

**FY2016-17 Budget Recommended for Adoption
THE GENERAL FUND BUDGET**

Approved (June) Budget

At budget hearings in June, the Board considered the County's Recommended Budget for FY2016-17 and approved a budget totaling \$2.37 billion in appropriations, which represents a \$54 million (2%) increase from the FY2015-16 Adopted Budget as shown below.

**General Fund Budget
FY2015-16 Adopted- FY2016-17 Approved**

	FY2015-16 Adopted	FY2016-17 Approved	Difference
Resources			
Beginning Balance	\$ 30,647,216	\$ 33,000,000	\$ 2,352,784
Use of Reserves	\$ 6,675,175	\$ 189,491	\$ (6,485,684)
Discretionary Revenue	\$ 551,031,444	\$ 564,287,844	\$ 13,256,400
Semi-discretionary Revenue	\$ 630,143,799	\$ 677,841,776	\$ 47,697,977
Other Departmental Revenue	\$ 1,103,340,347	\$ 1,091,531,172	\$ (11,809,175)
Total Revenue	<u>\$ 2,284,515,590</u>	<u>\$ 2,333,660,792</u>	<u>\$ 49,145,202</u>
Total Resources	\$ 2,321,837,981	\$ 2,366,850,283	\$ 45,012,302
Requirements			
Expenditures	\$ 2,322,935,879	\$ 2,373,324,334	\$ 50,388,455
Discretionary Reimbursements	\$ (12,297,898)	\$ (8,466,542)	\$ 3,831,356
Contingency	\$ 2,000,000	\$ 1,823,000	\$ (177,000)
Total Appropriations	<u>\$ 2,312,637,981</u>	<u>\$ 2,366,680,792</u>	<u>\$ 54,042,811</u>
Provision for Reserves	\$ 9,200,000	\$ 189,491	\$ (9,010,509)
Total Requirements	\$ 2,321,837,981	\$ 2,366,870,283	\$ 45,032,302

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FY2016-17 Adopted Budget

The County's FY2016-17 Adopted Budget totals \$2,396,331,370 in appropriations. This is an increase of \$29,650,578 (1.3%) compared to the FY2016-17 Approved Budget. A more detailed comparison of the FY2016-17 Adopted Budget and the FY2016-17 Approved Budget is shown below.

General Fund Budget FY2016-17 Approved – FY2016-17 Adopted

	FY2016-17 Approved	FY2016-17 Adopted	Difference
Resources			
Beginning Balance	\$ 33,000,000	\$ 47,547,865	\$ 14,547,865
Use of Reserves	\$ 189,491	\$ 1,147,609	\$ 958,118
Discretionary Revenue	\$ 564,287,844	\$ 565,932,025	\$ 1,644,181
Semi-discretionary Revenue	\$ 677,841,776	\$ 687,277,299	\$ 9,435,523
Other Departmental Revenue	\$ 1,091,531,172	\$ 1,104,272,614	\$ 12,741,442
Total Revenue	\$ 2,333,660,792	\$ 2,357,481,938	\$ 23,821,146
Total Resources	\$ 2,366,850,283	\$ 2,406,177,412	\$ 39,327,129
			\$ -
Requirements			
Expenditures	\$ 2,373,324,334	\$ 2,402,259,261	\$ 28,934,927
Discretionary Reimbursements	\$ (8,466,542)	\$ (8,100,891)	\$ 365,651
Contingency	\$ 1,823,000	\$ 2,173,000	\$ 350,000
Total Appropriations	\$ 2,366,680,792	\$ 2,396,331,370	\$ 29,650,578
Provision for Reserves	\$ 189,491	\$ 9,846,042	\$ 9,656,551
Total Requirements	\$ 2,366,870,283	\$ 2,406,177,412	\$ 39,307,129

Fund Balance and Reserves

The General Fund's unaudited FY2015-16 ending fund balance, which becomes the beginning fund balance for FY2016-17, totals \$105,310,140. This includes \$57.8 million in reserves, consisting primarily of approximately \$11.2 million in Teeter Reserves, a \$32.4 million Reserve for Cash Flow and a \$9.2 million Reserve for Mental Health Audit Report Payback, and an Available (unobligated) balance of \$47,547,865. The Available balance is approximately \$14.56 million higher than identified in the FY2016-17 Approved General Fund Budget. The increase reflects the difference between FY2015-16 year-end revenue and expenditure estimates and actual FY2015-16 revenues and expenditures.

The Approved Budget included the cancellation of the \$189,491 Reserve for Emergency Operations and the creation of a new \$189,491 General Reserves designation. The Adopted Budget also includes a \$958,118 reduction in Teeter Reserves, reflecting a decrease in the amount of reserves that need to be set aside for the Teeter Plan, and the following reserve creations or increases:

- A \$4,754,786 increase in General Reserves, based on the Board's new General Reserves Policy that calls for placing 10% of the General Fund's actual Available fund balance. This brings the General Reserves total to \$4,944,277.
- A new \$3.6 million Warren E. Thornton Youth Center/Morgan Alternative Center Construction Reserve. Staff is continuing to review and analyze all of the issues around repurposing these facilities to house and treat criminal justice-involved and other difficult-to-serve foster care youth. Our analysis thus far has not identified any dedicated source of funds to cover the capital cost of these projects. Thus, pending the completion of our review and analysis, I believe it is prudent to set aside sufficient discretionary resources to cover the estimated capital costs.
- A new \$1,276,765 Technology Upgrade Reserve. Over the next five years, we may need to spend as much as \$25 million in discretionary resources to replace a number of software systems and data processing equipment, including the Property Tax System, Budget System and updated voting equipment. To the extent we can set aside money for this purpose as it is available, we can mitigate the potential impact of these purchases on use of discretionary revenue in future years.
- A new \$25,000 River Delta Fire District Loan Reserve. The Adopted Budget includes funding for a \$25,000 loan to the River Delta Fire District to help the District cover costs associated with a proposed District funding ballot measure. Accounting rules require that we establish a reserve for the amount of the loan to cover any potential default on repayments.

Discretionary Revenue and Reimbursements

The Adopted Budget includes approximately \$1.28 million (0.2%) more in discretionary revenue and reimbursements than the Approved Budget. This is the net result of increases and decreases in a number of revenue sources as shown in the following table:

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DISCRETIONARY REVENUE AND REIMBURSEMENTS

	FY2015-16 Actual	FY2016-17 Approved	FY2016-17 Adopted	Approved to Adopted Difference
Property Tax -Secured/VLF In-Lieu	\$ 350,875,129	\$ 370,483,276	\$ 370,041,730	\$ (441,546)
Property Tax - Supplemental	\$ 6,847,410	\$ 6,735,586	\$ 7,567,689	\$ 832,103
Other Property Tax	\$ 15,590,544	\$ 15,726,124	\$ 15,484,888	\$ (241,236)
Total Property Tax	\$ 373,313,083	\$ 392,944,986	\$ 393,094,307	\$ 149,321
Sales and In-Lieu Sales	\$ 81,512,000	\$ 79,287,000	\$ 78,654,000	\$ (633,000)
Utility User Tax	\$ 18,083,035	\$ 19,058,665	\$ 19,058,665	
Transient Occupancy Tax	\$ 5,541,860	\$ 5,141,000	\$ 5,400,000	\$ 259,000
Property Transfer Tax	\$ 10,658,629	\$ 9,962,984	\$ 10,600,000	\$ 637,016
SB 90 Repayment	\$ 4,662,970			
Other One-time Revenue	\$ 9,483,711		\$ 1,066,451	\$ 1,066,451
Other On-Going Revenue	\$ 56,309,228	\$ 57,893,209	\$ 58,058,602	\$ 165,393
Total Revenue	\$ 559,564,516	\$ 564,287,844	\$ 565,932,025	\$ 1,644,181
Teeter	\$ 10,020,969	\$ 7,320,686	\$ 6,955,035	\$ (365,651)
SWA	\$ 1,515,940	\$ 1,145,856	\$ 1,145,856	
Total Reimbursements	\$ 11,536,909	\$ 8,466,542	\$ 8,100,891	\$ (365,651)
				\$ -
TOTAL	\$ 571,101,425	\$ 572,754,386	\$ 574,032,916	\$ 1,278,530

Major contributors to the net \$1.28 million increase in discretionary revenue and reimbursements compared to the Approved Budget include:

- The receipt of \$1.066 million in one-time revenue from COPs and POB debt service funds, due to reduced interest expense, increased interest earnings and lower than anticipated administrative costs.
- An \$832,103 (12.4%) increase in Supplemental Property Tax revenue. The revised Supplemental Property Tax revenue estimate is 10.5% higher than the FY2015-16 actual revenue from this source and is based on updated information and analysis provided by the County Assessor and Department of Finance.
- A \$637,016 (6.4%) increase in Property Transfer Tax revenue based on updated trend information.
- A \$633,000 (0.8%) reduction in Sales Tax revenue, based on revised data and analysis from the County's sales tax consultants. The revised Sales Tax revenue estimate is \$2.86 million (3.5%) lower than the FY2015-16 actual revenue from this source, however the FY2015-16 actual revenue included approximately \$5.3 million in one-time revenue related to the true-up of the Triple Flip, which ended in FY2014-15. If that is factored out, the revised Sales and Use Tax revenue estimate is approximately \$2.4 million (3.2%) higher than FY2015-16 actual Sales and Use Tax revenue.

- A \$441,546 (0.1%) reduction in Secured and VLF in-Lieu Property Tax revenue. The revised estimate is \$19.2 million (5.5%) higher than the FY2015-16 actual revenue from these sources and is based on the July Assessment Roll prepared by the County Assessor.

Semi-Discretionary Revenue

The Approved Budget included \$677.8 million in Semi-discretionary (Proposition 172 and Realignment) revenue, comprised both of new revenue received or estimated to be received in FY2016-17 and, in some cases, carry-over Realignment Trust Fund balances or estimated balances. The Adopted Budget includes \$687.3 million in Semi-discretionary revenue, an increase of \$9.4 million (1.39%) compared to the amount included in the Approved Budget.

The following table summarizes the amount of Proposition 172 and Realignment revenue included in the FY2016-17 Adopted Budget compared to the amount included in the Approved Budget.

General Fund Semi-Discretionary Revenue - FY2016-17 Approved- Adopted Budgets

	FY2016-17 Approved	FY2016-17 Adopted	Difference
Enhancing Law Enforcement Activities	\$ 20,708,629	\$ 21,275,003	\$ 566,374
Law Enforcement Services	\$ 87,608,767	\$ 85,976,964	\$ (1,631,803)
Behavioral Health	\$ 66,709,453	\$ 68,755,615	\$ 2,046,162
Protective Services	\$ 116,128,092	\$ 118,769,788	\$ 2,641,696
Total 2011 Realignment	\$ 291,154,941	\$ 294,777,370	\$ 3,622,429
Mental Health	\$ 53,889,034	\$ 53,889,034	
Public Health	\$ 14,747,127	\$ 15,796,632	\$ 1,049,505
Social Services	\$ 106,116,125	\$ 109,814,829	\$ 3,698,704
Total 1991 Realignment - Non-CalWORKS	\$ 174,752,286	\$ 179,500,495	\$ 4,748,209
CalWORKS	\$ 101,431,811	\$ 103,373,406	\$ 1,941,595
Total 1991 Realignment	\$ 276,184,097	\$ 282,873,901	\$ 6,689,804
Total Realignment	\$ 567,339,038	\$ 577,651,271	\$ 10,312,233
Proposition 172	\$ 110,502,738	\$ 109,626,028	\$ (876,710)
Total	\$ 677,841,776	\$ 687,277,299	\$ 9,435,523

Realignment revenue received from the State is deposited in a trust fund and only recognized as revenue in the General Fund after it is transferred to the appropriate department to cover the cost of eligible expenditures. Revenue received in the Trust Fund during the fiscal year and, in some cases, carry-over Trust Fund balances from the prior year, comprise the resources in the Realignment Trust Fund in any fiscal year.

For purposes of the FY2016-17 Adopted Budget, we estimate that Realignment revenue received in the Trust Fund in FY2016-17 will be approximately \$5.5 million higher than estimated when we prepared the Approved Budget. We also estimate that the Realignment Trust Fund carry-over balance from FY2015-16 will be approximately \$13.2 million higher than we estimated when we prepared the Approved Budget. In total, we are estimating an increase in Realignment resources of \$18.7 million above the approved amount. Approximately \$10.3 million of these additional Realignment resources is included as additional Realignment revenue in various departments in the Adopted General Fund Budget - \$3.1 million to cover increased Base Budget costs and \$7.2 million to fund new or enhanced programs as detailed in Attachment 1. We are recommending that the remaining \$8.44 million in estimated Realignment resources be retained in the Realignment Trust Fund as a contingency as follows:

Realignment Trust Fund Contingency Reserve Estimates

Realignment Revenue Category	FY2016-17 Approved	FY2016-17 Adopted	Difference
Behavioral Health	\$ 980,695	\$ 3,176,847	\$ 2,196,152
Mental Health	\$ 2,099,153	\$ 451,163	\$(1,647,990)
Protective Services	\$ 234,159	\$ 1,147,159	\$ 913,000
Public Health		\$ 525,242	\$ 525,242
Social Services		\$ 6,006,842	\$ 6,006,842
Juvenile Justice Crime Prevention		\$ 446,025	\$ 446,025
TOTAL	\$ 3,314,007	\$11,753,278	\$8,439,271

As proposed, these contingencies would serve a number of purposes:

- Approximately \$2.7 million in Social Services Realignment revenue would be available to backfill possible reductions in the CalWORKS allocation, costs associated with Foster Care Continuum of Care reform and half of the difference between the full and partial FY2017-18 costs of positions funded with Realignment revenue in FY2016-17.
- Approximately \$2 million of the Behavioral Health/Mental Health Realignment revenue would be available to cover future Mental Health Audit pay-back requirements.
- The \$446,025 in Juvenile Justice Crime Prevention Realignment revenue would be available to cover potential future juvenile probation costs.

- The remaining amount would serve as a hedge against the potential receipt of less Realignment revenue than projected. Realignment revenue projections are based in part on Statewide sales tax and Vehicle License Fee revenue estimates and actual revenue can fluctuate from those estimates.

Net County Cost/Discretionary and Semi-Discretionary Revenue Allocations

The FY2016-17 Adopted Budget includes a Net County Cost of approximately \$612.9 million, which represents an increase of approximately \$7.1 million (1.25%) compared to the Approved Budget. The recommended allocations are summarized in the following table:

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**General Fund Allocations for FY 2016-17 Adopted Budget
As Compared to FY 2016-17 Approved Budget**

DEPARTMENT	FY 2016-17 Approved	FY 2016-167 Adopted	Variance
ELECTED OFFICIALS			
Assessor	\$9,337,234	\$9,414,350	\$77,116
Board of Supervisors	\$3,408,068	\$3,408,068	\$0
District Attorney	\$55,945,385	\$56,136,544	\$191,159
Sheriff	\$221,517,215	\$222,447,961	\$930,746
Correctional Health	\$31,340,561	\$31,438,741	\$98,180
Subtotal	\$321,548,463	\$322,845,664	\$1,297,201
COUNTYWIDE SERVICES			
			\$0
Human Assistance-Aid Payments	\$19,729,964	\$19,729,964	\$0
DHA Administration	\$13,807,255	\$13,807,255	\$0
Health & Human Services	\$22,499,580	\$22,562,403	\$62,823
Probation	\$62,336,405	\$63,030,973	\$694,568
Courts	\$33,598,564	\$33,598,564	\$0
Public Defender and Conflict Defenders	\$41,729,426	\$41,755,605	\$26,179
Medical Treatment Payments	\$1,518,720	\$1,518,720	\$0
In-Home Supportive Services (IHSS)	\$3,618,645	\$3,618,645	\$0
Voter Registration and Elections	\$8,245,602	\$7,616,255	(\$629,347)
Other Countywide Services	\$15,817,582	\$15,962,929	\$145,347
Subtotal	\$222,901,743	\$223,201,313	\$299,570
MUNICIPAL SERVICES			
			\$0
Animal Care & Regulation	\$7,632,399	\$7,823,849	\$191,450
Community Development	\$7,075,914	\$7,075,914	\$0
Regional Parks	\$5,952,654	\$6,291,596	\$338,942
Subtotal	\$20,660,967	\$21,191,359	\$530,392
INTERNAL SERVICES			
			\$0
Finance Department	\$3,132,146	\$3,182,146	\$50,000
Other Internal Services	\$11,301,070	\$11,301,070	\$0
Subtotal	\$14,433,216	\$14,483,216	\$50,000
GENERAL GOVERNMENT			
	\$26,229,997	\$31,160,796	\$4,930,799
TOTAL	\$605,774,386	\$612,882,348	\$7,107,962

As can be seen, the largest increase in Net County Cost is in the General Government category, which includes a \$3.3 million increase in interfund transfer repayment and a \$1.4 million General Fund contribution to the Roads Fund. The operating departments with the largest increases in Net County Cost are:

- The Sheriff, with a \$930,746 increase, due largely to a projected reduction in Realignment and Proposition 172 revenue;
- Probation, with a \$694,568 increase, due primarily to a reduction in estimated Realignment, Proposition 172 and other State revenue; and

- Regional Parks, with a \$338,942 increase, due to funding for new or enhanced programs.

The \$629,347 reduction in Net County Cost in the Voter Registration and Elections Department is due to increased State revenue; there is no change in appropriations.

In some cases, though, increases in Semi-discretionary revenue offset what would otherwise be increases in Net County Cost or allow for a reduction in Net County Cost or can be used to fund increased spending on Board priorities. The following table compares the allocation of Net County Cost and Semi-discretionary revenues to all departments in the FY2016-17 Approved Budget and FY2016-17 Adopted Budget.

Centrally Allocated Resources
Net County Cost, Semi-Discretionary Resources
FY 2016-17 Approved - FY 2016-17 Adopted

	FY 2016-17		Difference
	Approved	Adopted	
AG COMM-SEALER OF WTS & MEASURES	\$ 1,315,569	\$ 1,460,916	\$ 145,347
ANIMAL CARE AND REGULATION	\$ 7,632,399	\$ 7,823,849	\$ 191,450
APPROPRIATION FOR CONTINGENCY	\$ 1,823,000	\$ 2,173,000	\$ 350,000
ASSESSOR	\$ 9,337,234	\$ 9,414,350	\$ 77,116
BOARD OF SUPERVISORS	\$ 3,408,068	\$ 3,408,068	\$ -
CARE IN HOMES AND INSTITUTIONS	\$ 716,750	\$ 716,750	\$ -
CHILD SUPPORT SERVICES	\$ -	\$ -	\$ -
CIVIL SERVICE COMMISSION	\$ 343,221	\$ 343,221	\$ -
CLERK OF THE BOARD	\$ 1,548,793	\$ 1,548,793	\$ -
COMMUNITY DEVELOPMENT	\$ 7,075,914	\$ 7,075,914	\$ -
CONFLICT CRIMINAL DEFENDERS	\$ 10,256,016	\$ 10,256,016	\$ -
CONTRIBUTION TO LAFCO	\$ 239,500	\$ 239,500	\$ -
CONTRIBUTION TO LAW LIBRARY	\$ 9,975	\$ 9,975	\$ -
COOPERATIVE EXTENSION	\$ 331,612	\$ 331,612	\$ -
CORONER	\$ 6,453,374	\$ 6,453,374	\$ -
CORRECTIONAL HEALTH SERVICES	\$ 39,313,447	\$ 39,313,447	\$ -
COUNTY COUNSEL	\$ 2,326,957	\$ 2,326,957	\$ -
COUNTY EXECUTIVE	\$ 1,108,642	\$ 1,108,642	\$ -
COUNTY EXECUTIVE CABINET	\$ 227,978	\$ 227,978	\$ -
COURT / COUNTY CONTRIBUTION	\$ 24,761,756	\$ 24,761,756	\$ -
COURT / NON-TRIAL COURT FUNDING	\$ 8,836,808	\$ 8,836,808	\$ -
DATA PROCESSING-SHARED SYSTEMS	\$ 9,622,277	\$ 9,622,277	\$ -
DEPARTMENT OF FINANCE	\$ 3,132,146	\$ 3,182,146	\$ 50,000
DISTRICT ATTORNEY	\$ 70,575,804	\$ 70,693,576	\$ 117,772
EMERGENCY OPERATIONS	\$ 876,022	\$ 936,022	\$ 60,000
FAIR HOUSING SERVICES	\$ 144,000	\$ 144,000	\$ -
FINANCING-TRANSFERS/REIMB	\$ 2,270,208	\$ 3,956,785	\$ 1,686,577
GRAND JURY	\$ 308,262	\$ 308,262	\$ -
HEALTH AND HUMAN SERVICES	\$ 219,927,220	\$ 225,699,364	\$ 5,772,144
HEALTH-MEDICAL TREATMENT PAYMENTS	\$ 3,400,000	\$ 3,941,618	\$ 541,618
HUMAN ASSISTANCE-ADMIN	\$ 21,636,533	\$ 22,040,534	\$ 404,001
HUMAN ASSISTANCE-AID PAYMENTS	\$ 213,496,102	\$ 217,118,827	\$ 3,622,725

IHSS Provider Payments	\$ 57,050,055	\$ 57,050,055	\$ -
JUVENILE MEDICAL SERVICES	\$ 7,793,625	\$ 7,793,625	\$ -
NON-DEPARTMENTAL COSTS/GF	\$ 16,870,469	\$ 20,804,691	\$ 3,934,222
OFFICE OF INSPECTOR GENERAL	\$ 130,000	\$ 130,000	\$ -
OFFICE OF LABOR RELATIONS	\$ -	\$ -	\$ -
PROBATION	\$ 118,911,192	\$ 118,911,192	\$ -
PUBLIC DEFENDER	\$ 32,144,826	\$ 32,144,826	\$ -
REGIONAL PARKS	\$ 5,952,654	\$ 6,291,596	\$ 338,942
SHERIFF	\$ 363,985,511	\$ 363,866,429	\$ (119,082)
VETERAN'S FACILITY	\$ 15,952	\$ 15,952	\$ -
VOTER REGISTRATION/ ELECTIONS	\$ 8,245,602	\$ 7,616,255	\$ (629,347)
WILDLIFE SERVICES	\$ 60,689	\$ 60,689	\$ -
	\$ 1,283,616,162	\$ 1,300,159,647	\$ 16,543,485

The amount of Net County Cost and Semi-discretionary resources allocated to programs in the Adopted Budget is approximately \$16.5 million (1.3%) greater than the FY2016-17 Approved Budget level. The budget units with the largest increases include:

- Health & Human Services with a \$5.8 million (2.6%) increase, almost all Realignment, due primarily to funding for new or enhanced services in a number of program areas, including Child Protective Services, Alcohol and Drug Services, Adult Protective Services, Mental Health, Primary Health and Public Health.
- Human Assistance – Aid Payments with a \$3.6 million (1.7%) increase, all Realignment, due primarily to increases in Children’s Receiving Home rates, the California Necessities Increase (CNI) for Foster Care programs and CalWORKS Child Poverty program costs.
- Non-departmental Costs with a \$3.9 million (23%) increase: \$1.1 million in Realignment and the rest Net County Cost. The primary reasons for the increase include the establishment of a \$1.1 million “Social Services Community Support Fund” with Social Services Realignment revenue and an additional \$3.3 million Interfund transfer repayment, partially offset by a reduction in the estimated payment to the City of Sacramento under the terms of our auto dealership sales tax revenue sharing agreement.
- Financing Transfers/Reimbursements with a \$1.7 million (75%) increase, all Net County Cost, due to the \$1.4 million transfer to the Roads Fund as part of a plan to improve the condition of all County roads and a \$286,577 transfer to the Transient Occupancy Tax Fund to pay for a portion of the Powerhouse Science Center’s construction loan debt service.