

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Administrative Office	(2) MEETING DATE 5/17/2016	(3) CONTACT/PHONE Emily Jackson 781-5011	
(4) SUBJECT Introduction of the County of San Luis Obispo FY 2016-17 Proposed Budget, including Special Districts. (Clerk's File). All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board: <ol style="list-style-type: none"> <li>1. Adopt a resolution introducing the attached budget document as the County's Proposed FY 2016-17 budget (including special districts) for public review.</li> <li>2. Schedule public hearings on the FY 2016-17 Proposed County Budget to begin Monday, June 13, 2016 in the Board of Supervisors Chambers at 9:00 a.m.</li> <li>3. Order publication of the required legal notices scheduling the public hearings.</li> </ol>			
(6) FUNDING SOURCE(S) Multiple	(7) CURRENT YEAR FINANCIAL IMPACT FY 2015-16 Adopted Budget: \$572,648,722	(8) ANNUAL FINANCIAL IMPACT FY 2016-17 Proposed Budget: \$574,002,347	(9) BUDGETED? N/A
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ___) <input checked="" type="checkbox"/> Board Business (Time Est. <u>20 min</u> )			
(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW  This item was prepared by the Administrative Office.			
(18) SUPERVISOR DISTRICT(S) All Districts			

# County of San Luis Obispo



TO: Board of Supervisors

FROM: Administrative Office / Emily Jackson  
781-5011

DATE: 5/17/2016

SUBJECT: Introduction of the County of San Luis Obispo FY 2016-17 Proposed Budget, including Special Districts.  
(Clerk's File). All Districts.

## **RECOMMENDATION**

It is recommended that the Board:

1. Adopt a resolution introducing the attached budget document as the County's FY 2016-17 Proposed Budget (including special districts) for public review.
2. Schedule public hearings on the FY 2016-17 Proposed County Budget to begin Monday, June 13, 2016 in the Board of Supervisors Chambers at 9:00 a.m.
3. Order publication of the required legal notices scheduling the public hearings.

## **DISCUSSION**

The budget reflects the County's disciplined approach to fiscal management and is consistent with our goal to provide a Safe, Healthy, Livable, Prosperous and Well-Governed Community.

The County of San Luis Obispo is committed to providing services with integrity, collaboration, professionalism, accountability and responsiveness. The budget document is produced in a manner that reflects these organizational values by attempting to strike an appropriate balance between financial detail and discussion of 'big picture' issues. The intent is that the document will inform meaningful discussion about resource allocation decisions among the public, your Board and staff. Your Board will review the budget in detail at public budget hearings, scheduled for June 13<sup>th</sup>-15<sup>th</sup>, during which time you may add, delete, or modify the proposal as you deem appropriate.

### **Approach to FY 2016-17 Budget Development**

The process for developing the budget began in the fall of 2015, when staff presented the FY 2016-17 financial forecast and the Board reviewed its Priorities and Budget Goals and Policies for the year. This budget proposal is consistent with Board direction provided via identified priorities, Budget Goals and Policies, Budget Balancing Strategies and Approaches, and complies with all aspects of the State Budget Act (Government Code §29000). Community input provided through participation in open meetings, public involvement on the County's many advisory boards and commissions, and as conveyed in reports that are intended to measure community needs, is also a significant factor in budget development. The 'General Budget Information' section of the budget document provides a comprehensive overview of the County's budget development and management process.

Despite the fact that the recent recession is behind us, we remain mindful of the work that was required to get to this point, and are very cognizant of the level of effort that will be necessary in order to maintain our financial position. Moving forward, we are committed to employing the same strategies that helped us during years of budget difficulty, to guide us forward in a manner that invests in the programs and services we provide while sustaining our fiscal health.

The County's disciplined approach to budgeting and financial management has been recognized by bond rating agencies; in April of 2016, Fitch Ratings reaffirmed the County's AAA implied general obligation bond rating. This was due in part,

to our strong financial performance due to conservative budgeting and planning. In addition, it is worth noting that the County's Budget Goals and Policies and Budget Balancing Strategies and Approaches contributed to the County recently receiving its fifth consecutive Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) for the FY 2015-16 Budget document. The GFOA award program is the only national awards program in governmental budgeting and recognizes budget documents of the highest quality.

The FY 2016-17 Proposed Budget represents conservative growth compared to the current year, and is in line with earlier projections. It is important to note that growth in the budget should not be viewed as "adding back" to those programs and services that were previously reduced. Community needs are continuously changing and County operations must be flexible enough to respond to those changing needs. The proposed budget reflects a focus on ensuring that the County is able to meet current needs in FY 2016-17 and into the future.

#### Factors Impacting the FY 2016-17 Budget

As noted above, there are many factors which impact budget development—not the least of which are the current trends and issues that the County is facing. The most notable are:

- The current drought, which is affecting all areas of California, but is particularly severe in San Luis Obispo County. The increased severity in our area is due to a reliance on groundwater in many areas of the County, as well as the fact that the agricultural industry is a major contributor to our local economy.
- The decline in various State revenues which fund transportation infrastructure locally. Both Highway Users Tax (also known as fuel tax) and Transportation Development Act revenues are projected to continue to decline into FY 2016-17 due to declining gasoline sales and prices.
- The final steps of the dissolution of the General Services Department, which has resulted in the creation of the new Central Services Department, and Public Works assuming responsibility for custodial services, utility services and the management of the County's capital and maintenance projects. The transfer of responsibility for capital and maintenance projects provides the opportunity to better evaluate how projects are managed, and this will continue to be a focus into FY 2016-17.
- The implementation of Assisted Outpatient Treatment (Laura's Law) which will provide court-ordered outpatient treatment for severely mentally ill individuals who have committed, or are at risk of committing acts of violence against themselves or others due to untreated mental illness.
- The implementation of AB 403- Continuum of Care Reform to improve foster care outcomes by moving children out of group homes. The requirements of this statute will require the Department of Social Services and Probation Department to partner with the Behavioral Health Department to find an alternative means for providing treatment to children who were previously provided care in group homes.
- The continued implementation of the Patient Protection and Affordable Care Act (ACA), which has changed the County's role in providing health services to indigent residents. The ACA has resulted in considerable savings to the County, as Medi-Cal eligibility has greatly expanded and now provides health coverage to individuals previously covered through County programs.
- The completion and impending start of several major capital projects, including:
  - The Juvenile Hall expansion, which is expected to be complete in July 2016. The budget includes expense to increase staff at the Juvenile Hall when it becomes operational.
  - The Women's Jail which is expected to be complete in April 2017.
  - The development of a new airport terminal at the San Luis Obispo County Regional Airport.
  - The replacement of the County's animal shelter.
  - The development of a co-located dispatch center for the Sheriff-Coroner and Fire departments.

In addition to these local issues, the impact that the State's budget has on us locally cannot be understated. The Governor's FY 2016-17 proposed budget totals \$122.6 billion in General Fund expenditures. Though the State's budget continues to improve, some risks remain. Over 30% of the County's revenue comes from the State; as a result, the State's financial position continues to be one of the biggest influencers upon our budget locally. Proposition 30, which was approved by voters in 2012 to raise sales and the personal income tax is set to expire in the current year and 2018, respectively. In addition, the State continues to deal with the impacts of budgetary debt and significant liabilities related to State retiree benefits and infrastructure, which have been accumulated in prior years.

The Governor's Proposed Budget represents fiscal constraint by limiting on-going commitments, and making investments to help the State prepare for the next economic downturn. As of the writing of this item, the Governor's May Revise of his budget proposal has not yet been released. However, noteworthy factors at the State level (as of the Governor's January proposal) that are likely to have an impact on the County's budget include:

- As the State enters its fifth year of drought, the Governor’s budget includes \$323.1 million of one-time funding to continue drought response efforts that protect water supplies, conserve water and provide emergency response. At this time, it is unclear how this funding will be allocated.
- It is expected that State highways and local roads will continue to deteriorate in FY 2016-17 without an infusion of new funding. Highway User Tax revenues are expected to decrease by more than 25% in two years, and county shares of this revenue have decreased by an even greater amount. While the State budget does not include a comprehensive approach to transportation funding, there is hope that a special session conference committee will be able to reach consensus on a transportation package. The Governor has reintroduced the 2015 Transportation Funding and Reform Package which includes spending an additional \$3.6 billion annually for 10 years on maintenance and rehabilitation of state and local transportation system and investments in transit. Funding is to be split evenly between state and local transportation priorities, with a focus on transportation infrastructure maintenance and preservation.
- Medi-Cal enrollments are continuing to increase, due to the ongoing implementation of the Affordable Care Act. Locally, our Department of Social Services’ Medi-Cal caseload has increased by 142% since FY 2012-13. The Governor’s budget includes an additional \$169 million in the current year and FY 2016-17 for County Medi-Cal administration costs. Based on State allocation factors, staff estimates that the County will receive \$1.2 million in additional Medi-Cal administration funding.
- Last year, AB 403 was passed as a comprehensive reform effort to improve foster care outcomes by moving away from the use of group homes. Beginning in January of 2017, youth currently placed in group homes must be brought back to their county of origin and the appropriate foster care and mental health care needs be in place to accommodate them. The Governor’s budget includes \$94.9 million to aid in efforts to implement AB 403. While none of this funding has been specifically earmarked for counties, conversations are underway at the State level to assure that counties are able to implement AB 403 reforms.
- Finally, the Governor’s budget proposes to appropriate \$3.1 billion in Cap and Trade revenue in FY 2016-17. At this point, it is unclear how the majority of the \$3.1 billion will be allocated. However, the proposed allocation includes \$150 million statewide for forestry and wildfire management, including the removal of diseased and dead trees. Cal Fire has indicated that these funds will potentially be available to help mitigate the risk of wildfire on both private and public lands.

FY 2016-17 Budget Summary

The proposed budget authorizes a total spending level of \$574 million, with the General Fund budget proposed at \$487.2 million. The overall budget represents an increase of under 1% compared to the current year. This growth is due to a strengthening housing market, increased development activity, as well as increased sales tax, property tax and Transient Occupancy Tax (TOT) revenue, all of which are reflective of an improving economy.

The table to the right provides an overview of authorized funding levels by individual fund. Each fund serves a distinct purpose, as outlined in the ‘General Budget Information’ section of the budget document. Changes in funding levels are explained throughout the document.

Similar to prior years, the proposed budget for FY 2016-17 represents a balance between the County’s three identified spending areas, which include:

1. financial security
2. programs and services
3. employee salaries and benefits

Increases in each of these areas are as follows:

Financial Security

In FY 2015-16, the County was able to fully restore the General Fund contingency level to the historical target of 5% of the General Fund budget. In FY 2016-17, it is recommended that

General Fund contingencies remain at the full 5%, included in the operating budget. In addition to contingencies, the County’s level of reserves are an indicator of financial security. Reserve levels represent the funding that the

Authorized Funding Levels by Fund			
Fund	FY 2015-16 Adopted	FY 2016-17 Proposed	% Inc/Dec
General Fund	\$469,201,155	\$487,203,438	4%
Automation Replacement	\$5,384,163	\$2,901,152	-46%
Building Replacement	\$6,860,877	\$4,622,991	-33%
Capital Projects	\$5,219,220	\$3,548,400	-32%
Community Development	\$4,135,489	\$4,344,819	5%
Debt Service	\$2,090,151	\$2,091,847	<1%
Driving Under the Influence	\$1,421,788	\$1,336,613	-6%
Emergency Medical Services	\$869,274	\$851,000	-2%
Fish and Game	\$46,222	\$22,715	-51%
Library	\$9,787,164	\$10,293,181	5%
Medically Indigent Services Program	\$1,493,222	\$1,526,449	2%
Organizational Development	\$911,317	\$1,273,191	40%
Parks & Recreation	\$10,035,952	\$9,942,258	-1%
Pension Obligation Bonds	\$10,524,752	\$11,258,240	7%
Public Facilities Fees	\$1,984,049	\$1,984,049	0%
Road Impact Fees	\$1,814,780	\$2,761,536	52%
Roads	\$40,863,612	\$28,036,860	-31%
Tax Reduction Reserves	\$0	\$0	0%
Wildlife and Grazing	\$5,535	\$3,608	-35%
<b>TOTAL</b>	<b>\$572,648,722</b>	<b>\$574,002,347</b>	<b>&lt;1%</b>

County has set aside for a variety of purposes and are not included in the budget. The County's target is to maintain a ratio of reserves and contingencies to the General Fund budget of at least 20%. In the current year, this ratio is projected to be 28%, and in FY 2016-17, it is recommended that a total of \$7.6 million of General Fund be allocated to the following reserves:

- \$2.0 million to the General Reserve to be accessible in the event of a financial downturn or natural disaster;
- \$2.0 million to the Capital Improvement Project Reserve to fund future capital projects;
- \$2.0 million to the Building Replacement Reserve to fund the necessary replacement of County facilities in the future;
- \$1 million to the Automation Replacement Reserve to fund future automation projects; and
- \$631,393 to the Organizational Development Reserve to fund countywide training initiatives.

#### Programs and Services

Based on a thorough evaluation of need and expected results, the proposed budget includes augmentations of \$10.7 million (\$5.8 million of General Fund) to various programs and services. These augmentations increase staffing levels by 59.25 Full-Time Equivalent (FTE) positions, which will enable the County to provide a higher level of service in many areas. The most significant increases are to the land based, public safety, and health and human services functional areas. Specific augmentations and their intended results are described in the 'Departmental Budgets by Functional Area' section of the budget document.

In addition to the above, the proposed budget increases Roads funding with a one-time General Fund allocation of \$3.4 million to augment the pavement management program. The additional funds will bring the total General Fund contribution to Roads to \$11.5 million in FY 2016-17. This represents one of the County's largest annual General Fund contributions to the Roads budget, and is considerably higher than the amount of General Fund that comparable counties contribute to their pavement management programs.

The budget also provides full funding for all capital projects (\$1.5 million), maintenance projects (\$6.3 million), and automation projects that are planned to begin in FY 2016-17.

#### Salaries and Benefits

The proposed budget reflects salary increases that were granted to County employees in FY 2014-15, after holding wages flat for most employees for five years. Although these wage increases represent increased costs to the County, it is important to note that the County continues to implement a 'three-point plan' to control labor expenses which eliminated formulaic wage increases, shares the cost of pension cost increases 50/50 with employees, and implemented pension reform, which created second and third tier pension plans.

Detailed information about budget changes can be found in the narrative information provided for each fund center in the 'Departmental Budgets by Functional Area' section of the budget document. The detailed information for each fund center includes a departmental narrative as well as a County Administrative Office (CAO) narrative. The departmental narrative provides an overview of departmental programs and services and key issues facing each department. The CAO narrative provides context to the proposed budget numbers. The approach in the CAO narratives is to convey what is changing from one year to the next and the corresponding impacts to programs and service levels.

The following table provides a summary of the amount of General Fund dollars allocated to departments (not expenditures). The chart does not include the Non-Departmental Revenue fund center nor other fund centers that do not provide programs and services.

<b>Summary of General Fund Dollars Allocated to Departments</b>				
<b>Fund Center</b>	<b>Department Name</b>	<b>FY 2015-16 Adopted</b>	<b>FY 2016-17 Proposed</b>	<b>% Inc/Dec</b>
104	Administrative Office	\$1,821,806	\$1,929,640	6%
141	Ag Commissioner	\$2,217,572	\$2,588,607	17%
109	Assessor	\$9,125,380	\$9,558,129	5%
107	Auditor-Controller	\$4,128,467	\$4,419,591	7%
100	Board of Supervisors	\$1,687,445	\$1,738,772	3%
116	Central Services	\$0	\$3,128,461	0%

134	Child Support Services	\$0	\$0	0%
110	Clerk-Recorder	\$808,373	\$454,409	-44%
290	Community Development	\$591,436	\$591,436	0%
143	Contributions to Court Operations	(\$553,986)	(\$561,986)	-1%
106	Contributions to Other Agencies	\$1,290,405	\$1,400,405	9%
111	County Counsel	\$3,415,154	\$3,528,736	3%
140	County Fire	\$13,601,756	\$14,229,401	5%
132	District Attorney (includes Victim Witness)	\$9,270,028	\$9,452,956	2%
138	Emergency Services	\$157,550	\$268,148	70%
113	Facilities Management	\$6,919,767	\$4,446,259	-36%
215	Farm Advisor	\$526,999	\$553,237	5%
131	Grand Jury	\$136,436	\$130,766	-4%
137	Health Agency- Animal Services	\$788,867	\$789,549	0%
166	Health Agency- Behavioral Health	\$9,420,582	\$11,438,294	21%
184	Health Agency- Law Enforcement Medical Care	\$2,080,844	\$2,624,458	26%
350	Health Agency- Medically Indigent Services Program	\$507,692	\$531,101	5%
160	Health Agency- Public Health	\$5,180,767	\$6,464,600	25%
112	Human Resources	\$2,974,034	\$3,426,993	15%
105	Human Resources- Risk Management	\$615,787	\$621,912	1%
114	Information Technology	\$9,149,924	\$9,260,768	1%
377	Library	\$633,683	\$666,552	5%
103	Non-Departmental Other Expenditures	\$318,000	\$334,375	5%
275	Organizational Development	\$604,839	\$1,081,393	79%
305	Parks	\$3,616,907	\$3,616,907	0%
142	Planning and Building	\$5,896,897	\$7,617,458	29%
139	Probation	\$9,932,402	\$10,437,190	5%
135	Public Defender	\$5,370,016	\$6,051,424	13%
245	Public Works- Roads	\$11,146,107	\$11,553,412	4%
201	Public Works- Special Services	\$1,546,423	\$1,664,189	8%
130	Public Works- Waste Management	\$939,179	\$1,246,079	33%
136	Sheriff-Coroner	\$38,253,703	\$40,829,665	7%
180	Social Services- Administration	\$4,307,550	\$5,925,205	38%
182	Social Services- CalWORKs	\$324,808	\$317,769	-2%
181	Social Services- Foster Care	\$1,114,152	\$1,117,705	0%
185	Social Services- General Assistance	\$866,378	\$944,734	9%
108	Treasurer/Tax Collector	\$1,626,612	\$1,689,506	4%
186	Veterans Services	\$562,257	\$565,286	1%
	<b>TOTAL</b>	<b>\$172,922,998</b>	<b>\$188,673,491</b>	<b>9%</b>

The FY 2016-17 Proposed Budget recommends 2,701.25 Full-Time Equivalent (FTE) permanent and limited term positions. This represents a net increase of 39.00 FTE as compared to current allocations and a net increase of 63.00 FTE compared to FY 2015-16 adopted levels. A net of 24.00 FTE were added mid-year in FY 2015-16. Mid-year changes were due to departmental reorganizations, the addition of limited term positions due to the availability for grant funding, and various programmatic changes.

The table to the right provides a summary of Position Allocation net changes by department, compared to current staffing levels. Position additions are generally related to recommended augmentations to various programs and services, and net deletions are generally related to the elimination of limited term staff, due to the expiration of grant funding, completion of one-time projects, or minor reorganizations due to changing needs.

All County departments are grouped together by functional areas, which categorize the types of services that departments provide. Following is a summary of major changes within each functional area. Not all departments are identified in this summary. Detailed information for each department can be found in the 'Departmental Budgets by Functional Area' section of the budget document.

FY 2015-16 Adopted Budget Allocation	2,638.25
FY 2015-16 Current Allocation	2,662.25
FY 2016-17 Proposed Allocation	2,701.25
Net Change (from Adopted)	63.00
Net Change (from Current)	39.00
% Change (from Current)	2.4%
<b>Department</b>	<b>Net Change</b>
Ag Commissioner	1.00
Animal Services	0.50
Assessor	-3.50
Behavioral Health	8.00
Child Support Services	-1.75
District Attorney	-2.00
Driving Under the Influence	-1.00
Emergency Services	0.50
Facilities Management	-11.00
Information Technology	5.00
Law Enforcement Medical Care	0.50
Library	0.50
Planning & Building	2.00
Probation	7.00
Public Health	9.25
Public Works	20.00
Sheriff-Coroner	5.00
Treasurer-Tax Collector-Public Administrator	-1.00
<b>TOTAL</b>	<b>39.00</b>

Land Based Functional Area	
<b>Change to General Fund support from FY 2015-16 adopted levels: \$2.6 million (12%)</b>	<b>Net change to staffing, compared to current levels: +23.00 FTE</b>
<b>Fund Centers:</b> Agricultural Commissioner, Planning and Building, Community Development, Public Works (Internal Service Fund, Special Services, Los Osos Wastewater System, Road Impact Fees, Roads).	

Agricultural Commissioner

The recommended level of General Fund support represents an increase of \$371,035 or 16% compared to the FY 2015-16 adopted budget. The increase includes the recommended addition of 1.00 FTE Weights and Measures Inspector to ensure the department is able to provide increased consumer protection through the Quality Control program while maintaining mandated inspection frequency in other Weights and Measures program areas.

Planning and Building

The recommended level of General Fund support represents an increase of \$1.7 million or 29% compared to the FY 2015-16 adopted budget. The increase is largely due to recommended budget augmentations to fund the development of the Avila Beach Community Plan and the development of a Sea Level Rise Analysis. The increase also includes the recommended addition of 1.00 FTE Secretary to support the department's Policy and Program section, and 1.00 FTE Senior Planner to support the implementation of the EnergyWise Plan.

Public Works- Internal Service Fund

As an Internal Service Fund, the department operates on revenue generated through charges for services. The recommended budget of \$39.3 million represents an increase of \$4.6 million or 14% compared to FY 2015-16 estimated amounts. Salaries and benefits are increasing by \$3,387,738 or 14%, when compared to FY 2015-16. The increase is due largely to the recommended addition of 20.00 FTE. 14.00 FTE positions in various classifications are recommended to be transferred from Fund Center 113- Facilities Management, as a part of the General Services Department dissolution and reorganization. In addition, it is recommended that 6.00 FTE positions be added to increase the department's capacity to manage major capital projects, improve the quality of project delivery, provide safety oversight and training of field operations, and provide technical support for watershed management.

Public Works- Roads

The recommended level of General Fund support of \$11.5 million represents an increase of \$407,305 or 4% compared to the FY 2015-16 adopted budget. The \$11.5 million of General Fund support includes a one-time allocation to the pavement management program in the amount of \$3.4 million for road maintenance. The department estimates that due to reductions in State funding, the recommended level of total pavement management funding will result in a decrease to the Pavement Condition Index (PCI), from 64 to 62 by the end of FY 2016-17.

Public Protection Functional Area	
<b>Change to General Fund support from FY 2015-16 adopted levels: \$5.0 million (6%)</b>	<b>Net change to staffing, compared to current levels: +9.25 FTE</b>
<b>Fund Centers:</b> Animal Services, Child Support Services, County Fire, Contribution to Court Operations, District Attorney, Emergency Services, Grand Jury, Probation, Public Defender, Sheriff-Coroner, Waste Management.	

Child Support Services

No General Fund support is recommended, as the department operates on revenue from State and Federal sources. The recommended budget represents a decrease of \$95,590 or 2% compared to the FY 2015-16 adopted budget. The decrease is due to the recommended elimination of 1.00 FTE Supervising Legal Clerk and 0.75 FTE Family Support Officer. The County's Child Support Services was the ranked as the number one performing county in the State during the 2015 federal fiscal year.

County Fire

The recommended level of General Fund support represents an increase of \$627,645 or 4% compared to the FY 2015-16 adopted budget. The increase is due in part to an increase in the County's contract with Cal Fire, due to anticipated State collective bargaining increases and adjustment to the contract rate for benefits and administration costs. Recommended budget augmentations to increase winter staffing at the Cambria fire station and increase IT support make up the remainder of the increase.

Emergency Services

The recommended level of General Fund support represents an increase of \$100,598 or 70% compared to the FY 2015-16 adopted budget. The increase is largely due to the recommended addition of \$75,000 to be available only in the event of an emergency. A recommended budget augmentation to add 0.50 FTE Emergency Services Coordinator is partially offset by decreased funding for temporary help and makes up the remainder of the increase.

Probation

The recommended level of General Fund support represents an increase of \$504,788 or 5% compared to the FY 2015-16 adopted budget. The increase is largely due to the addition of \$670,689 of General Fund expense, including the recommended addition of 7.00 FTE positions, related to the establishment of an in-custody treatment program in the Juvenile Hall for youth that would otherwise be placed in group homes. The net countywide impact to the General Fund is actually zero however, as expense for this new program was previously budgeted in the Department of Social Services to offset the County's share of group home expenses for Probation wards.

Public Defender

The recommended level of General Fund support represents an increase of \$681,408 or 13% compared to the FY 2015-16 adopted budget. New expense totaling \$267,000 is recommended to be added to provide additional resources to the primary public defender firm and the first conflict public defender firm, due in part to the increase in staff hours driven by the Superior Court's recent calendar reorganization and the creation of an early disposition court in 2014. Approximately

\$280,000 is also added to reflect that it has become necessary each year to add expense mid-year to cover unanticipated expense for complex, multi-defendant or capital cases represented by Court appointed attorneys.

Sheriff-Coroner

The recommended level of General Fund support represents an increase of \$2.6 million or 6% compared to the FY 2015-16 adopted budget. The increase is largely due to prevailing wage adjustments approved by the Board in FY 2014-15, as well as recommended augmentations for FY 2016-17 which increase the department's staffing levels by a total of 5.00 FTE. Recommended augmentations include the addition of 1.00 FTE Senior Sheriff's Deputy to serve as a cold case detective; 2.00 FTE Sheriff's Deputies to serve as Community Action Team officers who will focus on homelessness; 1.00 FTE Forensic Specialist to address caseload growth; 2.00 FTE Sheriff's Deputies to serve on the Gang Task Force; 1.00 FTE Software Engineer to support the department's information technology needs; 1.00 FTE Program Manager to provide construction and maintenance vocational and soft skills training to inmates at the County Jail; and funding for project management time to initiate a project to replace the Sheriff's Jail Management System.

The recommended addition of 1.00 FTE Software Engineer will be made to the Fund Center 114- Information Technology Position Allocation List. In addition, 2.00 FTE existing positions are recommended to be transferred from the Sheriff's Position Allocation List to Information Technology's Position Allocation List.

<b>Health and Human Services Functional Area</b>	
<b>Change to General Fund support from FY 2015-16 adopted levels:</b> \$5.7 million (22%)	<b>Net change to staffing, compared to current levels:</b> +16.75 FTE
<b>Fund Centers:</b> Contributions to Outside Agencies, Health Agency (Behavioral Health, Driving Under the Influence, Emergency Medical Services, Law Enforcement Medical Care, Medically Indigent Services Program, Public Health), Social Services (CalWORKs, Foster Care/Adoptions, General Assistance), Veterans Services.	

Health Agency

In addition to those fund centers noted above, Animal Services is also a division of the Health Agency, but is included in the Public Protection functional area. The budget information that follows excludes the Animal Services budget.

The recommended level of General Fund support for the Health Agency represents an increase of \$3.8 million or 23% compared to the FY 2015-16 budget. The increase includes the recommended net addition of 16.75 FTE positions to the Agency's various programs.

Behavioral Health

The recommended level of General Fund support represents an increase of \$2.0 million or 21% compared to the FY 2015-16 adopted budget. This increase includes the recommended addition of 8.00 FTE positions including staffing to implement new programs such as the Assisted Outpatient Treatment (Laura's Law) program and outpatient competency restoration, which will allow eligible individuals found incompetent to stand trial to receive competency restoration services in an outpatient setting. New positions will also provide expanded support to existing programs such as the expansion of case management services and Intensive Care Coordination (ICC) to children and youth. The increase in General Fund support will also provide additional bed days in facilities where persons with mental illness are diagnosed, treated, and cared for.

Law Enforcement Medical Care

The recommended level of General Fund support represents an increase of \$543,614 or 26% compared to the FY 2015-16 adopted budget. The increase is largely due to increasing expense for medical services in the County Jail, which is only partially offset by increasing revenue. Personnel costs are recommended to increase, driven by the need to ensure adequate medical services in the Jail. New or increasing expenses related to this include: a compensation increase for nurses and related medical classifications to aide with recruitment and retention; the recommended addition of 0.50 FTE Correctional Nurse Supervisor to help ensure adequate nurse availability and sufficient oversight; an increase in call back and standby expense to help ensure schedule coverage in the Jail; and expense increases for contract services due to the need for more Jail clinic physician time, anticipated increases in dialysis services, and hospital inpatient days based on current usage.

Public Health

The recommended level of General Fund support represents an increase of \$1.3 million or 24% compared to the FY 2015-16 adopted budget. The increase is largely due to the recommended addition of 9.25 FTE, combined

with an increase in compensation for medical personnel to aide with recruitment and retention issues. Recommended augmentations include the addition of 1.00 FTE Accounting Technician to assist with billing in Public Health's Family Services Division; 0.25 FTE Public Health Nurse to expand prevention work on perinatal substance use in pregnancy; 1.00 FTE Administrative Services Officer to help meet the human resource management needs of the Health Agency; 1.00 FTE Program Manager to lead a Planning, Evaluation and Policy Unit for the Health Agency; 1.00 FTE Department Automation Specialist to augment IT support for the Health Agency; 3.00 FTE Public Health Nurses to increase capacity to avert poor birth outcomes among high-risk families; and 1.00 FTE Health Education Specialist to develop a fall prevention program for seniors.

Social Services

The recommended level of General Fund support represents an increase of \$1.7 million or 26% compared to the FY 2015-16 adopted budget. The budget for Social Services sets General Fund support at the minimum contribution to leverage State and Federal programs that require matching funds from the County. The department's budget is seeing significant growth compared to the FY 2015-16 adopted budget due largely to a 12% overall increase in public assistance caseloads over the last year, expanded responsibilities in the In Home Supportive Services (IHSS) program, and implementation of Assembly Bill (AB) 403, Continuum of Care Reform. AB 403 focuses on moving children placed in group homes into home settings.

<b>Community Services Functional Area</b>	
<b>Change to General Fund support from FY 2015-16 adopted levels:</b> \$59,107 (1%)	<b>Net change to staffing, compared to current levels:</b> +0.50 FTE
<b>Fund Centers:</b> Airports, Farm Advisor, Fish and Game, Golf Courses, Library, Parks and Recreation, Wildlife and Grazing.	

Many of the fund centers in this functional area rely on user charges to support their operations. As the economy has improved, the revenue generated by these fund centers has increased, which has generally improved the financial condition for the Airports, Library, and Parks and Recreation.

Parks and Recreation

Parks and Recreation is a Special Revenue Fund and is largely supported by user fees. The recommended General Fund contribution remains flat with FY 2015-16, at \$3.6 million. The department's total revenues and expenditures are recommended to decrease by \$93,694 or less than 1% compared to FY 2015-16 adopted levels. The budget recommends the addition of an Assistant Director position to assist the department in improving the quality of its services and achieve national accreditation from the Commission for Accreditation of Parks and Recreation Agencies. The Assistant Director is a new position which must be created. As a result, the budget includes funding for the position, but the position has not yet been added to the Position Allocation List for FY 2016-17.

Golf

The Golf budget is an Enterprise Fund and as such is supported by revenues generated through user fees. Revenue in the FY 2016-17 budget is estimated at \$2.2 million and expense is estimated at \$2.7 million. The result is a projected deficit of \$467,231 for FY 2016-17. The department anticipates having an estimated \$453,071 in cash balance available to help absorb the deficit; however, barring any major shift in finances, Golf will likely require additional outside funding to cover the gap. This deficit is due to declining rounds of golf played at Dairy Creek Golf Course, the result of a lack of water for irrigation. Play at County golf courses is the main factor in determining the fiscal health of the Golf budget. The Parks and Recreation Department is currently analyzing its options and will be bringing recommendations to the Board of Supervisors before the end of FY 2015-16.

Library

The recommended General Fund contribution represents an increase of \$32,869 or 5% compared to the FY 2015-16 adopted budget. The increase is due to the recommended addition of 0.50 FTE Library Assistant to support the proposed Templeton library to be operated out of the existing Templeton Community Services District Parks and Recreation Department. The recommended budget also includes \$425,000 from Library Fund reserves to fund the Radio Frequency Identification/Automated Materials Handling/Materials Self-Check and Security Project. The project will increase service levels by repurposing staff, allow for quicker checkouts, and greater circulation of materials.

<b>Fiscal and Administrative Functional Area</b>	
<b>Change to General Fund support from FY 2015-16 adopted levels:</b> \$1.1 million (5%)	<b>Net change to staffing, compared to current levels:</b> -4.50 FTE
<b>Fund Centers:</b> Administrative Office, Organizational Development, Assessor, Auditor-Controller-Treasurer-Tax Collector-Public Administrator, Board of Supervisors, Clerk-Recorder.	

Administrative Office

The recommended level of General Fund support represents an increase of \$107,834 or 5% compared to the FY 2015-16 adopted budget. The increase is largely due to the recommended addition of 2.00 FTE Division Managers and elimination of 1.00 FTE Principal Administrative Analyst and 1.00 FTE Secretary- Confidential. The change will allow the Office to focus more on Board priorities, increase departmental oversight, increase focus on legislative activity, and will more closely align the department's management structure with other departments of similar size within the County.

Assessor

The recommended level of General Fund support represents an increase of \$432,749 or 4% compared to the FY 2015-16 adopted budget. The increase includes the recommended addition of 1.00 FTE Limited Term Geographic Information Systems Analyst position to support the Geographic Information Systems parcel conversion project. In addition, the budget includes the recommended elimination of 4.50 FTE limited term positions allocated for the Property Tax System Modernization Project (PTSMP), which will conclude by the end of FY 2015-16. All of the limited term positions were funded through the project and the elimination of the positions does not result in a decrease to General Fund support.

Auditor-Controller-Treasurer-Tax Collector- Public Administrator

The Auditor-Controller-Treasurer-Tax Collector-Public Administrator is a consolidated department; however, the budgets for the two former independent departments remain separate.

The recommended level of General Fund support for the consolidated department represents an increase of \$354,018 or 6% compared to the FY 2015-16 adopted budget. The increase includes the recommended addition of 1.00 FTE Limited Term Auditor-Analyst to train on the duties of the Property Tax division of the Office, in anticipation of the retirement of the current property tax manager. In addition, the budget includes the recommended elimination of 2.00 FTE limited term positions allocated for the Property Tax System Modernization Project (PTSMP), which will conclude by the end of FY 2015-16. The limited term positions were funded through the project and the elimination of the positions does not result in a decrease to General Fund support.

<b>Support to County Departments Functional Area</b>	
<b>Change to General Fund support from FY 2015-16 adopted levels:</b> \$1.3 million (6%)	<b>Net change to staffing, compared to current levels:</b> -6.00 FTE
<b>Fund Centers:</b> County Counsel, Central Services, Facilities Management, Fleet Services, Human Resources, Information Technology, Risk Management, Self-Insurance.	

Central Services

Central Services is a newly established department responsible for purchasing, real property, central mail, and fleet services. The first three components are managed in the new Fund Center 116, which received a transfer of the current fiscal year's remaining budget from Fund Center 113 (formerly General Services) at the end of the second quarter of FY 2015-16. This transfer reflected the remaining budget for the divisions which comprise the new Central Services Department, leaving the budget for custodial, maintenance, and architectural services in Fund Center 113 (now Facilities Management).

Facilities Management

Due to the General Services Department dissolution and reorganization, Fund Center 113- Facilities Management is now a fund center within the Public Works Department. Fund Center 116- Central Services was created mid-year (October 20, 2015) to contain all of the non-facilities related functions of General Services. Due to this transfer of functions and budget, the majority of the significant changes in revenue and expense for both this fund center and for Central Services are related to this organizational shift. 17.50 FTE positions were transferred mid-year in FY 2015-16 from this fund center to Central Services. The FY 2016-17 budget recommends that 14.00 FTE positions that perform administrative, architectural, and utility coordination services be transferred to FC 405- Public Works. In addition, staffing augmentations of 3.00 FTE within Facilities Management are recommended in order to increase service levels. The recommended

augmentations include 2.00 FTE Custodians to assist in the cleaning of County facilities; 1.00 FTE Facility Maintenance Mechanic to address corrective and preventative maintenance.

#### Information Technology

The recommended level of General Fund support represents an increase of \$110,844 or 1% compared to the FY 2015-16 adopted budget. The increase includes the recommended addition of 1.00 FTE Senior Network Engineer to function as the Countywide Information Security Program Manager, 1.00 FTE Software Engineer to support the Enterprise Financial System, and 1.00 FTE Systems Administrator to support the County website. The budget also includes the recommended elimination of 2.00 FTE Computer Systems Technician positions due to the mainframe decommissioning. The mainframe decommissioning is projected to save approximately \$400,000 a year through the elimination of mainframe hardware and software operating costs.

In addition, the recommended budget includes the addition of 1.00 FTE Systems Administrator, 1.00 FTE Senior Software Engineer, and 1.00 FTE Software Engineer to the Information Technology Position Allocation List to support the Sheriff and 1.00 FTE Department Automation Specialist to support County Fire. The 1.00 FTE Systems Administrator and the 1.00 FTE Senior Software Engineer positions were moved from the Sheriff's Position Allocation List and are not a result of newly recommended positions in FY 2016-17.

#### Overview of Financing/Revenues

The Financing Functional Area in the 'Departmental Budgets by Functional Area' section of the budget document provides a discussion of revenue sources, as well as additions to the County's various reserves and designations. Below is a high-level overview of some of the County's major revenue sources:

##### State and Federal Revenue

State and Federal revenue is recommended at \$243.4 million and represents 46% of the County's total financing. This is an increase of just under \$4 million or 2% compared to the FY 2015-16 adopted budget. State and Federal revenue is the single largest County revenue source. The majority of these revenues are used to support statutory programs, such as health and human services, and some criminal justice programs. Generally speaking, these funds are restricted in use and are not available for discretionary purposes.

##### Taxes

Property taxes, sales taxes, transient occupancy tax, and other tax revenue are recommended at \$184.5 million and represent 35% of the County's total financing. This is an increase of just over \$13.5 million or 8% compared to the FY 2015-16 adopted budget.

##### Other Revenues and Financing Sources

Other revenues and financing are recommended at approximately \$58.3 million and represent 11% of the County's total financing. This is a decrease of \$4 million or 6% compared to the FY 2015-16 adopted budget.

##### Licenses/Permit Fees/Charges for Services

Licenses, permits fees, and charges for services are recommended at approximately \$40.2 million and represent 8% of the County's total financing. This is an increase of \$1.5 million or 4% compared to the FY 2015-16 adopted budget.

##### Fines, Forfeitures and Penalties

Fines, forfeitures and penalties are recommended at \$5.1 million and represent just under 1% of the County's total financing. This amount is decreasing by \$62,950 or 1% compared to the FY 2015-16 adopted budget.

##### Interest Earnings

Interest earnings are recommended at \$2.3 million and represent less than 1% of the County's total financing. This amount is increasing by \$365,971 or 19% compared to the FY 2015-16 adopted budget.

##### Fund Balance Available (FBA) and Use of Reserves

FBA and the use of reserves represent the last two significant funding sources for the total County budget. Use of FBA is recommended at \$36.8 million (for all County funds, not just the General Fund), and use of reserves is recommended at \$3.5 million.

### **OTHER AGENCY INVOLVEMENT/IMPACT**

All County departments were involved in the preparation of the FY 2016-17 Proposed Budget.

### **FINANCIAL CONSIDERATIONS**

The FY 2016-17 Proposed Budget authorizes a total spending level of \$574 million, with the General Fund budget proposed at \$487.2 million.

### **RESULTS**

Approval of this item will introduce the FY 2016-17 Proposed Budget and schedule public hearings on the proposed budget to begin on Monday, June 13, 2016 at 9:00am.

### **ATTACHMENTS**

1. FY 2016-17 Proposed Budget Introduction Resolution
2. Exhibit A- FY 2016-17 Proposed Budget (Clerk's File)
3. FY 2016-17 Proposed Budget Hearing Public Notice