5
45 -- Miscellaneous Revenue	3.3	2.7	2.7	2.7	2.8	2.8
Sources	**$ 358.9**	**$ 368.9**	**$ 382.3**	**$ 396.5**	**$ 412.3**	**$ 428.2**
Use of Funds						
50 -- Salaries and Employee Benefits	$ 257.3	$ 263.6	$ 272.8	$ 284.6	$ 293.5	$ 299.8
55 -- Services and Supplies	48.6	45.1	45.5	46.1	50.5	52.0
60 -- Other Charges	19.2	19.6	20.2	21.0	22.4	23.3
65 -- Capital Assets	1.8	0.6	0.3	0.3	0.3	0.4
70 -- Other Financing Uses	33.7	32.9	33.1	33.2	33.4	33.6
Uses	**$ 360.5**	**$ 361.8**	**$ 371.8**	**$ 385.1**	**$ 400.0**	**$ 409.2**
Other Financing						
Transfers In	$ 192.0	$ 195.8	$ 202.6	$ 210.2	$ 219.0	$ 228.4
Transfers Out	(192.0)	(195.9)	(202.7)	(210.3)	(219.1)	(228.4)
Change to Fund Balance	1.7	(5.6)	(6.4)	(4.6)	(2.6)	(8.2)
Other Financing (Uses)	**$ 1.7**	**$ (5.7)**	**$ (6.5)**	**$ (4.6)**	**$ (2.6)**	**$ (8.3)**
Net Financial Impact	**$ (0.0)**	**$ 1.4**	**$ 4.0**	**$ 6.7**	**$ 9.6**	**$ 10.8**

Revenues:

Taxes:

The County expects continued revenue growth in the next five years. The primary driver is property taxes as the housing market continues to improve and grow. The forecast used a property tax assumption of 6.0% gross growth (see Assessed Value growth graph on page 4). Property tax is the County's main revenue source, and a sensitivity analysis is provided in the following table to display possible scenarios. If property tax does not grow as anticipated, then the positive projected surpluses may be minimal.

GF Revenue Sensitivity Analysis:



The General Fund sensitivity analysis provides scenarios for overall Operating Revenue with varying degrees of Property Tax growth, ranging from 4% to 7%. The financial statements in the 5 Year Forecast have used an assumed growth factor of 6% for property taxes, but more conservative estimates are shown in the sensitivity analysis and would yield less surplus or deficits in the out years for growth rates below 6%. Also included in the graph are presumed Other Financing Uses (net), described above on page 24, which include maintenance funding assuming 6% property tax revenue growth. Maintenance funding would be less if revenues were lower but are only shown at the 6% base rate for this illustration. The sensitivity to the economy illustrates the pragmatic nature of budgeting going forward. Economic trends will continue to be monitored throughout the budget process and any changes will be communicated to the Board.

As discussed in the Economic Outlook, consumers have more confidence in the economy and are starting to spend more. This is portrayed in the forecast as Transient Occupancy Taxes from hotels and tourism is projected to grow by 5% year over year, and sales tax is projected to increase by 4% in each of the forecast years. The other revenue sources reflect modest growth.

Other Departmental Revenues:
Departmental Revenues include such sources as grants, reimbursements for program & operating costs, State and Federal allocations for various programs, and special tax revenues. Some of the major types of department revenues include Prop 172 - Public Safety Tax which is expected to grow at just under 2.0% per fiscal year, Charges for Services growth of between 1.5% to 2.8% and Intergovernmental-State Revenues are forecasted to increase 2.5% to 2.7%. Intergovernmental-Federal revenues are expected to decline in FY 2015-16 forecast from FY 2014-15 and then remain flat for the remainder of the forecast period.

Expenditures:
The expenditures mostly follow the basic assumptions outlined of 3% salary and benefit growth, retirement increase of about 1.5%, and Health Care costs rising by about 5%-9%. In addition to the underlying assumptions, Northern Branch Jail Operations costs were included in the expenditure forecast. Increased maintenance costs are reflected in the 5 Year Forecast as a use of Fund Balance but are not showing as allocated to individual departments. Actual allocations will be recommended in the budget process and communicated to the Board in February 2015.

The net financial impact by department within the General Fund is shown below:

($ in millions) Department	2014/2015 Adopted	2015/2016 Forecast	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
011 -- Board of Supervisors	$ -	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ (0.0)
012 -- County Executive Office	-	0.0	0.0	0.0	0.0	0.0
013 -- County Counsel	-	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)
021 -- District Attorney	-	(0.2)	(0.3)	(0.4)	(0.4)	(0.4)
022 -- Probation	-	-	(0.1)	(0.1)	(0.1)	(1.2)
023 -- Public Defender	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
032 -- Sheriff	-	(1.3)	(1.5)	(1.8)	(2.0)	(2.2)
041 -- Public Health	-	-	-	-	-	-
051 -- Agricultural Commissioner/W&M	-	(0.1)	(0.2)	(0.2)	(0.3)	(0.4)
053 -- Planning & Development	-	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
054 -- Public Works	-	-	-	-	-	-
057 -- Community Services	-	(0.6)	(0.8)	(0.8)	(1.0)	(1.2)
061 -- Auditor-Controller	-	-	(0.1)	(0.3)	(0.3)	(0.3)
062 -- Clerk-Recorder-Assessor	-	(0.7)	(0.3)	(0.7)	(0.5)	(0.8)
063 -- General Services	-	(0.6)	(0.7)	(0.8)	(0.9)	(1.0)
064 -- Human Resources	-	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
065 -- Treasurer-Tax Collector-Public	-	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
990 -- General County Programs	-	(0.0)	0.0	-	(0.0)	(0.0)
991 -- General Revenues	-	5.7	8.7	12.6	15.9	19.0
992 -- Debt Service						
Net Financial Impact	$ -	$ 1.4	$ 4.0	$ 6.7	$ 9.6	$ 10.8

Of the 22 General Fund Departments, 11 are displaying a deficit in FY 2015-16, increasing to 13 in FY 2019-20. A number of the Departments' negative variances are due to departmental revenue not keeping pace with the assumed growth in salaries and benefits as well as general operating expenditures such as utilities. The General Fund Contributions to these departments are adjusted for salary and benefit increases based on budget policies, but other funding sources may not increase sufficiently to balance these departments.

The departments with significant issues are described below:

Probation:
Several of the Department's grant funded programs (AB109 State Realignment, Juvenile Justice Crime Prevention Act -JJCPA, Youthful Offender Block Grant-YOBG, and SB678) have significant restricted fund balances. They all have been operating with a structural imbalance and have relied upon the fund balance to minimize reductions. When Probation prepares its actual budget, the Department looks at reducing the reliance on one-time funding. The Department has done that with JJCPA, YOBG, and SB678 this year and will continue to do so. The FY 2019-20 variance reflects the fact that, based on the projected across the board increases, Probation will exhaust those restricted fund balances. It is expected that the Department will make programmatic reductions before that happens.

Sheriff:
The Department is projecting a deficit each year of the five year forecast beginning at $1.3 million or approximately 1.0% of forecasted expenditures, growing to $2.2 million or approximately 1.4% of forecasted expenditures, in year five. The deficits are due to forecasted Countywide custody and Unincorporated area law enforcement operations costs continuing to increase at a greater rate than revenues. The primary drivers of the deficits are Salary & Benefits expenditures outpacing Proposition 172 Sales Tax, State Prison Realignment funds and General Fund Contribution revenues.

Community Services Department
Parks – The Parks division of the Department is projecting a deficit each year of the five year forecast beginning at $0.1 million or approximately 1.1% of forecasted expenditures, growing to $0.6 million or approximately 4.4% of forecasted expenditures, in year five. This annual growing structural imbalance is due to "business necessity/service" costs (salaries, benefits and utilities) rising faster than park-generated revenues.

Housing & Community Development (HCD) – HCD has relied heavily on fund balance and one-time restorations to fund its administration. This fund balance has been depleted in large part due to escalating Cost Allocation Plan (CAP) charges from other departments within the County that assist HCD. Costs have escalated over the last five years and have reduced the funds available for administration, and the amount of federal dollars for administration is capped and not sufficient to cover all administrative costs. This has contributed to a structural imbalance within HCD and is reflected in the forecast as an approximately $0.5 million deficit. This shortfall assumes one-time restoration money and use of fund balance discontinues, CAP charges and federal allocations remain steady in the forecast.

General Services:
In the FY 2014-15 Adopted Budget, the Department identified one-time funding of $0.2 million. This one-time funding, along with previous salary savings from positions that are now filled, created a FY 2015-16 Proposed Gap of $0.6 million. The existing budget gap coupled with increasing expenditures that exceed departmental revenue is creating the increasing structural deficit in the forecast.

Special Revenue and Other Funds Summary (Attachment B):

Projected deficits in the Special Revenue funds will ultimately not materialize as these funds are required to operate within their revenue sources.

($ in millions) Fund	2014/2015 Adopted	2015/2016 Forecast	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
0015 -- Roads-Operations	$ -	$ -	$ -	$ (0.1)	$ (7.0)	$ (4.3)
0042 -- Health Care	-	-	-	(0.6)	(1.1)	(1.6)
0044 -- Mental Health Services	-	(2.5)	(2.5)	(2.4)	(2.3)	(2.2)
0055 -- Social Services	-	(1.5)	(3.1)	(3.4)	(3.6)	(3.5)
0057 -- Child Support Services	-	(0.1)	(0.3)	(0.5)	(0.8)	(1.0)
All Other Special Revenue Funds	-	(0.0)	(0.0)	(0.2)	(0.3)	(0.4)
Net Financial Impact	$ -	$ (4.1)	$ (5.9)	$ (7.2)	$ (15.0)	$ (13.0)

The majority of funds (56 out of 63) are projecting essentially balanced budgets (<$100,000 negative variance). There were five funds that have projected challenges that will be described below.

Roads-Operations Fund

The fund is revealing a deficit of $7.0 million and $4.3 million in years four and five respectively, due to forecasted operating costs continuing to increase at a greater rate than revenues. The primary drivers of the deficits are Salary & Benefits and materials costs outpacing State Highway User Tax Account (HUTA) gas tax (see Fiscal Issue #7) and local Measure "A" sales tax revenue. These main Roads-Operations Fund revenue sources are not projected to increase at a rate that allows operations and capital maintenance to continue at previous levels. Any projected deficits will ultimately not materialize and expenditures will be balanced based on revenues received, but the fund will require additional revenue or expenditure efficiencies in order to maintain current service levels in the future.

Health Care Fund

If current trends continue, the Public Health Department (PHD) projects that there will be no fiscal impact for the next two fiscal years and then an approximate negative $1 million ongoing in the following fiscal years in the Health Care Fund because of cost increases, including salaries and benefits costs, that are projected to track ahead of revenue growth. However, there remains a number of uncertainties and potential risks including the challenges of retaining Medi-Cal members, some of the expansion grants were one-time or time limited, competition from community providers entering or expanding their Medi-Cal market share, difficulties recruiting providers to meet the demand, enhanced compliance and regulatory requirements, continued need to maintain and update electronic health systems, and Federally Qualified Health Center (FQHC) payment reform.

Mental Health Services Funds

The primary cause of the forecasted deficit is the impact of increasing Inpatient costs. This issue is explained in detail in the Fiscal Issues section of this report.

Social Services Funds

Beginning in FY 2015-16, the Department of Social Services (DSS) estimates that the department will have insufficient local funding to meet the mandated obligations for County matching funds. DSS has two main sources of revenue from which to meet its minimum match requirements. They include 1991 Realignment Revenue and County General Fund Contribution (GFC). In prior years, the Department was able to mitigate the need for GFC by utilizing Fund Balance which had been accumulated over several years. Although DSS expects to end FY 2014-15 with a positive fund balance (FB), it is anticipated that the remaining FB will be insufficient to meet the full amount of the mandated minimum match requirement. In FY 2015-16, the Department's minimum match requirement for Cash Assistance and other mandated programs, known as the Maintenance of Effort (MOE) requirement, is estimated to be over $25 million. This is the minimum amount necessary to meet mandated obligations for County matching funds for mandated programs. As a result of the loss of the FB, the obligation to meet the minimum match requirements may fall to the General Fund. As the minimum match currently exists, the need for additional GFC is projected to range from $1.5 million in FY 2015-16 to $3.5 million in FY 2019-20.

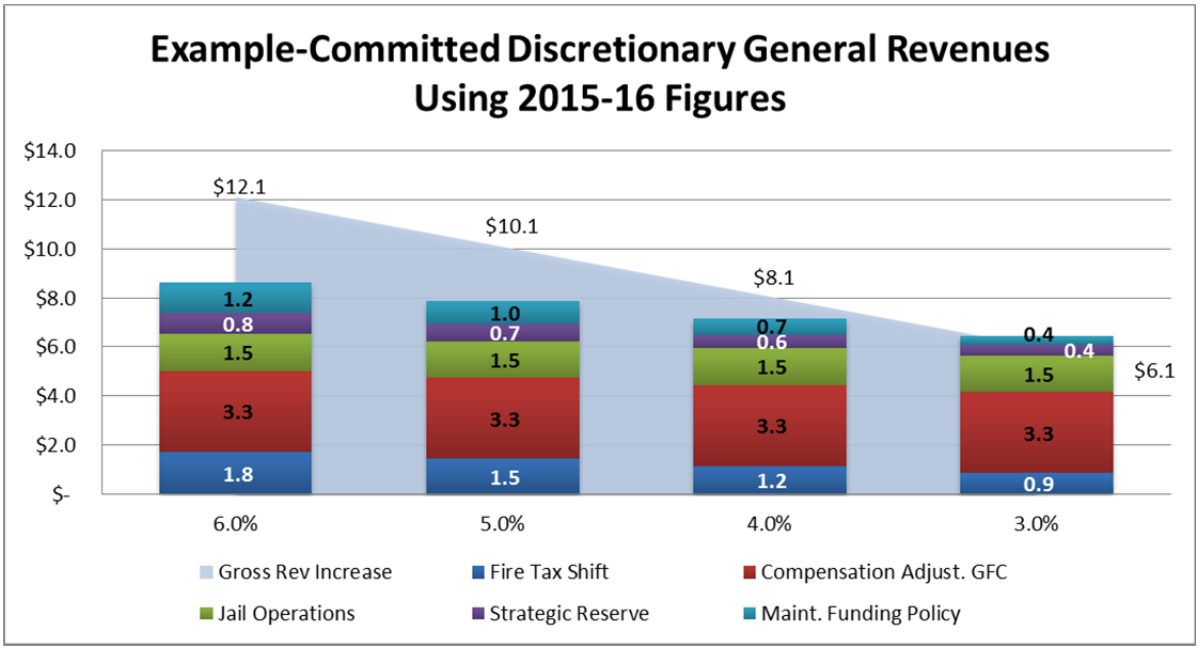
Child Support Services Fund

The fund is displaying a significant deficit of $1.0 million by year five due to assumed Salary and Benefit growth of 3.0% annually while Federal and State Revenues are expected to stay flat. Historical revenue trends have indicated fluctuations in grant dollars, but no real growth. Child Support is funded directly from grants and therefore can only provide services that the funding will finance. Any projected deficits will ultimately not materialize, but the Fund will require additional revenue or expenditure efficiencies in order to maintain current service levels.

CLOSING COMMENTS/CONCLUSIONS:

The national, State and local economies have been improving and the County's revenues from these three sources is now increasing. As a result, no significant service level reductions are expected next year. In fact, expansion in Health Service departments has been occurring for the past few years. Property taxes (our largest form of discretionary general fund revenue) have also been improving and are expected to grow between 4%-7% in the coming years.

Increasing revenues will present opportunities to address certain needs and issues; however, the County has already committed future funding to: the Fire District through a tax shift; increased employee compensation; Northern Branch Jail Operations fund; Strategic Reserves and additional maintenance funding. The graph below demonstrates existing commitments at various Property Tax growth rates ranging from 3% to 6%. As can be seen, the majority of additional funds have already been committed to various needs.



Beyond the issues already mentioned in this report, new matters continue to emerge that will be evaluated and addressed as appropriate.

In closing, we see both opportunities and unmet needs on the horizon which will require thoughtful establishment of priorities to apply available resources to the most critical areas.

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Tier 2 Fiscal Issues:

Tier 2 Issues: Probable occurrence within the next two fiscal years				
	Issue	FY 2015-16 Impact	FY 2016-17 Additional Impact	Onetime or Ongoing
		($ in millions)		
11	Wireless Network Access	$ 1.0	$ -	Onetime
12	Assessor Property System **(New)**	0.3	0.3	Onetime
13	Health Care Reform Act (ADMHS, PH & DSS)	Unknown	Unknown	Ongoing
14	TB and Other Diseases	Unknown	Unknown	Ongoing
15	ADMHS Cost Report Settlement Issues	-	-	Ongoing
16	Public Health Loss of 1991 Realignment Funding	-	-	Ongoing
17	Elections Systems	-	Unknown	Onetime
	Total	**$ 1.3**	**$ 0.3**	

11. Wireless Network Access

A refresh of the existing County wireless infrastructure was completed in FY 2013-14. Wireless equipment acquired in support of the refresh totaled $231,000. The goals of the project were achieved which included: aging hardware was replaced, the County is positioned for future wireless growth, the end user experience was simplified, and security enhancements were achieved.

The County user community continues to demand ubiquitous wireless coverage for the increased efficiency that mobile applications deliver. Providing universal coverage requires increasing the distribution and density of wireless access points. Expanded coverage to all major County campuses (Santa Barbara Downtown Locations, Calle Real Campus, Betteravia Complex, Foster Road, Lompoc Civic Center, Cook Street, and Solvang Civic Center) beyond the current infrastructure would cost the County $1,100,000. If a capital expansion funding source were available, General Services/Information and Communications Technology could purchase and depreciate the additional wireless infrastructure ensuring replacement funds for the entire wireless infrastructure in future refresh cycles. Technology equipment generally has a 3 to 4 year life span, and depreciation of $300,000 per year would be collected for replacement.

12. Assessor Property Tax System

The current assessment system used in Santa Barbara County, known as the Assessor Property System (APS), was developed in-house and originally deployed in 1999. The life-cycle of the current system, functional inadequacies, and technological advancement has driven the need for a replacement system. In 2010, the Assessor entered into an agreement with a vendor to develop a new system, however a few years into the project, the vendor filed for chapter 11

bankruptcy, leaving the Assessor in a vulnerable position. To assist in determining the best course of action for the County in pursuit of a "new" system, the Assessor has contracted with a local systems developer to determine the requirements for modernizing the current APS. If the County decides to modernize its current system, the new APS will be developed by the existing team of programmers and financial system analysts in the Department. A new "project owner manager" position will be required to administer the project and a systems development contractor to provide technical direction. It's estimated that the development of a new system will take roughly five years, requiring a $0.3 million annual funding source for a projected $1.5 million incremental cost.

At the end of Fiscal Year 2014-15, the Assessor will have a projected $1.0 million balance in committed and restricted departmental fund balances as a potential funding source. These fund balances were created specifically for the purpose of enhancing the property tax administration program, however should the fund balances not be available, the Department will require an alternate funding source for the entire $1.5 million incremental project cost, requiring an annual $0.3 million funding source over the 5 years. Should the entire $1.0 million fund balances be available for this project, the $0.5 million project cost balance will require a one-time County contribution commitment during the last two years of the project.

13. Health Care Reform Act (ADMHS, PH & DSS)

The Federal Patient Protection and Affordable Care Act (ACA), also referred to as **Health Care Reform,** was signed into law on March 23, 2010, and established comprehensive health insurance reforms that will roll out over several years with most changes taking place by 2014. The major element of the ACA is the expansion of health coverage to individuals who were previously uninsured, including the expansion of Medicaid (known as Medi-Cal in California), the Federal health insurance for people with low incomes. The Medicaid expansion, which took effect on January 1, 2014, will impact the Alcohol, Drug and Mental Health Services (ADMHS), Social Services, and Public Health Departments, all of which provide enrollment, health services and substance abuse services to Medicaid, Drug Medi-Cal and indigent beneficiaries.

The ACA presents many opportunities and challenges for these three county departments. These changes include the possibility of an increase in demand for services, and increased expenditures to provide for services. All three departments anticipate higher revenues correlated with the demand, as Federal funds will cover 100% of costs for the first three years, and 90% thereafter. However, sources of revenue to cover the future costs of providing services and funding for other programs not related to the ACA are uncertain at this time.

Alcohol Drug and Mental Health Services: It is unknown what percentage of the clients ADMHS already serves are eligible for the Medicaid expansion, although the nature of the population receiving mental health services indicates the majority would be covered.

The Department estimates the following newly eligible clients for the Alcohol and Drug Programs (ADP) in the range of 1,500 to 1,900 individuals in Santa Barbara County seeking substance abuse services. During the first nine months of implementation (January 1 –

September 30, 2014), ADMHS provided ADP Drug Medi-Cal services to 562 newly eligible clients. Of these, 32% had received unfunded/indigent services within nine months preceding January 1, 2014.

Estimates for newly eligible Medi-Cal Mental Health clients are estimated to be 1,100 to 1,400 seeking specialty mental health services. During the first nine months of implementation (January 1 – September 30, 2014), ADMHS provided Mental Health Medi-Cal services to 741 newly eligible clients. Of these, 41% had received unfunded/indigent services within nine months preceding January 1, 2014.

A significant share of costs for Medi-Cal covered residents under the expansion will now be covered through an increase in Federal funds to ADMHS. The essential benefit package remains the same for all Medi-Cal clients who receive mental health services and was expanded for all Medi-Cal clients who receive substance abuse services. As a result, ADMHS expects the demand for substance abuse services to increase, which in turn will require the expansion of programs and contracts to meet this need. The increased demand for specialty mental health services (which ADMHS is responsible to provide) related to the Medi-Cal expansion population is unknown at this time. ADMHS currently provides services to a significant amount of indigent clients who will become part of the Medi-Cal expansion population. ADMHS continues to work on estimating the specific impacts on service level needs and workforce needs for the Department as it simultaneously undertakes changes to its system of care with the assistance of the Board of Supervisors‘ approved consultants.

Department of Social Services (DSS): Counties are mandated by the State to provide eligibility determinations for residents who are applying for Medi-Cal as well as handle in-person assistance for people seeking health coverage through Covered California health plans. Original projections for the impact of the Affordable Care Act estimated that over a three-to-five year period of time, 30,000 – 40,000 individuals may become eligible for Medi-Cal coverage as a result of the new eligibility standards effective January 1, 2014. In September 2013, the Department received approval to add 53 new positions in anticipation of this influx of new clients at a rate of about 10,000 individuals per year. Enrollment has outpaced the projections. In less than one year, as of August 2014, the Medi-Cal program has increased by 25,000 people above pre-ACA levels and is increasing each month. The State has recognized that its original projections were too low and counties are optimistic that additional funding will follow; allowing counties to increase staffing levels in order to meet service level mandates including timely application processing. DSS will continue to analyze the local impact on service levels and workforce needs and provide the Board with updated information.

Public Health Department (PHD):
Counties are mandated by the State to provide healthcare to residents who are indigent or have limited ability to pay for health care services. The implementation of the ACA significantly alters the traditional role that counties fill in providing healthcare services to indigent adults, because of the benefits expansions - particularly the Medicaid expansion - that will now provide paid or subsidized coverage to the same population.

Because the ACA provided these new options for healthcare for indigent and uninsured adults, the State intends to redirect every potential dollar of "county savings" to a State obligation, effective January 1, 2014. This will result in an ongoing loss of 1991 Health Realignment of approximately $7.3M annually starting in FY 14-15, which is described in Fiscal Issue "Public Health Loss of 1991 Realignment Revenue."

14. TB and Other Diseases

Tuberculosis (TB) is an air-borne communicable disease that requires assessment, treatment, monitoring, and follow-up for a period of up to two years to prevent the spread of the disease and to protect public health. Without proper intervention, TB can have permanent and even fatal outcomes. Costs associated with providing essential interventions include investigation and direct observational therapy by Disease Control staff, guidance and consultation by a Health Officer, and extensive laboratory testing by a microbiologist. These costs are mounting in light of the increased number of TB cases in Santa Barbara County. Between January and mid-September of 2014, the County had 28 cases of active tuberculosis. Many of these cases are drug resistant requiring additional time and resources. At this rate, it is projected that there will be 37 cases for 2014, or a 54% increase in the number of TB cases in 2014 (over the normal number of 24 cases per year). This is the largest number of cases that have been seen in the past 10 years and is a direct result of the TB outbreak in North County. To meet the immediate demand, Public Health has added a full-time Public Health Nurse, half-time microbiologist, and a full-time Medical Assistant to the Department. These positions are funded through state grants and department funding.

To mitigate these costs, the Department has applied for and received state special TB funding awards. The Department also applied for a federal grant which was not funded. Public Health is in the process of transitioning to a new laboratory testing method which will decrease the amount of microbiologist time needed to complete testing in other areas of the lab, resulting in more time for TB testing. The Department has also initiated and funded a process to implement a new computer system, estimated cost $300 thousand, for the Public Health Laboratory which will improve the timeliness and accuracy of reporting test results. The new Laboratory Information System will be selected before the end of the calendar year. Although future costs associated with TB are not known, costs would not be unexpected given the increased number of cases, the number of drug resistant cases, and expected multi-year impacts of these cases.

While Public Health is are focusing on TB in this discussion, in the past few years the Department has experienced a growth in other infectious diseases. There has been a fourfold increase in the number of syphilis cases in Santa Barbara County. The Department also experienced an outbreak of meningococcal disease at UCSB that was one of 2 outbreaks nationwide where the virus was not covered in the traditional meningitis vaccine. In addition to recent increases, there are trends on the national level such as Enterovirus D68 that pose a potential yet unrealized impact in Santa Barbara County. There are also emerging infectious diseases like Ebola. Although there has not been an incident in the County where a person was suspected of having Ebola, the County must prepare and be ready to respond appropriately.

The trends and needs in infectious diseases are not predictable and the resource needs may be significant.

15. ADMHS Cost Report Settlement Issues

The County has liability exposure with each fiscal year's submitted cost report until the cost reports are audited by the State. In the County's Comprehensive Annual Financial Report (CAFR) ending June 30, 2014, the County currently estimates a potential liability exposure of up to $4.6 million for outstanding issues with the State dating back to FY 2006-07. The County has identified sources to pay all these liabilities that include a General Fund audit exception committed fund balance of $2.2 million and ADMHS other long-term liabilities payable of $2.4 million. The cost settlement process can span a 5-10 year period, whereby additional cost settlement liabilities could be assessed until audited. Currently, ADMHS has unaudited settlements for FY 2008-09 to FY 2013-14.

Based on the State's cost report filing process and long delay in the performance of audits, cost report settlements will continue to occur many years after costs have been incurred and reports submitted. ADMHS has improved its processes in an effort to reduce the magnitude of such settlements. Processes and staff were in place by FY 2009-10 and it is anticipated that settlements for FY 2010-11 and subsequent periods will not be as large as in prior years.

16. Public Health Loss of 1991 Realignment Funding

On January 1, 2014, both the Affordable Care Act (ACA) and the redirection of 1991 Health Realignment became a reality. In response to the challenges created by the loss of approximately $8 million of 1991 Health Realignment annually, the Public Health Department (PHD) developed and implemented operational and financial actions to take advantage of opportunities made available by the ACA. These actions included making aggressive outreach and enrollment efforts to get patients connected to a funding source, implementing the Indigent Care Program (ICP) that ensures that applicants avail themselves of the new benefit expansions under the ACA, and working with community partners on programs that encourage new Medi-Cal enrollees to seek early preventative care.

As a result, the PHD experienced growth in its Medi-Cal population considerably ahead of its original projections for the assignment of new CenCal Health members: 19,000 as of the first quarter of FY 14-15 versus the projection of 16,000 as of the end of FY 2014-15. The new demand for services has required the Department to undertake actions, including applying for grants, to increase medical and other support staffing to expand services. Currently, staffing expansions include 6.25 positions that are grant funded: 1.0 Full Time Equivalent (FTE) physician and 0.50 FTE mid-level provider positions in the North County and the conversion of 4.0 FTEs Certified Enrollment Counselors to regular positions from independent contractors. In addition, new technology requirements from the ACA have necessitated the addition of 2.0 FTE Electronic Health Record support staff to better assist the Department's providers with ongoing use and training on the system which are funded through newly generated ACA Medi-Cal dollars.

17. Elections Systems

The current vote tabulation system in use by Santa Barbara County (Accu-Votes) was purchased in 2000 and is in need of replacement. The Accu-Votes have exceeded their expected useful life of seven years and present increasing operational risks as these machines continue to age. The deployment of the Accu-Votes at polling locations was discontinued several years ago and all poll ballots are tabulated in-house on election night to reduce the number of units used per election. This allowed the opportunity to replace units with mechanical issues, which must be quarantined for two years. As the units continue to age, there will be a higher degree of mechanical failures and the back-up units will eventually be depleted. Any new voting system in California must pass federal and state certification and currently no new certified systems are available. In 2014, a new regulation went into effect for certification in California that exceeds the standards for federal certification. This new regulation may limit the number of vendors bringing forward systems for certification in California, and potentially drive up system costs. It's anticipated that a new system, currently in the certification process, may become available during Fiscal Year 2016-17. The potential cost of a new system is estimated at $2.5 million with potentially $2.0 million of grant funds available from the Help America Vote Act (HAVA) Fund.

In addition to a new County vote tabulation system, Elections needs to acquire certain equipment to comply with the State requirements of conditional voter registration that will likely become effective during Fiscal Year 2016-17. Currently, the close of registration is the 15th day before the election. Conditional voter registration will allow individuals to register to vote by conditional registration and vote by provisional ballot in the election offices from the 14th day before the election through Election Day. To comply with the new State requirements, additional voting equipment will need to be acquired to accommodate voter registration through Election Day and higher issuance of provisional ballots. The cost of new equipment is estimated to cost $285,000. Additional staff resources may also be required to implement new systems and equipment; however the cost cannot be reasonably estimated at this time.

Assuming the $2.0 million in HAVA grant funds are available for the acquisition of the vote tabulation system, additional funding of approximately $0.8 million will be required to fully fund the cost of the vote tabulation system and conditional voter registration equipment. Elections currently has $0.8 million dollars available for this use in a committed fund balance account established specifically for the purpose of replacing voting systems. However, should the HAVA grant funds not be available or qualify for use, a General Fund contribution may be required.

Fiscal Outlook Report

County of Santa Barbara

Attachment B

5 Year Forecast

Net Financial Impact by Fund Type & Fund

Fund ($ in millions)	2014/2015 Adopted	2015/2016 Forecast	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
Fund Type 01 -- General						
0001 -- General	$ -	$ 1.4	$ 4.0	$ 6.7	$ 9.6	$ 10.8
General	-	1.4	4.0	6.7	9.6	10.8
Fund Type 02 -- Special Revenue	-	-	-	-	-	-
0010 -- First 5 Child & Families Comm	-	-	-	-	-	-
0015 -- Roads-Operations	-	-	-	(0.1)	(7.0)	(4.3)
0016 -- Roads-Capital Maintenance	-	-	-	-	-	-
0017 -- Roads-Capital Infrastructure	-	-	-	-	-	-
0019 -- Roads-Alternative Transport	-	-	-	-	-	-
0040 -- Public and Educational Access	-	-	-	-	-	-
0041 -- Fish and Game	-	-	-	-	-	-
0042 -- Health Care	-	-	-	(0.6)	(1.1)	(1.6)
0044 -- Mental Health Services	-	(2.5)	(2.5)	(2.4)	(2.3)	(2.2)
0045 -- Petroleum Department	-	-	-	-	-	-
0046 -- Tobacco Settlement	-	-	-	-	-	-
0048 -- Mental Health Services Act	-	0.0	-	0.0	0.0	0.0
0049 -- Alcohol and Drug Programs	-	-	0.0	-	0.0	0.0
0052 -- Special Aviation	-	-	-	-	-	-
0055 -- Social Services	-	(1.5)	(3.1)	(3.4)	(3.6)	(3.5)
0056 -- SB IHSS Public Authority	-	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)
0057 -- Child Support Services	-	(0.1)	(0.3)	(0.5)	(0.8)	(1.0)
0061 -- Fisheries Enhancement	-	-	-	-	-	-
0062 -- Local Fishermen Contingency	-	-	-	-	-	-
0063 -- Coast Resource Enhancement	-	-	-	-	-	-
0064 -- CDBG Federal	-	-	-	-	-	-
0065 -- Affordable Housing	-	-	-	-	-	-
0066 -- HOME Program	-	-	-	-	-	-
0069 -- Court Activities	-	0.0	0.0	0.0	(0.0)	(0.1)
0070 -- Crim Justice Facility Constrt	-	-	-	0.0	0.0	-
0071 -- Courthouse Construction SB668	-	-	-	-	-	-
0075 -- Inmate Welfare	-	-	-	-	-	-
1940 -- Municipal Energy Finance Prog	-	-	-	-	-	-
2120 -- CSA 3 Unincorp Goleta Valley	-	-	-	-	-	-
2130 -- CSA 4	-	-	-	-	-	-
2140 -- CSA 5	-	-	-	-	-	-
2170 -- CSA 11 Carp Valley/Summerland	-	-	-	-	-	-
2185 -- CSA 12 Mission Cyn Swr Svc Chg	-	-	-	-	-	-
2220 -- CSA 31 Isla Vista	-	-	-	-	-	-
2242 -- CSA 41 Rancho SantaRita-Rd Mtc	-	-	-	-	-	-
2270 -- Orcutt CFD	-	-	-	-	-	-
2271 -- Providence Landing CFD	-	-	-	-	-	-
2280 -- Fire Protection Dist	-	-	-	-	-	-
2400 -- Flood Ctrl/Wtr Cons Dst Mt	-	-	-	-	-	-
2420 -- SBFC Orcutt Area Drainage	-	-	-	-	-	-
2430 -- Bradley Flood Zone Number 3	-	-	-	-	-	-

Fiscal Outlook Report

County of Santa Barbara

Attachment B

5 Year Forecast

Net Financial Impact by Fund Type & Fund

($ in millions) Fund	2014/2015 Adopted	2015/2016 Forecast	2016/2017 Forecast	2017/2018 Forecast	2018/2019 Forecast	2019/2020 Forecast
2460 -- Guadalupe Flood Zone Number 3	-	-	-	-	-	-
2470 -- Lompoc City Flood Zone 2	-	-	-	-	-	-
2480 -- Lompoc Valley Flood Zone 2	-	-	-	-	-	-
2500 -- Los Alamos Flood Zone Number 1	-	-	-	-	-	-
2510 -- Orcutt Flood Zone Number 3	-	-	-	-	-	-
2560 -- SM Flood Zone 3	-	-	-	-	-	-
2570 -- SM River Levee Maint Zone	-	-	-	-	-	-
2590 -- Santa Ynez Flood Zone Number 1	-	-	-	-	-	-
2610 -- So Coast Flood Zone 2	-	-	-	-	-	-
2670 -- North County Lighting Dist	-	-	-	-	-	-
2700 -- Mission Lighting District	-	-	-	-	-	-
3000 -- Sandyland Seawall Maint Dist	-					
3050 -- Water Agency	-	-	-	-	-	-
3060 -- Water Agency Special	-	-	-	(0.2)	(0.2)	(0.2)
3122 -- Low/Mod Inc Housing Asset Fund	-	-	-	-	-	-
Special Revenue	-	(4.1)	(5.9)	(7.2)	(15.0)	(13.0)
Fund Type 03 -- Debt Service	-	-	-	-	-	-
0036 -- Municipal Finance Debt Svc	-	0.0	0.0	0.0	0.0	0.0
Debt Service	-	0.0	0.0	0.0	0.0	0.0
Fund Type 04 -- Capital Projects	-	-	-	-	-	-
0030 -- Capital Outlay	-	0.0	0.0	0.0	0.0	0.0
0031 -- Parks Dept Capital Projects	-	-	-	-	-	-
0032 -- North County Jail AB900	-	-	-	-	-	-
0033 -- North County Jail STAR SB1022	-	-	-	-	-	-
0034 -- 2005 COP Capital Projects	-					
Capital Projects	-	0.0	0.0	0.0	0.0	0.0
Fund Type 05 -- Enterprise	-	-	-	-	-	-
1930 -- Resource Recovery & Waste Mgt	-	-	-	-	-	-
2870 -- Laguna Co Sanitation-General	-	-	-	-	-	-
Enterprise	-	-	-	-	-	-
Fund Type 06 -- Internal Service	-	-	-	-	-	-
1900 -- Vehicle Operations/Maintenance	-	0.0	0.0	0.7	1.0	1.4
1910 -- Medical Malpratice Self Ins	-	(0.0)	-	-	-	(0.0)
1911 -- Workers' Comp Self Insurance	-	0.0	0.0	(0.0)	-	(0.0)
1912 -- County Liability-Self Insuranc	-	0.0	0.0	0.0	0.0	0.0
1913 -- County Unemp Ins-Self Ins	-	-	-	-	-	-
1914 -- Dental Self-Insurance Fund	-	(0.0)	0.0	-	0.0	(0.0)
1915 -- Information Technology Srvcs	-	(0.3)	(0.5)	(0.4)	(0.1)	0.3
1919 -- Communications Services-ISF	-	(0.1)	(0.1)	(0.0)	0.0	0.1
1920 -- Utilities ISF	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Internal Service	-	(0.4)	(0.6)	0.3	0.9	1.7
Net Financial Impact	$ -	$ (3.1)	$ (2.5)	$ (0.2)	$ (4.5)	$ (0.4)