



County Executive

Bradley J. Hudson

Assistant County Executive

Navdeep S. Gill

Board of Supervisors

Phillip R. Serna, District 1

Jimmie Yee, District 2

Susan Peters, District 3

Roberta MacGlashan, District 4

Don Nottoli, District 5

County of Sacramento

September 10, 2013

Members of the Board of Supervisors
County of Sacramento
700 H Street, Suite 1450
Sacramento, CA 95814

**Re: Fiscal Year 2013-14
Budget Adoption**

Honorable Members of the Board:

I am pleased to submit for your consideration the Adopted Budget recommendations for Fiscal Year 2013-14. The financing plan presented today reflects the difficult decisions your Board has made during the last several years, restores limited funding to your public service priorities, and begins in earnest to repay internal fund transfers used to ease the impact of the "Great Recession" on our employees and customers. This budget continues our multi-year effort to align on-going revenues and expenditures and reduce our reliance on one-time resources. In FY2012-13, your employees and managers once again responded to our fiscal challenges by reducing internal service costs, closely managing budgets and expenditures, emphasizing efficiency initiatives and controlling personnel costs. As a result of these efforts, the General Fund ended FY2012-13 with a \$31 million unrestricted fund balance, compared to the projected amount of \$11.6 million. The budget presented today allocates this additional fund balance and additional discretionary revenue, a total of \$32.5 million, to critical County activities and is consistent with the Board's policy directives. A sampling of recommended General Fund budget adjustments to the FY2013-14 Approved Recommended Budget include:

- The repayment of \$11.7 million of the amount previously transferred to the General Fund from other County funds;
- The allocation of \$5.5 million to the Medical Treatment Accounts budget to offset a \$9.2 million reduction in Public Health Realignment revenue due to the implementation of the Affordable Care Act;
- The allocation of \$3 million to the Sheriff's budget to address the budget shortfall identified at June budget hearings;

- The allocation of \$1 million each to the Human Assistance and Conflict Criminal Defender budgets to address shortfalls identified at Recommended Budget hearings;
- A \$2.2 million increase in the General Fund's Contingency appropriation, bringing the Contingency to a total of \$4 million; and,
- The investment of approximately \$ 4.5 million to address many of the Board's service priorities including: Regional Parks; Code Enforcement; POP Officers in the Sheriff's Department; augmentations to the District Attorney's budget; a new effort in Health & Human Services to provide enhanced services to the severely mentally ill; funding in the Health & Human Services Department to address communicable diseases; funding for the Probation department to supervise several hundred drug offenders; and, additional staff and funding to enhance services in Animal Care.

While these enhancements to important County services are essential, we must be mindful of the fiscal challenges that we will face next year and beyond. New pension debt, increased pension costs, negotiated salary and benefit obligations, and \$ 59 million in internal borrowing that remains unpaid represent some of the financial commitments that must be addressed.

The Budget Adoption Hearings are the culmination of a lengthy and difficult process undertaken by all County departments to ensure that the County's financial plan meets the Board's fiscal and public service requirements. Managers and employees are to be congratulated for the effort and ingenuity with which they have pursued this year's budget process. The foundation of this budget is solid, and is based on in-depth financial planning, and the Board's conservative approach to balancing the County's current service needs with long-term fiscal health. The FY2013-14 budget generally maintains existing service levels and enhances some County programs, honors commitments to our employees, makes a substantial repayment of past internal borrowing, substantially replaces funding taken by the State for the Affordable Care Act, and increases our contingency fund. As always, your leadership has been critical in crafting this year's budget. We await your policy direction as the final ingredient in our plan to meet the needs of our residents in the coming year.

THE ALL-FUNDS BUDGET

The FY2013-14 All Funds Adopted Budget is recommended at \$3,612,784,366 which represents a 2.6% increase compared to the Approved Recommended Budget your Board approved on June 10, 2013. A detailed comparison these two budgets is shown below:

Fiscal Year 2013-14 Approved Recommended Compared to Fiscal Year 2013-14 Adopted			
All County Funds			
Fund	FY 2013-14 Approved Requirements	FY 2013-14 Adopted Requirements	Difference
General Fund	2,097,078,646	2,136,820,375	39,741,729
Economic Development	46,978,445	38,911,052	(8,067,393)
Environmental Management	18,904,440	20,243,541	1,339,101
Golf Fund	7,513,048	7,500,548	(12,500)
Transient Occupancy Tax	7,057,981	7,497,504	439,523
Transportation and Building Inspection	145,769,061	178,427,006	32,657,945
Water Resources	173,334,733	172,818,643	(516,090)
Airport System	257,376,164	255,917,227	(1,458,937)
Waste Management and Recycling	83,623,047	86,690,219	3,067,172
Capital Projects Funds	36,361,941	35,919,390	(442,551)
Debt Service Funds	48,433,329	49,075,401	642,072
Other Special Revenue Funds	27,941,969	32,371,521	4,429,552
Other Enterprise Funds	2,677,135	2,677,135	0
Other Internal Service Funds	355,528,163	360,167,137	4,638,974
Other Special Districts and Agencies	214,225,108	227,747,667	13,522,559
Total	3,522,803,210	3,612,784,366	89,981,156

These budget increases are primarily the result of increases in the General Fund and transportation-related funds as described more fully below.

THE GENERAL FUND BUDGET

Approved Recommended Budget

At budget hearings in June, the Board approved the Recommended Budget for FY2013-14. During the hearings, your Board made several changes to the General Fund budget to enhance funding for a variety of priority programs. The significant elements of these changes included the following:

Recommended Centrally Allocated Resources Allocation Changes	
Additional Cable Revenue	\$ 572,000
Reduce Sewer Credit Revenue	\$ (530,000)
Sheriff (Reduce AB 109 Realignment)	\$ 250,000
Probation (Reduce AB 109 Realignment)	\$ 1,000,000
DHHS (Reduce AB 109 Realignment)	\$ 500,000
DHA Aid Payments (Reduction)	\$ 2,000,000
Total Additional Resources Available	\$ 3,792,000
Sheriff (AB 109 Augmentation)	\$ 1,000,000
Sheriff (Additional Net County Cost)	\$ 2,042,000
Correctional Health (AB 109 Increase)	\$ 750,000
Total Increase	\$ 3,792,000

General Fund and other Centrally Allocated Resources for all departments, as approved by the Board during Recommended Budget Hearings are provided as Attachment A.

FY2013-14 Adopted Budget

The County's FY2013-14 General Fund Adopted Budget totals \$2,136,820,375 which represents an increase of \$40,490,477, or 1.9%, compared to the FY2013-14 Approved Recommended Budget. A more detailed comparison of the FY2013-14 Approved Recommended and FY2013-14 Adopted Budget for the General Fund is shown below:

GENERAL FUND BUDGET

FY2013-14 Approved, FY2013-14 Recommended for Adoption

	<u>FY2013-14 Recommended</u>	<u>FY2013-14 Adopted</u>	<u>Difference</u>
Resources			
Beginning Balance ¹	11,590,583	31,042,942	19,452,359
Use of Reserves	1,339,791	4,517,314	3,177,523
Discretionary Revenue	459,971,903	466,807,664	6,835,761
Departmental Revenue	<u>1,624,176,369</u>	<u>1,634,452,455</u>	<u>10,276,086</u>
Total Revenue	<u>2,084,148,272</u>	<u>2,101,260,119</u>	<u>17,111,847</u>
Total Resources	2,097,078,646	2,136,820,375	39,741,729
Requirements			
Expenditures	2,094,529,898	2,132,806,987	38,277,089
Contingency	<u>1,800,000</u>	<u>4,013,388</u>	<u>2,213,388</u>
Total Appropriations	2,096,329,898	2,136,820,375	40,490,477
Provision for Reserves	<u>748,748</u>	<u>0</u>	<u>(748,748)</u>
Total Requirements	2,097,078,646	2,136,820,375	39,741,729

Fund Balance and Reserves

The General Fund's FY2012-13 ending fund balance, which becomes the beginning fund balance for FY2013-14, totals \$90,914,867. This includes \$59,871,915 in reserves consisting of Teeter and Pension Obligation bond reserves, a \$32.4 million Reserve for Cash Flow, approximately \$4.9 million in a reserve for encumbrances, and an unrestricted balance of \$31,042,942. The unrestricted balance is approximately \$19.5 million higher than identified in the FY2013-14 Approved Recommended General Fund Budget. This increase reflects the difference between FY2012-13 third quarter revenue and expenditure estimates and actual FY2012-13 revenue and expenditure numbers. The major contributors to this difference include:

- An \$11 million increase in discretionary revenue compared to third quarter estimates, including a \$4.6 million increase in Secured Property Tax and Property Tax revenue in Lieu of VLF, a \$1

¹ Available (unreserved/restricted) fund balance

million increase in Delinquent Property Tax revenue, a \$1.2 million increase in Sales and Use Tax revenue, a \$1 million increase in Teeter revenue and the inclusion of \$2.2 million in redevelopment pass-through payments that were not included in the original Recommended Budget.

- A \$26.9 million reduction in FY2012-13 expenditures compared to third quarter estimates, partially offset by a \$13.2 million reduction in departmental revenue, for a reduction in Net County Cost of approximately \$13.6 million. The reduction in expenditures is partly due to salary savings by departments and partly due to other cost savings or revenue reductions. The budget units with the largest reductions in Net County Cost compared to third quarter estimates included the following: Human Assistance – Aid Payments which had a \$7.6 million reduction in Net County Cost, due primarily to the receipt of \$4 million in additional Social Services Realignment revenue and savings in Foster Care program costs; Personnel Services which had a \$2.8 million reduction in Net County Cost due to the receipt of a rebate of previous years' overcharges from the County's employee dental insurance plan carrier; and, County Contribution to Court Operations which showed a \$1.5 million reduction in Net County Cost due to increased recovery of money owed to the courts by the Department of Revenue Recovery.
- An actual encumbrance carry-forward of \$4,921,753 that was not included in the Approved Recommended Budget.

As was the case with the Recommended Budget beginning balance, the beginning balance in the Adopted Budget reflects a write-off of \$3.2 million in long-term receivables that we do not expect the County will receive. There remains approximately \$8 million in long-term receivables that may need to be written-off in future years.

The \$3.1 million increase in use of reserves and the \$748,000 reduction in provision for reserves reflects a net \$3.9 million reduction in the amount of reserves that need to be set aside for the Teeter Plan, based on an analysis of actual Teeter needs by the Finance Department. That analysis also determined that the County will receive an additional \$2.2 million in Teeter reimbursements, for a total betterment of approximately \$6.1 million. These are essentially one-time adjustments to account for the fact that, with the improvement in the economy, the rate of property tax delinquencies is falling to more typical levels.

Discretionary Revenue

The Adopted Budget includes approximately \$6.8 million, or 1.5%, more in discretionary revenue than the Approved Recommended Budget. This is the net result of increases and decreases in a number of revenue sources as shown in the following table:

**Discretionary Revenue and Non-Departmental Reimbursements
(Amounts Expressed in Thousands)**

	FY2012-13 Estimated Year-end	FY2012-13 Actual Year-end	FY2013-14 Recommended Budget	FY2013-14 Adopted Budget	Difference – Recommended to Adopted
Property Tax- Secured/VLF In-Lieu	290,975	295,537	296,794	300,848	4,054
Other Property Tax	17,310	18,696	17,525	17,303	(222)
Sales and In-Lieu Sales Tax	68,877	70,129	72,766	75,279	2,513
Utility Tax	16,910	16,830	17,248	17,248	0
Fines & Penalties	13,299,	13,963	14,109	14,109	0
Franchises	4,709	4,992	4,800	4,800	0
Revenue Neutrality & Transition	16,059	15,933	16,059	16,059	0
Other Revenue –One Time	5,689	5,109	5,252	3,752	(1,500)
Other Revenue – On- Going	17,794	22,437	15,419	17,410	1,991
Total Revenue	451,622	463,626	459,972	466,808	6,836
Net Reimbursements	19,851	19,574	9,609	11,507	1,898
Total	471,473	483,200	469,581	478,315	8,734

As can be seen, the primary reasons for the increase in estimated discretionary revenue from the amount included in the Approved Recommended Budget include:

- A \$4.1 million (1.7%) increase in Secured Property Tax and Property Tax in Lieu of Vehicle License Fee revenue. Based on the information available at the time from the County Assessor, the Approved Recommended Budget assumed that property tax revenue would grow by 2% compared to FY2012-13 estimated actual revenue from these sources. The FY2013-14 property tax assessed value roll is now complete and, based on that information, we believe that Secured and VLF In Lieu property tax revenue will come in at 2.5% above the FY2012-13 actual revenue level. The projected increase in property tax revenue reflects that higher growth rate applied to an increased estimate of the amount of property tax revenue from these sources the County would receive in FY2012-13.
- A \$2.5 million (3.4%) increase in Sales and Property Tax in Lieu of Sales Tax revenue. Based on information provided by the County’s sales tax consultants, the Approved Recommended Budget assumed that sales tax revenue would grow by 4.5% over the FY2012-13 estimated actual level and Sales Tax In Lieu revenue would grow by 9%, for a total increase in revenue from these two sources of approximately 6%. The Adopted Budget assumes that Sales Tax revenue will grow by 4.5% over the FY2012-13 actual revenue level and that Sales Tax in Lieu will grow by 16%. Applying these growth factors to the FY2012-13 actual revenue numbers for these sources, which are approximately \$1.2 million higher than the estimated actual numbers used in the Approved Recommended Budget, results in a 3.4% increase, which is an increase of \$5.5 million, or 7% above the FY2012-13 actual level.
- A \$1.3 million increase in redevelopment pass-through revenue that was not included in the Approved Recommended Budget.

These and other discretionary revenue increases are partially offset by a recommended \$1.5 million reduction in revenue from the sale of sewer credits. The original FY2013-14 Recommended Budget included \$5 million in revenue from this source, which your Board reduced by \$530,000 at June Budget

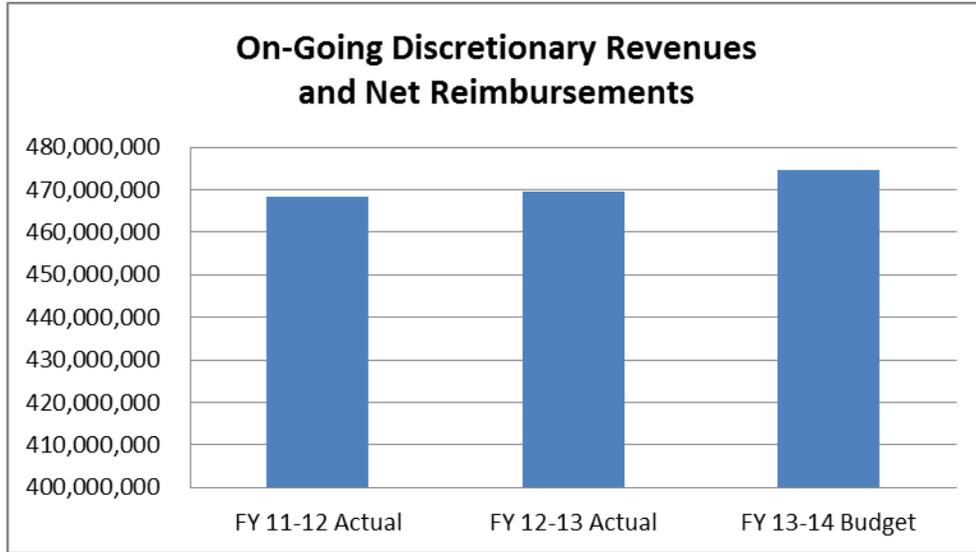
Hearings. I am recommending a further \$1.5 million reduction, bringing total one-time revenue from this source to \$2,970,000. This will leave \$2,030,000 in sewer credits available to use for economic development purposes.

Finally, the FY2013-14 Adopted Budget reflects a \$1.9 million increase in net discretionary reimbursements. This is due to a variety of changes in expenditures and reimbursements which include:

- A \$2.5 million increase in payments to the City of Sacramento to meet our obligations under a car dealership sales tax revenue sharing agreement. For the last year, County and City staffs have been analyzing this agreement to determine the amount due to each jurisdiction. The Approved Recommended Budget included \$500,000 for this purpose, but analysis by County and City staff have concluded that the amount that the County will actually owe the City will be about \$3 million – approximately \$1 million representing the County's FY2013-14 obligation and \$2 million representing the County's prior-year obligations which represents a one-time cost.
- A \$2.2 million one-time increase in the amount of Teeter revenue the County will receive as discussed above.
- The receipt of \$1.9 million in Tobacco Litigation Settlement (TLS) funds based on a final reconciliation of TLS funds at the end of FY2012-13. This represents the last of the TLS revenue available to be transferred to the General Fund.

As you are aware, a key issue in terms of the General Fund's long-term fiscal condition is the rate of growth in **on-going** discretionary resources. The General Fund Five Year Forecast, presented in the FY2013-14 Recommended Budget, suggested that total annual discretionary revenue growth would need to be in the 4% to 5% range for the General Fund to be in structural balance over the next five years.

Based on FY2012-13 actual discretionary revenue and net discretionary reimbursement numbers, it now appears that FY2013-14 will be the second year of growth in on-going discretionary revenue and net reimbursements since the County first began to feel the impact of the Great Recession in FY2007-08. The following graph shows actual on-going discretionary revenue and net discretionary reimbursements in FY2011-12 and FY2012-13 and the estimated amount included in the FY2013-14 Adopted Budget.



In FY2012-13, on-going discretionary revenue and net reimbursements totaled approximately \$469.5 million, an increase of approximately \$1.1 million, or 0.2%, compared to the prior year actual number. The FY2013-14 Adopted Budget includes approximately \$474.7 million in on-going discretionary revenue and net reimbursements, an increase of approximately \$5.1 million, or 1.1% compared to the prior year actual number which is far less than needed to reach structural balance in the coming years.

Net County Cost/Discretionary and Semi-Discretionary Revenue Allocations/General Fund Budget Adjustments

The FY2013-14 Adopted Budget includes a Net County Cost of approximately \$513.9 million which represents an increase of \$32.1 million, or 6.7%, compared to the Approved Recommended Budget. The recommended allocations are summarized in the following table:

This section intentionally left blank

**General Fund Allocations for FY 2013-14 Recommended for Adoption Budget
As Compared to FY 2013-14 Approved Recommended Budget**

DEPARTMENT	FY2013-14 Approved Recommended Budget	FY2013-14 Adopted Budget	Difference
ELECTED OFFICIALS			
Assessor	8,591,573	8,591,573	0
Board of Supervisors	2,998,928	2,998,928	0
District Attorney	43,431,198	44,658,860	1,227,662
Sheriff	179,466,302	184,405,592	4,939,290
Correctional Health	25,211,156	25,211,156	0
Subtotal	259,699,157	265,866,109	6,166,952
COUNTYWIDE SERVICES			
Human Assistance-Aid Payments	15,403,517	16,403,517	1,000,000
DHA Administration	10,533,209	10,533,209	0
Health & Human Services	17,255,424	17,905,970	650,546
Probation	49,482,702	49,717,127	234,425
Courts	35,821,125	35,388,825	(432,300)
Public Defender and Conflict Defenders	36,097,031	37,097,031	1,000,000
Medical Treatment Payments	7,128,508	12,628,508	5,500,000
In-Home Supportive Services (IHSS)	1,378,902	1,378,902	0
Voter Registration & Elections	7,158,063	7,358,063	200,000
Other Countywide Services	14,759,184	14,863,091	103,907
Subtotal	195,017,665	203,274,243	8,256,578
MUNICIPAL SERVICES			
Animal Care & Regulation	3,364,747	3,467,537	102,790
Community Development	878,444	1,236,405	357,961
Regional Parks	2,813,501	3,225,609	412,108
Subtotal	7,056,692	7,929,551	872,859
INTERNAL SERVICES			
Finance Department	270,059	270,059	0
Other Internal Services	95,441	2,889,277	2,793,836
Subtotal	365,500	3,159,336	2,793,836
GENERAL GOVERNMENT			
Non-Department Costs	5,681,922	17,462,103	11,780,181
Contingency	1,800,000	4,013,388	2,213,388
Other General Government	12,142,004	12,170,675	28,671
Subtotal	19,623,926	33,646,166	14,022,240
TOTAL	481,762,940	513,875,405	32,112,465

In some cases, though, increases in Net County Cost (or General Fund Contribution) offset reductions in Semi-discretionary revenue (like Proposition 172 and Realignment revenue) and in other cases, increases in Semi-discretionary revenue allow for a reduction in Net County Cost. The following table compares the allocation of Net County Cost and Semi-discretionary revenues (as well as SWA revenue) to all departments in the FY2013-14 Approved Recommended Budget and the FY2013-14 Adopted Budget.

Centrally Allocated Resources

Net County Cost, Semi- Discretionary
Resources, SWA

Fiscal Year 2013-14

Departments	Approved Recommended June 2013	Adopted September 2013	Difference
AG COMM-SEALER OF WTS & MEASURES	1,068,480	1,172,387	103,907
ANIMAL CARE AND REGULATION	3,364,747	3,467,537	102,790
APPROPRIATION FOR CONTINGENCY	1,800,000	4,013,388	2,213,388
ASSESSOR	8,591,573	8,591,573	0
BOARD OF SUPERVISORS	2,998,928	2,998,928	0
CARE IN HOMES AND INSTITUTIONS	268,607	268,607	0
CIVIL SERVICE COMMISSION	309,758	309,758	0
CLERK OF THE BOARD	1,028,253	1,028,253	0
COMMUNITY DEVELOPMENT	1,778,444	2,136,405	357,961
CONFLICT CRIMINAL DEFENDERS	8,240,938	9,240,938	1,000,000
CONTRIBUTION TO LAFCO	228,833	228,833	0
COOPERATIVE EXTENSION	310,517	310,517	0
CORONER	5,900,507	5,900,507	0
CORRECTIONAL HEALTH SERVICES	32,152,735	32,152,735	0
COUNTY COUNSEL	2,021,012	2,021,012	0
COUNTY EXECUTIVE	963,456	963,456	0
CEO CABINET	100,000	100,000	0
COURT / COUNTY CONTRIBUTION	24,529,928	24,577,628	47,700
COURT / NON-TRIAL COURT FUNDING	11,291,197	10,811,197	(480,000)
DATA PROCESSING-SHARED SYSTEMS	7,598,341	7,598,341	0
DEPARTMENT OF FINANCE	270,059	270,059	0
DISTRICT ATTORNEY	55,689,454	56,844,378	1,154,924
EMERGENCY OPERATIONS	217,377	203,989	(13,388)
FINANCING-TRANSFERS/REIMB		42,059	42,059
GRAND JURY	266,213	266,213	0
HEALTH AND HUMAN SERVICES	185,171,182	184,199,928	(971,254)
HEALTH-MEDICAL TREATMENT PAYMENTS	30,433,532	27,455,101	(2,978,431)
HUMAN ASSISTANCE-ADMIN	19,093,480	19,093,480	0
HUMAN ASSISTANCE-AID PAYMENTS	140,479,173	141,479,173	1,000,000
HUMAN RIGHTS/FAIR HOUSING	61,267	61,267	0
IHSS MOE	51,649,489	51,649,489	0
JUVENILE MEDICAL SERVICES	7,320,545	7,320,545	0
NON-DEPARTMENTAL COSTS/GF	5,681,922	17,462,103	11,780,181
OFFICE OF INSPECTOR GENERAL	95,441	95,441	0
PERSONNEL SERVICES		2,793,836	2,793,836
PROBATION	84,660,648	85,291,533	630,885
PUBLIC DEFENDER	28,168,706	28,168,706	0
Public Authority		0	0
REGIONAL PARKS	3,212,144	3,624,252	412,108
Reserve Change - Teeter		0	0
COPs	6,155,359	6,155,359	0
SHERIFF	307,136,933	310,920,001	3,783,068
VETERAN'S FACILITY	15,920	15,920	0
VOTER REGISTRATION/ ELECTIONS	7,158,063	7,358,063	200,000
WILDLIFE SERVICES	50,061	50,061	0
CRIMINAL JUSTICE CABINET	13,707	13,707	0
	1,047,546,929	1,068,726,663	21,179,734

As can be seen, the amount of Net County Cost and Semi-discretionary resources allocated to departments and programs in the Adopted Budget is approximately \$21.2 million, or 2%, greater than the FY2013-14 Approved Recommended Budget level. A discussion of each of the major proposed changes in Net County Cost or Semi-discretionary revenue, and other changes related to the affected budget units is provided below.

Agricultural Commissioner/Sealer of Weights and Measures

An additional \$104,000 in Net County Cost is recommended to offset an equivalent reduction in revenue from the federal government to deal with trapping and inspecting activities related to the Light Brown Apple Moth and Asian Citrus Psyllid. If this program is eliminated, certain farmers in the County will not be able to ship their crops to market.

Animal Care & Regulation

A \$103,000 appropriation and Net County Cost increase is recommended to fund an additional Animal Care Attendant and additional extra help positions to assist in maintaining kennel cleanliness. The Animal Care Attendant will help with the Department's foster care program and coordination with animal rescue organizations. The recommended increase in extra help is to assist kennel staff in maintaining an appropriate level of kennel cleanliness.

The Department is also in negotiations with the City of Elk Grove to provide that City with shelter services. When an agreement is finalized, it will be presented to your Board, and budget adjustments will be requested to add additional revenue-offset positions.

Appropriation for Contingency

We are recommending a \$2.2 million increase in appropriations and Net County Cost increasing the General Fund Contingency to \$4 million. Given the generally low level of General Fund discretionary reserves, a larger contingency is necessary.

Community Development

I am recommending a \$3.4 million increase in appropriations, \$3.06 million increase in departmental revenue and \$358,000 increase in Net County Cost. The increase in Net County Cost will fund the addition of 3 Code Enforcement Officers and additional County Counsel services, all related to more fully implementing the Neighborhood Livability Initiative. The remaining increase in appropriations and revenue will cover the cost of transferring the budget for the South Sacramento Habitat Conservation Plan from Water Resources Department's Zone 13 budget to the Community Development budget and adding 9.2 new revenue-offset positions to manage increasing development activity.

Conflict Criminal Defender

A \$1 million increase is recommended in appropriations and Net County Cost. The Approved Recommended Budget was approximately \$1 million less than the level the Department estimated was necessary to meet caseload demand. This additional Net County Cost will address that potential under-funding.

Courts Funding

A \$432,000 reduction is recommended in Net County Cost for Courts Funding due primarily to increased revenue collections.

District Attorney

I am recommending a \$1,278,000 increase in appropriations, a \$50,000 increase in revenue and a \$1,228,000 increase in Net County Cost. The recommended increase in Net County Cost will fund the following: the replacement of crime lab equipment that has reached the end of its useful life (\$325,000); a Deputy District Attorney to act as a community prosecutor as part of the Neighborhood Livability Initiative (\$100,000) which is anticipated to be grant funded on a permanent basis; salary and benefits for 6 existing vacant Deputy District Attorney positions (\$730,000); and, a \$73,000 backfill for a reduction in Proposition 172 revenue.

Health & Human Services

I am recommending a \$721,000 decrease in appropriations, a \$1.37 million reduction in revenue and a \$651,000 increase in Net County Cost. The increase in Net County Cost will fund: the addition of 3 positions in the Public Health Division to address communicable disease issues, such as tuberculosis, and enhance efforts to deal with sexually transmitted diseases (\$322,000); and, the addition of 5 positions and other costs in the Public Guardian's budget to fund a pilot program to assist chronically mentally ill persons (\$329,000).

The recommended \$721,000 decrease in appropriations is, for the most part, the net result of the \$651,000 in Net County Cost-funded appropriation increases described above, a \$500,000 reduction in AB 109 funded treatment for realigned offenders (this funding has been re-directed to the Probation Department, which is in a better position to assess the needs of this population), a \$242,000 reduction in federal funding for the Special Supplemental Food Program for Women, Infants and Children (WIC) program and a \$761,000 reduction in clinic costs, reflecting the reduction in demand for services that has already occurred due to the implementation of the Low Income Health Program (LIHP).

Medical Treatment Payments

A \$3 million decrease in appropriations, an \$8.5 million decrease in revenue and a \$5.5 million increase in Net County Cost is recommended for this budget unit. The recommended decrease in estimated revenue is part of the approximately \$9.2 million reduction in Public Health Realignment revenue that will occur in FY2013-14 as a result of the State's implementation of the Affordable Care Act (ACA). As you know, the FY2013-14 Approved Recommended Medical Treatment Payments budget already reflected a \$7 million reduction in appropriations and Net County Cost, anticipating cost savings to the County associated with the ACA. Health & Human Services staff estimate that FY2013-14 indigent healthcare costs could exceed the funding by a range of \$3 million to \$9 million. It is recommended that an additional \$5.5 million in Net County Cost be provided to offset the revenue taken by the State.

Human Assistance- Aid Payments

At June Recommended Budget Hearings, your Board reduced the Appropriation level and Net County Cost for this budget unit by \$2 million. I am recommending an additional \$1 million in appropriations

and Net County Cost to partially replace this funding. In addition, I am directing the DHA Director to more aggressively implement work requirements, drug testing, and Supplemental Security Income and Medi-Cal eligibility for General Assistance and CMISP participants.

Non-Departmental Costs

An \$11,780,191 increase in appropriations and Net County Cost is recommended, primarily to repay a portion of the money transferred to the General Fund from other County funds during the Great Recession. With this \$11,739,018 repayment, the remaining un-repaid balance will be \$59,313,331. The following table shows the amounts currently owed by the General Fund to each of the relevant funds, the funds proposed to be repaid in FY2013-14 and the remaining balances.

Money Transferred to General Fund from Other County Funds
Current Balance – Amount Proposed For Transfer in FY2013-14 – Remaining Balance

Fund/Fund Center	Current Balance – 6/30/13	Proposed for Repayment	Remaining Balance
MSA – Developer Services	272,481	272,481	0
MSA – Water Resources	14,403,918	7,174,488	7,229,430
Sunrise Cordova District	2,300,000	2,300,000	0
Vineyard District	1,112,388	1,112,388	0
Antelope District	879,661	879,661	0
Workers Compensation	43,783,901	0	43,783,901
Clerk-Recorder- Conversion	3,300,000	0	3,300,000
Clerk-Recorder - Modernization	5,000,000	0	5,000,000
TOTAL	71,052,349	11,739,018	59,313,331

Personnel Services

A \$3,004,683 increase in appropriations, a \$210,847 increase in departmental revenue and a \$2,793,836 increase in Net County Cost in the form of a departmental fund balance carry-forward is recommended for Personnel Services.

In FY2012-13, the County received a \$2,379,509 rebate from our employee dental insurance provider for prior-year over-payments made by the County. Additionally, the Department of Personnel Services (DPS) closed several Trust Funds that had an available balance of \$414,327 from prior year refunds from various health insurance providers. The recommended adjustments will allow these funds to be credited against 2013-14 health and dental costs for the departments that generated the overpayments. In addition, the recommended increase in appropriations and revenue reflects the transfer of 3 positions from the Department of Airports to DPS as part of the effort to consolidate safety and employee development functions in DPS.

Probation

I am recommending a \$2.5 million increase in appropriations, a \$2.2 million increase in revenue and a \$234,000 increase in Net County Cost. The recommended increase in appropriations will cover part of the cost of 11 FTE new positions. Seven of these are juvenile Probation Officer positions that will be funded by a Juvenile Justice Crime Prevention Act (JJCPA) grant that was recently approved by the Board. Four of these new positions are adult Probation Officers that will supervise high risk drug offenders, and will be funded by an increase in Proposition 172 revenue and the \$234,000 increase in Net

County Cost. The recommended increase in appropriations also reflects \$500,000 in AB 109 Realignment revenue that was included in the Health & Human Services budget. We suggest those resources be re-directed to Probation for use in conjunction with the drug offender supervision program recommended above.

The \$2.2 million increase in revenue is comprised of \$1.3 million in additional revenue from the JJCPA grant, the \$500,000 in additional AB 109 Realignment Revenue and \$455,000 in Proposition 172 revenue. The Adopted Budget also reflects the conversion of a vacant .8 FTE Senior Probation Officer position to a second Assistant Chief Probation Officer position as part of an effort to create a more effective management structure for the Department.

Regional Parks

A \$422,108 increase in appropriations, a \$10,000 increase in revenue and a \$412,108 increase in Net County Cost is recommended for Regional Parks. The recommended increase in Net County Cost would fund 4 additional Park Ranger positions and provide additional resources for parks maintenance. The additional \$10,000 in revenue represents Police Officer Standards and Training (POST) reimbursement for training costs for the 4 new Rangers.

Sheriff

I am recommending a \$6.7 million increase in appropriations, a \$1.8 million increase in departmental revenue and a \$4.9 million increase in Net County Cost. The recommended increase in appropriations will cover the shortfall identified at June Budget Hearings and provide for the funding of 4 Deputy Sheriffs who will serve as Problem Oriented Policing (POP) Officers, as part of an effort to enhance the County's Neighborhood Livability Initiative (NLI). With this increase in appropriations, 18 positions previously deleted or identified for deletion in the Approved Recommended Budget will be funded, 2 new POP Officer positions will be created, and 2 POP Officer positions that were previously unfunded will be filled.

The \$1.8 million increase in revenue is the net result of approximately \$2.6 million in additional revenue, partially offset by a \$700,000 reduction in AB 109 revenue and a \$456,000 reduction in Proposition 172 revenue. The latter two adjustments reflect the Sheriff's share of the reduction in the total estimated amount of revenue to be received from these two sources.

The \$4.9 million in additional Net County Cost will help cover the June Budget Hearings shortfall (approximately \$3 million), the loss of AB 109 Realignment and Proposition 172 revenue (\$1.16 million) and the cost of the 4 POP Officers (\$783,000).

Voter Registration/Elections

A \$200,000 increase in appropriations and Net County Cost is recommended to help the Department offset a reduction in revenue identified at June Budget Hearings.

Human Assistance

A \$12.7 million increase in appropriations and revenue is recommended for this budget unit. Approximately \$4.1 million of this increase reflects the addition of 22 Eligibility Specialist and 5 Eligibility Supervisor positions related to the implementation of the Affordable Care Act (ACA)

and approximately \$1.6 million is related to training and lease costs associated with ACA implementation. Approximately \$2.2 million of the increase will fund additional CalWIN computer system costs and for various contracts for the CalWORKS and CalFresh programs.

Although no change in total Net County Cost is being recommended, the Department of Human Assistance will receive additional allocations of CalWIN, CalWORKS and CalFresh funding that can be used to free-up \$610,000 of General Fund resources. I am recommending that \$410,000 of this General Fund savings be spent on a one-time project to install Fixed Asset Kiosks in Department of Human Assistance Service Centers. The cost of these kiosks can be recovered in three to five years. I am recommending the remaining \$200,000 in General Fund savings be allocated to enhance CalWORKS funding for the Family Emergency Shelter contracts.

OTHER FUNDS

The following provides an overview of major changes in some of the other County funds.

Roads

We are recommending a \$17.8 million increase in appropriations, a \$41.5 million increase in revenue and a \$23.7 million decrease in use of fund balance. The \$17.8 million increase in appropriations and \$17.8 million of the increase in revenue is related to new road projects that were not included in the Approved Recommended Budget. The \$23.7 million decrease in fund balance and an equivalent increase in departmental revenue are related to the timing of work on certain projects. When the FY2013-14 Approved Recommended Budget was prepared, it was expected that these project expenditures would occur in FY2012-13. This did not occur, and the cost of the projects was included in a year-end encumbrance carry-forward. Since the state and federal revenue to cover the projects was also not received in FY2012-13, the Roads Fund's reserve for encumbrance exceeded the amount of fund balance available. This adjustment will include revenue sufficient to cover the encumbered contracts in the FY2013-14 Roads Fund budget allowing a reduction in the use of fund balance, and eliminating what would otherwise be a negative fund balance.

Tobacco Litigation Settlement

A \$5.2 million increase in appropriations, an \$18,000 increase in revenue and a \$5.2 million increase in use of fund balance is recommended. The FY2013-14 Recommended Approved Budget did not include any appropriations in this Fund, based on the assumption that all of the available TLS endowment fund bond proceeds would have been spent by the end of FY2012-13. In fact, due to the timing of capital projects, all of that money was not spent and the Fund ended FY2012-13 with a \$5.2 million fund balance. As now recommended, this appropriation increase reflects a

\$3.4 million transfer to the Capital Construction Fund and a \$1.9 million transfer to the General Fund as a discretionary rebate.

Economic Development

I am recommending an \$8.1 million reduction in appropriations, a \$7.2 million increase in revenue and a \$15.3 million reduction in the use of fund balance. The FY2012-13 ending balance for this fund included a \$15 million encumbrance carry-forward related to the McClellan

Environmental Services Cooperative Agreement (ESCA), which resulted in a negative available fund balance. Some of these costs will actually be incurred in FY2014-15 and this adjustment increases revenue by \$7.3 million primarily to cover the cost of these FY2014-15 expenditures, purely as means of balancing this year's budget. The \$8.1 million reduction in appropriations is due primarily to the fact that 5 grant milestone payments related to the McClellan ESCA were included in the FY2012-13 year-end encumbrance, despite the fact that FY2013-14 costs associated with these milestone payments had already been included in the FY2013-14 Approved Recommended Budget.

Transient Occupancy Tax

I am recommending a \$439,000 increase in appropriations and use of fund balance. The FY2012-13 actual ending fund balance for this fund came in approximately \$439,000 higher than the estimated amount included in the FY2013-14 Approved Recommended Budget. Approximately \$99,600 is proposed to be re-budgeted to cover certain prior-year obligations and the remaining amount is transferred to the General Fund as a discretionary reimbursement.

Teeter Plan

I am recommending a \$642,000 increase in appropriations, a \$5 million decrease in revenue and a \$5.7 million increase in the use of fund balance. The increase in use of fund balance is due to an increase in beginning fund balance, reflecting the fact that higher delinquency tax collections occurred in FY2012-13 than estimated when the FY2013-14 Approved Recommended Budget was prepared. This, in turn, results in a lower delinquency rate, which results in a reduction in estimated delinquency tax collection revenue in FY2013-14. The net increase in resources available of \$642,000 is appropriated as a transfer to the General Fund.

Roadways

I am recommending a \$1.9 million increase in appropriations, a \$700,000 increase in revenue and a \$1.2 million increase in use of fund balance. These adjustments are related to the timing of certain capital projects. The FY2013-14 Approved Recommended Budget assumed that these project expenditures would occur in FY2012-13, but that did not happen and the projects are being re-budgeted in FY2013-14.

Transportation Sales Tax

A \$9.9 million increase in appropriations, a \$31.2 million increase in revenue and a \$21.2 million decrease in use of fund balance is recommended. The \$9.9 million increase in appropriations reflects both new projects (approximately \$4 million) and projects that were originally expected to be completed in FY2012-13 but were not and so the projects are being re-budgeted. Most of the recommended increase in revenue and decrease in fund balance reflects the fact that when the FY2013-14 Approved Recommended Budget was being prepared it was expected that certain project expenditures would occur in FY2012-13. This did not occur and the cost of these projects was included as a year-end encumbrance carry-forward. However, since the revenue to cover the projects was also not received in FY2012-13, the Transportation Sales Tax Fund's reserve for encumbrance exceeded the amount of fund balance available. This adjustment will include revenue sufficient to cover the encumbered contracts in the FY2013-14 Transportation Sales Tax Fund budget and eliminate what would otherwise be a negative fund balance.

Airport System

I am recommending a \$1.3 million decrease in appropriations, a \$1.2 million increase in revenue and a \$2.5 million decrease in the use of fund balance. Increase in revenue is due to the finalization of rates and charges assessed to air carriers and reduction in appropriation is largely due to the cancellation of minor construction projects.

Solid Waste Enterprise Capital Outlay

A \$3.3 million decrease in appropriations and use of fund balance is recommended due to a reduction in the amount of equipment being purchased.

Rural Transit

I am recommending a \$6,000 increase in appropriations, a \$5.3 million increase in revenue and a \$5.3 million decrease in use of fund balance. These adjustments are primarily related to the timing of work on certain projects. When the FY2013-14 Approved Recommended Budget was prepared, it was expected that these project expenditures would occur in FY2012-13. This did not occur, and the cost of the projects was included as a year-end encumbrance carry-forward. However, since the revenue to cover the projects was also not received in FY2012-13, the Rural Transit Fund's reserve for encumbrance exceeded the amount of fund balance available. This adjustment will include revenue sufficient to cover the encumbered contracts in FY2013-14.

Fixed Asset Revolving

A \$2.2 million increase in appropriations, a \$2.6 million increase in revenue and a \$500,000 reduction in use of fund balance is recommended. This Fund includes bond proceeds revenue that is loaned to County departments for capital purchases. When the annual budget for this Fund is prepared, it is based on estimates of borrowings and repayments in both the current year and the upcoming budget year. This adjustment reflects the fact that actual borrowing and repayments did not occur in FY2012-13 as estimated, resulting in changes in the amount of loan activity estimated to occur in FY2013-14.

Tobacco Litigation Settlement Capital Projects

We are recommending a \$6.1 million increase in appropriations and use of fund balance. This adjustment reflects revised timing of various capital projects. Certain capital expenditures that were anticipated to take place in FY2012-13 did not occur, resulting in an increase in beginning fund balance and the re-budgeting of those expenditures in FY2013-14.

Water Agency – Zone 11 – Drainage Infrastructure

A \$1.3 million increase in appropriations and use of fund balance is recommended for land purchases associated with channel improvements in Gerber Creek and Elder Creek, and for anticipated reimbursement payments and developer credits related to the Howe Avenue Storm Drain Pump Station Electrical Rehab Project.

Water Agency Enterprise

A \$2.9 million reduction in appropriations, a \$5.2 million increase in revenue and an \$8.1 million reduction in use of fund balance is recommended. The decrease in appropriations is due to the postponement of the Zone 40 Water Meter Retrofit Project, which will now begin in FY2014-15. The estimated increase in revenue is due to the rate increase and water service charge increase for Zones 40 and 41 recently approved by the Board, and an anticipated increase in Zone 40 development fees due to projected building permit activity. The increase in revenue and reduction in appropriations will result in a reduced need to use fund balance.

CONSTRUCTION IN PROGRESS

The County's Five Year Capital Improvement Plan will be brought to the Board as a separate item giving the Board an opportunity to review construction plans and equipment purchases for the coming year. Current year costs are included in the recommendations for the Adopted Budget.

RECOMMENDATIONS

1. Approve the attached Budget and Schedules amending the FY2013-14 Approved Recommended Budget and constituting adoption of the budget for FY2013-14 (Attachment C).
2. Direct the Department of Personnel Services to prepare an administrative Salary Resolution Amendment (SRA) to reflect the positions approved by the Board in the FY2013-14 Adopted Budget.
3. Direct the Department of Finance to prepare the FY2013-14 Budget Resolutions for Board consideration on Tuesday, September 24, 2013.

Respectfully submitted,

Bradley J. Hudson
County Executive

Attachments:

- Attachment A – Centrally Allocated Funds: Approved Recommended Budget
- Attachment B – Centrally Allocated Funds: CEO Budget Recommended for Adoption
- Attachment C – Budget and Schedules for FY2013-14