

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
May 11, 2005

To: Board of Supervisors

From: Municipal Services Agency

Subject: Approve Appropriation Adjustment Request No. 25-077 Releasing The General Fund Reserve For The Nexus Study Impact To The Department Of Planning And Community Development And The Department Of Animal Care And Regulation

Contact: Ray Yano, Principal Administrative Analyst, 874-6163

Overview

Using the General Fund Reserve for the Nexus Study Impact that the Board set aside during final budget, will supplant 53% of the revenue that Animal Care and Regulation is unable to obtain as a result of the Nexus Study conclusions and restore 53% of the Code Enforcement program revenue that will not be provided by the Sanitation Districts.

Recommendation:

That the Board:

1. Approve the attached Appropriation Adjustment Request No. 25-077 increasing the Department of Planning and Community Development appropriations by \$406,000, increasing the Department of Animal Care and Regulation appropriations by \$174,000, and reducing the General Fund Reserve for the Nexus Study by \$580,000.
2. Direct staff to complete a study of the actual cost benefits of Planning and Animal Care activities to other departments and return to the Board with policy recommendations for appropriate cost allocations.

Measures/Evaluation

Not applicable.

Fiscal Impact

Approval of AAR No. 25-077 reduces the General Fund reserve by \$580,000, increases the Planning and Community Development Department appropriations by \$406,000, and increases the Animal Care and Regulation Department appropriations by \$174,000.

BACKGROUND:

The former Public Works Agency agreed to support the majority of the Code Enforcement program beginning in 1992 and subsequently the expansion of the long range planning support in 2003 for the Planning and Community Development Department. In addition, beginning in 1999, the Public Works Agency expanded support of the field operations for the Department of Animal Care and Regulation. Prior to these financing changes, sales tax or property tax revenues had financed these activities.

In 2003-04, these payments reached a level of \$2,459,500. By program activity, \$1,523,000 supported Code Enforcement, \$561,500 supported long range planning and \$375,000 supported Animal Care field activities. In accordance with correspondence to the Board dated August 12, 2004, from Cheryl Creson, a Nexus Study was conducted in 2004 to evaluate whether a beneficial relationship existed between the recipient of the funding and the governmental units that were providing the funding. Conclusions from the study determined that there was not a reasonable nexus for \$330,000 (of the \$375,000) of the support payments made to the Department of Animal Care and Regulation. See the attached report for more details regarding the Nexus Study.

In a separate decision in 2004, the budget for the Sacramento Regional County Sanitation District and County Sanitation District 1 did not include \$788,534 support payment for the Planning Department code enforcement and long-range planning programs.

DISCUSSION:

During the final budget proceeding, your Board set aside a General Fund reserve of \$580,000 identified as the Reserve for the Nexus Study Impact as a safeguard against possible reduced funding of Code Enforcement and Animal Care programs. In response to the diminished funding for the Planning and Community Development and Animal Care and Regulation Departments totaling \$1,108,534, the Municipal Services Agency recommends that \$580,000 reserved for the Nexus Study be used to partially supplant the loss of revenues. The attached AAR distributes seventy per cent of the \$580,000 reserve (\$406,000) for the Planning and Community Development Department and the remaining thirty per cent (\$174,000) for the Animal Care and Regulation Department. The distribution restores 53% of the funding for both programs.

Staff has been collecting more detailed information on Planning and Animal Care program costs for the use in determining the benefits derived by funding departments. Sufficient information is now available for further analyses, and staff will attempt to make a determination of cost versus benefits for the funding departments prior to final fiscal year 2005-06 budget. Once a cost allocation of benefits derived for each funding department has been determined, staff will return to your Board with policy recommendations regarding appropriate funding levels.

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FINANCIAL ANALYSIS:

Approval of this appropriation adjustment request will reduce the General Fund reserve by \$580,000, increase the appropriations for the Planning and Community Development Department by \$406,000, and increase the appropriations for Animal Care and Regulation Department by \$174,000.

Respectfully submitted,

APPROVED:

STEVEN M. PEDRETTI, Director
Department of County Engineering

TERRY SCHUTTEN
County Executive

By: _____
Cheryl Creson, Administrator
Municipal Services Agency

COUNTY OF SACRAMENTO

1. REQUEST NUMBER

25-077

APPROPRIATION ADJUSTMENT REQUEST

2. Department Name
Planning & Community Development Dept

Department Name (if applicable)
Animal Care & Regulation Dept

3. Date
March 7, 2005

4. REQUEST ADJUSTMENT OF APPROPRIATION AS LISTED BELOW

	FUND#	INDEX#	ACCOUNT	ACCOUNT TITLE	AMOUNT
SOURCE OF FINANCING	001A	5705701	7100000	Reserve for Nexus Study Impact	\$ 580,000
USE OF FINANCING	001A	3220000	08800000	Reserve	174,000
	001A	6616654	08800000	Reserve	406,000

5. JUSTIFICATION (Attach Memo if Necessary)

See attached memo

Department Head
Geoff Davey, Chief Operating Officer

Department Head (if applicable)
Cheryl Creson, MSA Administrator

By *Geoff Davey*

Date

By *Cheryl Creson*

Date

3/7/05

6. ACTION

- Dept. Head Approval(s) only required
 Board Action Required
 Four-Fifths Vote Required

Auditor-Controller

By *Cheryl Ross*

Date
3/7/05

7. APPROVAL

- Approve
 Disapprove

County Executive

By *Geoff Davey*

Date

3/7/05

8. RESOLUTION

On a motion by Supervisor _____, seconded by Supervisor _____
the foregoing resolution was passed and adopted by the BOARD OF SUPERVISORS of the County of Sacramento, State of
California, this _____ day of _____ 19____ by the following vote, to wit:

AYES: Supervisors,

NOES: Supervisors.

ABSENT: Supervisors,

Resolution Number _____

CHAIR OF THE BOARD OF SUPERVISORS OF
SACRAMENTO COUNTY CALIFORNIA

(SEAL)

ATTEST: _____

CLERK OF THE BOARD OF SUPERVISORS

Distribution
(Board of Supervisor Approved)

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MUNICIPAL SERVICES AGENCY NEXUS STUDY

BACKGROUND

Beginning in the early 1990's concurrent with the large State budget impacts to the County's General Fund caused by the property tax shift known as "ERAF", the County Executive recommended to the Board of Supervisors that County enterprise funds reimburse certain General Fund departments for some of their activities. The justification for these reimbursements was the belief that certain General Fund activities in the Planning Department (i.e. code enforcement and long range planning) and Animal Care & Regulation Department provided benefits to our enterprise funds by achieving cost avoidance. For example, if the Code Enforcement arm of the Planning Department achieved reductions in illegal disposal of toxic liquid waste into sinks that entered the wastewater system, or into storm drains, it would provide benefits/avoid costs in the enterprise funds for the Regional Sanitation System, County Sanitation District No. 1, and the Stormwater Utility.

At the time that the reimbursements were first directed by the County Executive through the recommended budget, there was no scientific or independent objective study of the "nexus" between the General Fund activities and the enterprise funds' programs. Rather, the reimbursements were simply directed by the County Executive's Office and implemented by your Board through the approval of the budget each year. There has never been a legal challenge filed against these reimbursements. The County Taxpayer's League did threaten a lawsuit concerning transfers implemented about the same time in the early 1990's from Refuse Enterprise Fund to the General Fund. However, those transfers were justified under a completely separate legal theory (Franchise In Lieu Fee), but have since been stopped.

Over the past several years the amount of the reimbursements from the enterprise funds to Planning and Animal Care have grown substantially. Additional budget pressures in the County's General Fund have resulted in an expectation that the enterprise funds assist the General Fund further. As of fiscal year 2003-04, many of the department heads in the Municipal Services Agency were becoming increasingly uncomfortable with the magnitude/justification for the reimbursements. As a result, the County Executive agreed to proceed with a "nexus" study by an independent outside consulting firm to validate whether there was substantive justification for these reimbursements or not.

The Municipal Services Agency hired the consulting firm Maximus to perform a nexus study of the revenue streams funding contributions made by the departments of Transportation, Waste Management and Recycling, Water Resources, Water Quality (Sacramento Regional County Sanitation District and County Sanitation District No. 1), County Engineering (primarily Building Inspection) to the receiving departments of Planning and Community Development and Animal Care and Regulation. The study began in June 2004 with a review of legal code sections, ordinances, etc. that govern the collection and spending of revenues in the funding departments. The revenue review and analysis was followed by a review of the long range planning and code enforcement activities provided by Planning and Community Development as well as Animal Care and Regulation activities. In addition, a survey of ten California jurisdictions was performed to determine how other jurisdictions fund long range planning, code enforcement and animal care activities. Maximus prepared recommendations and findings regarding the nexus between the revenue streams providing contributions and the activities receiving contributions within the Municipal Services Agency.

No cost or value analysis has been performed. Without regard to that fact, and without precise analytic support, the current budget is structured with funding at a level similar to the 2003-2004 budget from departments where a nexus was shown.

SUMMARY OF STUDY FINDINGS

Nexus Determination

Maximus reviewed the legal authorities that allow the contributing departments to collect and spend revenue. That review became the basis upon which nexus findings were made. Although in some cases a significant amount of work may be associated with the operation of certain programs (e.g. Nuisance Abatement), the funding sources within the Funding Departments do not support a nexus that would allow continued funding of those activities. The following table from the Nexus Study (p.5) displays the nexus findings and determinations for the Funding Departments and the receiving activities. Where a nexus finding could be made, the designation is entered with a bold **Yes**. Where a nexus finding could not be made or the nexus was found to be weak, the designation is indicated by No or Weak.

Summary of Nexus Determinations

Function/Subfunction	Sewer-Regional	Sewer Collection	Drainage	Water Supply	Transportation	Waste Mgmt	Bldg Insp	Develop/Surveyor
Animal Control								
Dead Animal Pick-up	No	No	Weak	Weak	Yes	Yes	No	No
Live Animal Pick-up	No	No	No	No	Weak	No	No	No
Euthanasia	No	No	No	No	Weak	No	No	No
Nuisance Abatement	No	No	No	No	No	No	No	No
Code Enforcement								
Junk and Rubbish	No	No	Yes	Yes	Yes	Yes	No	No
Illegal Automotive Repair	Yes	Yes	Yes	Yes	No	No	No	No
Illegal Vehicle Storage (Operable)	Weak	Weak	Weak	Weak	Yes	No	No	No
Illegal Vehicle Storage (Inoperable)	Weak	Weak	Weak	Weak	Yes	No	No	No
Non-conforming and/or Illegal								
Business Practices and Uses	Yes	Yes	Yes	Yes	No	No	Yes	No
Illegal Residential Structures	Yes	Yes	Yes	Yes	No	Yes	Yes	No
Illegal Signs	No	No	No	No	Yes*	No	No	No
Substandard Housing	No	No	No	No	No	No	Yes	No
Illegal Occupancy Abatement	Yes	Yes	Yes	Yes	No	Yes	Yes	No
Advance Planning								
Long Range Planning	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
General Plan Support	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

* Discussions with Maximus after report publication determined a nexus.

Animal Control Activities – A nexus could be found between the Departments of Transportation and Waste Management for dead animal pick-up. A weak nexus was found between the Department of Transportation and Live Animal pick-up and Euthanasia activities.

Advance Planning Activities – Maximus determined that a nexus could be found between all funding departments and the Long Range Planning and General Plan activities. However, jurisdictions typically “support planning functions with General Fund monies, or partially offset their costs with fees and/or State reimbursements.”

Code Enforcement Activities – A nexus could be found for some code enforcement activities as indicated in the table above. A nexus was not found for Nuisance Abatement activities and only Building Inspection was found to have a nexus with the Substandard Housing program. Only Transportation was found to have a nexus with Illegal Vehicle Storage (operable and inoperable) and only so far as the vehicles “impede the flow of traffic on a roadway or otherwise cause a traffic hazard.”

Value of Benefits to Contributing Departments

Maximus also indicated that in many cases there “appears to be a nexus between the revenues and the services and benefits provided by those funds. However, the level of measurable support that may be provided to those departments (as opposed to the other entities that may also provide financial support for those functions) has not yet been determined.”

Jurisdictional Survey

The jurisdictions surveyed included the Counties of Alameda, Riverside, San Bernardino and San Diego. The cities surveyed included Anaheim, Fresno, Long Beach, Oakland, San Jose and City and County of San Francisco. Survey jurisdictions were selected in an effort to find similar programs and/or populations served. The survey was performed to determine how other jurisdictions funded Planning, Code Enforcement and Animal Care activities. Maximus found that “no two jurisdictions are alike in their mix of service delivery or the methods of delivering those services.” Any conclusions regarding the survey must bear that in mind. Generally, Sacramento County was found to be the most creative in identifying and using other funding alternatives for the Planning, Code Enforcement and Animal Care programs. “...among those jurisdictions surveyed, none has adopted the revenue strategies employed by the County of Sacramento (at the time of this report). Most have adopted fee structures or surcharges on other fees to support the three functions under review. Most also use the General Fund in part to support the three functions.”

Funding Strategy

Direct cost recovery - In cases where a responsible party or violator could be identified, Maximus recommends recovering the cost of service from that responsible party. Maximus concluded “while nexus determinations can be made for many of the functions provided by Animal Control, Code Enforcement, and Advance Planning with other MSA departments, it is often the case, and usually preferred that revenues for those three functions be acquired through directly-generated activities.”

Allocation Methodologies – Maximus recommends where a nexus exists, and responsible parties cannot be identified from whom to recover the cost of service, an allocation methodology be developed that is fair, representative of the benefits received and the cost of services provided. Many of the programs have not historically captured data that will support an allocation methodology based on service counts and related costs. Additional data collection is ongoing for

development of an allocation methodology, which analyzes the cost of services and the benefits received by those Funding Departments found to have a nexus to the services.

FUTURE ACTIONS

Maximus thoroughly reviewed the authorities that govern the revenue streams of the funding departments and the Planning and Animal Care activities that are funded by those revenue streams. Although a nexus was found in many instances, a strict allocation methodology was not established due to lack of data that could be used to determine the actual costs of services and/or the benefit derived by the funding departments. Once the cost and service data is collected and the benefit can be derived, allocation methodologies must be developed which support the recovery of service costs primarily from the responsible parties (e.g. property owners, vehicle owners, animal owners, etc.) with any remaining unfunded needs to be considered for support by the Funding Departments within the Municipal Services Agency.

Finally, it should be noted that Maximus did a nexus review and analysis. Maximus did not make legal findings or determinations nor was that prescribed by the scope of work outlined in the contract between Maximus and Sacramento County. Final legal determinations and findings rest with County Counsel.

Planning & Animal Care Allocation Summary
Comparison Pre vs. Post Nexus
FY 04-05 (revised 2/17/05)

ANIMAL CARE:

PLANNING:

Budgeted Entity	Pre-Nexus (04/05 Budget)	Post-Nexus (04/05 YE est. & 05/06 budget)	Budgeted Entity	Pre-Nexus (04/05 Budget)	Post-Nexus (04/05 YE est. & 05/06 budget)	
SRCSD	0	0	SRCSD	327,065	395,684	(see Note)
CSD1	0	0	CSD1	324,224	392,350	(see Note)
Drainage	48,866	0	Drainage	187,026	213,769	
Wat Sup	0	0	Wat Sup	69,638	84,247	
DOT	185,166	25,549	DOT	499,979	442,705	
DWMR	140,968	19,451	DWMR	484,626	319,503	
BID	0	0	BID	169,312	220,002	
LDSIR	0	0	LDSIR	7,724	5,493	
Tech Res	0	0	Tech Res	6,682	4,754	
IFS	0	0	IFS	7,724	5,493	
			adjustment unrelated to nexus study:		(788,034)	(see Note)
Proposed General Fund	0	330,000	Proposed General Fund	0	788,034	(see Note)
	375,000	375,000		2,084,000	2,084,000	

Note:

Proposed General Fund support of \$330,000 to Animal Care to offset reduction due to nexus study;
 SRCSD/CSD1 total amount of \$788,534 not budgeted/paid in FY 04/05; not anticipated to be budgeted/paid in FY 05/06; unrelated to nexus study;
 Proposed General Fund support of \$788,034 to Planning to offset SRCSD/CSD1 not paying in 04/05 or 05/06