



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

(1) DEPARTMENT Administrative Office	(2) MEETING DATE 5/14/2019	(3) CONTACT/PHONE Emily Jackson, Division Manager 805-781-5011	
(4) SUBJECT Introduction of the County of San Luis Obispo FY 2019-20 Recommended 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 FY 2019-20 Recommended Budget (including special districts) for public review.</li> <li>2. Schedule public hearings on the FY 2019-20 Recommended Budget to begin Monday, June 10, 2019 in the Board of Supervisors Chambers at 9:00 am.</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 2018-19 Adopted Budget: \$631,096,713 (Governmental Funds)	(8) ANNUAL FINANCIAL IMPACT FY 2019-20 Recommended Budget: \$633,372,836 (Governmental Funds)	(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>45 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: <input type="checkbox"/> 4/5th's Vote Required <input 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: Emily Jackson, Division Manager

DATE: 5/14/2019

SUBJECT: Introduction of the County of San Luis Obispo FY 2019-20 Recommended 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 2019-20 Recommended Budget (including special districts) for public review.
2. Schedule public hearings on the FY 2019-20 Recommended Budget to begin Monday, June 10, 2019 in the Board of Supervisors Chambers at 9:00 am.
3. Order publication of the required legal notices scheduling the public hearings.

### **DISCUSSION**

The County of San Luis Obispo is committed to providing services with integrity, collaboration, professionalism, accountability and responsiveness. This budget document reflects these values by striking a balance between financial detail and discussion of 'big picture' issues, with the intent to inform meaningful discussion about resource allocation decisions among the public, your Board and staff. Your Board will review the budget in detail at a public budget hearing, scheduled for June 10-12, during which time you may add, delete, or modify the proposal as you deem appropriate.

### **Approach to FY 2019-20 Budget Development**

The 'General Budget Information' section of this document includes a comprehensive discussion of the County's budget development process, which began in the fall of 2018, when staff presented the FY 2019-20 Financial Forecast and your Board reviewed its priorities and Budget Goals and Policies for the coming year. This Recommended Budget is consistent with general Board direction provided via identified priorities, Budget Goals and Policies, Budget Balancing Strategies and Approaches. The budget 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.

After several years of budget surpluses following the Great Recession, FY 2019-20 is the second year that the County is facing a modest budget gap, and minor structural changes will be necessary moving forward. The \$2.8 million budget gap for a Status Quo budget for the General Fund in the coming year is lower than the \$5-10 million range estimated at the time of the October 2018 Financial Forecast, due largely to the fact that some anticipated salary and benefit increases included in the forecast have not yet been approved.

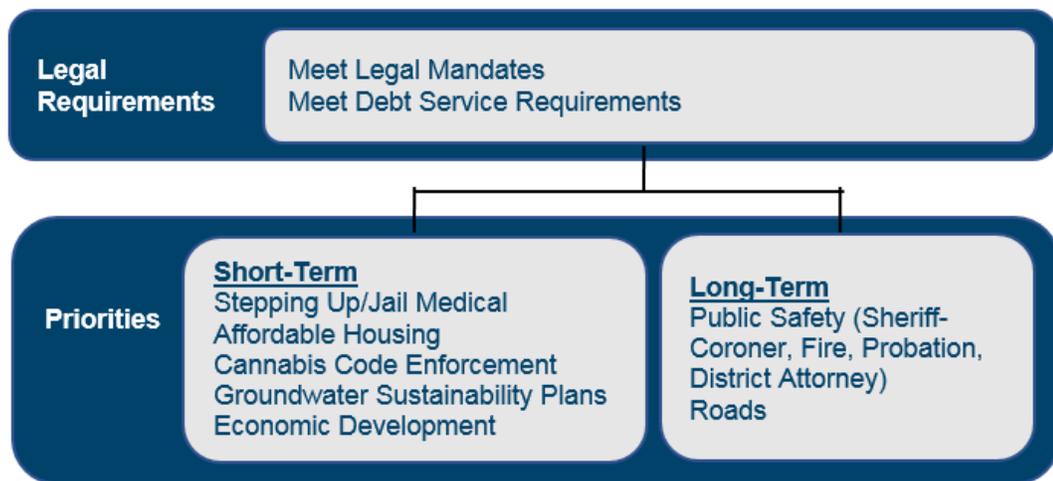
Similar to the current year, the gap for FY 2019-20 is driven by a combination of factors including slowed growth for State and Federal revenues, an increased investment in Capital and Maintenance projects as a result of years of deferred maintenance and the County's Facility Condition Assessment process which has identified necessary County facility repairs, significant programmatic growth in the last several years, and the cost of negotiated salary and benefit increases that have been approved in the last several years.

**Factors Impacting the FY 2019-20 Budget**

Development of the budget is a balancing act, requiring compromise in order to address the needs of the County's many and varied customers. There are numerous factors which impact budget development each year; and this was especially true this year, with specific policy direction from your Board. Following is a discussion of the major factors impacting budget development for FY 2019-20:

**Board Priorities**

One of the County's long-term budget strategies is to identify Board priorities to guide budget development. In November 2018, your Board adopted priorities for the coming fiscal year. The approach for FY 2019-20 priority setting was a bit different than prior years, and resulted in a set of short-term policies specific to FY 2019-20, as well as an acknowledgement of longer-term priority focus areas. All of these priorities are to be considered in the context of the County's requirement to meet its legal mandates and debt service requirements. Per the Board's direction, the priority focus for FY 2019-20 is:



**Recent Board Direction**

In addition to adopting budget priorities, your Board also provided specific policy direction which impacted FY 2019-20 budget development. This includes:

1. In August 2017, your Board directed staff to explore the possibility of outsourcing health care services (including medical, dental and mental health services) in the Jail to a private provider. On December 11, 2018, the Board approved a contract with Wellpath for the provision of Jail health care services.

Wellpath began providing these services in the Jail on February 1, 2019. The FY 2018-19 Adopted Budget for Law Enforcement Health Care represented a \$2.3 million increase compared to prior years, in anticipation of this change. While the FY 2019-20 budget for this program is not changing significantly compared to the current year, the transition to Wellpath did result in a decrease of 23.50 FTE County staff positions, due to the outsourcing.

2. In June 2018, your Board directed that a Service Level Expansion Analysis be performed in order to evaluate fire protection services provided by special districts within the county. This direction was in response to increasing concern about the proper staffing and funding for fire protection services. In California, increased training requirements for volunteers who provide fire services, coupled with changing demographics have resulted in significantly fewer people being available to provide volunteer fire service. In January 2019, a report was provided back to your Board, and identified that all five of the special districts studied are either currently faced with challenges to their sustainability or will be within the next five years. While the County has no legal obligation to provide fire protection in the unincorporated area, your Board has indicated that public safety (including fire protection) is an ongoing, long-term priority for the County. While the FY 2019-20 Recommended Budget does not include funding to provide fire service in those areas currently covered by special districts, the expansion of fire protection services provided by the County would impact the County's budget in the long-term.
3. In July 2018, your Board approved a new cost recovery policy for the Parks and Recreation Department. The policy aims to achieve cost recovery through fees for services that primarily provide an individual benefit, and then provide General Fund support specifically for those services that provide a broader community benefit. This policy resulted in the separation of regional and community parks programs into separate budgets, with the community parks functions moving into the General Fund. The level of General Fund support required to fund community parks operations in FY 2019-20 is less than the General Fund contribution to Parks and Recreation in the current year. However, it is likely that over time, the General Fund support for those services will grow, as it is now the primary funding source for community parks services.
4. In October 2017, your Board adopted a resolution to recognize the County's commitment to the "Stepping Up" initiative to reduce the number of people with mental illness in the County Jail. A number of activities have taken place in support of the broader goals of the "Stepping Up" initiative since your Board made the commitment. These are the result of efforts by outside agency partners and County staff, and include:
  - A formal executive committee with representatives from multiple County departments and the Superior Court meets monthly to assure collaboration on programs and services, as well as methods for measuring and tracking the County's progress toward Stepping Up activities. The Recommended Budget includes the addition of 1.00 FTE Limited Term Program Manager to provide leadership and oversight in the development, implementation, operations and analysis of Stepping Up related programs.
  - The new contract with Wellpath for Jail healthcare services includes operation of a new five bed Jail Based Competency Treatment (JBCT) program that is intended to help restore competency for inmates that are deemed incompetent to stand trial.
  - The Recommended Budget includes the extension of 2.50 FTE Behavioral Health Clinicians to conduct court room screenings to identify offenders with mental health and substance use

disorders at pre-dispositional hearings in order to refer them to the appropriate treatment programs. Related to this, 1.00 FTE Legal Clerk at the Superior Court assists with behavioral health treatment court filings.

- In FY 2018-19, the County and Courts began implementing a pilot mental health division court program where up to 10 individuals at a time can participate in a pre-plea mental health program, as permitted under Assembly Bill (AB) 1810 which updated division rules for criminal defendants using a mental health program. The Court is budgeted to continue this program in FY 2019-20. While the County and the Courts currently operate a Behavioral Health Treatment Court for individuals post-plea, this pilot program will be used before pleas are made, to divert individuals with mental illness from the criminal justice system.
- In October 2018, your Board approved grant funding over the next several years to divert adults with serious mental illness or co-occurring disorders from the criminal justice system to community-based services prior to arrest and booking. The grant added 2.00 FTE Licensed Psychiatric Technicians and two 0.50 FTE Behavioral Health Workers to assist the Sheriff's Office Community Action Team and the Atascadero and Paso Robles police departments with engaging, assessing, and referring individuals.
- A full-time therapist/social worker with Transitions-Mental Health Association (T-MHA) has been assigned to the San Luis Obispo Police Department to support the Community Action Team by engaging with individuals in need of mental health screening, assessment and/or treatment.
- The County entered into a \$1.5 million contract with Sierra Mental Wellness Group to operate the Crisis Stabilization Unit (CSU) to provide short-term crisis stabilization services.
- Sierra Mental Wellness Group also provides for a contracted position for a Mental Health Evaluation Team member at Twin Cities and Sierra Vista hospitals' Emergency Room Departments to provide mental health evaluations and assist in referring patients to community-based resources and services.

Development of a collaborative, local plan to implement "Stepping Up" will continue to be a major focus for the County in FY 2019-20.

## **State Budget**

As a political subdivision of the State, the County's operations and budget are greatly impacted by issues and policies at the State level. Moving into FY 2019-20, there are several issues at play:

1. The unwinding of the Coordinated Care Initiative (CCI) and elimination of the In-Home Supportive Services (IHSS) Maintenance of Effort (MOE) has resulted in a significant increase in the County's share of cost for the IHSS program. Fortunately, the Governor's FY 2019-20 Proposed Budget makes several positive changes affecting the existing funding structure for IHSS. The Governor is proposing to increase state funding for IHSS by an estimated \$241.7 million in FY 2019-20, growing to \$547.3 million in FY 2022-23. When combined with the existing \$150 million General Fund mitigation that is provided as part of the current IHSS MOE structure, there will be \$697.3 million of State General Fund ongoing beginning in FY 2022-23 to offset what would otherwise have been county costs for IHSS. The Governor's proposal also reduces the annual IHSS cost inflation factor from 7% to 4% beginning in FY 2020-21 and restores 1991 Realignment growth revenue for health and mental health (which had been redirected to fund IHSS). The proposed budget also includes an ongoing increase of \$15.4 million in State General Fund for counties' administration of IHSS statewide.

The local impacts of the Governor's proposal are not yet fully known, but the County Department of Social Services Recommended Budget for FY 2019-20 represents an \$845,845 increase in General Fund support for this program, which is considerably less than the approximately \$2.2 million increase in General Fund support that was initially anticipated for the coming fiscal year.

2. Senate Bill 1 (SB 1) - The Road Repair and Accountability Act of 2017 provides \$5.2 billion annually to address critical infrastructure projects across the state. Of the \$5.2 billion, \$1.5 billion is to be allocated to cities and counties to better maintain local roads and bridges. Of that amount, \$8.9 million is to be allocated directly to the County annually, with an additional \$11 million passing through the San Luis Obispo Council of Governments as part of the State Transportation Improvement Program. In November 2018, an effort to repeal the provisions of SB 1 was struck down by the voters. The rejection of the repeal effort means that the County will eventually receive \$8.9 million a year to fund road maintenance work. As noted above, SB 1 has enabled the County to reduce its General Fund contribution to the Roads program significantly, freeing up General Fund dollars for other critical programs and services, and maintains a balanced budget.
3. The Governor's January Budget proposal includes an additional \$500 million in one-time State General Fund spending for siting emergency shelters, navigation centers, and supportive housing. Entities that apply for this funding must establish joint regional plans to address homelessness that include cities and counties, and report all funding used for homelessness services. Of the proposed \$500 million one-time investment, \$200 million is intended to fund local Continuums of Care, \$100 million is intended to be allocated to the State's 11 largest cities, and the remaining \$200 million would be allocated for "meeting milestones" grants to local jurisdictions that show progress toward developing housing and shelters.

Governor Newsom also proposes to expand on a pilot program authorizing Caltrans to lease unused State property around state highways (commonly called airspace), to local jurisdictions for emergency shelters. In addition, the budget highlighted the Newsom administration's intent to introduce legislation that would streamline California Environmental Quality Act (CEQA) requirements for the construction of homeless shelters, navigation centers, and new supportive housing units.

Related to current State investments, the Governor wants to expedite the allocation of No Place Like Home (NPLH) grant allocations to counties to build permanent supportive housing for those who are homeless or at risk of homelessness and who are living with a severe mental illness. The County will submit the required documentation to accept the non-competitive allocation by the August 2019 deadline and plans to apply for future rounds of competitive allocations.

Locally, the County, as the Administrative Entity for the San Luis Obispo Continuum of Care, is also coordinating the application process for \$727,047 in California Emergency Solutions and Housing Program (CESH) funds and \$4.8 million in Homeless Emergency Aid Program (HEAP) funds to assist persons experiencing or at-risk of homelessness. Applications from outside agencies for funding from both grant programs were due in mid-March, and deliberations about how funding should be awarded to various projects and programs are currently underway.

4. The January Budget proposal also includes a significant investment in affordable housing programs. The proposal includes \$750 million in one-time funds to support local governments in revamping

regional housing planning, setting new short and long-term targets for housing production, and to provide incentive funding for local governments that successfully encourage housing production. Of the \$750 million, \$250 million would be available for local agency grants for technical assistance and other development related costs, such as rezoning, environmental review, permitting. The remaining \$500 million would provide incentives to those cities and counties that meet their goals.

In addition, the January Budget proposal includes \$500 million in one-time funding for moderate income housing and requires the California Housing Finance Agency to expand its Mixed-Income Loan Program. Also included is a proposal to expand the State's existing state tax credit program up to \$500 million in FY 2019-20, and every year thereafter subject to appropriation. Of the \$500 million, \$300 million would be allocated to the existing tax credit program and \$200 million would be allocated to housing development for households with incomes between 60 to 80 percent of Area Median Income.

### **Federal Budget**

As of the publishing of this document, Congress has not taken formal action that has a direct impact to the County's budget, but there are a few potential policy changes which would have a very significant impact to us locally if enacted. The recently passed "Tax Cuts and Jobs Act" presents considerable uncertainty in terms of how that new law will impact states, and as a result, this is not something that the State budget adjusts for moving into FY 2019-20.

### **Diablo Canyon Power Plant Decommissioning**

In June of 2016, Pacific Gas and Electric (PG&E) announced that Diablo Canyon Power Plant will be decommissioned by 2025. The closure of Diablo Canyon Power Plant will have significant ramifications to the local community. According to a 2013 study by Cal Poly, Diablo Canyon, one of the largest employers in the county, contributes approximately \$1 billion annually to the local economy. In total, over 80 governmental agencies receive unitary tax paid by PG&E, with the County directly receiving over \$8 million annually. In addition, the County receives over \$2 million annually to fund emergency preparedness and response activities, and PG&E spends approximately \$2.6 million annually on emergency equipment, infrastructure and training which provides a general benefit to the community. The closure of Diablo Canyon will incrementally reduce the County's discretionary revenue over the next several years, reduce emergency preparedness resources in the long term, and eliminate a significant number of high paying jobs, which will impact the overall economic landscape of the community.

Efforts related to the planned decommissioning of the plant include:

- Successful support of Senate Bill 1090 – Diablo Canyon Nuclear Power Plant (Senator Monning/Assemblyman Cunningham) which required the California Public Utilities Commission to approve an \$85 million community impact mitigation settlement, as well as other initiatives to mitigate the economic impacts of the Diablo Canyon's closure.
- Participation on PG&E's engagement plan to determine a future use of the Diablo Canyon Power Plant land.
- Working with community partners and stakeholders to gauge and mitigate economic impacts.

### **Balancing the Budget**

The initial \$2.8 million General Fund gap for a status quo budget was slightly improved from the \$3.6 million General Fund gap that the County faced for FY 2018-19. Despite this, the approach to balancing the budget for FY 2019-20

relied more heavily on long-term, structural strategies than what was recommended in FY 2018-19. This is due in large part, to the fact that nearly all labor contracts will be open for negotiation in the coming year, and we anticipate salary and benefit increases for most employees as a result.

Though departments' status quo budget submittals at the end of January yielded an initial \$2.8 million General Fund gap, several other issues followed over the next several weeks, which impacted the size of the gap that ultimately had to be closed. These included:

- An additional \$371,000 of capital and maintenance project expense (over the \$8 million initially assumed for FY 2019-20) was prioritized for funding by the County's Capital Improvement Executive Steering Committee (CI-ESC). Despite this increase, the prioritized projects are all recommended to be funded in FY 2019-20, given the County's significant amount of deferred facility maintenance issues to be addressed.
- In March, the Auditor-Controller-Treasurer-Tax Collector-Public Administrator's Office revised the estimated Fund Balance Available (FBA- savings from the current year that will be used to fund the FY 2019-20 budget) downwards by approximately \$626,000, based upon a detailed review of departments' current year budget year end estimates.
- Also in March, the Auditor-Controller-Treasurer-Tax Collector-Public Administrator's Office estimated that the legal, taxable cannabis operations that have recently been licensed for operation within the County would generate \$232,000 of general cannabis tax revenue in FY 2019-20. This revenue is available to fund general County operations.

In addition to the above, approximately \$248,000 worth of General Fund supported Budget Augmentation Requests are recommended for funding in FY 2019-20 (these are discussed in the Service Group summaries later in this Budget Message, as well as in the Departmental Budget's by Service Group portion of this document). In total, these changes increased the gap to just over \$3.8 million.

Balancing the budget required implementing a number of the County's long-standing Budget Balancing Strategies and Approaches, which were most recently reaffirmed by your Board in November 2018. The following is recommended in order to close the General Fund gap (all are consistent with the Board-adopted Budget Balancing Strategies and Approaches):

- Decreasing the ongoing General Fund contribution to Roads by approximately \$927,000, to \$6.2 million. This amount is what the County is required to contribute to the Roads program under the Senate Bill 1- Road Repair and Accountability Act (SB 1) Maintenance of Effort (MOE) with the State.
- Implementing General Fund reductions to departments' Status Quo submittals by approximately \$1.7 million.
  - \$886,000 of these reductions do not represent cuts to any programs or services but are the result of an intensive effort to trim expenditures that do not qualify as "Status Quo," and also in areas where departments have historically not spent as much as budgeted.
  - \$848,000 of the reductions are based upon prioritized reductions lists provided by departments, and also do not represent significant cuts to any programs and services (given that this total amount is spread among almost all departments).
- Funding \$1.2 million of the total recommended \$8.4 million of capital and maintenance expense with General Government Building Replacement reserves.

Beyond efforts to close the gap for FY 2019-20, the County continues the Hiring "Chill" implemented last year, which is intended to slow down recruitment timelines in order to generate Salary and Benefit savings in both the current year and moving into FY 2019-20. Because Fund Balance Available (FBA) (savings) from the current year is used to fund the coming year's budget, the ability to generate savings in the current year will help the County to meet its

estimated \$30.6 million FBA target for FY 2019-20. To the extent that General Fund support savings do not meet the estimated \$30.6 million FBA, it is possible that further reductions may need to be made during the First Quarter of FY 2019-20, once FY 2018-19 is fully closed out.

**FY 2019-20 Recommended Budget Summary**

The Recommended Budget authorizes a Governmental Funds (funds that account for core government services, in addition to programs funded by specific revenue sources) spending level of \$633.4 million, with the General Fund (including budgets for core government services) budget recommended at \$549.4 million. The Governmental Funds budget represents an increase of 0.4% and the General Fund budget represents an increase of 5.1% compared to the current year. Consistent with recent years, the Recommended Budget for the General Fund includes a 5% contingency, budgeted at \$26.1 million.

The table to the right provides an overview of authorized funding levels for all governmental funds. As noted above, each fund serves a distinct purpose, as outlined in the ‘General Budget Information’ section of this document. Changes in funding levels are explained throughout the document.

**Authorized Funding Levels by Fund – Governmental Funds**

Fund	FY 2018-19 Adopted	FY 2019-20 Recommended	% Inc/Dec
General Fund	\$522,988,377	\$549,441,681	5%
Automation Replacement	\$1,516,222	\$3,353,190	121%
Capital Projects	\$4,112,855	\$5,893,345	43%
Community Development	\$4,316,813	\$2,933,161	-32%
Debt Service	\$2,646,423	\$2,644,281	0%
Driving Under the Influence	\$1,564,101	\$1,517,401	-3%
Emergency Medical Services	\$806,344	\$801,000	-1%
Fish and Game	\$31,075	\$22,776	-27%
General Government Building Replacement	\$4,885,784	\$4,549,395	-7%
Library	\$10,853,299	\$11,484,876	6%
Organizational Development	\$1,157,294	\$1,774,017	53%
Parks & Recreation	\$10,810,091	\$5,807,393	-46%
Pension Obligation Bonds	\$21,128,244	\$11,596,592	-45%
Public Facilities Fees	\$2,794,476	\$2,072,644	-26%
Road Impact Fees	\$4,422,924	\$1,199,000	-73%
Roads	\$37,041,664	\$28,278,478	-24%
Tax Reduction Reserve	\$0	\$0	n/a
Wildlife and Grazing	\$20,727	\$3,606	-83%
<b>Total</b>	<b>\$631,096,713</b>	<b>\$633,372,836</b>	<b>0.4%</b>

In line with your Board’s Budget Policy 13 related to the use of ‘one-time’ funds, recommended ongoing expense is funded with sustainable funding sources (i.e. ongoing expense in the budget does not rely on one-time revenue).

The following tables provide a summary of the amount of General Fund dollars allocated to County departments and budgets:

**Summary of General Fund Support Provided to General Fund Departments**

Department Name	FY 2018-19 Adopted	FY 2019-20 Recommended	% Inc/Dec
Administrative Office	\$2,108,247	\$2,089,137	-1%
Administrative Office - Emergency Services	\$277,191	\$243,952	-12%
Administrative Office - Communications and Outreach *	\$0	\$158,763	n/a
Agricultural Commissioner	\$2,976,308	\$2,738,118	-8%

Assessor	\$10,637,769	\$10,960,839	3%
Auditor-Controller-Treasurer-Tax Collector-Public Admin	\$6,572,904	\$6,150,761	-6%
Board of Supervisors	\$1,752,729	\$1,737,422	-1%
Central Services	\$3,348,541	\$3,478,970	4%
Child Support Services	\$156,231	\$282,529	81%
Clerk-Recorder	\$740,498	\$1,221,829	65%
Contributions to Other Agencies	\$1,644,938	\$1,634,478	-1%
County Counsel	\$4,369,212	\$5,007,108	15%
County Fire	\$17,027,675	\$18,858,830	11%
Court Operations	(\$564,986)	(\$558,986)	-1%
District Attorney	\$11,267,218	\$11,514,125	2%
Grand Jury	\$134,074	\$128,939	-4%
Health Agency - Animal Services	\$649,600	\$775,779	19%
Health Agency - Behavioral Health	\$12,891,595	\$13,270,236	3%
Health Agency - Public Health	\$8,317,115	\$8,650,299	4%
Human Resources	\$3,554,992	\$4,487,760	26%
Human Resources - Risk Management **	\$764,732	\$0	n/a
Human Resources - Talent Development *	\$0	\$791,994	n/a
Information Technology	\$10,202,788	\$9,795,790	-4%
Maintenance Projects	\$4,012,185	\$2,554,017	-36%
Non-Departmental Other Expenditures	\$361,171	\$520,765	44%
Parks and Recreation - Community Parks *	\$0	\$4,004,473	n/a
Planning and Building	\$7,152,928	\$6,760,850	-5%
Probation	\$11,564,495	\$11,938,327	3%
Public Defender	\$6,490,268	\$6,786,480	5%
Public Works - Facilities Management	\$5,289,993	\$5,275,932	0%
Public Works - Special Services	\$3,945,759	\$3,729,350	-5%
Public Works - Waste Management	\$1,134,048	\$1,224,232	8%
Sheriff-Coroner	\$46,654,280	\$50,208,089	8%
Sheriff-Coroner - Law Enforcement Health Care	\$5,469,105	\$5,555,890	2%
Social Services - Administration	\$8,642,323	\$9,438,796	9%
Social Services- CalWORKS	\$290,899	\$265,884	-9%
Social Services - Foster Care/Adoptions	\$1,365,180	\$1,365,180	0%
Social Services - General Assistance	\$828,984	\$1,023,870	24%
UC Cooperative Extension	\$603,764	\$613,857	2%
Veterans Services	\$650,088	\$685,610	5%
<b>Total</b>	<b>\$203,284,841</b>	<b>\$215,370,277</b>	

\* Added (new) Fund Center in FY 2019-20

\*\* Deleted Fund Center in FY 2019-20

### Summary of General Fund Contributions to non-General Fund Departments

Department Name	FY 2018-19 Adopted	FY 2019-20 Recommended	% Inc/Dec
Airports	\$12,500	\$12,500	0%
Capital Projects	\$1,627,000	\$4,610,149	183%
Community Development	\$629,436	\$505,161	-20%
Countywide Automation	\$850,279	\$3,295,570	288%
Debt Service	\$596,526	\$633,940	6%
General Government Building Replacement	\$2,376,163	\$3,367,669	42%
Golf	\$12,500	\$12,500	0%
Library	\$666,552	\$666,552	0%
Organizational Development *	\$670,813	\$0	-100%
Parks and Recreation **	\$3,616,907	\$0	-100%

Public Works- Roads	\$7,146,107	\$6,219,224	-13%
<b>Total</b>	<b>\$18,204,783</b>	<b>\$19,323,265</b>	

\* Deleted Fund Center in FY 2019-20

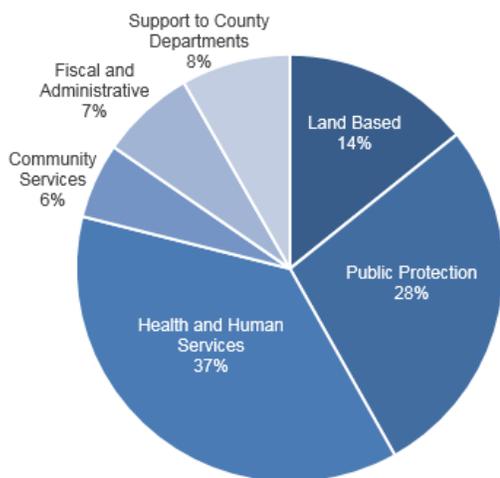
\*\* Portion of budget moved to Fund Center 222 – Community Parks in FY 2019-20, with General Fund dollars redirected to Fund Center 222

The FY 2019-20 Recommended Budget proposes a staffing level of 2,797.50 Full-Time Equivalent (FTE) permanent and limited term positions. This represents a net increase of 8.25 FTE compared to current allocations and a net increase of 6.75 FTE compared to FY 2018-19 adopted levels.

The table to the right provides a summary of net position allocation changes by department, compared to FY 2018-19 adopted levels. Many of the changes are the result of organizational changes that have moved staff between departments, but have not necessarily changed the total number of staff dedicated to a specific program. The net increase of 6.75 FTE is largely driven by recommended Budget Augmentation Requests discussed in the following sections of this Budget Message.

### Summary of Position Allocation Changes Compared to FY 2018-19 Adopted Levels

Department	Net Change
Administrative Office	3.00
Administrative Office – Communications and Outreach	1.00
Agricultural Commissioner	1.00
Airports	4.25
Assessor	-1.00
Child Support Services	0.50
District Attorney	4.00
Health Agency – Behavioral Health	-0.25
Health Agency – Public Health	1.25
Human Resources	16.00
Human Resources – Risk Management	-7.00
Human Resources – Talent Development	2.00
Library	0.25
Organizational Development	-2.00
Parks and Recreation – Community Parks	23.00
Parks and Recreation – Regional Parks	-23.00
Planning and Building	3.00
Probation	-1.00
Sheriff-Coroner	6.50
Sheriff-Coroner – Law Enforcement Health Care	-26.25
Social Services	0.50
Veterans Services	1.00
<b>Total</b>	<b>6.75</b>



The chart above identifies recommended staffing levels by service group.

All County departments are grouped together by service groups, which categorize the types of programs and services that departments provide. Following is a summary of major changes within each service group. Not all departments are identified in this summary. Detailed information for each department can be found in the 'Departmental Budgets by Service Group' section of this document.

Land Based Service Group	
<b>Change to General Fund support from FY 2018-19 adopted levels:</b> -\$846,676 (-6%)	<b>Net change to staffing, compared to FY 2018-19 adopted levels:</b> +4.00 FTE
<b>Fund Centers:</b> Agricultural Commissioner, Planning and Building, Community Development, and 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 a decrease of \$238,190 or 8% compared to the FY 2018-19 Adopted Budget. The decrease is largely due to a significant increase in unclaimed gas tax revenue related to the gas tax increases resulting from the passage of SB 1. The Recommended Budget includes the addition of 1.00 FTE Agricultural Inspector/Biologist to address changes in Federal and State law pertaining to the cultivation of industrial hemp, and also includes an increase in temporary help time to enable the County's invasive weed management program to expand. The recommended augmentations are funded with a portion of the increase in unclaimed gas tax revenue noted above.

### **Planning and Building**

The recommended level of General Fund support represents a decrease of \$329,078 or 5% compared to the FY 2018-19 adopted budget. Revenues are recommended to increase \$1.2 million or 15% primarily due primarily to an increase in land use permit revenue related to cannabis activity; this revenue increase is offset by the department's cost for workload associated with legal cannabis activity, which continues to generate a significant workload for the department.

### **Public Works**

#### **Los Osos Wastewater System (LOWS)**

Revenues are recommended to increase \$443,097 or 9%, due to an increase in service levels as most eligible properties have connected to the LOWS system. Expenditures are recommended to increase by \$1.9 million or 41%, due primarily to a \$1.6 million loan repayment to the Flood Control District, as well as an increase in service levels.

#### **Roads**

For FY 2019-20, it is recommended that Roads receive a General Fund contribution in the amount of \$6.2 million. This is a decrease of \$926,883 or 13% compared to the FY 2018-19 adopted budget, but still meets the County's funding requirement under the SB 1 Maintenance of Effort (MOE) with the State. In past years, the General Fund has made more significant contributions to the Road Fund, to help improve and maintain the county's roadways. Through these contributions, the County has achieved the Board's Pavement Condition Index (PCI) score goal of 65. The passage of SB 1 provides a large amount of new revenue for the Road Fund, estimated at \$6.7 million in FY 2019-20. Together, these two revenue sources are expected to help maintain the countywide PCI average at 65.

#### **Special Services**

On April 4, 2017, your Board directed that the County would serve as the Groundwater Sustainability Agency (GSA) for the unincorporated areas of each of the six groundwater basins subject to the Sustainable Groundwater Management Act (SGMA). Work under this program includes the creation and implementation of Groundwater Sustainability Plans (GSPs) for each of the six designated basins. In FY 2018-19, SGMA activities, including basin modification requests and GSP development activities for basins for which GSPs are

due in January of 2020 required an expenditure of \$2.25 million. This level of expenditure is expected to decrease to \$1.7 million as efforts move to GSP completion and related vendor costs decrease.

<b>Public Protection Service Group</b>	
<b>Change to General Fund support from FY 2018-19 adopted levels:</b> \$6.6 million (7%)	<b>Net change to staffing, compared to FY 2018-19 adopted levels:</b> +10.00 FTE
<b>Fund Centers:</b> Child Support Services, County Fire, District Attorney, Emergency Services, Grand Jury, Health Agency - Animal Services, Probation, Public Defender, Public Works - Waste Management, Sheriff-Coroner, and the County's contribution to Court Operations.	

The Board of Supervisors has designated a subset of this service group as 'Public Safety' and has identified it as the County's highest long-term funding priority after meeting legal mandates and debt service requirements. The Public Safety designation includes the Sheriff-Coroner, County Fire, Probation, and the District Attorney.

### **Child Support Services**

The recommended level of General Fund support represents an increase of \$126,298 or 81% compared to the FY 2018-19 Adopted Budget. The increase in General Fund support is mainly due to the mid-year addition of a 0.50 FTE Attorney to separate legal duties from the Director of Child Support Services (the Director has historically performed legal duties on behalf of the department). This change more accurately reflects the current job duties of staff and allows the department to more adequately handle future initiatives and requirements from the State.

### **County Fire**

The County provides fire services to the unincorporated area through a contract with the State. The recommended level of General Fund support represents a \$1.8 million or 11% increase compared to the FY 2018-19 Adopted Budget. The increase in General Fund support is mainly due to an anticipated increase in the cost of the contract with CAL FIRE and an increase in expenditures for replacement fire vehicles and equipment.

### **District Attorney**

The Recommended Budget includes the addition of 1.00 FTE Social Worker to serve as a Spanish speaking forensic interviewer for the Child Abuse Interview Team (CAIT) and is funded with General Fund support. The Recommended Budget also includes the addition of 1.00 FTE Deputy District Attorney and 1.00 FTE Legal Clerk to support the Mentally Disordered Offender (MDO) prosecution unit and will be fully reimbursed by billings to the State.

### **Probation**

The Recommended Budget includes the net decrease of 1.00 FTE position compared to the FY 2018-19 Adopted Budget. The recommended staffing changes include the addition of 1.00 FTE Deputy Probation Officer, 1.00 FTE Department Administrator, and 1.00 FTE Administrative Officer; and the deletion of 1.00 FTE Probation Assistant, 1.00 FTE Administrative Services Manager, and 2.00 FTE Accounting Technicians. The recommended staffing changes will improve efficiencies within the department. The Recommended Budget also includes funding for the purchase of workout equipment for the Juvenile Hall, which is expected to decrease behavior incidents at the Juvenile Hall.

### Public Works - Waste Management

The Recommended Budget includes funding for a contract for mandated parking lot sweeping services, which will improve the County's stormwater compliance in FY 2019-20. The total cost in FY 2019-20 of \$87,000 will be funded with General Fund support, but the contract will reduce to \$31,000 annually in future fiscal years.

### Sheriff-Coroner

The recommend level of General Fund support represents an increase of \$3.6 million or 8% compared to the FY 2018-19 Adopted Budget. The increase is driven primarily by \$2 million of additional expense budgeted for overtime as well as negotiated salary and benefit increases. In addition, 5.00 FTE correctional staff were added mid-year in FY 2018-19 for Jail health care services and 1.50 FTE limited term grant funded positions were also added. The Recommended Budget also includes funding for the purchase of an Off-Highway Vehicle (OHV) for additional public safety and natural habitat protection within the OHV areas. The vehicle is funded with OHV In Lieu fees collected by the State and returned to the County for these types of expenditures.

Health and Human Services Service Group	
<b>Change to General Fund support from FY 2018-19 adopted levels:</b> \$1.8 million (5%)	<b>Net change to staffing, compared to FY 2018-19 adopted levels:</b> -23.75 FTE
<b>Fund Centers:</b> Contributions to Outside Agencies, Health Agency (Behavioral Health, Driving Under the Influence, Emergency Medical Services, Public Health), Sheriff-Coroner - Law Enforcement Health Care, Social Services (CalWORKs, Foster Care/Adoptions, General Assistance), and Veterans Services.	

The Health and Human Services service group includes mandated programs that are largely driven by Federal legislation and budget allocations. Statutory changes and budget priorities at the State and Federal level significantly affect these budgets. Several State and Federal grants and allocations related to health and human services were awarded to programs in this category in FY 2018-19 and are budgeted to continue in FY 2019-20.

### Health Agency - Behavioral Health

The recommended level of General Fund support represents an increase of \$378,641 or 3% compared to the FY 2018-19 Adopted Budget. The increase is largely driven by rising expenses for State hospital placements and Board and Care facility placements due to an increase in the number of clients served as well as increases in the daily rates for the facilities. Of note, Special Education Local Plan Area (SELPA) services that the County provides to students are being eliminated due to the termination of a contract initiated by school districts, effective July 2019. As a result, 13.00 FTE positions assigned to that program will be deleted and the school districts will be responsible for providing the services to students after the contract ends. A recommended Budget Augmentation Request extends 2.50 FTE Behavioral Health Clinicians and continues support of a Legal Clerk at the Superior Court for court room screening and services for eligible offenders to divert them when appropriate to intensive outpatient treatment services.

### Sheriff-Coroner - Law Enforcement Health Care

The Recommended Budget reflects both medical and behavioral health care services for inmates at the County Jail. These services are now provided under a contract with a contracted Jail health care provider, Wellpath, as approved by the Board mid-year in FY 2018-19. The Recommended Budget also includes the deletion of 23.75 FTE as a result of the contracting out of these services, as well as the transfer of 2.75 FTE to Fund Center 160 - Public Health for Juvenile Services Center services, for a net deletion of 26.25 FTE compared to the FY 2018-19 Adopted Budget. The contract with Wellpath includes expense and revenue for a new five-bed Jail Based Competency Treatment Program, which will treat mentally ill inmates who have been charged with a felony and are deemed incompetent to stand trial.

Additionally, the recommended budget augmentation request will provide Hepatitis C Virus treatment for three AB 109 inmate patients, and is funded with AB 109 realignment revenue.

**Social Services**

**Administration**

The recommended level of General Fund support represents an increase of \$796,473 or 9% compared to the FY 2018-19 Adopted Budget. The increase is largely driven by the ongoing impact from the State’s unraveling of the In-Home Support Services (IHSS) Coordinated Care Initiative (CCI) and Maintenance of Effort (MOE) enacted in 2012 and 2013. The FY 2019-20 budget for IHSS represents an \$845,845 increase in General Fund support for this program. The Recommended Budget also includes the transfer of 6.00 FTE positions from Fund Center 180 - Social Services Administration to Fund Center 112 - Human Resources due to the transfer of the department’s human resources function to the Human Resources Department. The recommended Budget Augmentation Request to add 1.00 FTE Social Services Program Review Specialist will help to expand employment services to welfare to work eligible families, and is funded largely with State and Federal allocations.

**General Assistance**

The recommended level of General Fund support represents an increase of \$194,886 or 24% compared to the FY 2018-19 Adopted Budget primarily due to an increase in expenditures resulting from the new and expanded eligibility policies approved by the Board on November 6, 2018 for the General Assistance program.

<b>Community Services Service Group</b>	
<b>Change to General Fund support from FY 2018-19 adopted levels:</b> \$4 million (665%)	<b>Net change to staffing, compared to FY 2018-19 adopted levels:</b> +4.50 FTE
<b>Fund Centers:</b> Airports, Fish and Game, Library, Parks and Recreation (Community Parks, Golf Courses, and Regional Parks), Wildlife and Grazing, and UC Cooperative Extension.	

Many of the fund centers in this service group 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.

**Airports**

The Airports is an Enterprise Fund and as such the budget is supported by revenues generated through user fees. Revenue in the FY 2019-20 Recommended Budget is estimated at \$8.0 million, representing an increase of \$1.8 million or 27% compared to the FY 2018-19 Adopted Budget. This increase is driven by updated leases, rents and concession agreements, and a projected increase in enplanements at San Luis Obispo Regional Airport, which increase fee revenue overall. Calendar Year 2018 was another record-breaking year for San Luis Obispo Regional Airport, with 485,911 passengers (a 19% increase compared to 2017) traveling to and from the Airport. With the increased number of passengers moving through the Airport, the need for increased facility custodial and maintenance services, as well as curbside security and parking enforcement has resulted in the recommended addition of 4.00 FTE positions. The cost of the positions, at approximately \$265,000, will be borne by the Airports’ operating budget.

**Parks and Recreation**

On July 17, 2018, the Board approved a new cost recovery policy for the Parks and Recreation Department. The new policy aims to achieve cost recovery through fees for services that have primarily an individual benefit (camping, beach wedding rental, etc.) and provide General Fund support for services that are primarily a community benefit

(playgrounds, swimming, etc.). The new structure creates a new fund center, Fund Center 222 – Community Parks, within the General Fund to account for all community parks facilities. All regional parks facilities are remaining in the current special revenue fund, Fund Center 305, separate from the General Fund and is being renamed Fund Center 305 – Regional Parks. The recommended level of General Fund support for Fund Center 222 represents a \$183,172 or 4% decrease from the adjusted level of General Fund contribution in the current year for Fund Center 305. This decrease is due to a reduction in interdepartmental and countywide overhead expenditures due to the creation and transfer of budget to the new Fund Center within the General Fund.

The Recommended Budget also includes funding for a project to restore the Coastal Dunes Campground; the expense is funded with Off-Highway Vehicle In Lieu fees collected by the State and returned to the County for these types of expenditures.

<b>Fiscal and Administrative Service Group</b>	
<b>Change to General Fund support from FY 2018-19 adopted levels:</b> \$1.3 million (6%)	<b>Net change to staffing, compared to FY 2018-19 adopted levels:</b> +3.00 FTE
<b>Fund Centers:</b> Administrative Office, Administrative Office – Communications and Outreach, Assessor, Auditor-Controller-Treasurer-Tax Collector-Public Administrator, Board of Supervisors, Clerk-Recorder, and Human Resources – Talent Development.	

The significant increase in General Fund support to this service group is the result of a structural budget change for FY 2019-20, which eliminates Fund Center 275 – Organizational Development, and replaces it with Fund Center 118 – Human Resources – Talent Development and Fund Center 119 – Administrative Office – Communications and Outreach. The former Fund Center 275 has historically received General Fund dollars as a revenue source, but now that much of the functions formerly budgeted in Fund Center 275 are standalone fund centers, they are funded with General Fund support.

**Administrative Office**

The recommended budget for the Administrative Office includes the addition of 1.00 FTE limited term Program Manager to coordinate the Stepping Up Initiative and 1.00 FTE limited term Principal Analyst (added mid-year in FY 2018-19) to address the infrastructure and housing shortage countywide. The recommended budget also includes a minor departmental reorganization that is intended to better enable the Office to provide support to County departments. Although not included in the recommended budget, staff will soon be recommending the transfer of the Clerk of the Board function from the Clerk-Recorder’s Office, to the Administrative Office. The associated budget and staffing adjustments will be presented to your Board for consideration shortly after the start of the new fiscal year.

**Administrative Office - Communications and Outreach**

As noted above, Communications and Outreach was previously a division within Fund Center 275 – Organizational Development. Communications and Outreach is now a standalone fund center within the General Fund, and the recommended level of General Fund support for FY 2019-20 is \$158,763, most of which funds 1.00 FTE Administrative Analyst assigned to this program.

**Human Resources - Talent Development**

As noted above, Talent Development was previously a division within Fund Center 275 – Organizational Development. Talent Development is now a standalone fund center within the General Fund, and the recommended level of General Fund support for FY 2019-20 is \$791,994, most of which fund 2.00 FTE assigned to this program, as well as the

County's contract with the Centre for Organization Effectiveness, which provides learning and development opportunities to County employees. The Recommended Budget also includes funding for additional course offerings through the Learning and Development Center; this expense is recommended to be covered with funds in the Talent Development designation.

<b>Support to County Departments Service Group</b>	
<b>Change to General Fund support from FY 2018-19 adopted levels:</b> \$515,303 (2%)	<b>Net change to staffing, compared to FY 2018-19 adopted levels:</b> +9.00 FTE
<b>Fund Centers:</b> County Counsel, Central Services, Central Services - Fleet Services, Human Resources, Information Technology, Public Works-Facilities Management, and Self-Insurance Internal Service Funds.	

**County Counsel**

The recommended level of General Fund support represents an increase of \$637,896 or 15% compared to the FY 2018-19 Adopted Budget. The increase is primarily driven by increased expense for outside legal services to assist the department in addressing significant expected legal expenses related to the Diablo Canyon Power Plant decommissioning, cannabis, and water litigation.

**Human Resources**

In prior fiscal years, the Human Resources Department and the Risk Management division were budgeted under separate fund centers. This is the first year that the department's budget is included in a single fund center. The recommended level of General Fund support represents an increase of \$168,036 or 4% compared to the FY 2018-19 Adopted Budget, due primarily to increases in insurance costs and contracted services costs.

The department centralized human resources functions for the Health Agency in FY 2018-19 and will do so with the Department of Social Services in FY 2019-20, which resulted in an increase in staffing levels of 10.00 FTE positions and a corresponding increase in salaries and benefits of \$816,101 or 20%. The additional costs are offset by intrafund transfers from the Health Agency and the Department of Social Services.

The Recommended Budget also includes funding for 1.00 FTE Limited Term Human Resources Technician-Confidential to support the Labor Relations program. This position is funded with General Fund support.

**Information Technology**

The recommended level of General Fund support represents a decrease of \$406,998 or 4% compared to the FY 2018-19 Adopted Budget, primarily due to reduced telephone services costs after the County migrated from analog services to Voice over Internet Protocol (VoIP) telephone services. The Recommended Budget also includes funding for the expansion of a Vulnerability Management System to assess security vulnerabilities found on devices connected to the County network; this expense is covered with funds in the Countywide Automation Replacement designation.

**Overview of Financing/Revenues**

The Financing service group in the 'Departmental Budgets by Service Group' section of this 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 Governmental Fund revenue sources:

### **Intergovernmental Revenue**

State and Federal revenue is recommended at \$277 million and represents 44% of the County's total financing. This is an increase of \$4.9 million or 2% compared to FY 2018-19 adopted levels. State and Federal revenue is the single largest County revenue source. Most of these revenues are used to support statutory programs, such as health and human services, and some criminal justice programs. 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 \$215.3 million and represent 34% of the County's total financing. This is an increase of \$10.4 million or 5% compared to FY 2018-19 adopted levels. Taxes are the second largest County revenue source, and most of these revenues are used to support discretionary programs or the County's required share of costs for programs that are funded externally.

### **Other Revenues and Financing Sources**

Other revenues and financing sources are recommended at approximately \$42.4 million and represent 7% of the County's total financing. This is a decrease of \$1.8 million or 4% compared to FY 2017-18 adopted levels.

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

Licenses, permits fees, and charges for services are recommended at approximately \$43.7 million and represent 7% of the County's total financing. This is an increase of \$388,666 or less than 1% compared to FY 2018-19 adopted levels.

### **Fines, Forfeitures and Penalties**

Fines, forfeitures and penalties are recommended at \$5.2 million and represent less than 1% of the County's total financing. This is an increase of \$52,382 or 1% compared to FY 2018-19 adopted levels.

### **Interest Earnings**

Interest earnings are recommended at \$3.4 million and represent less than 1% of the County's total financing. This is an increase of \$857,566 or 33% compared to FY 2018-19 adopted levels.

### **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. FBA represents the amount of savings that the County expects to have at the end of the current year to fund the FY 2019-20 budget, and is recommended at \$30.1 million (for all governmental funds, not just the General Fund), and use of reserves is recommended at \$5.2 million.

## **OTHER AGENCY INVOLVEMENT/IMPACT**

All County departments were involved in the preparation of the FY 2019-20 Recommended Budget.

## **FINANCIAL CONSIDERATIONS**

The FY 2019-20 Recommended Budget authorizes a total governmental funds spending level of \$633,372,836, with the General Fund budget recommended at \$549,441,681.

## **RESULTS**

This item formally introduces the FY 2019-20 Recommended Budget to the Board and public, and schedules public hearings on the Recommended Budget to begin on Monday, June 10, 2019 at 9:00am.

## **ATTACHMENTS**

1. FY 2019-20 Recommended Budget Introduction Resolution
2. Exhibit A- FY 2019-20 Recommended Budget (Clerk's File)
3. FY 2019-20 Recommended Budget Hearing Public Notice
4. FY 2019-20 Recommended Budget Introduction Power Point Presentation