

County Executive

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**County of
Sacramento**

Board of Supervisors

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September 9, 2014

Members of the Board of Supervisors

County of Sacramento

700 H Street, Suite 1450

Sacramento, CA 95814

**Re: Fiscal Year 2014-15
Budget Adoption**

Honorable Members of the Board:

I am honored to present for your guidance and direction the Adopted Budget recommendations for Fiscal Year 2014-15. The spending plan submitted today has been carefully crafted to address the Board's policy objectives while responsibly balancing fiscal reality and public service expectations. Improving economic conditions, the receipt of additional discretionary resources, and fiscal prudence by your managers and employees once again provide the opportunity to restore funding to your service priorities and repay a significant portion of the internal fund transfers used to mitigate the impact of the "Great Recession" on our employees and those we serve.

Unaudited year-end General Fund balance for FY2013-14 is \$43.9 million compared to \$25 million projected in the FY2014-15 Approved Budget. In addition, based in part on actual FY2013-14 receipts, we have revised our discretionary revenue and reimbursement estimates for FY2014-15 from \$506.4 million to \$520.6 million. The budget presented today allocates this additional fund balance and discretionary revenue, a total of approximately \$33.1 million, to critical County activities. A sampling of recommended Net County Cost adjustments to the FY2014-15 Approved General Fund Budget include:

- The repayment of \$12.9 million of the amount previously transferred to the General Fund from other County funds;
- A \$3 million increase in General Fund reserves to cover potential audit repayment obligations in Mental Health, bringing the total reserve for this purpose to \$5 million;
- The allocation of \$5 million to the Sheriff's budget, \$500,000 to the Probation budget and \$850,000 to the District Attorney's budget to address challenges identified at June budget hearings;

- A \$1.5 million increase in the General Fund Contingency appropriation, bringing the Contingency to a total of approximately \$2.7 million, and with the Raley Field Debt Service Reserve included the total would be \$5.7 million;
- A \$650,000 increase in appropriations for various departments to account for contract encumbrance carry-forwards;
- The allocation of approximately \$4.6 million to the Community Development Department to address various service priorities including \$4.2 million for transportation improvements and funding for graffiti removal services, funding for three new Code Enforcement positions and full funding for a Community Prosecutor position that was partially funded by a grant in the Approved Budget.
- The investment of approximately \$3.6 million to address other Board priorities including Animal Care staff, staff and fire risk reduction programs in Regional Parks, pre-development costs for a the new Orangevale Library, enhanced staffing for public health homeless outreach, a representative payee program in Health & Human Services, preliminary work associated with the purchase of a new property tax system, and additional funding for economic development efforts.

These augmentations are in addition to service enhancements approved by your Board in June that include a robust array of safety net services, public safety funding, animal care, regional parks, community organizations and a number of other Board priorities.

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. Increased debt service costs, negotiated salary and benefit obligations, deferred maintenance on County facilities, critical technology improvements and \$48.4 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 an arduous process undertaken by all County departments to ensure that the County's financial plan meets the Board's fiscal and public service requirements. Our employees are to be congratulated for the diligence and creativity with which they have pursued this year's budget process. The underpinnings of this budget are solid, and are 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 FY2014-15 budget maintains existing service levels and augments priority programs, honors commitments to our employees, and makes a substantial repayment of past internal transfers. As always, your leadership has been essential in our crafting of 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 FY2014-15 Adopted All Funds Budget is recommended at \$3,722,736,822 which represents a 3.8% increase compared to the Budget approved by your Board on June 18, 2014. A more detailed comparison of the two budgets is shown below:

Fiscal Year 2014-15 Approved Budget Compared to Recommended For Adoption Budget			
All County Funds			
Fund	FY 2014-15 Approved Budget Requirements	FY 2014-15 Recommended For Adoption Requirements	Variance
General Fund	2,165,744,216	2,201,593,739	35,849,523
Economic Development	37,748,898	51,260,148	13,511,250
Environmental Management	20,673,395	20,990,412	317,017
Golf Fund	7,628,479	7,724,040	95,561
Transient Occupancy Tax	578,469	823,559	245,090
Transportation	169,344,010	206,533,345	37,189,335
Water Resources	157,863,014	177,008,726	19,145,712
Airport System	239,278,234	241,268,061	1,989,827
Waste Management and Recycling	91,050,897	96,585,028	5,534,131
Capital Projects Funds	36,424,409	42,958,336	6,533,927
Debt Service Funds	42,947,900	42,184,311	(763,589)
Other Special Revenue Funds	48,161,647	51,260,912	3,099,265
Other Enterprise Funds	3,601,005	4,105,149	504,144
Other Internal Service Funds	358,019,083	363,663,799	5,644,716
Other Special Districts and Agencies	205,814,994	214,777,257	8,962,263
Total	3,584,878,650	3,722,736,822	137,858,172

These budget increases are primarily the result of increases in the General Fund, Economic Development Fund, transportation funds and water resources funds as described more fully below.

THE GENERAL FUND BUDGET

Approved Budget

At budget hearings in June, the Board considered my Recommended Budget for FY2014-15 and approved it with a number of changes, including changes in discretionary and semi-discretionary funding. These changes to the General Fund Budget enhanced funding for a variety of priority programs. Significant elements of these changes included the following:

Centrally Allocated Resource Changes at Approval	
Additional Supplemental Property Tax Revenue	\$300,000
Additional SB 90 Reimbursements	\$2,004,000
DHHS (Increased Realignment Revenue)	\$1,175,000
Total Additional Resources Available	\$3,479,000
Financing Transfers/Reimbursements (Additional Net County Cost transfer to TOT Fund and CSA 4-B)	\$310,000
Animal Care and Regulation (Net County Cost increase)	\$249,000
Community Development (Net County Cost increase)	\$190,000
Non-departmental Costs (Net County Cost increase for Cemetery Commission)	\$15,000
District Attorney (Net County Cost increase)	\$1,000,000
Public Defender (Net County Cost increase)	\$350,000
DHHS (Realignment Increase)	\$1,175,000
DHHS (Net County Cost Increase)	\$150,000
Sheriff (Net County Cost increase)	\$40,000
Total Increase	\$3,479,000

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

FY2014-15 Adopted Budget

The County's FY2014-15 General Fund Adopted Budget totals \$2,196,094,184 in appropriations which represents an increase of \$32,349,968, or 1.5%, compared to the FY2014-15 Approved Budget. A more detailed comparison of the FY2014-15 Approved and FY2014-15 Adopted Budget for the General Fund is shown below:

GENERAL FUND BUDGET

FY2014-15 Approved, FY2014-15 Adopted

	FY2014-15 <u>Approved</u>	FY2014-15 <u>Adopted</u>	<u>Difference</u>
Resources			
Beginning Balance ¹	25,000,000	43,921,611	18,921,611
Use of Reserves	0	694,964	694,964
Discretionary Revenue	497,940,345	507,501,492	9,561,147
Semi-discretionary Revenue	562,998,015	563,503,746	505,731
Other Departmental Revenue	<u>1,079,805,856</u>	<u>1,085,971,927</u>	<u>6,166,071</u>
Total Revenue	<u>2,140,744,216</u>	<u>2,156,977,165</u>	<u>16,232,949</u>
Total Resources	2,165,744,216	2,201,593,739	35,849,523
Requirements			
Expenditures	2,170,965,981	2,206,491,657	35,525,676
Discretionary Reimbursements	(8,435,153)	(13,109,634)	(4,674,481)
Contingency	<u>1,213,388</u>	<u>2,712,161</u>	<u>1,498,773</u>
Total Appropriations	2,163,744,216	2,196,094,184	32,349,968
Provision for Reserves	<u>2,000,000</u>	<u>5,499,555</u>	<u>3,499,555</u>
Total Requirements	2,165,744,216	2,201,593,739	35,849,525

Fund Balance and Reserves

The General Fund's unaudited FY2013-14 ending fund balance, which becomes the beginning fund balance for FY2014-15, totals \$94,354,469. This includes \$50,432,858 in reserves, consisting of Teeter and Pension Obligation Bond reserves and a \$32.4 million Reserve for Cash Flow, and an unrestricted balance of \$43,921,611. The unrestricted balance is approximately \$18.9 million higher than identified in the FY2014-15 Approved General Fund Budget. This increase reflects the difference between FY2013-14 year-end revenue and expenditure estimates and actual FY2013-14 revenue and expenditure numbers. The major contributors to this difference include:

- A \$15.3 million increase in discretionary revenue and reimbursements compared to year-end estimates, including a \$4.9 million increase in Secured Property Tax revenue, a \$5.6 million increase in Teeter revenue and reimbursements, a \$1.4 million increase in Supplemental Property Tax revenue and a \$1.1 million increase in Revenue Neutrality payments from different cities.
- A \$34.4 million reduction in FY2013-14 departmental expenditures compared to year-end estimates, partially offset by a \$30.8 million reduction in departmental revenue, for a reduction in Net County Cost of approximately \$3.6 million. The budget units with the largest reductions in Net County Cost compared to year-end estimates included the following: Human Assistance-Aid Payments which had a \$4.9 million reduction in Net County Cost due primarily to the one-time accrual of \$4.5 million in

¹ Available (unreserved/restricted) fund balance

revenue (reflecting a change in accrual practices); the Probation which had a \$2.3 million reduction in Net County Cost due primarily to the one-time receipt of \$2.7 million in unspent SB678 funds from fiscal years 2011-12 and 2012-13; the Sheriff's Department which had a \$2.3 million reduction in Net County Cost due to a \$5.4 million increase in revenue from various sources, partially offset by a \$2.9 million increase in expenditures; and, IHSS Provider Payments which had a \$2.3 million reduction in Net County Cost due primarily to the receipt of prior year cost settlement revenue and federal and state reimbursements in excess of the County's MOE requirement. These and other Net County Cost reductions were partially offset by Net County Cost increases in some budget units including a \$3.4 million increase in Health-Medical Treatments due to lower than anticipated reimbursements related to the Low Income Health (LIHP) program.

The Adopted Budget includes a net \$195,000 reduction in Teeter reserves reflecting a decrease in the amount of reserves that need to be set aside for the Teeter Plan based on an analysis of Teeter reserve requirements by the Finance Department. In addition, a \$3 million increase in reserves is proposed to bring the total Reserve for Mental Health Audit Repayments to \$5 million (the \$2 million provision for reserve in the Approved Budget was also for this purpose). Health & Human Services staff is still in discussions with the State regarding the two most recent Mental Health audits and we do not know exactly how much repayment will be required. At this point, the estimate is somewhere between \$4 million and \$10 million.

Discretionary Revenue and Reimbursements

The Adopted Budget includes approximately \$14.2 million, or 2.8%, more in discretionary revenue and reimbursements than the Approved Budget. This is the net result of increases and decreases in a number of revenue sources as shown in the following table:

**Discretionary Revenue & Reimbursements
(Amounts Expressed in Thousands)**

	FY2013-14 Estimated Year- end	FY2013-14 Actual	FY2014-15 Approved Budget	FY2014-15 Adopted Budget	Difference Approved Adopted	- to
Property Tax- Secured/VLF In-lieu	308,454	313,383	325,419	330,619	5,200	
Other Property Tax	13,229	14,802	20,246	20,246	0	
Sales & In-Lieu Sales Tax	73,374	73,284	74,321	75,244	923	
Redevelopment Property Tax Repayment	1,663	2,721	866	2,000	1,134	
Teeter Reimbursement/Revenue	8,975	14,542	7,575	13,559	5,984	
SB 90 Repayment	0	0	2,004	2,736	732	
Other	77,688	79,663	75,945	76,207	262	
Total	483,383	498,305	506,376	520,611	14,235	

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

- A \$5.2 million (1.6%) increase in Secured Property Tax and Property Tax In Lieu of Vehicle License Fee (VLF) revenue. The Secured Property Tax revenue estimate in the Approved Budget reflected the Assessor's estimate that FY2014-15 property tax

revenue would grow by 5.5% over the amount received in FY2013-14. As indicated above, actual FY2013-14 Secured Property Tax revenue came in higher than estimated, thus the 5.5% increase was applied to a higher FY2013-14 number.

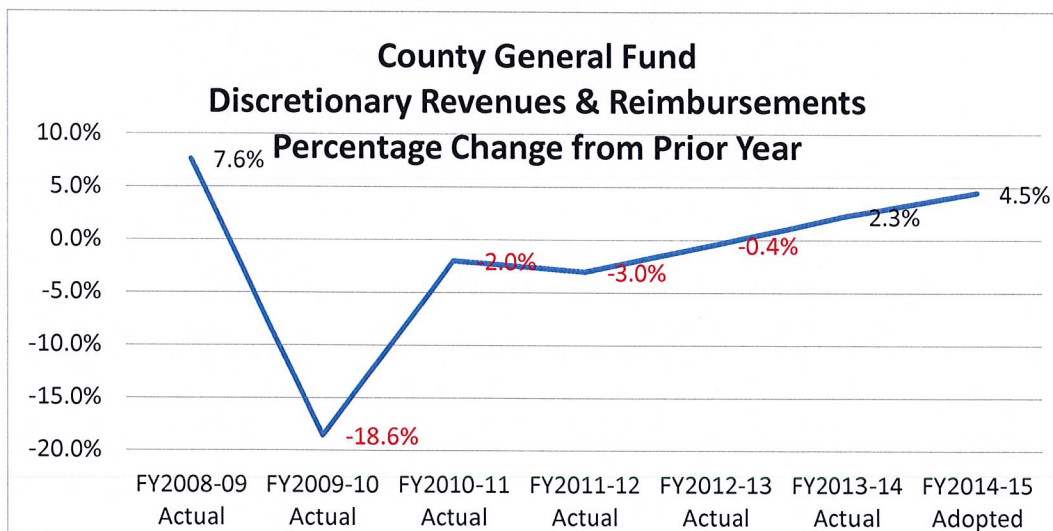
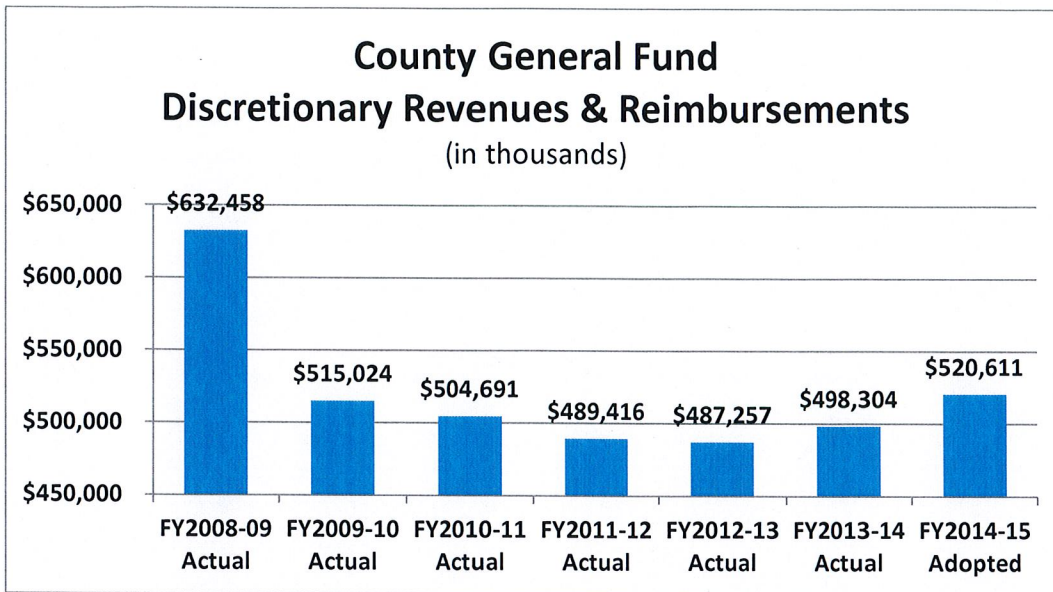
- A \$6 million (79%) increase in Teeter revenue and reimbursements. Teeter reimbursement and revenue estimates were revised after discussions with the Department of Finance and the Tax Collector. The revised estimates take into account FY2013-14 actual delinquencies, the most recent trends in delinquency rates and updated information on the balances of prior year's notes outstanding. In general, we expect to see a continued decline in Teeter revenue and reimbursements as the economy improves, but we do not expect the rate of decline to be as steep as originally projected.
- A \$1.1 million increase in property tax revenue being repaid to the County due to the dissolution of redevelopment agencies by the State. This is a relatively new revenue source and, with no history to draw upon, estimating the amount the County will receive in any year has been difficult. In FY2012-13, the County received \$1.4 million from this source and in FY2013-14 we received \$2.7 million. According to the Department of Finance, approximately \$700,000 of the FY2013-14 revenue from this source reflected one-time payments related to the return of money in certain redevelopment agencies' fund balances. The Department of Finance believes that \$2 million represents the amount the County can expect to receive on an on-going basis.
- A \$923,000 (1.2%) increase in Sales and Property Tax in Lieu of Sales Tax revenue. Based on information provided by the County's sales tax consultants and year-to-date revenue collections, the Approved Budget assumed that revenue from this source in FY2014-15 would grow by approximately 1.2% compared to the amount received in FY2013-14. Based on more recent information, the Adopted Budget assumes that revenue from these sources will grow by closer to 2.7%.

As you are aware, a key issue in terms of the General Fund's long-term fiscal condition is the rate of growth in discretionary resources. The General Fund Five Year Sensitivity Analysis, presented in the FY2014-15 Approved Budget, suggested that total annual discretionary revenue and reimbursement growth would need to be in the 5% to 6% range for the General Fund to be in structural balance over the next five years.²

Based on FY2013-14 actual discretionary revenue and reimbursement numbers, it appears that FY2014-15 will be the second year of growth in discretionary revenue and Reimbursements since FY2008-09. The following graphs show the actual amount of discretionary revenue and reimbursements received (and percent changes) since FY2007-08 and the estimated amount included in the FY2014-15 Adopted Budget.³

² The General Fund Five Year Sensitivity Analysis is currently being updated and a revised version will be presented to your Board at Budget Adoption Hearings.

³ These numbers include one-time revenue and reimbursements.



As can be seen, after a dramatic 18.6% (approximately \$117 million) decrease in FY2009-10, the annual rate of decline in discretionary revenue and reimbursements settled in at the 2% to 3% range (\$10 million to \$15 million), until FY2012-13, when discretionary revenue and reimbursements declined by only 0.4% (approximately \$2 million). In FY2013-14, discretionary revenue and reimbursements grew by 2.3% (approximately \$11 million) and the FY2014-15 Adopted Budget reflects an estimated 4.5% (approximately \$22.3 million) increase compared to the prior year actual number. Given this, based on the cost and revenue assumptions used in the Approved Budget Sensitivity Analysis, unless the rate of growth in discretionary revenue and reimbursements increases, it is doubtful the General Fund will achieve structural balance in the next five years.

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

The FY2014-15 Adopted Budget includes a Net County Cost of approximately \$559.8 million which represents an increase of approximately \$30.4 million, or 5.7%, compared to the Approved Budget. The recommended allocations are summarized in the following table:

**General Fund Allocations for FY 2014-15 Recommended for Adoption Budget
As Compared to FY 2014-15 Approved Budget**

DEPARTMENT	FY 2014-15 Approved	FY 2014-15 Recommended for Adoption	Variance
ELECTED OFFICIALS			
Assessor	8,827,737	8,827,737	0
Board of Supervisors	3,137,512	3,352,512	215,000
District Attorney	49,336,926	50,186,926	850,000
Sheriff	186,754,258	191,754,258	5,000,000
Correctional Health	30,427,331	30,427,331	0
Subtotal	278,483,764	284,548,764	6,065,000
COUNTYWIDE SERVICES			
Human Assistance-Aid Payments	23,772,091	23,772,091	0
DHA Administration	10,631,542	11,046,830	415,288
Health & Human Services	8,742,332	9,277,915	535,583
Probation	56,300,440	56,950,440	650,000
Courts	35,257,366	35,356,166	98,800
Public Defender and Conflict Defenders	38,536,622	38,947,906	411,284
Medical Treatment Payments	10,830,628	10,858,517	27,889
In-Home Supportive Services (IHSS)	2,584,161	2,584,161	0
Voter Registration and Elections	7,358,063	7,358,063	0
Other Countywide Services	15,173,926	15,330,107	156,181
Subtotal	209,187,171	211,482,196	2,295,025
MUNICIPAL SERVICES			
Animal Care & Regulation	4,635,652	4,829,772	194,120
Community Development	2,996,490	7,645,471	4,648,981
Regional Parks	3,653,517	4,174,114	520,597
Subtotal	11,285,659	16,649,357	5,363,698
INTERNAL SERVICES			
Finance Department	306,556	464,300	157,744
Other Internal Services	100,300	136,648	36,348
Subtotal	406,856	600,948	194,092
GENERAL GOVERNMENT	30,012,048	46,446,880	16,434,832
TOTAL	529,375,498	559,728,145	30,352,647

In some cases, though, increases in Net County Cost (or General Fund Contribution) offset reductions in Semi-discretionary revenue (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 to all departments in the FY2014-15 Approved Budget and the FY2014-15 Adopted Budget.

Centrally Allocated Resources

Net County Cost, Semi-Discretionary Resources

	Approved June 2014	Adopted September 2014	Difference
AG COMM-SEALER OF WTS & MEASURES	1,172,387	1,172,387	-
ANIMAL CARE AND REGULATION	4,635,652	4,829,772	194,120
APPROPRIATION FOR CONTINGENCY	1,213,388	2,712,161	1,498,773
ASSESSOR	8,827,737	8,827,737	-
BOARD OF SUPERVISORS	3,137,512	3,352,512	215,000
CARE IN HOMES AND INSTITUTIONS	283,250	283,250	-
CIVIL SERVICE COMMISSION	318,089	318,089	-
CLERK OF THE BOARD	1,128,714	1,128,714	-
COMMUNITY DEVELOPMENT	2,996,490	7,645,471	4,648,981
CONFLICT CRIMINAL DEFENDERS	9,393,164	9,577,164	184,000
CONTRIBUTION TO LAFCO	228,833	228,833	-
COOPERATIVE EXTENSION	329,892	336,073	6,181
CORONER	6,135,333	6,135,333	-
CORRECTIONAL HEALTH SERVICES	37,352,669	37,352,669	-
COUNTY COUNSEL	2,039,299	2,186,783	147,484
COUNTY CLERK / RECORDER	-	25,006	25,006
COUNTY EXECUTIVE	1,035,338	1,035,338	-
COUNTY EXECUTIVE CABINET	-	238,575	238,575
COURT / COUNTY CONTRIBUTION	24,662,956	24,761,756	98,800
COURT / NON-TRIAL COURT FUNDING	10,594,410	10,594,410	-
DATA PROCESSING-SHARED SYSTEMS	7,904,194	8,254,194	350,000
DEPARTMENT OF FINANCE	306,556	464,300	157,744
DEPARTMENT OF REVENUE RECOVERY	-	11,342	11,342
DISTRICT ATTORNEY	62,437,753	63,201,154	763,401
EMERGENCY OPERATIONS	478,902	478,902	-
FAIR HOUSING SERVICES	150,000	150,000	-
FINANCING-TRANSFERS/REIMB	1,426,841	2,276,841	850,000
GRAND JURY	310,675	310,675	-
HEALTH AND HUMAN SERVICES	190,145,703	190,681,286	535,583
HEALTH-MEDICAL TREATMENT PAYMENTS	11,830,628	11,858,517	27,889
HUMAN ASSISTANCE-ADMIN	18,665,059	19,080,347	415,288
HUMAN ASSISTANCE-AID PAYMENTS	151,520,099	151,520,099	-
IHSS Provider Payments	50,961,650	50,961,650	-
JUVENILE MEDICAL SERVICES	7,320,545	7,470,545	150,000

NON-DEPARTMENTAL COSTS/GF	14,088,450	27,938,450	13,850,000
OFFICE OF INSPECTOR GENERAL	100,300	100,300	-
PROBATION	99,994,558	100,869,504	874,946
PUBLIC AUTHORITY	327,292	327,292	-
PUBLIC DEFENDER	29,627,918	29,855,202	227,284
REGIONAL PARKS	3,653,517	4,174,114	520,597
Reserve	1,000,000	1,000,000	-
SHERIFF	317,216,187	322,083,571	4,867,384
VETERAN'S FACILITY	15,952	15,952	-
VOTER REGISTRATION/ ELECTIONS	7,358,063	7,358,063	-
WILDLIFE SERVICES	47,558	47,558	-
	1,092,373,513	1,123,231,891	30,858,378

As can be seen, the amount of Net County Cost and Semi-discretionary resources allocated to programs in the Adopted Budget is approximately \$30.9 million, or 2.8%, greater than the FY2014-15 Approved Budget level. A discussion of the major proposed changes in Net County Cost or Semi-discretionary revenue for selected General Fund budget units is provided below.

Animal Care & Regulation

A \$194,000 appropriation and Net County Cost increase is recommended to fund an additional Senior Animal Control Officer, Animal Control Officer and Senior Office Assistant. The Senior Animal Control Officer will allow both field and kennel operations to have leadership teams to provide better oversight and adequate direction for staff that provide services directly to the public and give attention and care to animals at large and in the shelter. The Animal Control Officer position will increase the department's ability to address calls for service including those in more remote locations of the County. The Senior Office Assistant position will provide additional staffing to process both public counter and mail-in licensing transactions, process adoption and animal admission transactions when the shelter is open to the public, and provide back-up to the Department's dispatcher.

Financing Transfers/Reimbursements

I am recommending an \$850,000 increase in appropriations and Net County Cost. \$750,000 of this increase represents a transfer of General Fund resources to the Capital Construction Fund (CCF) to pay for pre-development costs associated with the construction of a new Orangevale Library. The remaining \$100,000 reflects a transfer of General Fund resources to the Economic Development Fund to cover costs related to the formation of new Business Improvement Districts (\$84,000) and travel costs (\$16,000).

The County's Capital Improvement Plan (CIP), approved by the Board in June proposed to spend a total \$10 million over three years, starting in FY2016-17, to fund the construction of a new Orangevale Library. The CIP indicated that \$5 million of the cost would be financed by a loan from the Fixed Asset Acquisition Fund (FAAF) with repayment from impact fees. The source of the remaining \$5 million was unidentified. I am recommending that we include General Fund resources for design work on this project now.

Conflict Criminal Defenders

A \$184,000 increase in appropriations and Net County Cost is recommended to cover the cost of potential contract rate increases for attorney's providing criminal defense services. Contract rates for attorneys providing these services were last increased in 2013 but continue to lag the rates paid by the federal government for contract public defender services.

Data Processing Shared Systems

A \$350,000 increase in appropriations and Net County Cost is recommended to fund preliminary costs related to the purchase of a new property tax system. The Technology Improvement Plan, reviewed by the Board in March, proposed to spend \$4 million a year in General Fund resources over five years, starting in FY2015-16, to actually purchase the new system. The \$350,000 in the FY2014-15 Adopted Budget would be used to cover consultant and other costs associated with selecting an appropriate vendor.

Community Development

I am recommending a \$5.35 million increase in appropriations, \$737,000 increase in departmental revenue and \$4.65 million increase in Net County Cost. The increase in Net County Cost will fund the addition of two Code Enforcement Officers and an Office Assistant in Code Enforcement, provide funding for a full year of Community Prosecutor services from the District Attorney's Office (the Approved Budget included grant funding for half a year), and provide for the one-time expenditure of \$4 million in General Fund resources for road maintenance and other transportation projects, and a \$228,000 allocation for graffiti removal efforts. The remaining appropriation increase is due primarily to the addition of 6 Building Inspection-related positions – 2 Building Inspectors, 3 Engineering Technician IIs and a Senior Office Assistant – and two Survey positions – an Associate Land Surveyor and Survey Party Chief. Funding for these positions will come from the Building Inspection Fund and survey-related fee revenue.

The additional Code Enforcement staff and funding for graffiti removal are part of an on-going enhancement of the County's neighborhood livability efforts. I am recommending that the one-time transfer of \$4 million for transportation projects be allocated as follows: \$500,000 for backlogged Neighborhood Traffic Management Program projects, \$2 million apportioned equally for transportation projects in each supervisorial district (\$400,000 per district) and \$1.5 million to be allocated according to the Board's approved road maintenance allocation policy. As you are aware, the County has a significant backlog of road maintenance needs – over \$450 million in road maintenance expenditures would be needed to bring County roads up to a "good to excellent" pavement condition. The additional \$1.5 million allocated specifically for road maintenance activities will allow for the pavement of approximately 3.75 miles of minor residential streets, and help us get a head start on meeting some of the more critical maintenance needs.

Non-departmental Costs/General Fund

I am recommending a \$13.35 million increase in appropriations and Net County Cost. \$12.9 million of this increase will be used to repay a portion of the money transferred to the General Fund from other County funds during the Great Recession. With this \$12.9 million repayment, the remaining un-repaid balance will be \$48,352,392. 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 FY2014-15 and the remaining balances:

Fund/Fund Center	Current Balances - 6/30/14	Proposed Repayment	for	Remaining Balance
Water Resources	9,168,491	9,168,491		0
Workers Compensation	43,783,901	3,731,509		40,052,392
Clerk-Recorder- Conversion	3,300,000	0		3,300,000
Clerk-Recorder- Modernization	5,000,000	0		5,000,000
TOTAL	61,252,392	12,900,000		48,352,392

The remaining increase in appropriations and Net County Cost will provide funding for any contracted management, organizational or policy-related studies or analyses that may be needed during the fiscal year

District Attorney

I am recommending a \$1.5 million increase in appropriations, \$661,000 increase in revenue and \$850,000 increase in Net County Cost. The increase in Net County Cost will provide funding the Department has identified as needed to maintain current service levels. My Recommended FY2014-15 Budget for the District Attorney's Office reflected a funding level that was \$2.25 million less than what the department said was needed to maintain current service levels. At Approved Budget hearings, the Board reduced that shortfall by providing the Department with an additional \$1 million in Net County Cost. Since Approved Budget hearings, the estimated cost of maintaining current service levels increased by approximately \$483,000 (due primarily to a negotiated labor agreement with the union representing attorneys), and an additional \$661,000 in departmental revenue was identified (primarily additional Proposition 172, Vehicle Theft and grant revenue from various sources). With the additional \$850,000 in Net County Cost, and funding contained in the Community Development Department, the District Attorney can generally maintain existing service levels and augment the Community Prosecutor Program.

Appropriation for Contingency

I am recommending a \$1.5 million increase in appropriations and Net County Cost which will increase the General Fund Contingency to \$2.71 million. My Recommended FY2014-15 Budget included a \$1.2 million General Fund Contingency, but noted that a \$2.9 million debt service contingency for Raley Field and Sacramento Regional Arts Facilities will be available to use as a General Fund Contingency if it is not needed to cover debt service costs. Even at

\$4.1 million, the effective contingency was quite low for a General Fund with a budget of over \$2 billion, and over \$1 billion in discretionary and semi-discretionary resources, and very low unrestricted reserves. Given the General Fund's fiscal situation, I believe that a more prudent Contingency would be in the area of \$10 million – 1% of discretionary and semi-discretionary resources. The additional \$1.5 million I am recommending adding to the Contingency will provide an effective contingency of \$ 5.3 million which is still short of this target; however, I cannot recommend any more at this time given other important needs.

Regional Parks

I am recommending a \$710,000 increase in appropriations, \$190,000 increase in departmental revenue and \$520,000 increase in Net County Cost. Approximately \$415,000 of the increase in appropriations, \$100,000 of the increase in departmental revenue and \$315,000 of the increase in Net County Cost will fund the addition of new Park Ranger and Senior Accountant positions, the upgrade of an Administrative Services Officer II position to an Administrative Services Officer III, upgrade a Park Ranger position to a Park Ranger Supervisor, provide \$50,000 for additional fire risk reduction and \$100,000 for vegetation restoration programs in the American River Parkway. The additional \$100,000 in revenue comes from Habitat Restoration fees and will fund the vegetation restoration work.

Probation

I am recommending a \$1.03 million increase in appropriations, \$375,000 increase in departmental revenue and \$650,000 increase in Net County Cost. Approximately \$875,000 of the increase in appropriations and \$500,000 of the increase in Net County Cost will provide funding the department has identified as needed to maintain current service levels. The remaining \$150,000 in Net County Cost increase will be used to cover planning costs associated with re-opening the currently vacant Warren E. Thornton Youth Center to provide residential treatment for juveniles and to apply for a grant to create two multi-use, non-residential, juvenile treatment sites that would also function as neighborhood alternative centers.

Health & Human Services

I am recommending a \$5.03 million increase in appropriations, \$4.49 million increase in departmental revenue and \$536,000 increase in Net County Cost. Approximately \$439,000 of the increase in Net County Cost will fund a Public Health Nurse to augment homeless outreach services; and, 3 new positions and a vehicle for a new Representative Payee Program to assist vulnerable adults referred by Adult Protective Services, Mental Health and Alcohol and Drug Services.

The Adopted Budget also includes an additional \$27,000 in appropriations and revenue to upgrade an Administrative Services Officer III to a Division Manager Range B in the IHSS Public Authority Division, approximately \$1.2 million in appropriations and revenue to cover the cost of 11 additional positions needed to implement new federal rules affecting overtime in the IHSS program, and \$3.25 million in appropriations and departmental revenue to reflect the receipt of additional grant funding from a variety of sources including Emergency Preparedness, Ryan White HIV, Women Infants & Children (WIC), Refugee Health,

Wraparound Services (WRAP), Programs for Assistance in Transition from Homelessness (PATH)/Substance Abuse Mental Health Services Act (SAMHSA), and the 1st Five Commission.

Sheriff

I am recommending a \$4.7 million increase in appropriations, \$290,000 decrease in departmental revenue and \$5 million increase in Net County Cost. The increase in Net County Cost will provide the funding the Department has identified as needed to generally maintain current service levels. The Adopted Budget also includes an additional \$721,947 in appropriations and revenue which is the net result of the receipt or loss of funding from various sources. The Adopted Budget also includes the elimination of a vacant Senior Office Assistant position, the upgrade of a Deputy Sheriff to a Sergeant position, and the addition of 8 unfunded Deputy Sheriff and 4 unfunded Sergeant positions.

Human Assistance-Administration

I am recommending a \$1.17 million increase in appropriations, \$751,000 increase in departmental revenue and \$415,000 increase in Net County Cost. The increase in Net County Cost includes \$218,000 for the WIND Youth Services contract that is being transferred to DHA from DHHS (the Approved Budget amount of \$125,000 is being increased by \$93,000 in order to fully cover the cost of services) and \$192,000 to fund a proposed new Human Services Program Manager position that will provide general management and coordination of homeless programs in the County.

Approximately \$484,000 of the remaining increase in appropriations and revenue will fund the first quarter of the Mather Community Campus transitional housing and supportive services program for homeless families and individuals (the Program is being transferred to Sacramento Steps Forward, but the transfer has been delayed until after the first quarter of FY2014-15).

OTHER FUNDS

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

Roads

I am recommending a \$9.5 million increase in appropriations, a \$5 million increase in revenue and a \$4.5 million increase in use of fund balance. These increases are due primarily to the timing of work on certain projects. When the FY2014-15 Approved Budget was prepared, it was expected that certain project expenditures would occur in FY2013-14. This did not occur, and the cost of the projects needs to be re-budgeted. In some cases, these projects are funded by State and federal revenue, which then also needs to be re-budgeted. In other cases, resources on hand were not spent, thus providing for an increase in the Fund's beginning fund balance. In addition, approximately \$2 million of the additional beginning fund balance is the result of the receipt of one-time gas tax true-up revenue in FY2013-14. The true up was due to a previous error the State made in allocating this revenue to the counties.

The Roads Fund budget also includes the receipt and expenditure of \$4,228,000, transferred from the General Fund to pay for graffiti removal, road maintenance and other transportation needs. This money is reflected as a reimbursement to the Roads Fund, and thus there is no net impact on appropriations.

Capital Construction

A \$5.4 million increase in appropriations, \$1.6 million increase in revenue and \$3.8 million increase in use of fund balance is recommended due primarily to the timing of work on certain projects. As noted above with regard to the Roads Fund, the Approved Budget was based on certain assumptions about what project expenditures would occur in FY2013-14 and how much would need to be re-budgeted in FY2014-15. After fiscal year-end close, adjustments are necessary to account for the difference between estimates and actuals. A portion of the fund balance is also attributable to projects funded in the previous fiscal year that were not completed.

In addition to the need to re-budget due to revised project timing, there are additions to projects funded by other County departments. For the Adopted Budget, these additions include \$750,000 for architectural and engineering costs for a proposed new Orangevale Library funded by a General Fund Contribution. The cost of these additions is offset by the removal of one department funded project, the Waste Management and Recycling Compressed Natural Gas Fuel Station (approximately \$931,000). The Project was included in the Capital Construction Fund (CCF) Approved Budget but was also included in Waste Management & Recycling's FY2014-15 Capital Budget as well.

First Five Sacramento Commission

A \$2.09 million increase in appropriations, \$78,000 decrease in revenue and \$2.17 million increase in use of fund balance is recommended due primarily to the need to repay approximately \$1.5 million to the State based on a California Department of Health Care Services directive to recalculate Med-Care Administrative Activities (MAA) claims for three prior fiscal years using more recent time study data. In addition, the increase in appropriations is due to the timing of project expenditures (when the Approved Budget was prepared it was anticipated those expenditures would take place in FY2013-14, but they did not) and additional costs for some projects, such as a \$198,000 increase in costs for the Dental/fluoridation project.

Economic Development

I am recommending a \$13.5 million increase in appropriations, \$12.5 million increase in revenue and \$1.04 million increase in the use of fund balance. The primary reason for these increases is a \$10.2 million appropriation and revenue increase related to a recently approved environmental remediation project at the former McClellan Air Force Base which is funded by the United States Air Force. The remaining increase in appropriations, revenue and use of fund balance is due primarily to the timing of infrastructure projects at the former McClellan and Mather Air Force Bases.

Transportation Sales Tax

A \$13.5 million increase in appropriations, \$13.9 million increase in revenue and \$400,000 decrease in use of fund balance is recommended due primarily to the timing of work on certain projects. When the Approved Budget was being prepared, it was expected that certain projects would be completed in FY2013-14. Since this did not occur, the cost of these projects needs to be re-budgeted in FY2014-15. In most cases, revenue related to the projects will also be delayed resulting in the increase in departmental revenue.

Interagency Procurement (Fixed Asset Acquisition Fund)

A \$2.8 million increase in appropriations, \$408,000 decrease in revenue and \$3.2 million increase 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 FY2013-14 as anticipated which resulted in changes to the amount of loan activity estimated to occur in FY2014-15.

General Services

I am recommending a \$2.5 million increase in appropriations and use of fund balance. General Services ended FY2013-14 with an additional \$2.5 million in fund balance and the Adopted Budget includes those additional resources in an appropriation for Contingency. This money will be available to cover any unforeseen costs during FY2014-15 and, if not needed, will carry over as fund balance into FY2015-16 and help mitigate the need for any increase in rates charged to other County departments. Using this same approach, General Services was able to avoid rate increases in FY2014-15.

Solid Waste Enterprise Capital Outlay

I am recommending a \$2.3 million increase in appropriations and use of fund balance. The primary reason for these increases is the inclusion of \$1.6 million in funding to purchase four sideloader trucks as part of the process of converting the collection vehicle fleet from Liquefied Natural Gas (LNG) to Compressed Natural Gas (CNG). In addition, approximately \$600,000 of the increase in appropriations is due to timing of capital projects or purchases. When the Approved Budget was prepared, it was expected that certain projects would be completed in FY2013-14. This did not occur, and the cost of these projects or purchases needs to be re-budgeted in FY2014-15.

Rural Transit

I am recommending a \$3.6 million increase in appropriations, \$205,000 decrease in revenue and \$3.8 million increase in use of fund balance. In 2006, this fund was changed from a special revenue fund to an enterprise fund for financial reporting purposes, but continued to be treated as a special revenue fund for budget purposes. We are planning to change the fund to an enterprise fund in FY2015-16 for budget purposes as well. As part of that transition process, what was previously reserved fund balance is being shown as available and is appropriated, though we generally do not expect those additional appropriations to result in

actual expenditures. When the Rural Transit Fund becomes an enterprise fund for budget purposes, any available fund balance will be shown as part of retained earnings, as is appropriate for enterprise funds and is currently reflected in the County's financial documents.

Vineyard Facilities Financing Plan

A \$2.09 million increase in appropriations, \$25,000 increase in revenue and \$2.07 million increase in use of fund balance is recommended due primarily to the timing of work on certain projects.

Water Agency Zone 11 – Drainage Infrastructure

I am recommending a \$4.2 million reduction in appropriations and use of fund balance. The primary reasons for the reduction are a \$3.3 million reduction associated with the Howe Avenue Storm Drain Pump Station Electrical Rehab Project being delayed for one year, and \$1.6 million reduction due to the increase of Transfers-In associated with the FY 2013/14 and FY 2014/15 interfund transfer repayments from the General Fund. The decreases were partially offset by increased appropriations of \$0.2 million to provide funding for the Habitat Conservation Program, and \$0.5 million increase due to increased staffing costs, engineering services, other professional services, and real estate costs for planned drainage infrastructure projects.

Water Resources


I am recommending an \$8.2 million increase in appropriations, \$529,000 decrease in revenue and \$8.7 million increase in use of fund balance. The primary reason for the increased appropriations is a \$6.0 million increase associated with the FY 2013/14 interfund transfer repayment from the General Fund. The funds were received in this Budget Unit in FY 2013/14 and will be transferred out to Zone 11, Zone 13, and Water Supply in FY 2014/15. A \$1.2 million increase is due to the transfer of funds to the City of Rancho Cordova because they are taking over their own stormwater utility program; a \$0.9 million increase due to a change in allocation methodology and recovery of the Department's administrative services costs; \$0.8 million due to unanticipated increase in capitalized construction costs due to change in project schedules; and a \$0.3 million increase due to outstanding contractual obligations. The increases are partially offset by a \$1.0 million reduction due to the delay in the construction phase of the D05 Howe Avenue Stormdrain Pump Station Rehab Project.

Revenues have decreased by a net of \$529,000 due to a \$948,000 decrease resulting from a change in allocation methodology and recovery of the Department's administrative services costs. The decrease is partially offset by an increase of \$419,000 in revenue from Zone11A – Drainage Infrastructure associated with additional staff time needed on drainage infrastructure projects

RECOMMENDATIONS

1. Approve the attached Budget and Schedules amending the FY2014-15 Approved Budget, as amended by the Board and including miscellaneous adjustments recommended by the County Executive (see 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 FY2014-15 Adopted Budget.
3. Direct the Department of Finance to prepare the FY2014-15 Budget Resolutions for Board consideration on Tuesday, September 23, 2014.

Respectfully submitted,


Bradley J. Hudson
County Executive

Attachments:

Attachment A: Centrally Allocated Funds: Approved Budget

Attachment B: Centrally Allocated Funds: CEO Budget Recommended for Adoption

Attachment C: Supplemental Budget Adjustments

Attachment D: Budget and Schedules for FY2014-15