



County Executive

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County of Sacramento

Board of Supervisors

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September 10, 2015

Members of the Board of Supervisors
County of Sacramento
700 H Street, Suite 2450
Sacramento, CA 95814

Re: Fiscal Year 2015-16 Budget Adoption

Honorable Members of the Board:

It is my pleasure to present for your consideration the Adopted Budget recommendations for Fiscal Year 2015-16. The spending plan submitted today has been carefully crafted to address the Board's policy objectives while responsibly balancing fiscal and public service expectations. Improving economic conditions and the consequent receipt of additional discretionary resources, combined with fiscal restraint by department managers, allow the County to pursue important initiatives, establish a larger General Fund Contingency and repay a significant portion of the inter-fund transfers used to mitigate the impact of the "Great Recession" on our employees and those we serve.

At June budget hearings, your Board targeted significant new investment in a variety of important public service initiatives. The most substantive of these efforts included the following:

- Over \$28 million in additional Child Protective Services, Foster Care and Probation expenditures bolstered by our participation in the IV-E Waiver Program;
- A \$3 million investment in reducing African-American child deaths;
- New investments in homeless programs and services totaling over \$1.1 million;
- Providing healthcare to undocumented immigrants for a total cost of \$6.7 million with a County contribution of \$5.2 million;
- Mental Health system improvements totaling over \$28 million;
- New investments in public safety totaling over \$25 million; and,
- Significant new investment in neighborhood livability, parks and animal care.

While these investments are critically needed for the well-being of County residents, sustaining them over the long-term will require considerable discipline and greater efficiency in County operations.

The unaudited year-end General Fund available balance for FY2014-15 is \$30,647,216 compared to \$19.7 million projected in the FY2015-16 Approved Budget. In addition, based in part on actual FY2014-15 receipts, we have: revised our discretionary revenue and reimbursement estimates for FY2015-16 from \$567.6 million to \$563.3 million; revised our Semi-Discretionary Revenue (Proposition 172 and Realignment) estimates from \$627.3 million to \$630.1 million (effectively freeing up Net County Cost); reduced the need for Net County Cost by approximately \$600,000; and cancelled \$1.4 million in Teeter Reserves. The budget presented today allocates this net increase in discretionary resources, a total of approximately \$11.5 million, to critical County activities. A sampling of recommended Net County Cost adjustments to the FY2015-16 Approved General Fund Budget include:

- The repayment of \$6,122,000 of the amount previously transferred to the General Fund from other County funds, bringing the total amount of repayment to \$6.7 million;
- The creation of a \$2 million General Fund Contingency (there was no General Fund Contingency in the Approved Budget);
- The allocation of \$1.3 million to the Probation Department to help offset further decreases in SB 678 revenue based on funding levels in the State's Adopted Budget;
- The allocation of \$443,000 to the Community Development Department to provide funding for the South County Habitat Conservation Plan;
- The allocation of \$886,000 to various departments to cover the cost of purchase obligations incurred in FY2014-15 that were not completed in that fiscal year and not included in the FY2015-16 Approved Budget, including \$318,000 for Animal Care and Regulation, \$310,000 for Data Processing-Shared Systems, and \$247,000 for Regional Parks; and,
- The allocation of approximately \$431,000 to various departments including \$160,000 in lease costs for a Probation facility, \$81,000 to fund the creation of a new County Veteran's Services Officer, and \$77,000 to reduce the cost to the Volunteers of America (VOA) for leased space in the County facility at 700 North 5th Street for the Detox Center.

The Budget Adoption Hearings and subsequent Board approval of the Adopted Budget represent 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. Your department managers and employees have been fully engaged in this process, and are to be congratulated on the degree of collaboration and cooperation in the

conduct of the County's affairs. The underpinnings of this budget are solid, and are based on in-depth financial planning, and the Board's generally conservative approach to balancing the County's current services needs with long-term fiscal health. The FY2015-16 budget makes significant investment in several Board initiatives, honors commitments to our employees, and makes a substantial repayment of past inter-fund transfers. As always, your leadership has been essential in developing 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 FY2015-16 Adopted All Funds Budget is recommended at \$3,838,099,222 in requirements, which represents a 2.8% increase compared to the Budget approved by your Board on June 16, 2015. A more detailed comparison of the two budgets is shown below:

Fiscal Year 2015-16 Approved Budget Compared to Adopted Budget All County Funds

Fund	FY 2015-16 Approved Budget Requirements	FY 2015-16 Adopted Budget Requirements	Variance
General Fund	2,310,095,069	2,325,086,304	14,991,235
Economic Development	51,369,586	62,054,685	10,685,099
Environmental Management	20,907,935	21,779,362	871,427
Golf Fund	7,777,463	7,886,003	108,540
Transient Occupancy Tax	(6,175)	110,861	117,036
Transportation	165,043,774	175,401,936	10,358,162
Water Resources	153,049,244	172,773,661	19,724,417
Airport System	241,402,824	247,094,317	5,691,493
Waste Management and Recycling	79,172,804	96,226,393	17,053,589
Capital Projects Funds	36,303,425	40,869,154	4,565,729
Debt Service Funds	36,083,862	38,144,874	2,061,012
Other Special Revenue Funds	48,832,062	49,678,545	846,483
Other Enterprise Funds	3,227,409	4,435,703	1,208,294
Other Internal Service Funds	368,497,916	375,259,252	6,761,336
Other Special Districts and Agencies	212,566,334	221,298,172	8,731,838
Total	3,734,323,532	3,838,099,222	103,775,690

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

THE GENERAL FUND BUDGET

Approved Budget

At budget hearings in June, the Board considered my Recommended Budget for FY2015-16 and approved a budget totaling \$2.298 billion in appropriations, which represents a \$101.7 million (4.6%) increase from the FY2014-15 Adopted Budget as shown below.

General Fund Budget FY2014-15 Adopted, FY2015-16 Approved

Resources	FY2014-15 Adopted	FY2015-16 Approved	Difference
Available Beginning Balance	43,921,611	19,700,000	(24,221,611)
Use of Reserves	694,963	5,300,000	4,605,037
Discretionary Revenue	507,501,492	556,868,816	49,367,324
Semi-Discretionary Revenue	562,176,454	627,276,975	65,100,521
Other Departmental Revenue	1,087,299,219	1,097,815,371	10,516,152
Total Revenue	2,156,977,165	2,281,961,162	124,983,997
Total Resources	2,201,593,739	2,306,961,162	105,367,423
Requirements			
Expenditures	2,206,491,657	2,308,517,920	102,026,263
Discretionary Reimbursements	(13,109,643)	(10,756,758)	2,352,885
Contingency	2,712,161	0	(2,712,161)
Total Appropriations	2,196,094,185	2,297,761,162	101,666,977
Provision for Reserves	5,499,555	9,200,000	3,700,445
Total Requirements	2,201,593,739	2,306,961,162	105,367,423

Discretionary and semi-discretionary allocations to departments in the FY2015-16 Approved Budget compared to the FY2014-15 Adopted Budget are illustrated in the following table.

Centrally Allocated Resources

Net County Cost, Semi-Discretionary Resources

FY 2014-15 Adopted - FY 2015-16 Approved

	FY2014-15 Adopted	FY2015-16 Approved	Change
AG COMM-SEALER OF WTS & MEASURES	1,172,387	1,204,527	32,140
ANIMAL CARE AND REGULATION	5,307,862	7,443,000	2,135,138
APPROPRIATION FOR CONTINGENCY	2,712,161	-	(2,712,161)
ASSESSOR	8,827,737	9,830,948	1,003,211
BOARD OF SUPERVISORS	3,352,512	3,325,760	(26,752)

CARE IN HOMES AND INSTITUTIONS	283,250	462,650	179,400
CHILD SUPPORT SERVICES		15,000	15,000
CIVIL SERVICE COMMISSION	318,089	330,573	12,484
CLERK OF THE BOARD	1,128,714	1,224,052	95,338
COMMUNITY DEVELOPMENT	6,117,381	6,015,756	(101,625)
CONFLICT CRIMINAL DEFENDERS	9,577,164	9,972,360	395,196
CONTRIBUTION TO LAFCO	228,833	228,833	-
CONTRIBUTION TO LAW LIBRARY		9,405	9,405
COOPERATIVE EXTENSION	336,073	320,009	(16,064)
CORONER	6,135,333	6,242,797	107,464
CORRECTIONAL HEALTH SERVICES	37,352,669	39,819,582	2,466,913
COUNTY COUNSEL	2,186,783	2,251,012	64,229
COUNTY EXECUTIVE	1,035,338	1,081,865	46,527
COUNTY CLERK / RECORDER	25,006		(25,006)
COUNTY EXECUTIVE CABINET	238,575	250,000	11,425
COURT / COUNTY CONTRIBUTION	24,761,756	24,761,756	-
COURT / NON-TRIAL COURT FUNDING	10,594,410	8,822,086	(1,772,324)
DATA PROCESSING-SHARED SYSTEMS	8,254,194	9,535,904	1,281,710
DEPARTMENT OF FINANCE	464,300	3,014,192	2,549,892
DEPARTMENT OF REVENUE RECOVERY	11,342		(11,342)
DISTRICT ATTORNEY	63,551,154	67,159,634	3,608,480
EMERGENCY OPERATIONS	478,902	837,792	358,890
FAIR HOUSING SERVICES	150,000	146,500	(3,500)
FINANCING-TRANSFERS/REIMB	4,276,841	2,331,371	(1,945,470)
GRAND JURY	310,675	300,933	(9,742)
HEALTH AND HUMAN SERVICES	190,681,286	213,339,013	22,657,727
HEALTH-MEDICAL TREATMENT PAYMENTS	11,858,517	3,469,665	(8,388,852)
HUMAN ASSISTANCE-ADMIN	19,080,347	18,001,492	(1,078,855)
HUMAN ASSISTANCE-AID PAYMENTS	151,520,099	190,084,365	38,564,266
IHSS Provider Payments	50,961,650	55,120,826	4,159,176
JUVENILE MEDICAL SERVICES	7,470,545	7,649,916	179,371
NON-DEPARTMENTAL COSTS/GF	26,488,450	14,570,855	(11,917,595)
OFFICE OF INSPECTOR GENERAL	100,300	100,230	(70)
OFFICE OF LABOR RELATIONS		203,822	203,822
PROBATION	101,019,504	112,842,913	11,823,409
PUBLIC DEFENDER	29,855,202	30,153,081	297,879
REGIONAL PARKS	4,174,114	5,920,022	1,745,908
SHERIFF	322,083,571	343,547,507	21,463,936
VETERAN'S FACILITY	15,952	15,952	-
VOTER REGISTRATION/ ELECTIONS	7,358,063	8,688,960	1,330,897
WILDLIFE SERVICES	47,558	55,633	8,075
	1,121,904,599	1,210,702,549	88,797,950

FY2015-16 Adopted Budget

The County's FY2015-16 General Fund Adopted Budget totals \$2,312,637,981 in appropriations which represents an increase of \$14,876,819, or 0.6%, compared to the FY2015-16 Approved Budget. A more detailed comparison of the FY2015-16 Approved and FY2015-16 Adopted Budget for the General Fund is shown below.

General Fund Budget FY2015-16 Approved, FY2015-16 Adopted

Resources	FY2015-16 Approved	FY2015-16 Adopted	Difference
Beginning Balance ¹	19,700,000	30,647,216	10,947,216
Use of Reserves	5,300,000	6,675,175	1,375,175
Discretionary Revenue	556,868,816	551,031,444	(5,837,372)
Semi-discretionary Revenue	627,276,975	630,144,163	2,867,188
Other Departmental Revenue	1,097,815,371	1,103,339,983	5,524,612
Total Revenue	2,281,961,162	2,284,515,590	2,554,428
Total Resources	2,306,961,162	2,321,837,981	14,876,819
Requirements			
Expenditures	2,308,517,920	2,322,935,879	14,417,959
Discretionary Reimbursements	(10,756,758)	(12,297,898)	(1,541,140)
Contingency	0	2,000,000	2,000,000
Total Appropriations	2,297,761,162	2,312,637,981	14,876,819
Provision for Reserves	9,200,000	9,200,000	0
Total Requirements	2,306,961,162	2,321,837,981	14,876,819

Fund Balance and Reserves

The General Fund's unaudited FY2014-15 ending fund balance, which becomes the beginning fund balance for FY2015-16, totals \$85,884,666. This includes \$55.2 million in reserves, consisting of Teeter and Pension Obligation Bond reserves and a \$32.4 million Reserve for Cash Flow, and an unrestricted balance of \$30,647,216. The unrestricted balance is approximately \$10.9 million higher than identified in the FY2015-16 Approved General Fund Budget. This increase reflects the difference between FY2014-15 year-end revenue and expenditure estimates and actual FY2014-15 revenue and expenditure numbers. A key component of this increase was the \$18 million in pre-2004 SB 90 repayments from the State that was included as revenue in the FY2015-16 Approved Budget, but was actually received in FY2014-15.

The Approved Budget included a \$5,000,000 reduction in the Mental Health Audit Report Payback reserve, a \$300,000 reduction in the Delta Loan Reserve and the creation of a new \$9,200,000 Mental Health Audit Report Payback reserve. The Adopted Budget also

¹ Available (unreserved/unrestricted) fund balance

includes a \$1,375,175 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.

Discretionary Revenue and Reimbursements

The Adopted Budget includes approximately \$4.3 million, or 0.8%, less 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 AND REIMBURSEMENTS

	FY2014-15 Actual	FY2015-16 Approved	FY2015-16 Adopted	Difference - Approved to Adopted
Property Tax-Secured/VLF In-lieu	334,078,700	345,496,722	349,942,467	4,445,745
Property Tax - Supplemental	5,608,018	4,000,000	5,608,018	1,608,018
Other Property Tax	15,776,744	16,306,136	15,633,052	(673,084)
Total Property Tax	355,463,462	365,802,858	371,183,537	5,380,679
Sales & In-Lieu Sales Tax	74,171,333	83,060,416	82,503,716	(556,700)
Utility User Tax	17,507,378	18,082,378	18,082,378	0
Transient Occupancy Tax	4,534,056	4,514,439	4,550,000	35,561
Property Transfer Tax	9,036,720	8,650,000	9,488,556	838,556
SB 90 Repayment	20,853,119	18,107,459	4,000,000	(14,107,459)
Other One-time Revenue	0	5,500,000	7,296,861	1,796,861
Other On-going Revenue	53,780,138	53,151,266	53,953,396	802,130
Total Revenue	535,346,206	556,868,816	551,031,444	(5,837,372)
Teeter	11,351,082	9,263,243	10,781,958	1,518,715
SWA	1,620,187	1,493,515	1,515,940	22,425
Other Reimbursements	134,828	0	0	0
Total Reimbursements	13,106,097	10,756,758	12,297,898	1,541,140
TOTAL	548,452,303	567,625,574	563,329,342	(4,296,232)

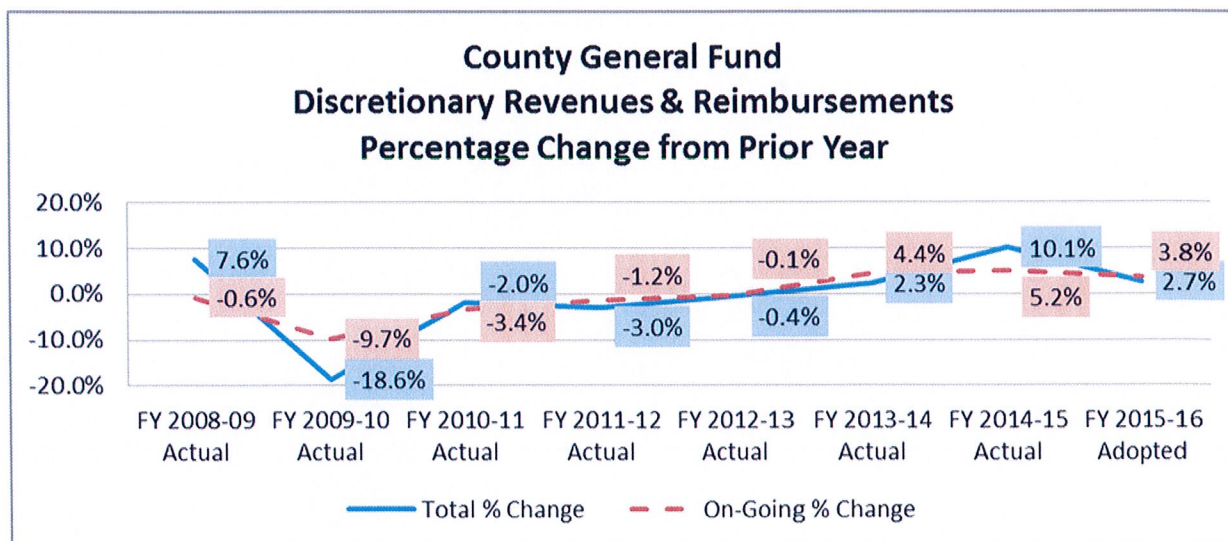
As can be seen, major contributors to the net \$4.3 million decrease in discretionary revenue and reimbursements compared to the Approved Budget include:

- A \$14.1 million (78%) reduction in revenue from the State related to the Governor's effort to re-pay counties money owed for pre-2004 SB90 mandate claims that the State previously withheld to address its budget problems. As indicated above, the \$18.1 million from this source included in the Approved Budget, was actually received in FY2014-15 and is reflected in the FY2014-15 General Fund ending fund balance. The \$4 million in revenue from this source in the FY2015-16 Adopted Budget is the State's estimate of how much interest the County will receive for amounts previously withheld. This was not included in the Approved Budget.
- A \$4.45 million (1.3%) increase in Secured Property Tax and Property Tax in Lieu of Vehicle License Fee (VLF) revenue. The revised Secured/VLF In-Lieu property tax revenue estimates are 4.7% higher than the FY2014-15 actual revenue from these sources and are based on the July Assessment Roll prepared by the County Assessor.

- An additional \$1.8 million in one-time revenue related to County Certificates of Participation (COPs) and Pension Obligation Bonds (POBS). This is due to the actual balances available being higher than the estimated amounts used to prepare the Approved Budget.
- A \$1.5 million (16%) increase in Teeter reimbursements. Teeter reimbursement estimates were revised after discussions with the Department of Finance and the Tax Collector. The revised estimates take into account FY2014-15 actual delinquencies, the most recent trends in delinquency rates and updated information on the balances of the prior year's notes outstanding. Although this represents an increase from the amount included in the Approved Budget, FY2015-16 Teeter reimbursements are still estimated to be approximately 5% lower than FY2014-15 actual Teeter reimbursements. We expect to see a continued gradual decline in Teeter reimbursements as the economy improves.

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 most recent General Fund Five Year Sensitivity Analysis, presented in the FY2015-16 Recommended Budget, suggested that total annual discretionary revenue and reimbursement growth would need to average more than 7% annually over the next five years if the General Fund is to approach structural balance; that is, where on-going resources equal on-going expenditures.

The following graph shows the percent change in the amount of discretionary revenue and reimbursements received – both total (including one-time revenue) and on-going (not including one-time revenue) since FY2008-09.



As can be seen, after five years of decline, in FY2013-14 on-going discretionary revenue and reimbursements began to increase: by 4.4% in FY2013-14 and 5.2% in FY2014-15. For FY2015-16, we are projecting that on-going discretionary revenue and reimbursements will grow by 3.8% compared to the prior year actual number. Given this, unless the rate of growth in discretionary revenue and reimbursements increases significantly, it is doubtful the General Fund will be in structural balance in the next five years. In particular, FY2016-17 is shaping up to be a challenging year for the General Fund for a number of reasons, including:

- Between the beginning fund balance and revenue and reimbursements, FY2015-16 utilizes approximately \$35 million in one-time discretionary revenue and reimbursements to cover the cost of on-going operations; and,
- In FY2016-17, employees in most bargaining units are entitled to a 4% Cost of Living (COLA) adjustment under existing labor agreements, compared to a 2% COLA in FY2015-16 (partially offset by increased employee pension contributions).

Net County Cost/Discretionary and Semi-Discretionary Revenue Allocations

The FY2015-16 Adopted Budget includes a Net County Cost of approximately \$591.5 million, which represents an increase of approximately \$8 million, or 1.4%, compared to the Approved Budget. The recommended allocations are summarized in the following table:

**General Fund Allocations for FY 2015-16 Adopted Budget
 As Compared to FY 2015-16 Approved Budget**

DEPARTMENT	FY 2015-16 Approved	FY 2015-16 Adopted	Variance
ELECTED OFFICIALS			
Assessor	9,830,948	9,830,948	0
Board of Supervisors	3,325,760	3,325,760	0
District Attorney	53,281,952	53,188,931	(93,021)
Sheriff	206,847,369	205,470,853	(1,376,516)
Correctional Health	31,257,856	31,257,856	0
Subtotal	304,543,885	303,074,348	(1,469,537)
COUNTYWIDE SERVICES			0
Human Assistance-Aid Payments	31,717,757	29,715,408	(2,002,349)
DHA Administration	10,466,392	10,764,564	298,172
Health & Human Services	15,790,746	15,790,746	0
Probation	63,204,225	64,663,767	1,459,542
Courts	33,583,842	33,583,842	0
Public Defender and Conflict Defenders	39,548,623	39,548,623	0
Medical Treatment Payments	1,500,000	1,500,000	0

In-Home Supportive Services (IHSS)	4,068,543	4,068,543	0
Voter Registration and Elections	8,688,960	8,688,960	0
Other Countywide Services	15,076,822	15,076,822	0
Subtotal	223,645,910	223,401,275	(244,635)
MUNICIPAL SERVICES			0
Animal Care & Regulation	7,443,000	7,761,300	318,300
Community Development	6,015,756	6,503,659	487,903
Regional Parks	5,920,022	6,167,195	247,173
Subtotal	19,378,778	20,432,154	1,053,376
INTERNAL SERVICES			0
Finance Department	3,014,192	3,129,751	115,559
Other Internal Services	100,230	100,230	0
Subtotal	3,114,422	3,229,981	115,559
GENERAL GOVERNMENT	32,742,579	41,313,975	8,571,396
TOTAL	583,425,574	591,451,733	8,026,159

In some cases, though, increases in Semi-discretionary revenue (Proposition 172 and Realignment revenue) offset what would otherwise be increases in Net County Cost or 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 FY2015-16 Approved Budget and the FY2015-16 Adopted Budget.

Centrally Allocated Resources

Net County Cost, Semi-Discretionary Resources

Fiscal Year 2015-16

	FY2015-16 Approved	FY2015-16 Adopted	Difference
AG COMM-SEALER OF WTS & MEASURES	1,204,527	1,204,527	-
ANIMAL CARE AND REGULATION	7,443,000	7,761,300	318,300
APPROPRIATION FOR CONTINGENCY	-	2,000,000	2,000,000
ASSESSOR	9,830,948	9,830,948	-
BOARD OF SUPERVISORS	3,325,760	3,325,760	-
CARE IN HOMES AND INSTITUTIONS	462,650	462,650	-
CHILD SUPPORT	15,000	15,000	-
CIVIL SERVICE COMMISSION	330,573	330,573	-
CLERK OF THE BOARD	1,224,052	1,335,052	111,000
COMMUNITY DEVELOPMENT	6,015,756	6,503,659	487,903
CONFLICT CRIMINAL DEFENDERS	9,972,360	9,972,360	-
CONTRIBUTION TO LAFCO	228,833	228,833	-
CONTRIBUTION TO LAW LIBRARY	9,405	9,405	-

COOPERATIVE EXTENSION	320,009	320,009	-
CORONER	6,242,797	6,242,797	-
CORRECTIONAL HEALTH SERVICES	39,819,582	39,819,582	-
COUNTY COUNSEL	2,251,012	2,251,012	-
COUNTY CLERK / RECORDER		-	-
COUNTY EXECUTIVE	1,081,865	1,081,865	-
COUNTY EXECUTIVE CABINET	250,000	20,000	(230,000)
COURT / COUNTY CONTRIBUTION	24,761,756	24,761,756	-
COURT / NON-TRIAL COURT FUNDING	8,822,086	8,822,086	-
DATA PROCESSING-SHARED SYSTEMS	9,535,904	9,845,904	310,000
DEPARTMENT OF FINANCE	3,014,192	3,129,751	115,559
DEPARTMENT OF REVENUE RECOVERY		-	-
DISTRICT ATTORNEY	67,159,634	67,182,146	22,512
EMERGENCY OPERATIONS	837,792	837,292	(500)
FAIR HOUSING SERVICES	146,500	157,255	10,755
FINANCING-TRANSFERS/REIMB	2,331,371	2,329,466	(1,905)
GRAND JURY	300,933	300,933	-
HEALTH AND HUMAN SERVICES	213,339,013	213,339,013	-
HEALTH-MEDICAL TREATMENT PAYMENTS	3,469,665	3,469,665	-
HUMAN ASSISTANCE-ADMIN	18,001,492	18,299,664	298,172
HUMAN ASSISTANCE-AID PAYMENTS	190,084,365	189,944,573	(139,792)
IHSS Provider Payments	55,120,826	55,120,826	-
JUVENILE MEDICAL SERVICES	7,649,916	7,649,916	-
NON-DEPARTMENTAL COSTS/GF	14,570,855	20,942,901	6,372,046
OFFICE OF INSPECTOR GENERAL	100,230	100,230	-
OFFICE OF LABOR RELATIONS	203,822	203,822	-
PROBATION	112,842,913	114,466,913	1,624,000
PUBLIC AUTHORITY		-	-
PUBLIC DEFENDER	30,153,081	30,153,081	-
REGIONAL PARKS	5,920,022	6,167,195	247,173
Reserve		-	-
SHERIFF	343,547,507	342,895,631	(651,876)
VETERAN'S FACILITY	15,952	15,952	-
VOTER REGISTRATION/ ELECTIONS	8,688,960	8,688,960	-
WILDLIFE SERVICES	55,633	55,633	-
	1,210,702,549	1,221,595,896	10,893,347

As can be seen, the amount of Net County Cost and Semi-discretionary resources allocated to programs in the Adopted Budget is approximately \$10.9 million, or 1%, greater than the FY2015-16 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 in the following section along with other proposed adjustments to the Approved General Fund Budget.

SELECTED BUDGET CHANGES – APPROVED TO ADOPTED- GENERAL FUND

Animal Care & Regulation

A \$318,000 appropriation and Net County Cost increase is recommended to fund the purchase of vehicles, laptops, Wi-Fi expansion and automatic waterers. In April of 2015, the Board approved an Appropriation Adjustment Request (AAR) providing appropriation authority for the purchase of this equipment in the FY2014-15 Budget. This equipment was not received in FY2014-15 and funding was not included in the FY2015-16 Approved Budget for these purchases.

Department of Finance

A \$491,000 reduction in appropriations, \$607,000 reduction in revenue and \$116,000 increase in Net County Cost is recommended. The proposed appropriation reduction is due primarily to reduced charges to Finance from the Department of Technology (DTech), partially offset by an increase in service requests. The revenue decrease is due in part to reduced charges to other departments due to reduced costs and to the use of \$116,000 in General Fund fund balance, which is reflected as an increase in Net County Cost. This \$116,000 reflects the amount of revenue in excess of costs the Finance Department received in FY2014-15.

Clerk of the Board

An \$111,000 increase in appropriations and Net County Cost is recommended to cover the cost of modular furniture reconfiguration.

Voter Registration & Elections

A \$107,000 increase in appropriations and revenue is recommended. The recommended increase in appropriations will fund a consultant to perform a process and procedures study of department operations. This study will determine if services could be provided in a more effective or efficient manner. Funding will come from FY2014-15 revenue that should have been accrued into that fiscal year but inadvertently was not accrued and will therefore become FY2015-16 revenue.

Data Processing – Shared Systems

A \$310,000 increase in appropriations and Net County Cost is recommended to cover contract costs associated with the development of an RFP for a new property tax system that were included in the FY2014-15 Adopted budget and were originally expected to be incurred in FY2014-15. Because of delays, those costs will now be incurred in FY2015-16.

Community Development

A \$434,000 increase in appropriations, \$53,000 decrease in revenue and \$488,000 increase in Net County Cost is recommended. Approximately \$443,000 of the projected increase in

Net County Cost is related to funding for the South County Habitat Conservation Plan (HCP). The \$443,000 decrease in revenue for the HCP is partially offset by the receipt of \$414,000 in revenue to fund the bulk of the increase in appropriations. This additional revenue and appropriations will fund 3 FTE new positions and the reallocation of a position: 1 new Associate Planner to assist in the processing of environmental documents, 2 new Associate Planners to assist in the processing of development applications and the reallocation of a 0.8 FTE Associate Engineer-Architect to a 1 FTE Associate Civil Engineer to deal with the increase in commercial permitting activity.

County Executive Cabinet

A \$230,000 decrease in appropriations, \$250,000 decrease in revenue and \$20,000 increase in Net County Cost is recommended. I am recommending that \$250,000 in appropriations and AB 109 Realignment Planning revenue related to the Adult Correctional System Review be transferred to the Non-Departmental Costs budget unit. The \$250,000 decrease in appropriations related to the Adult Correctional System review is partially offset by a \$20,000 increase in appropriations and Net County Cost to cover certain costs associated with the Delta Counties Coalition. The Adopted Budget also reflects a \$56,000 increase in Services Supplies appropriations. This is offset by a \$56,000 reduction in Salaries and Benefits appropriations, reflecting a more realistic salary savings estimate.

Non-Departmental Costs

A \$6,372,000 increase in appropriations, \$250,000 increase in revenue and \$6,122,000 increase in Net County Cost is recommended.

A \$250,000 increase in appropriations and revenue is recommended to cover costs related to the Adult Correctional System Review. In the Approved Budget, these costs and revenue were included in the County Executive Cabinet budget unit. The Non-Departmental Costs budget unit includes \$500,000 in appropriations for consultant costs that may be needed during the year and some of that appropriation authority can be used in the event Adult Correctional System costs exceed \$250,000.

The remaining \$6,122,000 recommended increase in appropriations and Net County Cost will be used to repay a portion of the money transferred to the General Fund from other County funds during the Great Recession. The Approved Budget included \$568,393 for this purpose and with this additional amount the total being repaid in FY2015-16 will be \$6,690,439. 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 FY2015-16 and the remaining balances:

Fund/Fund Center	Current Balances - 6-30-15	Proposed for Repayment	Remaining Balance
Workers Compensation	41,752,392	6,690,439	35,061,953
Clerk-Recorder - Conversion	3,300,000	0	3,300,000
Clerk-Recorder - Modernization	5,000,000	0	5,000,000
TOTAL	50,052,392	6,690,439	43,361,953

Appropriation for Contingency

I am recommending use of \$2 million in Net County Cost to create a General Fund Contingency. The Approved Budget did not include any appropriation for Contingency, but it noted that a \$2.8 million debt service contingency for the 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. An “effective” contingency of \$2.8 million is quite low for a General Fund with a budget of over \$2.3 billion and over \$1 billion in discretionary and semi-discretionary resources. Given the General Fund’s fiscal situation, I believe a more prudent contingency would be in the area of \$10 million – approximately 1% of discretionary and semi-discretionary resources. The creation of a \$2 million Contingency, when added to the \$2.8 million debt service contingency, will provide an effective contingency of \$4.8 million

District Attorney

A \$134,000 increase in appropriations, \$227,000 increase in revenue and \$93,000 reduction in Net County Cost is recommended. The recommended increase in appropriations is partly due to charges from the Department of Health & Human Services for the Special Assault Forensic Evaluation (SAFE) Center which were inadvertently not included in the Approved Budget and partly due to the receipt of a \$112,000 Alcohol and Drug Impaired Driver Grant. The recommended increase in revenue is due to the Alcohol and Drug Impaired Driver Grant and to the receipt of \$116,000 in additional Proposition 172 revenue.

Regional Parks

A \$247,000 increase in appropriations and Net County Cost is recommended to cover the cost of equipment or services that were originally anticipated to be received and paid for in FY2014-15 (and thus not included in the FY2015-16 Approved Budget), but that will actually be paid for in FY2015-16. These purchases include: \$25,000 for the Gibson Ranch maintenance contract; \$116,000 for PayStations; \$63,000 for various research contracts; and \$29,000 for a vehicle.

Probation

A \$162,000 increase in appropriations, \$1,298,000 decrease in revenue and \$1,460,000 increase in Net County Cost is recommended. I am recommending the increase in appropriations (and \$162,000 of the increase in Net County Cost) to cover lease costs associated with moving the Adult Day Reporting Center (ADRC) from 7000 Franklin Blvd. to 7300 Lincolnshire Drive, which will be closer to several partner agencies. The reduction in revenue and the rest of the increase in Net County Cost is due to a \$1,462,000 decrease in SB 678 revenue, partially offset by a \$165,000 increase in Proposition 172 revenue. The reduction in SB 678 revenue is based on revised numbers in the State’s Adopted Budget.

Health & Human Services

An \$830,200 increase in appropriations and revenue is recommended, comprised of:

- A \$253,000 increase in appropriations and revenue related to the implementation of a new Training Unit in Child Protective Services (CPS) starting in January of 2016. This Unit will include 6 FTE positions and a contract with UC Davis for additional training services. Currently, there are two training positions in CPS (a Human Services Program Planner and Senior Office Assistant). As proposed, two long-term vacant Human Service Specialist positions will be also be assigned to this Unit. In addition, a new Human Services Program Specialist and Deputy County Counsel position will be created (the Deputy County Counsel position will be created in the County Counsel budget unit, but funded by a reimbursement from Health & Human Services). The two currently vacant positions are funded with Realignment revenue, but once reassigned to the Training Unit will draw down 75% of their cost from federal Title IV-E revenue, as will the two new positions being proposed and the UC Davis contract expenditures. The federal funding for the two existing vacant positions will offset Realignment revenue, which can be used to cover the remaining 25% of the cost two new positions and the UC Davis contract. Since this new Unit will be created effective January 1, 2016, \$253,000 represents 6 months' worth of additional cost and revenue. The full year additional cost and revenue associated with the new positons and UC Davis contract is approximately \$500,000; and,
- A \$577,000 increase in appropriations and revenue due to receipt of additional categorical funding for a number of programs, including \$188,5000 for EBOLA planning and preparedness activities; \$221,173 for the Supplemental Nutrition Assistance Program; \$74,875 in increased Substance Abuse and Mental Health Services block grant funding for Community Mental Health Services; and, additional federal funding for CORE training at the Special Forensic Evaluation Center.

Sheriff

An \$80,000 increase in appropriations, \$1,457,000 increase in revenue and \$1,377,000 reduction in Net County Cost is recommended. The recommended \$80,000 increase in appropriations is largely the net result of increased grant-related expenditures, partially offset by a \$652,000 reduction in lease costs. The reduction in lease costs is due to the reallocation of staff currently housed in the Marconi Service Center to other Sheriff's Department space. The increase in estimated revenue is due primarily to the projected receipt of an additional \$725,000 in Proposition 172 revenue and \$610,000 in grant revenue, including Residential Substance Abuse and Marine Enforcement Grant revenue.

Human Assistance-Administration

A \$5,615,000 increase in appropriations, \$5,317,000 increase in revenue and \$298,000 increase in Net County Cost is recommended. Approximately \$5.3 million of the recommended increase in appropriations is related to enhanced Medi-Cal eligibility efforts, including the addition of 10 Eligibility Supervisor and 43 Eligibility Specialist positions and \$626,000 for contracts to assist Medi-Cal beneficiaries with renewing their coverage. The Department is attempting to deal with a significant backlog of applications, partly related to the implementation of the Affordable Care Act. This appropriation increase is fully funded with federal and State revenue.

The remaining \$298,000 increase in appropriations and Net County Cost is due to:

- The transfer of \$139,000 in Net County Cost from the Human Assistance-Aid Payments budget unit to this budget unit to fund Volunteers of America at the Mather Community Campus to provide transitional housing and supportive services to homeless adults, effective November 1, 2015;
- The use of \$77,000 to subsidize the rent charged to Volunteers of America (VOA) for County-owned space located at 700 North Fifth Street that houses VOA's Homeless Inebriate Shelter; and,
- The use of \$82,000 to fund a new Veterans Services Officer position for half a year (the full year cost would be approximately \$162,000).

Human Assistance – Aid Payments

A \$139,000 reduction in appropriations, \$1,863,000 increase in revenue and \$2,002,000 decrease in Net County Cost is recommended. The \$139,000 reduction in appropriations is due to the transfer of Net County Cost from this budget unit to the Human Assistance – Administration budget unit to fund Volunteers of America transitional housing and supportive services as discussed above. The increase in revenue is due to the estimated receipt of approximately \$1,863,000 in additional Protective Services Realignment revenue, which reduces the amount of Net County Cost needed to fund Foster Care.

SELECTED BUDGET CHANGES – APPROVED TO ADOPTED – NON-GENERAL FUND

Capital Construction Fund

A \$3.7 million increase in appropriations, \$1.6 million increase in revenue and \$2.1 million increase in use of fund balance is recommended. The Approved Budget was based on certain assumptions about what project expenditures would occur in FY2014-15 and how much would need to be re-budgeted in FY2015-16. After the fiscal year-end close, adjustments are necessary to account for the difference between estimates and actuals. A portion of the fund balance (\$2,125,745) is also attributable to projects funded in the previous fiscal year that were not completed.

In addition to the need to re-budget for projects not completed in FY2014-15, there are additions to department funded projects, including:

- Animal Care Facility – Expand Kennel Runs – Increase of \$98,000;
- DGS Warehouse – Outside Storage Enclosure – Increase of \$100,000;
- Fair Oaks Library – Americans with Disabilities Act (ADA) Upgrades – Increase of \$160,000;
- New Administration Building – 2nd floor paint/carpet/modular furniture – Increase of \$274,242 (includes \$ 111,000 from Clerk of the Board budget);
- Rio Cosumnes Correctional Facility (RCCC) – Modernize Flush Valves – Increase of \$100,000;

- Sheriff's North Area Substation – Lactation Room and Tenant Improvement – Increase of \$215,000;
- Sheriff's Work Release – Replace Freezer Floor and Cooler Box – Increase of \$200,000;

The additional appropriation needed for department funded projects is partially offset by the removal of two department funded projects: the \$120,000 John M. Price District Attorney Building – Upgrade Interior Lighting Technology project funded by the Department of General Services Energy Management Division after it was determined to not be cost-effective; and, the \$150,000 Materials Test Lab – Replace Humidification System.

Economic Development Fund

A \$10,685,000 increase in appropriations, \$7,662,000 increase in revenue and \$3,022,000 increase in use of fund balance is recommended. Most of these increases are due to the timing of construction projects at the former McClellan and Mather Air Force Bases, with \$8.7 million of the appropriation increase and \$7.7 million of the revenue increase related to two McClellan environmental remediation projects.

Transportation – Sales Tax Fund

A \$5.3 million increase in appropriations, \$5.2 million increase in revenue and \$85,000 increase in use of fund balance is recommended. The recommended increase in appropriations and revenue is due primarily to:

- Increased labor costs and new or additional design requirements for several capital projects including South Watt Avenue improvements, Hazel Avenue Phase 2 and the State Route 50 /Watt Avenue Interchange; and,
- An increase in Right of Way costs for Hazel Avenue Phase 2 and 3, the South Watt Project and the Watt at 50 Project.

General Services – Capital Outlay Fund (Fund 34A)

A \$3.8 million increase in appropriations and use of fund balance is requested to re-budget for the purchase of equipment for the Sanitation District. As with other capital budgets, the Approved Budget for this fund was based on certain assumptions about what project expenditures would occur in FY2014-15 and how much would need to be re-budgeted in FY2015-16. After the fiscal year-end close, adjustments are necessary to account for the difference between estimates and actuals.

General Services – Roll-Up Funds

A \$3.5 million increase in appropriations, \$143,000 increase in revenue and \$3.3 million increase in use of fund balance is recommended, due primarily to the following:

- A \$348,630 increase in Salaries & Benefits due to an increase in Extra Help for painting projects required at the Airport and recently negotiated cost-of-living adjustments;

- A \$2,977,319 increase in Service & Supplies primarily due to appropriating retained earnings for project and contingency spending and an increase for buying pipeline gas for the compressed natural gas (CNG) dispenser at Fleet's Branch Center fuel station; and,
- A \$148,830 increase in Other Charges due to re-budgeting appropriations for the balance of the CNG project costs.

Airport System Fund

A \$5.78 million increase in appropriations and use of fund balance is recommended, due primarily to the following:

- A \$501,000 increase in salaries and benefit costs associated with the reallocation of 1.0 FTE Supervising Custodian Level 1 to 1.0 FTE Senior Account Clerk and reductions in budgeted salary savings to accommodate the decreasing vacancy rate;
- A \$1,479,000 increase in services and supplies costs associated with the deletion and re-budgeting of various projects; and,
- A \$3.8 million increase in inter-fund transfers to the Airport Capital Outlay Fund for capital expenses and equipment purchases, due primarily to the need to re-budget for project costs that were originally expected to be incurred in FY2014-15.

Solid Waste Enterprise Fund

An \$11.58 million increase in appropriations, \$3,000 decrease in revenue and \$11.58 million increase in the use of fund balance, including a reserve release of \$7.8 million, is recommended. The primary reason for the increase in appropriations and use of fund balance is to permit the redemption of \$13.8 million in 2005 Certificates of Participation (COPs), as approved by the Board on August 11, 2015.

Water Agency Enterprise Fund

A \$14.3 million increase in appropriations, \$2.4 million decrease in revenue and \$16.7 million increase in use of fund balance is recommended. The primary reasons for the recommended increase in appropriations are:

- An \$11.46 million increase in Zone 40, 41 and 50 capital expenses, including the addition of a new project (Northgate 880) and projects postponed from FY2014-15 to FY2015-16;
- A \$1.53 million increase in services and supplies costs due to increased construction, engineering and other services for capital projects;
- A \$732,000 increase in depreciation expenses;

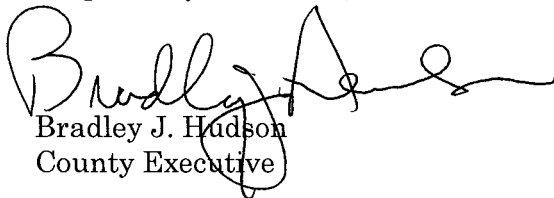
- A \$362,000 increase in Zone 41 operating expenses due to the addition of new conservation programs such as Cash for Grass, Irrigation Efficiency Upgrade and Hot water Recirculating System; and,
- The re-budgeting of \$173,000 for the purchase of vehicles included in the FY2014-15 Budget but not received in FY2014-15 and not included in the FY2015-16 Approved Budget.

The decrease in estimated revenues is due to a projected decrease in Zone 40 development fees and a decrease in Zone 41 water service charges reflecting a reduction in use per capita and a 32% cut to meet water conservation compliance goals.

RECOMMENDATIONS

1. Approve the attached Budget and Schedules amending the FY2015-16 Approved Budget, as amended by the Board.
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 FY2015-16 Adopted Budget.
3. Direct the Department of Finance to prepare the FY2015-16 Budget Resolutions for Board consideration on Tuesday, September 22, 2015.
4. Approve the attached list of new projects for inclusion in the County's Capital Improvement Plan (CIP).

Respectfully submitted,


Bradley J. Hudson
County Executive

Attachments:

Attachment A: Centrally Allocated Funds: Budget Recommended for Adoption

Attachment B: Budget Schedules for FY2015-16

Attachment C: List of New Projects for Inclusion in the Capital Improvement Plan