

County Executive

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County of Sacramento

Board of Supervisors

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June 15, 2015

Members of the Board of Supervisors

County of Sacramento

700 H Street, Suite 1450

Sacramento, CA 95814

Re: Fiscal Year 2015-16 Recommended Budget

Honorable Members of the Board:

I am pleased to present for your consideration the Recommended Budget for Fiscal Year 2015-16. Today's budget hearing is the culmination of a lengthy process involving county employees, members of the community, advisory boards and commissions, and several workshops and hearings held by your Board to inform and improve our budgetary decision-making. The proposed budget plan is balanced and, for the first time in many years, fully funds current staffing and program needs for all General Fund departments. The budget also includes targeted new investments in several key policy areas including mental health, child protection, homeless services, public safety, African American child death reduction, health services for undocumented residents, parks, animal care and community improvement. The recommended spending plan is ambitious; however, I am confident that the creativity and collaboration of our employees and partners, combined with the Board's policy insights, will allow us to aggressively address these critical community issues while prudently managing the County's resources.

County employees continue to be the foundation upon which all of our collective efforts are built. Department leaders and employees have shown an extraordinary ability to provide exceptional customer service despite the fiscal limitations of the last several years. Their spirit of public commitment is reflected in their words and deeds, and we as a County and community are blessed by their service.

The Recommended Budget for 2014-15 has been carefully crafted to emphasize your public service priorities and address fundamental community needs. While we are pleased to have the capacity to finance these critical service priorities, the County continues to face a number of fiscal and political challenges. We continue to finance a structural imbalance in the General Fund using approximately \$ 24 million in one-time resources, and the 2015-16 budget has a small contingency and modest General Fund reserves. The continued drought and the State's responses thereto, and the revised, and arguably much worse, Bay Delta Plan will both require significant effort and expense to pursue the desired outcomes.

Likewise, fundamental changes in mental health, child protection, corrections and healthcare that the Board desires will also utilize substantial organizational capacity. In short, the challenges we face are significant; however, I am confident that the Board's thoughtful direction, and the efforts of our managers and employees, will allow us to convert these obstacles into opportunity, and continue to improve upon the outstanding public service our residents and communities have come to expect.

ECONOMIC AND FISCAL CONTEXT

As you know, the so-called Great Recession officially ended in 2009, and over the last few years we have seen generally improving economic conditions - though the improvements have not always been consistent or robust. Based on recent trends, I would characterize the near-term economic outlook as guardedly positive, while the longer-term outlook remains somewhat unclear.

In April, the national unemployment rate stood at 5.4%, down from 6.3% a year ago. This is the lowest the unemployment rate has been since May of 2008. However, as economists have noted, the labor market is still far from full strength and there is evidence of structural problems that will not be easily fixed. Although the percent of unemployed who have been without work for more than 27 weeks has declined significantly since the end of the Great Recession, it is still substantially higher than pre-recession levels. Similarly, the number of people who want to work full time but can only find part-time jobs remains much higher than before the recession. Perhaps more significantly in terms of the economy's longer-term outlook, younger workers have been experiencing lower wages and declining labor force participation rates.

The national housing market has been improving somewhat erratically over the last few years. The U.S. Department of Commerce reported that housing starts in March were at a seasonally adjusted annual rate of 926,000 units. This is 2% above the February estimate, but 2.5% below the March 2014 rate of 950,000. Housing starts in 2014 totaled 1 million units. This was a 58% increase over the 2011 number, but substantially less than pre-recession levels. A recent report by Freddie Mac projected annual housing starts of 1.15 million units in 2015. New home sales slumped somewhat in March (due in part to weather conditions), but existing home sales increased to their highest annual rate in 18 months. In 2014, home sales nationwide totaled 5.4 million units, compared to 5.5 million units in 2013, 5 million units in 2012 and 4.6 million units in 2011. Freddie Mac is projecting total home sales of 5.6 million units in 2015. By the end of 2014, home values had generally risen to 2005 levels - 23% higher than the post-recession low in 2012 and 9% below the 2007 peak.

Overall, the U.S. Gross Domestic Product (GDP) increased by only 0.2% in the first quarter of 2015 compared to the last quarter of 2014. Many economists blame harsh winter weather conditions for this relatively meager growth and believe that the economy will pick up steam in coming months. For example, the most recent report from the Federal Reserve Open Market Committee forecasts 2015 GDP growth of between 2.6% and 3%. This compares to a 2.4% increase in 2014, a 3.1% increase in 2013 and 1.6% increase in 2012.

Locally, the unemployment rate has declined to 6% from 8% a year ago and, in January, the University of the Pacific's Business Forecasting Center projected that the unemployment rate in the Sacramento Metropolitan Area could decline to 4.9% by 2018. Median Sacramento

County home prices in February 2015 reached \$270,000 – a seven year high, and about 9% higher than median prices in February of 2014. The number of new residential units permitted in Sacramento County decreased by 1% in calendar year 2014 compared to 2013, however, for the first three months of 2015, County-wide residential building permit activity increased by 88% compared to the same three-month period in 2014. Nevertheless, the number of new residential units permitted during the most recent three month period represents only 15% of the new residential units permitted during the same three months of 2004, at the height of the housing bubble, and 34% of the new residential units permitted in the first quarter of 2000.

This Recommended Budget reflects some of the positive impacts of the improving economy, including:

- Secured Property Tax and Property Tax in Lieu of Vehicle License Fee (VLF) revenue, which constitute over 60% of the County's discretionary revenue, are projected to grow by 4.5% compared to the FY2014-15 Adopted Budget estimate. This will be the third year in a row of increasing property tax revenue from these sources, following four straight years of decline.
- Sales and Use Tax and In Lieu Sales tax revenue, which comprise over 15% of the County's discretionary revenue, are projected to increase by 10.4% compared to the FY2014-15 Adopted Budget estimate, but this includes a one-time true-up related to the ending of the "Triple Flip." If this one-time adjustment is factored out, Sales Tax revenue is projected to increase by 5% compared to the FY2014-15 Adopted Budget estimate.
- Supplemental Property Tax revenue, which captures the impact of new construction and property sales on assessed value, is projected to increase by 29% compared to the FY2014-15 Adopted Budget estimate. This will represent a 588% increase from the amount of Supplemental Property Tax revenue received in FY2012-13.
- The FY2015-16 Recommended Budget includes over \$34 million in additional Growth-related Realignment revenue. This reflects the impact of prior year Realignment Growth revenue on the FY2015-16 Realignment Base as well an estimate of the Growth revenue that will be received in FY2015-16.

Collectively, we are projecting that **on-going** discretionary revenue and reimbursements will grow by approximately \$21.2 million, or 4.1%, in FY2015-16 compared to the FY2014-15 Adopted Budget estimate. This represents the third annual increase in on-going discretionary revenue and reimbursements since FY2007-08.

Unfortunately, the impact of this and other good news on the County's General Fund is partly offset by a number of factors that include:

- The Recommended General Fund Budget is balanced using approximately \$24 million in one-time discretionary revenue and a one-time carryforward of \$18 million in Realignment revenue. If these one-time revenues are factored out, FY2015-16 budgeted Net County Cost would exceed available discretionary resources (revenue,

reimbursements and General Fund available fund balance) by approximately \$42 million.

- Foster Care and Adoption Assistance costs are increasing by approximately \$18 million compared to the FY2014-15 Adopted Budget level, with a Net County Cost increase of \$6 million. This reflects both an increase in the number of foster care cases and higher costs-per-case. In mid-FY2014-15, the Board agreed to participate in the federal Foster Care Title IV-E Waiver program, which provided a capped amount of additional federal Title IV-E revenue and greater flexibility in the use of those funds. At that time, the Board approved various programs in the Health & Human Services and Probation Departments designed to reduce foster care costs and those programs are fully funded in the FY2015-16 Recommended Budget. However, data from counties already participating in the Waiver program suggests that it usually takes a number of years for the implementation of new programs and services to significantly impact foster care costs.
- The Probation Department will see an estimated \$4.8 million reduction in SB678 revenue due to a change in the State's allocation formula.
- The Sheriff's Department will see an \$8.8 million reduction in revenue from the Immigration and Customs Enforcement (ICE) agency due to an anticipated reduction in the number of inmates that the agency lodges in the County jail.
- A State audit of FY2008-09 Mental Health expenditures identified a potential need to repay the State as much as \$14 million and the State is currently auditing FY2009-10 Mental Health expenditures. Nothing is included in the Recommended Budget to cover any required Mental Health audit repayments. In addition, a \$5 million Behavioral Health Realignment reserve established in FY2014-15 for potential post-2011 Mental Health audit repayments is being used to fund on-going programs and services in the FY2015-16 Recommended Budget.
- FY2015-16 General Fund salary and benefit costs will increase by approximately \$27.9 million (3%) compared to the FY2014-15 Adopted Budget level, reflecting negotiated salary cost of living adjustments, health insurance cost increases and the impact of positions added during FY2014-15 as well as positions recommended for addition in FY2015-16.
- We are estimating that the General Fund's available FY2015-16 beginning balance will be approximately \$14 million lower than the FY2014-15 Adopted Budget available balance, including the impact of reserve increases and cancellations.
- The Recommended Budget does not include a Contingency (the FY2014-15 Adopted Budget included a \$2.7 million Contingency) and limited discretionary reserves. As was the case in FY2014-15, the Recommended Budget does include a \$2.8 million appropriation to cover the County's contingent debt service obligation for Raley Field and Sacramento Regional Arts Facilities financings, which, if not needed to pay debt service, can be used as an effective contingency.

BUDGET STRATEGY

In order to maintain and improve our current fiscal position, we have asked departments to prioritize service delivery to meet the Board's policy directives and maximize the use of non-General Fund revenue, including Realignment, grants and other external sources. Our general approach was to first use limited discretionary resources to fund departments' Base Net County Cost and then, to the extent any discretionary resources remained, to make targeted investments in new or enhanced programs and services based on Board priorities.

Budgetary Controls

The County Executive directed departments to construct their budget requests to absorb the use of one-time funding in the previous fiscal year; to end the current fiscal year with a neutral or positive carryover fund balance; to closely monitor and estimate their department-specific revenues and optimize their use of non-General Fund revenues; and to seek full cost recovery for their State and federally funded programs, including State realignment-funded programs.

Position Cost Controls

We are carefully managing vacant positions and have current funded vacancies of 762 full time equivalent (FTE) positions in the General Fund. In addition, there are 281 FTE funded vacancies in internal service and enterprise funded departments. The total number of FTE positions currently filled is 10,655, compared to 10,711 last year at this time.

Strategic Technology Investments

On March 24, 2015, staff provided the Board with the County's Capital Improvement Plan/Technology Improvement Plan covering Fiscal Years 2015-16 through 2019-20. The Technology Improvement Plan included major initiatives that will improve the efficiency of County operations, improve services to our business partners and customers, and reduce County operating costs. Some of the FY2015-16 project costs identified in the Plan are included in the Recommended Budget.

THE ALL FUNDS BUDGET

The County's Recommended All Funds Budget for FY2015-16 totals \$3,728,836,400 in requirements. This is a \$6,099,578 (0.2%) increase compared to the FY2014-15 Adopted Budget requirements level. A detailed comparison of the FY2015-16 Recommended Budget's requirements and the FY2014-15 Budget's requirements is show below:

Fiscal Year 2014-15 Adopted Compared to Fiscal Year 2015-16 Recommended			
All County Funds			
Fund	FY Adopted Requirements	2014-15	FY Recommended Requirements
			2015-16
			Difference
General Fund	2,201,593,739		2,305,216,312
Economic Development	51,260,148		51,369,586
Environmental Management	20,990,412		20,907,935
Golf Fund	7,724,040		7,777,463
Transient Occupancy Tax	823,559		(6,175)
Transportation	206,533,345		165,043,774
Water Resources	177,008,726		153,049,244
Airport System	241,268,061		241,402,824
Waste Management and Recycling	96,585,028		79,172,804
Capital Projects Funds	42,958,336		36,303,425
Debt Service Funds	42,184,311		36,083,862
Other Special Revenue Funds	51,260,912		48,832,062
Other Enterprise Funds	4,105,149		3,227,409
Other Internal Service Funds	363,663,799		367,889,541
Other Special Districts and Agencies	214,777,257		212,566,334
Total	3,722,736,822		3,728,836,400
			6,099,578

The primary reason for the overall increase in the Recommended Budget compared to the FY2014-15 Adopted Budget is the \$103.6 million increase in General Fund requirements as described in more detail below. The recommended increase in General Fund and certain other fund requirements is partially offset by decreases in other areas including:

- A \$41.5 million decrease in various transportation-related funds, including the Roads Fund and Transportation Sales Tax Fund, due in part to the mix and timing of various road improvement projects, to the fact that one two-year project was budgeted entirely in FY2014-15 when it should have been split between two years and to a \$6.5 million reduction in the amount added to reserved fund balance compared to the FY2014-15 Adopted amount.
- A \$24 million decrease in various Water Resources funds due to the timing of various capital projects, the impact of the repayment in FY2014-15 of \$9.2 million of funds previously loaned to the General Fund (the repayment was treated as a reimbursement, which had the effect of reducing FY2014-15 budgeted appropriations by that amount), and an \$18 million reduction in the amount added to reserved fund balance compared the reserve increase included in the FY2014-15 Adopted Budget.
- A \$17.4 million decrease in various Waste Management and Recycling funds due to the timing of various capital projects and an \$8 million reduction in the amount added to reserved fund balance compared to the FY2014-15 Adopted Budget reserve increase.

THE GENERAL FUND BUDGET

The County's Recommended General Fund appropriation level for FY2015-16 totals \$2,302,082,405. This is an increase of \$105,988,221(4.8%) compared to the FY2014-15 Adopted Budget level. A more detailed comparison of the FY2015-16 Recommended General Fund Budget to the FY2014-15 Adopted General Fund Budget is shown below:

General Fund Budget FY2014-15 Adopted and FY2015-16 Recommended

Resources	FY2014-15 Adopted	FY2015-16 Recommended	Difference
Beginning Balance ¹	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	552,941,021	45,439,529
Semi-discretionary Revenue	562,176,454	627,276,975	65,100,521
Other Departmental Revenue	1,087,299,219	1,096,864,409	9,565,190
Total Revenue	2,156,977,165	2,277,082,405	120,105,240
Total Resources	2,201,593,739	2,302,082,405	100,488,666
Requirements			
Expenditures	2,206,491,657	2,312,839,163	106,347,506
Discretionary Reimbursements	(13,109,634)	(10,756,758)	2,352,876
Contingency	2,712,161	0	(2,712,161)
Total Appropriations	2,196,094,184	2,302,082,405	105,988,221
Provision for Reserves	5,499,555	0	(5,499,555)
Total Requirements	2,201,593,739	2,302,082,405	100,488,666

Fund Balance and Reserves

The Recommended General Fund Budget assumes a beginning balance of approximately \$74.9 million. The beginning balance includes approximately \$55.2 million in reserves, consisting primarily of Teeter reserves and a \$32.4 million Reserve for Cash Flow, and an unrestricted balance of \$19.7 million.

The estimated FY2015-16 Beginning Balance was calculated using the FY2013-14 actual ending balance and Mid-year estimates of FY2014-15 General Fund revenues and expenditures, with a positive adjustment to try and mitigate the generally conservative nature of those estimates.

The Recommended Budget proposes to cancel \$5.3 million in reserves: the \$5 million Reserve for Mental Health Audit Report Payback and the \$300,000 Reserve for Delta Loan. During FY2014-15 the Health & Human Services Department was required to repay \$5 million to the State as a result of an audit of 2008 Mental Health expenditures and this Reserve was established to cover this cost. The Reserve for Delta Loan was a reserve established to account for a loan to the River Delta Fire Department in 2008. That loan was fully paid off

¹ "Available" (unreserved/restricted) fund balance

in 2012, but the Reserve was inadvertently not cancelled at that time. With these Reserve cancellations, the total FY2015-16 available fund balance will stand at \$25 million.

Finally, it is important to keep in mind that the above fund balance numbers are only estimates. The Finance Department will determine the actual fund balance number, including any encumbrance carry-forward in the first quarter of FY2015-16.

Discretionary Revenue and Reimbursements

The FY2015-16 Recommended Budget includes a combined total of \$563,697,779 in discretionary revenue and reimbursements. This represents an increase of approximately \$43.1 million (8%) compared to the FY2014-15 Adopted Budget and is the net result of increases and decreases in a number of revenue and reimbursements as shown the following table.

DISCRETIONARY REVENUE & REIMBURSEMENTS

	FY2014-15 Adopted	FY2015-16 Recommended	Difference
Property Tax-Secured/VLF In Lieu	330,618,873	345,496,722	14,877,849
Property Tax Supplemental	3,100,000	4,000,000	900,000
Other Property Tax	17,145,746	16,306,136	(839,610)
Total Property Tax	350,864,619	365,802,858	14,938,239
Sales & In-Lieu Sales Tax	75,243,704	83,060,416	7,816,712
Utility User Tax	17,044,777	18,082,378	1,037,601
Transient Occupancy Tax	4,075,690	4,514,439	438,749
Property Transfer Tax	7,500,000	8,650,000	1,150,000
SB 90 Repayment	2,735,660	14,581,068	11,845,408
Other One-time Revenue	0	5,500,000	5,500,000
Other On-going Revenue	50,037,042	52,749,862	2,712,820
Total Revenue	507,501,492	552,941,021	45,439,529
Teeter	11,354,619	9,263,243	(2,091,376)
SWA	1,620,187	1,493,515	(126,672)
Other Reimbursements	134,829	0	(132,829)
Total Reimbursements	13,109,635	10,756,758	(2,352,877)
TOTAL	520,611,127	563,697,779	43,086,652

The primary reasons for the net increase in discretionary revenue include:

- A \$14.9 million (4.5%) increase in Secured Property Tax and Property Tax in Lieu of Vehicle License Fee revenue due to anticipated increases in assessed value on secured property, both from new construction and the sale of homes with higher property values in prior years, and the restoration of a significant number of properties that were in “decline-in-value” (Proposition 8) status to their pre-Proposition 8 value.
- An \$11.9 million (433%) increase in revenue from the State as part of the Governor’s effort to repay counties money owed for pre-2004 SB 90 mandate claims that the State previously withheld to address its budget problems. The total amount of pre-2004 mandate reimbursement included in the Recommended Budget - \$14.6 million – is essentially one-time revenue.

- A \$7.8 million (10.4%) increase in Sales Tax and In-lieu Sales Tax revenue compared to the FY2014-15 Adopted Budget. All-told, we are projecting that the County will receive approximately \$83.1 million in Sales and In-Lieu Sales Tax revenue in FY2015-16, however, approximately \$4.5 million of that is a one-time true-up related to the ending of the “Triple-Flip.” If that is factored out, the “real” increase in Sales Tax revenue is projected to be approximately \$3.3 million, a 5% increase. By way of background, the Triple Flip was implemented in 2004, when the State diverted revenue from .25% of the 1% Bradley-Burns sales tax that went to cities and counties, and used that money to pay debt service on State bonds. The State backfilled the cities and counties with Sales Tax In-lieu revenue out of local Educational Revenue Augmentation Funds (ERAF). FY2014-15 was the last year of the Triple Flip, but because of payment timing issues, the cities and counties will still receive one-time Sales Tax In-lieu revenue in FY2015-16 to “true-up” the amounts owed.
- A \$5.5 million increase in one-time revenue related to County Certificates of Participation (COPs) and Pension Obligation Bonds (POBs). \$3 million of this amount is due to the complete pay-off of the 1997 COPs issue, and the liquidation of the \$3 million debt service reserve. \$2 million of this amount is debt service fund balances for 1995, 2003 and 2004 POB issues that were being held against a possible liability tied to the Lehman Brothers bankruptcy. The six year statute of limitations on that case has expired and legal counsel has indicated that these funds no longer need to be held by the County. The remaining \$500,000 is excess fund balance in a number of COP debt service funds due, in part, to negative arbitrage calculations.

The table on the previous page also shows the reimbursements in the Non-departmental Revenue budget unit. Reimbursements have the effect of reducing expenditures and discretionary reimbursements effectively making discretionary resources available for other uses.

Historically, the largest source of discretionary reimbursements has been the transfer-in of Teeter revenue, which comes from penalties and interest paid by property owners who are delinquent in paying their property taxes. The FY2015-16 Recommended Budget reflects a \$2.1 million (18%) reduction in Teeter reimbursement due to lower property tax delinquency rates in the last few years as the economy has improved.

Semi-Discretionary Revenue

“Semi-discretionary” revenue, one component of Departmental Revenue, refers to Proposition 172 and 1991 and 2011 Realignment revenue that the Board generally has the ability to allocate within certain broad parameters.

Proposition 172 revenue comes from a statewide half cent sales tax that is allocated to counties. This resource is generally limited to public safety programs.

1991 Realignment revenue comes from a portion of statewide sales tax and vehicle license fee (VLF) revenue that is allocated to counties to help fund the local share of certain health and human services programs that were “realigned” to the counties from the State. Originally, there were three categories of 1991 Realignment revenue: Public Health (which

included indigent healthcare), Mental Health and Social Services. As part of 2011 Realignment, Realignment funding for Mental Health was shifted to 2011 Realignment and the counties were given an increased share of cost for CalWORKS which is funded with Social Services Realignment revenue.

2011 Realignment revenue comes initially from temporary sales tax and vehicle license fee rates and is allocated to counties to help fund the local share of cost for a number of realigned health and human services programs, to replace State categorical funding for certain health and human services and law and justice programs, and to provide funding to help counties deal with the impact of the transfer of responsibility for certain “low level” offenders from the State prison system to counties (referred to as AB109 Realignment revenue).

The following table summarizes the amount of Proposition 172 and Realignment revenue the County expects to have available in FY2015-16 compared to the amount included in the FY2014-15 Adopted Budget.

SEMI-DISCRETIONARY REVENUE

FY2014-15 Adopted Budget Compared to FY2015-16 Recommended Budget

	FY2014-15 Adopted	FY2015-15 Recommended	Difference
Proposition 172	103,471,967	106,410,733	2,938,766
1991 Realignment	156,055,150	179,059,428	23,004,278
2011 Realignment – Non AB 109	266,497,021	298,011,884	31,514,863
AB 109 Realignment	36,152,316	43,794,930	7,642,614
Total	562,176,454	627,276,975	65,100,521

As can be seen, the Recommended Budget reflects a total increase in Semi-discretionary revenue of approximately \$65.1 million (12%).

The Recommended Budget includes \$106.4 million in Proposition 172 revenue, which is a \$2.9 million (2.8%) increase over the FY2014-15 Adopted Budget level. This is based on information provided by the County’s sales tax consultants and actual revenue trends to-date.

The Recommended Budget includes \$179.1 million in 1991 Realignment revenue which is a \$23 million (15%) increase compared to the FY2014-15 Adopted Budget level. This increase is due primarily to a \$21.8 million increase in CalWORKS and Child Poverty & Family Support Realignment revenue. In FY2011, the State began the process of shifting the State’s share of CalWORKS costs from the State General Fund to sales tax funded-realignment. Until FY2015-16, there was not sufficient sales tax revenue to fully accomplish that funding shift. The FY2015-16 State budget includes sufficient Realignment sales tax revenue to fully fund that shift. The resulting increase in CalWORKS Realignment revenue is offset by an equivalent reduction in other State revenue. The Recommended Budget also includes a \$2 million (15%) increase in Public Health Realignment revenue, which is the result of a higher Base allocation, estimated Realignment Growth and a \$1.1 million carry-over of unspent FY2014-15 Realignment revenue.

The Recommended Budget includes \$298 million in non-AB109 2011 Realignment revenue which represents a \$31.5 million (12%) increase over the FY2014-15 Adopted Budget level. The projected increase is the result of a number of factors, including:

- A \$2.4 million (5%) increase in Public Safety Realignment revenue compared to the FY2014-15 Adopted level (for Court Security, COPs grants, jail booking fees, the District Attorney/Public Defender and Youth Offender and Juvenile Re-entry grants) due to a higher Base allocations, estimated Realignment Growth and a \$1.7 million carry-over of unspent FY2014-15 revenue.
- A \$6.9 million (15.9%) increase in Mental Health Realignment revenue compared to the FY2014-15 Adopted Budget level due to a higher Base allocation, estimated Realignment Growth and the use of approximately \$3 million in unspent carry-over funds from FY2014-15.
- A \$12.3 million (21%) increase in Behavioral Health Realignment revenue compared to the FY2014-15 Adopted Budget level (for alcohol and drug and certain mental health programs) due to a higher Base allocation, estimated Realignment Growth, as well as the use of approximately \$6.5 million in unspent carry-over funds from FY2014-15.
- An \$8.9 million (8%) increase in Protective Services Realignment revenue compared to the FY2014-15 Adopted Budget level (used to fund Child Protective Services, Adult Protective Services, Adoptions Assistance and Foster Care programs). This increase is due to a higher Base allocation, estimated Realignment Growth and the use of approximately \$4.5 million in unspent carry-over funds from FY2014-15.

The Recommended Budget includes \$43.8 million in AB109 Realignment revenue, which represents a \$7.6 million (21%) increase over the FY2014-15 Adopted Budget level. The projected increase is the result of a number of factors, including an \$8.8 million increase in the Base allocation, partly due to a change in the allocation formula, estimated Realignment Growth and a \$2 million reduction in the amount of unspent funds carried-over from FY2014-15 to FY2015-16 compared to the amount carried-over from FY2013-14 to FY2014-15.

Other Departmental Revenue

When Semi-discretionary revenue is factored out, the Recommended General Fund Budget reflects a \$9.5 million (1%) increase in Departmental Revenue. This is the net result of increases and decreases in different revenue sources in various departments including:

- A \$22.2 million (26%) increase in federal Title IV-E foster care revenue, due in part to implementation of the Title IV-E Waiver and in part to increased non-Waiver eligible expenditures. This additional revenue is reflected in the Health & Human Services, Probation and Human Assistance – Aid Payments budgets.
- A \$15 million increase in other federal and state revenue in the Health & Human Services Department's budget, include additional Med-Cal and Mental Health Services Act revenue.

- A \$4.8 million reduction in SB678 revenue in the Probation Department's budget due to a change in the State's SB 678 allocation formula.
- An \$8.8 million reduction in revenue in the Sheriff's and Correctional Health Services budgets from contracts with the U.S Immigration and Customs Enforcement (ICE) agency and Marshall's service. These agencies have notified the Sheriff that they will be reducing the number of inmates they house in the County's jails.
- A \$15 million reduction in State CalWORKS funding due to the implementation of AB 85, which shifted the State's share of CalWORKS funding from the State General Fund to Realignment.
- An \$8 million reduction in Low Income Health Program (LIHP) revenue in the Health-Medical Treatment Payments budget. The FY2014-15 Adopted Budget included \$8 million in one-time federal revenue to cover close-out costs for LIHP which ended with the implementation of the Affordable Care Act. This reduction in Health-Medical Treatment Payments revenue is partially offset by the inclusion of \$4 million in Medi-Cal funding to cover requests from doctors for additional pay for services they provided under LIHP at a rate lower than the Medi-Cal rate.

Expenditures

The primary reasons for the \$106.3 million (5%) increase in expenditures in the Recommended General Fund Budget compared to the FY2014-15 Adopted Budget include:

- A \$52.2 million (11%) increase in the Health & Human Services budget due a variety of factors including a \$13 million increase in Mental Health expenditures to add crisis residential facilities, purchase more sub-acute beds and expand the Crisis Stabilization Unit, a \$9.9 million increase in Mental Health expenditures to increase the number of bed-days in psychiatric facilities for Affordable Care Act (ACA) clients, a \$12 million increase in Child Protective Services (CPS) appropriations partly due to an initiative to reduce the incidence of African American Child Death and the implementation of programs designed to reduce foster care case costs and an \$8.4 million increase in Alcohol and Drug costs, due to an increased demand for services created by the ACA, and \$3.3 million for a health initiative to undocumented residents.
- A \$28.7 million (8%) increase in the Human Assistance – Aid Payments budget due primarily to increased Foster Care, Adoptions Assistance and CalWORKS costs.
- An \$11.1 million (9%) increase in the Probation Department's budget, due in part to a \$4.4 million increase in funding for new programs and services approved by the Board in FY2014-15 as part of the Title IV-E Foster Care Waiver implementation and a \$426,000 increase for additional Title IV-E-related enhancements included in the Recommended Budget, a \$716,000 increase to fund additional staff and as part of a multi-faceted plan to reduce African-American Child deaths in the County and a

\$203,000 increase to fund a new Probation Division Chief for the Adult Field Operations Division.

- A \$9.9 million (2%) increase in the Sheriff's Department budget due, in part, to the full allocation to the Department of its share of debt service costs for department-occupied space (\$5 million) and a \$1.7 million increase in funding for 11 new positions to begin addressing the Sheriff's implementation of an Intelligence-led policing model.
- A \$5 million (7%) increase in the In Home Supportive Services (IHSS) Provider Payments budget, due primarily to two factors: (1) the FY2014-15 Adopted Budget under-budgeted provider health insurance costs by approximately \$2.9 million; and (2) the inclusion of an additional \$1.2 million to cover cost-of-living adjustments in accordance with the memorandum of understanding with the union representing providers.
- A \$3 million (45%) increase in the Animal Care and Regulation Department budget, due in part to the full allocation to the Department of its share of debt service costs for department-occupied space (\$1.7 million) and the provision of an additional \$283,000 in enhanced staffing and services in a variety of areas.

These and other expenditure increases are partially offset by recommended expenditure decreases in a number of areas, including a \$14.9 million decrease in the Health – Medical Treatments budget, due primarily to the final close-out of funding for the Low Income Health Program (LIHP) in FY2014-15 and reduced indigent healthcare costs, both related to the implementation of the Affordable Care Act.

Net County Cost/Discretionary and Semi-Discretionary Revenue Allocations

“Net County Cost” or “General Fund Allocation,” refers to the discretionary resources allocated to the different County departments or programs. Discretionary resources come from the General Fund's discretionary (Non-Departmental) revenues, Non-Departmental reimbursements and General Fund beginning balance. For FY2015-16, the total recommended Net County Cost is approximately \$588.7 million, a \$29 million (5%) increase compared to the FY2014-15 Adopted Budget level.

The recommended allocation of discretionary resources to departments or activities takes into consideration the Board's policy and service directives, but also reflects the County's legal obligations in certain areas. The recommended allocations are summarized in the following table.

FY2015-16 Recommended General Fund
Allocations As Compared to FY2014-15
Adopted

DEPARTMENT	FY 2014-15 Adopted Allocation	FY 2015-16 Recommended Allocation	Year to Year Variance
ELECTED OFFICIALS			
Assessor	8,827,737	9,830,948	1,003,211
Board of Supervisors	3,352,512	3,325,760	(26,752)
District Attorney	50,186,926	52,527,932	2,341,006
Sheriff	191,754,258	206,326,910	14,572,652
Correctional Health	30,427,331	31,346,416	919,085
Subtotal	284,548,764	303,357,966	18,809,202
COUNTYWIDE SERVICES			
Human Assistance-Aid Payments	23,772,091	31,717,757	7,945,666
DHA Administration	11,046,830	10,466,392	(580,438)
Health & Human Services	9,277,915	14,415,746	5,137,831
Probation	56,950,440	59,824,225	2,873,785
Courts	35,356,166	33,583,842	(1,772,324)
Public Defender and Conflict Defenders	38,947,906	39,412,623	464,717
Medical Treatment Payments	10,858,517	0	(10,858,517)
In-Home Supportive Services (IHSS)	2,584,161	4,068,543	1,484,382
Voter Registration and Elections	7,358,063	8,688,960	1,330,897
Other Countywide Services	15,330,107	15,076,822	(253,285)
Subtotal	211,482,196	217,254,910	5,772,714
MUNICIPAL SERVICES			
Animal Care & Regulation	5,307,862	8,071,231	2,763,369
Community Development	6,117,381	6,015,756	(101,625)
Regional Parks	4,174,114	5,550,142	1,376,028
Subtotal	15,599,357	19,637,129	4,037,772
INTERNAL SERVICES			
Finance Department	464,300	3,014,192	2,549,892
Other Internal Services	136,648	100,230	(36,418)
Subtotal	600,948	3,114,422	2,513,474
GENERAL GOVERNMENT	47,496,880	45,333,352	(2,163,528)
TOTAL	559,728,145	588,697,779	28,969,634

Looking at Net County Cost alone, however, does not give a complete picture of levels of investment of local resources in programs or services because increases or decreases in Net County Cost are sometimes offset by increases or decreases in the use of Semi-discretionary revenue. To give a better picture of the change in centrally-allocated resources provided to the different departments, the following table compares the allocation of all Discretionary and Semi-Discretionary revenues in the FY2014-15 Adopted and the FY2015-16 Recommended Budgets:

Centrally Allocated Resources

Net County Cost, Semi-Discretionary Resources

FY 2014-15 Adopted - FY 2015-16 Recommended

	FY 2014-15 Adopted	FY 2015-16 Recommended	Difference
AG COMM-SEALER OF WTS & MEASURES	1,172,387	1,204,527	32,140
ANIMAL CARE AND REGULATION	5,307,862	8,071,231	2,763,369
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	39,908,142	2,555,473
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	66,405,614	2,854,460
EMERGENCY OPERATIONS	478,902	837,792	358,890

FAIR HOUSING SERVICES	150,000	146,500	(3,500)
FINANCING-TRANSFERS/REIMB	4,276,841	1,721,371	(2,555,470)
GRAND JURY	310,675	300,933	(9,742)
HEALTH AND HUMAN SERVICES	190,681,286	211,964,013	21,282,727
HEALTH-MEDICAL TREATMENT PAYMENTS	11,858,517	1,969,665	(9,888,852)
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	27,771,628	1,283,178
OFFICE OF INSPECTOR GENERAL	100,300	100,230	(70)
OFFICE OF LABOR RELATIONS		203,822	203,822
PROBATION	101,019,504	109,462,913	8,443,409
PUBLIC DEFENDER	29,855,202	30,017,081	161,879
REGIONAL PARKS	4,174,114	5,550,142	1,376,028
SHERIFF	322,083,571	343,027,048	20,943,477
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	1,215,974,754	94,070,155

As can be seen, overall the amount of discretionary and Semi-discretionary resources allocated to departments and programs is recommended to increase by approximately \$94.1 million, or 8%, compared to the FY2014-15 Adopted level. The Departments with the largest increase include:

- Human Assistance – Aid Payments with a \$38.6 million (25%) increase, due to increased Adoptions Assistance/Foster Care, General Assistance and CalWORKS costs and the shifting of \$15 million from the State General Fund's share of cost for CalWORKs to Realignment.
- Health & Human Services with a \$21.3 million (11%) increase, due to increased salary and benefit costs and program initiatives in a number of areas, including increasing the number of beds available in psychiatric facilities, an increase in funding for contracts for drug treatment services, increased staffing and services in Child Protective Services and increasing staffing and funding related to efforts to reduce the incidence of African-American child deaths in the community.

- The Sheriff's Department with a \$20.9 million (7%) increase, due to increased salary and benefit costs, an \$11 million reduction in ICE and other departmental revenue, the full allocation of the Sheriff's share of debt service costs for facilities occupied by the Sheriff's Department, increased vehicle fleet costs and the addition of 11 FTE positions and related vehicles and equipment in the Field Services Division as the initial steps in the Sheriff's longer-term effort to implement an Intelligence-led policing model.
- The Probation Department with an \$8.4 million (8%) increase, due to increased salary and benefit costs, a \$4.8 million reduction in SB 678 revenue, increased costs related to implementing programs and services designed to reduce foster care costs as part of the Title IV-E Waiver and additional staff and costs related to efforts to reduce the incidence of African-American child deaths in the community.
- IHSS Provider Payments with a \$4.2 million (8%) increase, due to the under-budgeting of provider health insurance costs in FY2014-15 and a cost of living adjustment for IHSS providers.

General Fund Five Year Sensitivity Analysis

Recognizing that expenditure and revenue decisions made in one year can have a significant effect on the resources that will be available to General Fund programs in future years, but also recognizing the difficulties involved in predicting future year economic and fiscal conditions, we are providing your Board with a Five Year Sensitivity Analysis that suggests what the impact could be on the General Fund's fiscal condition under three scenarios:

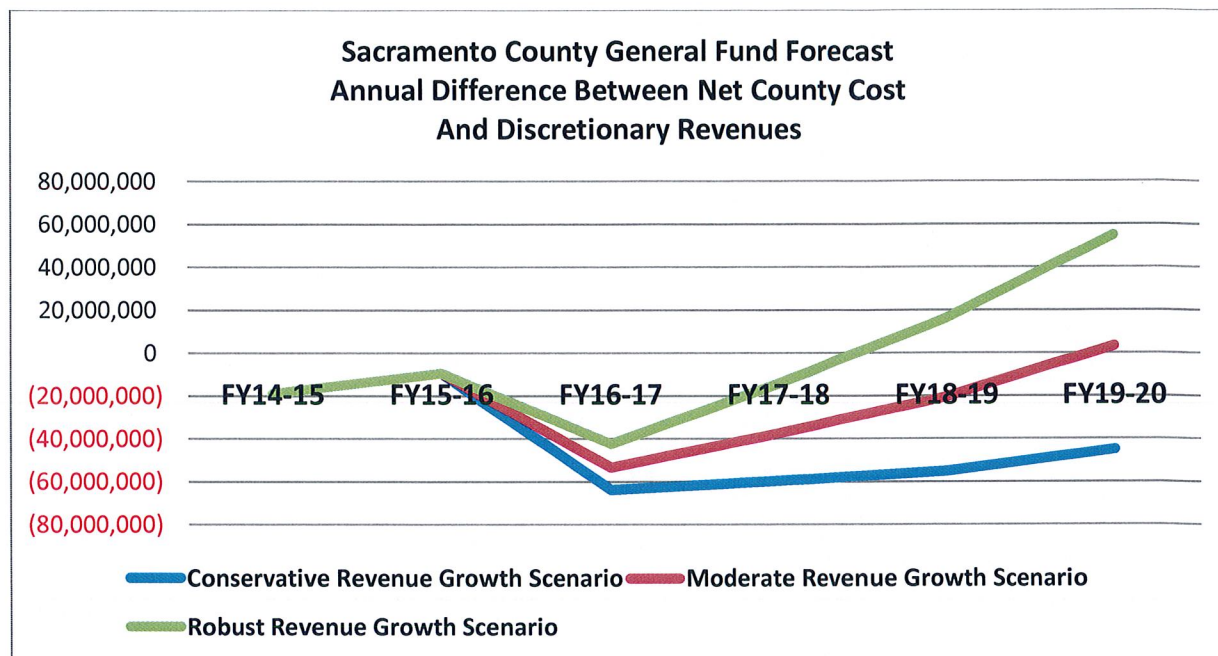
- A "Conservative Revenue Growth" Scenario that assumes total discretionary revenue and reimbursements will grow at an average annual rate of 3% over the projection period;
- A "Moderate Growth" Scenario that assumes total discretionary revenue and reimbursements will grow at an average annual rate of 5% over the projection period; and
- A "Robust Growth" Scenario that assumes total discretionary revenue and reimbursements will grow at an average annual rate of 7% over the projection period.

All projections use the discretionary revenue and reimbursement estimates in the FY2015-16 Recommended Budget and FY2014-15 Mid-Year estimates of Net County Cost as the starting point, with adjustments made to reflect certain known or likely changes including future-year reductions in one-time funding. Key assumptions include:

- In all years, semi-discretionary and other departmental revenue will grow or decline based on actual costs, or, (with limited exceptions) costs currently funded with departmental revenue will be reduced if revenue declines.

- The FY2014-15, Mid-year Net County Cost estimate is adjusted to reflect the percentage increase in Net County Cost in the FY2015-16 Recommended Budget compared to the FY2014-15 Adopted Budget.
- The FY 2016-17, discretionary revenue and reimbursement estimates and all succeeding discretionary revenue and reimbursement estimates are decreased to reflect the elimination approximately \$24 million in one-time discretionary revenue used to balance the FY2015-16 Recommended Budget.
- The FY2016-17, Net County Cost estimate and all succeeding Net County Cost estimates are increased to reflect the elimination of approximately \$18 million in one-time Realignment Revenue carryover included in the FY2015-16 Recommended Budget.
- The FY2016-17, Net County Cost estimate and all succeeding Net County Cost estimates are increased by \$5.2 million to reflect the additional cost of certain General Fund supported technology improvements (such as the new Property Tax System) called for in the Technology Improvement Plan reviewed by the Board as part of the County's Capital Improvement Plan (CIP).
- The FY2016-17, Net County Cost estimate and all succeeding year Net County Cost estimates are decreased by \$2.5 million to adjust for the one-time impact on FY2015-16 Net County Cost of the write off of bad debt by the Community Development Department and the use of Net County Cost to fund part of Finance Department costs, pending development of a cost allocation plan.
- The FY2019-20, Net County Cost estimate is decreased by \$5.4 million to reflect the final amount needed to repay other funds for the money borrowed from those funds during the Great Recession. This assumes that the General Fund will repay the same amount each year as was included in the FY2015-16 Recommended Budget.
- The FY2016-17, Net County Cost estimate is increased by 4% for all scenarios (after any other adjustments), reflecting the impact of salary adjustments and other cost-of-living increases. Starting in FY2017-18, Net County Cost will grow by 2% a year, reflecting the impact of inflation or other cost increases.

The results of these different scenarios are shown in the following table:



As can be seen, depending on the assumptions used, the Sensitivity Analysis provides a fairly wide range of possible outcomes. Given all of the uncertainties involved in projecting into the future, it is likely that the General Fund’s fiscal condition will be different from all three scenarios. Notwithstanding this, we believe it is possible to draw two conclusions:

- The General Fund will likely not be in structural balance over the five-year projection period. That is to say that, absent any reductions in FY2015-16 budgeted spending levels, it appears that on-going Net County Cost will exceed on-going discretionary revenue and reimbursements for all or most of the next five years. Even under the Robust revenue growth scenario, the projection does not show discretionary revenues and reimbursements equaling or exceeding Net County Cost until FY2018-19. Under the other two scenarios, this does not occur until the end of the projection period or beyond.
- Given the magnitude of the gap between discretionary revenue and reimbursements and Net County Cost, particularly in the early years of the projection period, and the fact that the General Fund has no Contingency and only limited reserves to fall back on if estimated revenue does not materialize or costs exceed projections, it would be prudent over the next few years to control costs and build reserves.

SIGNIFICANT BUDGET ISSUES – GENERAL FUND

Title IV-E Foster Care Revenue and the Title IV-E Waiver

All-told, the Recommended Budget includes over \$28 million in additional Foster Care - related expenditures compared to the FY2014-15 Adopted Budget level. The increase is due in part to programs and services designed to reduce foster care caseloads and costs under the

Title IV-E waiver program approved by the Board in FY2014-15, and to higher foster care caseloads and costs, both for Waiver eligible clients and non-Waiver eligible clients. The Recommended Budget includes \$108.6 million in federal Title IV-E revenue (including Waiver-related revenue), an increase of approximately \$22.2 million. The remaining expenditure increases are covered by Protective Services Realignment revenue and additional Net County Cost. Title IV-E expenditures and revenue are reflected in the Health & Human Services, Probation, Human Assistance-Administration and Human Assistance – Aid Payments budgets.

The Recommended Budget includes approximately \$66.3 million in federal Title IV-E Waiver revenue, which is the estimated maximum amount the County could draw down under the Waiver. This amount is approximately \$14 million more than could have been claimed for the same caseload level if the County had not participated in the Waiver program. However, as noted, overall costs for Title IV-E Waiver related programs are up significantly compared to the FY2014-15 Adopted Budget level, due in part to the implementation of new programs designed to reduce the County's foster care caseload in the long term. Some of these programs were originally approved in mid-FY2014-15, and thus represent an increase from the FY2014-15 Adopted Budget level, including:

- A \$5.2 million increase in the Child Protective Services Division of the Health & Human Services Department; and
- A \$4.4 million increase in the Juvenile Probation Division of the Probation Department.

In addition, the Recommended Budget includes \$426,000 in the Probation Department's budget to fund 3 new positions as part of the effort to reduce foster care costs.

Initiatives to Reduce Disproportionate African-American Child Deaths

The recommended budget includes a \$750,000 Net County Cost allocation to the Department of Health and Human Services to fund components of the strategic plan recommendations of the Steering Committee on the Reduction of African-American Child Deaths. The County Executive has approached the City of Sacramento to match this amount.

The County Executive Office and DHHS will work with the Steering Committee to develop and provide to the Board, prior to Adopted Budget hearings in September, a detailed work plan for reducing African-American child death rates attributable to perinatal conditions, infant sleep-related death, child abuse and neglect homicide, and third-party homicide. The work plan will include recommendations regarding priorities for allocating funding to community programs and services that will interface with, complement, supplement, or enhance County and other programs to achieve a ten to twenty percent reduction in these deaths rates over the next five years.

The recommended budget also includes funding for department-based programs to reduce African-American child death rates:

- Probation – 5.0 FTE Probation officers focusing on at risk youth in target neighborhoods (Net County Cost-\$716,057).
- Child Protective Services (DHHS) – 4.0 FTE CPS positions for permanency, kinship support, informal supervision dedicated to African-American families in target neighborhood (Net County Cost-\$426,837).
- Child Protective Services (DHHS) – Community-based contracts for cultural brokers who will work with Child Protective Services (CPS) social workers and at-risk African-American families in target neighborhoods to prevent child abuse. DHHS will work with the Steering Committee to identify contractors for this program. (Net County Cost-\$300,000)
- Maternal, Child, and Adolescent Health (DHHS) – 2.0 FTE Public Health Nurses to conduct home visits and provide perinatal care follow-up with new African-American mothers; 0.8 FTE Program Planner to coordinate program and community efforts to address perinatal substance abuse among African American women (Net County Cost-\$465,279).
- Black Infant Health Program (DHHS) – 1.0 FTE Social Worker dedicated to African-American families in target neighborhoods to improve health and birth outcomes (State/Federal-funded-\$106,609).
- Nurse Family Partnership (DHHS) - 1.0 FTE Public Health Nurse to provide in-home visits by public health nurses to first-time pregnant, low-income, African-American women throughout pregnancy and after delivery until the child turns two years old (State/Federal-funded - \$260,000)

Homeless Initiatives

The budget reflects an ongoing commitment to serving homeless persons throughout the County. The table below shows the amount of County resources devoted to providing health and social services such as outreach, mental health, substance abuse, shelter, housing, and cash assistance to the homeless. In total, Sacramento County will spend more than \$32.5 million on these programs, using state and federal funds (\$20.2 million), local realignment (\$4.3 million), and County General Fund (\$8.0 million). This includes year-to-year increases of \$400,000 for rapid rehousing placements, \$115,000 for support of the Senior Safe House, \$50,000 for Return to Residence assistance, and \$680,000 in State funding for the CalWORKs Housing Support Program to quickly rehouse families.

DHHS	Total Cost	Realignment	General Fund	Other Revenues	FTEs
Mental Health Services to Homeless Mentally Ill	\$ 9,039,446	\$ -	\$ -	\$ 9,039,446	-
Mental Health Mobile Team/Community Support Team	\$ 2,268,286	\$ -	\$ -	\$ 2,268,286	-
CST (County staff)	\$ 260,006	\$ -	\$ -	\$ 260,006	4.0
Alcohol & Drug Services/System of Care	\$ 167,223	\$ -	\$ -	\$ 167,223	1.0
TB Chest Clinic	\$ 57,250	\$ -	\$ -	\$ 57,250	22.0
Integrate Behavioral Health Medical Home	\$ 3,528,913	\$ 1,927,897	\$ 151,490	\$ 1,449,526	29.3
Nurse Outreach	\$ 401,455	\$ 279,284	\$ 122,171	\$ -	3.0
Mercy Clinic Loaves and Fishes	\$ 333,500	\$ -	\$ 173,500	\$ 160,000	3.0
Senior Safe House	\$ 250,000	\$ 125,000	\$ -	\$ 125,000	-
DHHS Subtotal	\$ 16,306,079	\$ 2,332,181	\$ 447,161	\$ 13,526,737	62.3

DHA Cash Assistance

Return to Residence	\$ 97,538	\$ -	\$ 97,538	\$ -	-
General Assistance Payments	\$ 5,285,049	\$ -	\$ 5,285,049	\$ -	-
Adolfo Transitional Housing	\$ 1,830,685	\$ 1,574,566	\$ -	\$ 256,119	-
CalWORKs Homeless Assistance Payments	\$ 2,515,486	\$ -	\$ -	\$ 2,515,486	-
Rapid Rehousing	\$ 400,000		\$ 400,000		

DHA Contracts

Outreach/Navigation - SSF & River District	\$ 100,000	\$ -	\$ 100,000	\$ -	-
Winter Shelter	\$ 150,000	\$ -	\$ -	\$ 150,000	-
Winter Sanctuary	\$ 100,000	\$ -	\$ 100,000	\$ -	-
SSF - Homeless Strategic Plan Implementation	\$ 25,000	\$ -	\$ 25,000	\$ -	-
North A Complex - Womens Empowerment & Other Shelters	\$ 275,455	\$ -	\$ 275,455	\$ -	-
Detox Facility - Subsidized Lease - VOA	\$ 194,100		\$ -	\$ 194,100	-
Family Shelters -VOA, St. John's, Next Move	\$ 2,149,173	\$ -	\$ 400,000	\$ 1,749,173	-

Men's Emergency Shelter - Salvation Army	\$ 75,000	\$ -	\$ 75,000	\$ -	-
Mather Transitional Housing	\$ 373,843		\$ 22,086	\$ 351,757	-
Housing Support Program - CalWORKs (rent assistance, etc.)	\$ 781,318			\$ 781,318	-
Youth Shelter - WIND	\$ 218,000	\$ -	\$ 218,000	\$ -	-
Interim Emergency Shelter - Salvation Army	\$ 118,614	\$ -	\$ -	\$ 118,614	-
Consulting -Focus Strategies	\$ 20,000	\$ -	\$ 20,000	\$ -	-
DHA Staffing					
Homeless Services Coordination (DM, PM, Planner)	\$ 556,378		\$ 547,336	\$ 9,042	4.3
Adolfo	\$ 410,277	\$ 410,277	\$ -	\$ -	3.2
Housing Support Program - CalWORKs	\$ 544,457			\$ 544,457	6.4
DHA Subtotal	\$ 16,220,373	\$ 1,984,843	\$ 7,565,464	\$ 6,670,066	13.9
TOTAL	\$ 32,526,452	\$ 4,317,024	\$ 8,012,625	\$ 20,196,803	76.2

Providing Healthcare to Undocumented Immigrants

The Recommended Budget includes partial funding for a program that can serve, in the first year, up to 3,000 people who do not qualify for any State or federal health program (with the actual number served adjusted to remain within the total budget for the program). It is grounded in a partnership between the County, the University of California and the private hospital and physician sectors. It would provide primary care through the Integrated Behavioral Health (IBH) TEACH Medical Home at the County's Primary Care Center (PCC), specialty care through contracted and in-kind services from hospital systems and physicians, limited outpatient pharmacy services and navigation assistance.

The program will be open to adults from 19 to 64 years old who live at or below 138% of the Federal Poverty Level and are Sacramento County residents. They must have emergency Medi-Cal to cover emergency care.

The estimated total first year cost of this initiative is approximately \$6.7 million. As proposed, the County's share of cost would be approximately \$5.2 million, with the remaining funding coming as in-kind provision of specialty medical care by the hospital systems and physicians recruited by medical societies.

The Recommended Budget includes funding for \$3.3 million of the County's share of the program as follows:

- The Department of Human Assistance will reallocate existing eligibility staff and resources to screen applicants for eligibility at a value of approximately \$270,000.

- The Department of Health & Human Services' budget includes \$1 million in net revenue from a Medi-Cal Intergovernmental Transfer (IGT) that will be used to expand the TEACH program and provide support staff for primary care services.
- The Department of Health & Human Services (DHHS) will provide specialty clinic space, reallocated support staff and pharmaceuticals for the program at a value of \$1,000,000.
- The Recommended Health-Medical Treatment Payments budget includes \$1 million to help specialty care costs under this proposed program. The County Executive will have further recommendations relative to specialty care provision during budget hearings.

Full Allocation of Debt Service Costs

The Recommended Budget includes the allocation of \$5 million in Certificates of Participation (COPs) debt service to the Sheriff's Department budget and \$1.7 million in COPs debt service to the Animal Care and Regulation budget. In both cases, these allocations are covered by additional Net County Cost.

The County's historic practice has been to allocate COPs debt service costs to those departments using facilities financed by the relevant COPs issue. The allocation of debt service, like the allocation of other County overhead costs, is part of an effort to accurately reflect, and in some cases recover (through fees, grants or other revenue), the true cost of providing County services. Beginning in FY2010-11, in an effort to reduce costs for the Sheriff and Animal Care Departments, the County temporarily stopped allocating relevant COPs debt service to those budgets, but did not reduce the Net County Cost proportionately. Instead, COPs debt service for those departments was paid out of the Capital Construction Fund, using revenue from the 2% utility use charge allocated to all County departments that are housed in County-owned facilities. This reduced the amount of resources available to perform needed maintenance on County facilities.

The Recommended Budget treats the Sheriff and Animal Care like all other County departments and includes their appropriate share of debt service in their budgets.

Animal Care and Regulation

The Recommended Budget for Animal Care and Regulation reflects a \$3 million increase in appropriations compared to the FY2014-15 Adopted Budget level, a \$247,000 increase in revenue and a \$2.76 million increase in Net County Cost. The recommended increases in appropriations and Net County Cost are due in part to the inclusion of \$1.7 million in Certificates of Participation (COPs) debt service costs, the Department's appropriate share of debt service costs for Department-occupied facilities. In addition, part of the increase is due to a \$250,000 increase in allocated costs from the Department of Technology – driven in part by increased charges for 3-1-1 services - and various services and supplies cost increases related to the 16 new positions added in FY2014-15. Part of the increase is also due to approximately \$283,000 in new or enhanced programs included in the Recommended Budget, including the addition of 4 FTE positions (1 Animal Care Attendant, 2 Animal Control

Officers and 1 Executive Secretary), \$30,000 in additional supplies for the Bradshaw Animal Assistance Team (BAAT) mobile clinic and \$25,000 for initial planning related to the future possible construction of additional kennels in the Animal Shelter.

The two additional Animal Control Officers will reduce call-for-service response times, the additional Animal Care Attendant will staff the Petco in-store adoption center and the additional Executive Secretary will provide administrative support to the Department Director.

Department of Finance

The Recommended Budget for the Department of Finance reflects a \$532,000 increase in appropriations, a \$2 million decrease in revenue and a \$2.55 million increase in Net County Cost. The recommended increase in appropriations is due primarily to increased salary and benefit costs and internal services costs allocated to the Department. The projected reduction in revenue is due to the complete depletion of fund balance in the Clerk-Recorder Old Base Trust Fund. Historically, the County has transferred resources from this Trust Fund to the Finance Department to help cover certain operating costs. During FY2015-16 the Department will be analyzing relevant expenditures to determine what can be charged out to other County departments and developing an appropriate cost allocation methodology to be implemented in FY2016-17.

Assessor

The Recommended Budget for the Assessor reflects a \$610,000 increase in appropriations, a \$393,000 decrease in revenue and a \$1 million increase in Net County Cost. The primary reasons for the recommended increase in appropriations are increases in salary and benefit costs for existing staff and increased internal services charges. The primary reason for the reduction in revenue is that the Department over-estimated the amount of Supplemental Property Tax revenue it would receive in FY2014-15.

Clerk of the Board

The Recommended Budget for the Clerk of the Board reflects a \$125,000 increase in appropriations, a \$29,309 increase in revenue and a \$95,000 increase in Net County Cost. Approximately \$69,000 of the recommended increase in appropriations and Net County Cost is due to the addition of a Deputy Clerk position to manage duties associated with the Clerk's Office taking on the duties of Official Filing Officer for the County, boards and commissions and special districts. An additional \$65,000 of the increase is due to the transfer of one Secretary-Confidential position from the Board of Supervisors' budget to this budget to provide receptionist duties for both offices.

Voter Registration-Elections

The Recommended Budget for Voter Registration-Elections reflects a \$367,000 increase in appropriations, a \$964,000 decrease in revenue and a \$1.3 million increase in Net County Cost. The reduction in revenue reflects the normal fluctuation in revenue that occurs during different election cycles, partly offset in this case by the use of approximately \$520,000 in Help America Vote Act (HAVA) revenue to fund the purchase of four new digital ballot

scanner devices. The recommended increase in appropriations is largely due to expenditures associated with the purchases of those scanners and the addition of one Election Assistant position (at a cost of \$65,000) to work in the Vote-by-Mail section to supervise the large number of temporary staff performing vote-by-mail activities, which have increased significantly in the last few years.

It should be noted that recommended elections costs and revenues in for FY2015-16 are based in part on actual cost and revenue numbers in previous presidential primary years, but elections can vary significantly in terms of things like number of districts that consolidate and turnout. Consequently, actual revenue and expenditures could be higher or lower than the amounts included in the Recommended Budget.

Coroner

The Recommended Budget for the Coroner's Department reflects a \$145,000 increase in appropriations, a \$37,000 increase in revenue and a \$107,000 increase in Net County Cost. The recommended increase in appropriations and revenue is due in part to the inclusion of an additional \$39,000 to provide 2,000 hours of on-call intermittent Coroner Technician extra help to provide 24 hour shift coverage due to absences of regular staff.

Court/Non-Trial Court Funding

The Recommended Court/Non-Trial Court Funding Budget reflects a \$1.77 million reduction in appropriations and Net County Cost. This reduction is due to a reduction in COPs debt service charges allocated to this budget unit. In FY2014-15, the County fully paid off a 1997 COPs issue that, among other things, was used to refinance previous debt that funded construction costs at the Carroll Miller Justice Center.

Financing Transfers/Reimbursements

The Recommended Financing Transfers/Reimbursements Budget reflects a \$2.56 million decrease in appropriations and Net County Cost. The primary reasons for this reduction are that the FY2014-15 Adopted Budget included the one-time transfers of \$2 million to the Community Improvement Fund for the Board's Community Investment Program and \$750,000 to the Capital Construction Fund for the Orangevale Library project. These reductions in one-time funding are partially offset by a recommended \$180,000 transfer to the Economic Development Fund to enhance the County's marketing efforts and a \$112,000 transfer to the Transient Occupancy Tax (TOT) Fund to provide additional funding for the Greater Sacramento Area Economic Development Council (\$100,000) and the Center for Sacramento History (\$12,000).

Conflict Criminal Defender

The Recommended Conflict Criminal Defender Budget reflects a \$199,000 increase in appropriations, a \$196,000 decrease in revenue and a \$395,000 increase in Net County Cost. The Recommended increase in appropriations is due primarily to a cost of living adjustment for contract attorneys. The projected reduction in revenue is due to a change in the State reimbursement formula for funding sexually violent predator services.

Data Processing – Shared Systems

The Recommended Data Processing-Shared Systems Budget reflects a \$1.28 million increase in appropriations and Net County Cost. The primary reasons for these increases are the inclusion of \$1,000,000 to start the process of replacing the County's budget system (\$500,000) and Criminal Justice Information System (\$500,000). Both of these systems have reached the end of their useful life, and the projects were included in the Technology Improvement Plan reviewed by the Board as part of the County Capital Improvement Plan (CIP). The total cost of each these projects is estimated to be approximately \$5 million over five years.

Community Development

The Recommended Budget for the Community Development Department reflects a \$497,000 increase in appropriations, a \$599,000 increase in revenue and a \$102,000 decrease in Net County Cost. These increases and decreases are the net result of a number of factors including:

- The elimination of a \$2 million General Fund Contribution to the Roads Fund that was included as one-time funding in the FY2014-15 Adopted Budget.
- A \$500,000 increase in the allowance for bad debt write-off. Currently, the Department has approximately \$2 million in receivables, reflecting outstanding Code Enforcement bills that need to be collected. As part of an effort to address this problem, over the last year the Department has worked with the Department of Revenue Recovery (DRR) to transfer responsibility for collecting receivables to DRR, who will aggressively pursue collections. In analyzing these receivables, DRR has determined that approximately \$500,000 is uncollectable and, as part of this Recommended Budget the Board is being asked to write off that amount. In addition, the Department will incur a one-time \$150,000 cost related to the transfer of responsibility for collecting receivables to DRR.
- A \$746,000 reduction in revenue related to the South County Habitat Conservation Plan (HCP). Part of this reduction is due to a \$200,000 reduction in costs compared to the FY2014-15 Adopted Budget level due to the winding down of the project and part is due to a \$500,000 shortfall from the funding partners in FY2014-15 that is expected to continue into FY2015-16.
- A \$1.94 million increase in appropriations (\$816,000 in Net County Cost) to fund a variety of program or service level enhancements including: In Code Enforcement: the addition of 5 Code Enforcement Officer positions, a Senior Code Enforcement Officer position, an Office Assistant position, a Senior Account Clerk position and 6 new vehicles, \$31,000 in overtime pay for weekend work, and \$94,000 in reimbursements to the Roads Fund for graffiti abatement and illegal sign removal, all related to enhanced Neighborhood Livability Initiative (NLI) activities. In Planning & Environmental Review: the addition of an Associate Planner position to support the roll-out of the new Development Code and an Assistant Planner position to support implementation of the County's Tree Preservation Ordinance and \$50,000 in Net

County Cost, due to the shifting of part of a position's time from billable work to dealing with questions from the public and other non-billable activities. In Building Permits & Inspection: the addition of 1 Supervising Building Inspector position, 1 Building Inspector II position, 3 Engineering Technician positions and 1 Accounting Clerk position, along with additional vehicles, to deal with increasing workloads.

County Executive Cabinet

The Recommended County Executive Cabinet Budget reflects a \$102,000 increase in appropriations, a \$340,000 increase in revenue and a \$239,000 decrease in Net County Cost. The Recommended Budget includes the addition of a fully revenue-offset Management Analyst position, to provide support to the County Debt Officer in creating and administering benefit assessment districts (funding will come from developer-reimbursements). The number of benefit assessment district requests being processed has increased significantly in the last two years. The Recommended Budget also includes \$250,000 in appropriations and revenue (AB 109 Realignment Planning revenue) to cover costs associated with a review of the County's adult correctional system.

Non-Departmental Costs

The Recommended Non-Departmental Costs Budget reflects a \$1.28 million increase in appropriations and Net County Cost. The primary reason for the recommended increases is the inclusion of \$2.6 million in discretionary resources that can be allocated based on Board priorities. This increase in appropriations and Net County Cost is partially offset by a number of expenditure reductions, including a \$600,000 reduction in allocated COPs debt service cost for the old Bank of America Building located at 800 H Street (due to the sale of that building and the paying off of the outstanding debt) and a \$750,000 reduction reflecting the fact that the FY2014-15 Adopted Budget included a one-time General Fund contribution to the Problem Property Trust Fund.

District Attorney

The Recommended Budget for the District Attorney's Office reflects a \$2.4 million increase in appropriations, a \$19,000 increase in revenue and a \$2.3 million increase in Net County Cost. The primary reasons for the recommended increase in appropriations include increased salary and benefit costs for existing employees, the cost of three new positions added toward the end of FY2014-15 (approximately \$423,000) and an increase in allocated internal service charges. The Recommended Budget also includes \$310,000 in appropriations to fund the replacement of two microspectrometers in the Crime Laboratory and funding from the Probation Department for an additional Criminalist in the Crime Laboratory.

Child Support Services

The Recommended Budget for the Child Support Services Department reflects a \$706,000 increase in appropriations, a \$691,000 increase in revenue and a \$15,000 increase in Net County Cost. The Recommended Budget includes a \$15,000 Net County Cost allocation to fund tuition reimbursement costs for employees that are not covered by State funding.

Office of Labor Relations/Department of Personnel Services

The Office of Labor Relations is a new budget unit, reflecting the fact that the Office of Labor Relations, which used to be part of the Personnel Services Department, was made a separate department by the Board. This budget unit includes appropriations of \$485,000, revenue of \$281,000 and a Net County Cost of \$204,000. There is a proportionate decrease in appropriations in the Department of Personnel Services.

Regional Parks

The Recommended Budget for the Regional Parks Department reflects a \$1.5 million increase in appropriations, a \$108,000 increase in revenue and a \$1.4 million increase in Net County Cost. The recommended increase in appropriations and Net County Cost is due primarily to approximately \$1.25 million in appropriations (\$1.15 million Net County Cost) for program or service level enhancements including:

- \$77,000 to fund a contract for a Probation work crew to complete firebreaks, reduce fire fuel, control invasive plants and clean illegal camp debris.
- \$85,000 to contract for tree work to repair damage on the American River Parkway and care for native trees.
- \$200,000 (\$100,000 Net County Cost) for the Woodlake Agricultural Project, to develop a farm in the Woodlake area of the American River Parkway.
- \$149,000 to provide an additional 2,520 hours of Ranger law enforcement on the American River Parkway, utilizing retired annuitants and the equivalent of an additional 1.5 FTE extra help ranger staff.
- \$163,000 to add one additional Park Maintenance Worker position and vehicle and additional extra help for the Woodlake/Cal-Expo/Discovery Park illegal camping detail.
- \$50,000 to fund the Natural Resources Development Plan.
- \$90,000 to fund contracts with Yale University, UC Davis and Sacramento State University as part of an effort to restore parts of the American River Parkway from fire damage, including restoring native grasses and shrubs.
- \$250,000 to replace the well at Riverbend Park. The well provides water for fire hydrants and irrigation in the Park and is failing.
- \$150,000 to cover the cost of a number of deferred maintenance projects, including:
 - \$32,500 at Effie Yeaw Nature Center for carpet replacement, and visitor safety and program information signage;
 - \$32,500 at Soil Born Farms, American River Ranch for electrical repairs;
 - \$32,500 for Dry Creek Ranch House for siding replacement and other facility repairs;

- \$32,500 for McFarland Ranch for painting and building repairs;
 - \$10,000 for Wilton Community Center improvements after property acquisition; and,
 - \$10,000 for Jean Harvie Community Center for termite control and facility repairs.
- \$42,000 to purchase a pick-up truck.

Probation

The Recommended Budget for the Probation Department reflects an \$11.1 million increase in appropriations, an \$8.2 million increase in revenue and a \$2.9 million increase in Net County Cost. The recommended increase in appropriations is due in part to increased salary and benefit costs for existing employees and increased internal services costs, and in part to costs related to two new programs:

- Title IV-E Foster Care Waiver Enhanced Services, designed to reduce foster care caseloads and costs in the long-term. Participation in this program was approved by the Board in September of 2014 and the Board approved a number of new or enhanced services starting in December of 2014. In Probation, this included the addition of 12 new Probation Officers and additional contracts for Wrap-Around services, multi-systemic therapy and functional family therapy. The FY2015-16 cost of these enhancements is approximately \$4.9 million. In addition, the FY2015-16 Recommended Budget includes \$426,000 in additional program enhancements, including one Assistant Division Chief and two Senior Deputy Probation Officers.
- Initiatives to Reduce Disproportionate African-American Child Deaths. Probation's FY2015-16 costs for this program total \$716,000 for five Probation Officer positions that will target at-risk youth in target neighborhoods.

The Probation Department's Recommended Budget also includes an additional \$203,000 in appropriations and Net County Cost to fund an additional Probation Division Chief position to oversee the Adult Field Operations Division.

The recommended increase in revenue is due primarily to a \$7.2 million increase in federal Title IV-E revenue, a \$4.1 million increase in AB 109 Realignment revenue, and a \$481,000 increase in Proposition 172 revenue, partially offset by a \$4.8 million decrease in SB 678 revenue due to a change in the State's funding formula.

Public Defender

The Recommended Budget for the Public Defender's Office reflects a \$162,000 increase in appropriations, a \$92,000 increase in revenue and a \$66,000 increase in Net County Cost. The recommended increase in appropriations is due in part to the addition of one Attorney-Level IV position, at a cost of approximately \$134,000, to deal with involuntary mental health hold and involuntary psychotropic medication hearings.

Health & Human Services

The Recommended Budget for the Health & Human Services Department reflects a \$52.2 million increase in appropriations, a \$47 million increase in revenue and a \$5 million increase in Net County Cost. The primary reasons for the recommended increase in appropriations include:

- A \$9.9 million increase in appropriations to increase the number of bed days available in psychiatric facilities for clients eligible under the Affordable Care Act (ACA). Funding will come primarily from Realignment revenue. The increase in cost is due to an increase in the number of Medi-Cal clients needing in-patient services at the three psychiatric hospitals as a result of the implementation of the ACA.
- An \$8.4 million increase in funding for contracts for drug treatment services, due to increased demand created by the ACA. Funding will come from federal Medi-Cal and Realignment revenue.
- A \$13.7 million increase in appropriations to add three contracted 15 bed Crisis Residential facilities in the community, purchase 20 sub-acute beds, expand the Crisis Stabilization Unit by adding 18 positions and purchasing additional pharmaceutical supplies. Funding will come from Realignment revenue (\$6.5 million) and State and federal revenue, including \$5.7 million in SB 82 Crisis Residential Grant revenue. The County has applied for an additional SB 82 grant but has not yet been notified if we will receive funding. These expenditures are part of an effort to reduce psychiatric hospital inpatient usage and costs.
- A \$2 million increase in appropriations to provide a 2% cost-of-living adjustment to contracted adult and children's mental health treatment providers. Funding will come from federal and State revenue.
- A \$2.7 million increase in Mental Health Treatment Act funding for various programs and services.
- A \$3 million increase in appropriations for the Intergovernmental Transfer (IGT) that will generate approximately \$1 million in net resources to invest in health programs. The Recommended Budget reflects the use of these funds to expand the TEACH program to provide healthcare to undocumented residents of the County.
- A \$12 million increase in Child Protective Services appropriations, which includes \$5.2 million in expenditures related to implementing initiatives designed to reduce foster care costs under the Title IV-E Waiver approved by the Board in FY2014-15, and \$2.7 million (Net County Cost) to add 19 positions and increased contract costs to enhance services levels in the Permanency, Informal Supervision and Kinship programs, of which approximately \$725,000 will pay for 4 positions and contracts related to the effort to reduce African American child deaths.
- A \$1.5 million increase in appropriations in the Maternal, Child and Adolescent Health, Black Infant Health, Nurse Family Partnership and Administration

programs (\$1.2 million Net County Cost), also related to the initiative to reduce African American child deaths. This will include the addition of 3 Public Health Nurse, 1 Public Health Worker and a .8 FTE Program Planner positions and \$750,000 in funding for components of the strategic plan recommendations of the Steering Committee on the Reduction of African-American Child Deaths.

- A \$997,000 increase in appropriations in the In-Home Supportive Services (IHSS) program to fund the addition of 11 positions – including a Program Manager, Program Planner, 8 Intake Human Services Social Workers and 1 Human Services Supervisor. This is part of an effort to maintain compliance with program mandates.
- A \$486,000 increase in funding in the Health Education program, including adding 1 Health Education Assistant position to work on the California Personal Responsibility Education Program (CA-PREP) and 1 Dental Hygienist position to support the Dental program. The goal of CA-PREP is to reduce the rate of pregnancy and sexually transmitted disease (STD) infection among high-need youth populations. With regard to the Dental program, the goal is to expand services to pregnant mothers and children of low income families attending preschools.
- A \$309,000 increase in funding (and Net County Cost) in the Communicable Disease Control, Epidemiology and Immunizations program, to add 2 Public Health Nurse positions to support communicable disease control efforts. Currently, the County only has two part-time Nurses assigned to this effort.
- A \$257,000 increase in appropriations (and Net County Cost) in the Public Guardian/Conservator program, to add 2 Deputy Public Guardian/Conservator positions. These positions will provide services to seniors, homeless and/or other individuals served by the Public Conservator's Office.

The recommended increase in revenue is due to increases in a number of revenue sources, including a \$16.1 million increase in Realignment revenue, a \$10.3 million increase in federal Title IV-E Foster Care revenue and additional federal and state revenue, including Medi-Cal and Mental Health Services Act revenue.

IHSS Provider Payments

The Recommended Budget reflects a \$5.3 million increase in appropriations, a \$3.8 million increase in revenue and a \$1.5 million increase in Net County Cost. The increase in appropriations is due primarily to two factors: (1) the FY2014-15 Adopted Budget under-budgeted provider health insurance costs by approximately \$2.9 million; and (2) the inclusion of an additional \$1.2 million to cover cost-of-living adjustments in accordance with the provider memorandum of understanding.

The increase in revenue is due primarily to a \$2.7 million increase in Realignment revenue and \$1.1 million in additional State revenue due to the under-budgeting of this revenue in FY2014-15.

Health-Medical Treatment Payments

The Recommended Health-Medical Treatment Payments Budget reflects a \$14.9 million decrease in appropriations, a \$4 million decrease in revenue and a \$10.9 million decrease in Net County Cost. The primary reason for the recommended decrease in appropriations is that the FY2014-15 Adopted Budget included \$18 million to cover close-out costs, \$8 million in Medi-Cal revenue related to the Low Income Health Program (LIHP) that ended with the implementation of the Affordable Care Act. The Recommended Budget includes \$4 million in Medi-Cal funding to cover requests from doctors for additional pay for services provided under LIHP at a rate lower than the Medi-Cal rate

Sheriff

The Recommended Budget for the Sheriff's Department reflects a \$9.9 million increase in appropriations, a \$4.7 million decrease in revenue and a \$14.6 million increase in Net County Cost. The primary reasons for the recommended increase in appropriations are increased salary and benefit costs for existing employees, an increase in the allocation of internal service costs, particularly fleet charges and the inclusion of \$5 million in COPs debt service charges, and \$1.7 million in funding for an additional 11 positions – 1 Sergeant, 2 Deputy Sheriffs, 1 Sheriff's Records Officer and 7 Sheriff's Community Services Officers - as the first step in implementing the Sheriff's plan to reorganize field services based on an Intelligence-led policing model. The \$5 million in COPs debt service charges reflects the appropriate share of debt service costs for COPs-financed facilities occupied by the Sheriff's Department. In FY2010-11 the County temporarily stopped allocating COPs debt service costs to the Sheriff and Animal Care departments, using funds from the 2% facility use charge allocated to all departments to pay those debt service costs.

The reduction in estimated revenue is due primarily to a projected \$6.8 million reduction in revenue from contracts with the U.S. Immigration and Customs Enforcement (ICE) and Marshalls Service. These and other revenue decreases are partially offset by increases in certain revenue sources, including a \$2 million increase in Proposition 172 revenue and a \$2.1 million increase in AB 109 Realignment revenue. The reduction in ICE and Marshalls Service revenue is based on information from those agencies that they will be reducing the number of inmates they lodge in the County's jails.

Correctional Health Services

The Recommended Budget for the Sheriff's Correctional Health Services Division reflects a \$465,000 increase in appropriations, a \$454,000 decrease in revenue and a \$919,000 increase in Net County Cost. The primary reasons for the recommended increase in appropriations are increased salary and benefits costs for existing staff and higher pharmaceutical costs. The primary reason for the decrease in revenue is a \$2 million reduction in revenue from ICE and the U.S. Marshall's Service, partially offset by a \$600,000 increase in AB 109 Realignment revenue and the allocation of approximately \$1 million in Public Health Realignment revenue to this budget unit. The Recommended Budget also includes the addition of 10 new positions – 9 Nurses and an Office Assistant- with the costs offset by an equivalent reduction in the budget for registry services.

Human Assistance – Administration

The Recommended Human Assistance – Administration Budget reflects a \$2.9 million increase in appropriations, a \$3.5 million increase in revenue and a \$580,000 decrease in Net County Cost. The recommended increase in appropriations is due, in part, to new or enhanced programs in a number of areas, including:

- A \$400,000 allocation of Net County Cost to fund efforts to promote evidence-based rapid and supportive rehousing of chronically homeless individuals.
- \$276,000 (\$205,000 Net County Cost) to fund 2 new Human Services Social Worker positions and \$50,000 to assist with efforts to link identified homeless individuals with the appropriate referrals or services.
- A \$97,000 Net County Cost allocation to fund the purchase of four passenger vehicles for Social Workers to use in making home visits.
- \$90,000 (\$55,000 Net County Cost) to fund one new Veterans Claims Representative to process claims.
- A \$63,000 Net County Cost allocation to increase funding for the provision of safety net services in the rural areas of South Sacramento County. The additional funding provides the ability to operate for a full year.
- A \$150,000 Net County Cost allocation for technology improvements in various facilities, including the replacement of a server and a new WAN connection for the Williamsburgh Bureau.
- \$329,000 to fund five new Human Services Assistant positions to implement a Homeless Housing Support Program designed to transport clients to housing, meet with landlords and do apartment inspections.

The increase in estimated revenue is due primarily to increased CalWORKS and CalFresh allocations and the \$329,000 in State funding for the new Housing Support Program

Human Assistance – Aid Payments

The Recommended Human Assistance – Aid Payments Budget reflects a \$28.7 million increase in appropriations, a \$20.8 million increase in revenue and an \$8 million increase in Net County Cost. The recommended increase in appropriations is due primarily to a projected \$18 million increase in Foster Care/Adoptions Assistance costs, a \$5.7 million increase in CalWORKS program costs and a \$1.8 million increase in General Assistance costs.

The estimated increase in revenue includes a \$6.1 million increase in CalWORKS Realignment/State revenue to fund the increase in CalWORKS costs, and a \$4.7 million increase in federal Title IV-E revenue and \$9 million increase in Protective Services Realignment revenue to help fund the increase in Foster Care/Adoptions Assistance costs.

The recommended increase in Net County Cost is due to the increased Foster Care/Adoptions Assistance and General Assistance costs.

Appropriation for Contingency

The Recommended Budget does not include an Appropriation for Contingency. The FY2014-15 Adopted Budget included a \$2.7 million Contingency. As was the case with the FY2014-15 Adopted Budget, however, the Non-departmental Costs budget includes a \$2.8 million appropriation to cover the County's contingent debt service obligation for the Raley Field and Sacramento Regional Arts Facilities financings. Historically, it has never been necessary to spend this contingent debt service obligation and, as the year progresses, increasing amounts of this appropriation can be made available for use as an effective General Fund Contingency.

Repayment of Money Previously Borrowed from Other Funds

The Recommended Non-Departmental Costs budget unit includes an \$11.2 million appropriation to repay part of the outstanding balance of monies borrowed from other funds during the Great Recession. This is the same amount that was included in the FY2014-15 Adopted Budget. With this repayment, the outstanding balance at the end of FY2015-16 will stand at approximately \$38.6 million.

TRANSIENT OCCUPANCY TAX

The FY2015-16 Recommended General Fund Budget reflects the receipt of \$4,514,439 in Transient Occupancy Tax (TOT) revenue, which is \$438,749 (11%) more than the amount included in the FY2014-15 Adopted Budget. The Recommended Budget allocates the \$4.5 million as follows:

- A \$345,196 transfer to the Economic Development Fund to pay for economic development and marketing activities and TOT program administration. The funding level for TOT program administration is the same as the amount allocated in the FY2014-15 Adopted Budget. The Recommended Budget includes an additional \$180,196 for economic development and marketing activities, compared to the FY2014-15 Adopted level.
- A \$1,361,175 transfer to the Transient Occupancy Tax Fund to fund grants to community organizations, including \$100,000 for District Neighborhood Programs and \$100,000 for Special Events Support. With the exception of a \$100,000 increase in funding for the Greater Sacramento Area Economic Council (formerly, the Sacramento Area Commerce and Trade Organization) and a \$12,000 increase in funding for the Center for Sacramento History, the recommended funding for the various community organizations is the same as the FY2014-15 budgeted TOT allocation for these purposes.
- The remaining \$2,764,468 is recommended to be retained in the General Fund and used to cover general Net County Cost needs. This is a \$146,778 increase compared to the amount of TOT revenue used for this purpose in the FY2014-15 Adopted Budget.

Detailed information on the recommended uses of TOT revenue is included in Attachment A.

OTHER FUNDS

Capital Construction Fund

The Capital Construction Fund (CCF) provides for major construction projects as well as minor alterations and improvements and major equipment replacement in County-owned facilities. Funding comes from a variety of sources, with the largest single source being the 2% facility use charge assessed to all departments housed in County-owned facilities. The FY2015-16 Recommended Budget for the CCF reflects \$34.6 million in appropriations, a \$4.7 million reduction from the FY2014-15 adopted Budget level. The reduction is primarily due to the completion of the following projects in FY2014-15:

- Coroner Crime Laboratory – Replace Chillers 1 and 2
- Main Jail – Water Heater Replacement
- Main Jail – Courtroom Support Area Tenant Improvement
- Rio Consumnes Correctional Center (RCCC) – Replace Roof on Walter Bauman Facility
- Sheriff South Area Substation – Remodel for the new 911 Communications Center.

In addition, the Recommended Budget reflects the elimination of \$6.7 million in Certificates of Participation (COPs) debt service cost for facilities occupied by the Sheriff's and Animal Care Departments. As discussed earlier, these debt service costs were temporarily shifted from those departments to the CCF in FY2010-11 and are now being appropriately allocated to the relevant departments.

Major projects in the CCF's FY2015-16 Recommended Budget include: Expansion, infrastructure improvements and new security controls at the RCCC; replacement of the Main Jail housing noise monitoring system; replacing the roof at the Main Jail; upgrading the fire alarm system in the County Administration Building; and, replacing the roof and rain system at the Rancho Cordova Library. Due to the backlog of deferred capital projects, the CCF has no contingency funds set aside in FY2015-16.

Attachment B provides a detailed listing of CCF funding obligations.

Roads Fund

The Recommended Budget for the Roads Fund reflects a \$9.6 million decrease in appropriations, a \$10.8 million decrease in revenue and a \$1.2 million increase in the use of fund balance. The recommended decrease in appropriations is due primarily to shifts in timelines and cost estimates for various projects, including overlay projects, culvert replacement, road construction, streetscape improvement and bridge replacement projects. The projected decrease in revenue is largely due to a \$7.2 million reduction in gas tax (HUTA) revenue, as a result of the State Board of Equalization's required annual adjustment of the excise tax rates. The Fund also experienced a \$3.2 million reduction in State reimbursements for various projects which can vary significantly from year to year.

Tobacco Litigation Settlement Fund/Community Investment Program Fund

For ease of administration, the Recommended Budget includes the transfer of all remaining resources in the Tobacco Litigation Settlement Fund (\$1,230,539) to the Community Investment Program Fund. The different revenue sources will still be accounted for separately within the Community Investment Program Fund and be allocated under their respective policy guidelines.

Transportation Sales Tax Fund

The Transportation Sales Tax Fund provides financing for public road improvements in the unincorporated area of the County using funds derived primarily from the Measure A transportation sales tax, originally approved by the voters in 1998 and renewed in 2009. The Recommended Transportation Sales Tax Fund reflects a \$19.5 million decrease in appropriations, a \$20 million decrease in revenue and a \$500,000 increase in the use of fund balance.

The primary reasons for the recommended reductions in appropriations and revenue are that the State Route 50 at Watt Avenue project was completed in FY2014-15 and the entire two-year Hazel Avenue project was budgeted in FY2014-15, when it should have been split between two fiscal years.

Water Agency Enterprise

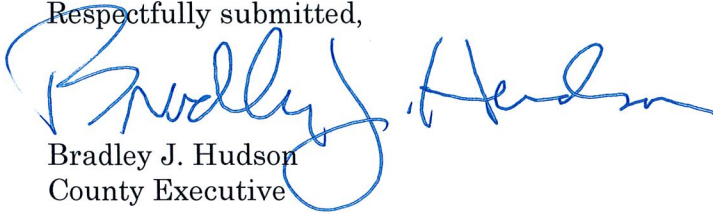
The Recommended Budget for the Water Agency Enterprise Fund reflects a \$6.1 million reduction in appropriations compared to the FY2014-15 Adopted Budget, a \$1.3 million reduction in revenue and \$6.3 million reduction in the use of fund balance. The primary reason for the recommended decrease in appropriations is an \$8 million reduction in capital projects due to the estimated timing of construction projects. The Recommended Budget also reflects the transfer of 10 positions from the Department of Water Resources budget to this budget unit. This transfer is recommended to insure that the positions are budgeted based on the work they are performing.

RECOMMENDATIONS

1. Adopt the attached Recommended Budget Resolution (Attachment C) as amended by the Board, and including miscellaneous adjustments recommended by the County Executive (including those identified in the Supplemental Budget Recommendations appended as Attachment D) and including changes in positions identified in the Consolidated Salary Resolution Amendment (SRA) Board Report (Attachment E).
2. Authorize the write-off of \$500,000 in bad debt related to delinquent code enforcement bills.
3. Direct the Department of Personnel Services to prepare an administrative SRA to reflect the positions approved by the Board in the FY2015-16 Recommended Budget, including any deletion of positions, and including the revisions made as a result of the Consolidated SRA Board Report described above.

4. Direct the County Executive to further evaluate vacant funded positions, year-end fund balance and other budget savings and financing opportunities, and make final budget recommendations in September to address unfunded Board priorities identified in the Recommended Budget Hearings.

Respectfully submitted,



Bradley J. Hudson
County Executive

Attachments:

- Attachment A: Transient Occupancy Tax Allocation
- Attachment B: Capital Construction Fund: Supplemental Information
- Attachment C: Budget Approval Resolution
- Attachment D: Supplemental Budget Adjustments
- Attachment E: Consolidated Salary Resolution Board Report
- Attachment F: Appropriations By Budget Unit