

## FY 2019-20 Recommended Budget THE ALL FUNDS BUDGET

The County's Recommended All Funds Budget for FY 2019-20 totals \$4,402,969,426 in appropriations. This is a \$104,592,705 (2.4%) increase compared to the FY 2018-19 Adopted Budget level. A detailed comparison is shown below.

<b>Fiscal Year 2018-19 Adopted Compared to Fiscal Year 2019-20 Recommended</b>			
<b>Fund</b>	<b>FY 2018-19 Adopted Appropriations</b>	<b>FY 2019-20 Recommended Appropriations</b>	<b>Difference</b>
General Fund	\$ 1,735,552,943	\$ 1,802,617,381	\$ 67,064,438
Community Investment Program	\$ 450,316	\$ 276,313	\$ (174,003)
Neighborhood Revitalization	\$ 938,166	\$ 1,235,801	\$ 297,635
Mental Health Services Act	\$ 91,292,729	\$ 98,741,341	\$ 7,448,612
Public Safety Sales Tax	\$ 123,583,038	\$ 131,830,208	\$ 8,247,170
1991 Realignment	\$ 346,112,548	\$ 357,009,781	\$ 10,897,233
2011 Realignment	\$ 314,748,246	\$ 325,172,804	\$ 10,424,558
Clerk/Recorder Fees	\$ 1,218,065	\$ 2,430,118	\$ 1,212,053
SSD DOJ Asset Forfeiture		\$ -	\$ -
SSD Restricted Revenue		\$ 3,155,000	\$ 3,155,000
Economic Development	\$ 37,224,381	\$ 65,985,008	\$ 28,760,627
Environmental Management	\$ 22,288,245	\$ 23,424,229	\$ 1,135,984
Golf Fund	\$ 7,978,162	\$ 7,735,404	\$ (242,758)
Transient Occupancy Tax	\$ 1,028,838	\$ 79,220	\$ (949,618)
Transportation	\$ 183,965,096	\$ 218,210,164	\$ 34,245,068
Water Resources	\$ 168,711,920	\$ 165,809,476	\$ (2,902,444)
Airport System	\$ 329,084,389	\$ 288,897,689	\$ (40,186,700)
Waste Management & Recycling	\$ 103,088,121	\$ 118,832,981	\$ 15,744,860
Capital Projects Funds	\$ 73,450,310	\$ 76,826,276	\$ 3,375,966
Debt Service Funds	\$ 33,596,769	\$ 33,596,769	\$ -
Other Special Revenue Funds	\$ 97,796,881	\$ 101,016,986	\$ 3,220,105
Other Enterprise Funds	\$ 3,584,811	\$ 4,194,729	\$ 609,918
Other Internal Service Funds	\$ 376,640,582	\$ 365,130,332	\$ (11,510,250)
Other Special Districts & Agencies	\$ 246,042,165	\$ 210,761,416	\$ (35,280,749)
<b>Total</b>	<b>\$ 4,298,376,721</b>	<b>\$ 4,402,969,426</b>	<b>\$ 104,592,705</b>

The primary reasons for the overall increase in the Recommended Budget compared to the FY 2018-19 Adopted Budget include:

- A net \$108.5 million increase in the General Fund, Public Safety Sales Tax, 1991 Realignment, 2011 Realignment, Clerk Recorder Fees, Mental Health Services Act and SSD Restricted Revenue Funds (the relationship between these funds is discussed more fully below). In the case of the General Fund, it should be noted that, although appropriations are increasing by \$67 million (3.9%), staffing and service level reductions are being made in a number of departments due to the fact that the cost of doing business is increasing faster than discretionary and certain other revenue, that there are revenue reductions in some programs,

and that there is a need to fund Growth (enhanced staffing and services) in certain areas, including in the County's jails;

- A \$34.4 million increase in Transportation related funds, due primarily to an increase in the Roads Fund caused by shifts in construction project timelines and additional road overlay work funded with higher gas tax, SB 1 and federal revenue; and
- A \$28.8 million increase in the Economic Development Fund, due primarily to the transfer of money held in non-budgeted funds into the Economic Development Fund. This includes revenue that was received in previous years – but not yet spent - for remediation projects at the former McClellan Air Force Base. The full amount of these resources is being budgeted as an appropriation, although it is not anticipated that it will actually all be spent in FY 2019-20.

These and certain other increases are partially offset by decreases in a number of budgets, including a \$40.2 million decrease in the Airport System Fund due largely to the completion of certain capital projects in FY 2018-19.

#### Accounting/Budget Change for Certain Unbudgeted Funds

Historically, the County received revenue from a number of sources that was deposited in unbudgeted funds and not budgeted/recognized as revenue until it was transferred to the appropriate department to cover the cost of eligible expenditures. Over the past two years, staff from the Office of Budget and Debt Management and the Department of Finance have been systematically reviewing all unbudgeted funds to determine the appropriate accounting and budgeting methodology, given changes in accounting standards. That review is not yet complete, but as part of the FY 2018-19 Budget a number of unbudgeted funds were converted to budgeted restricted funds. The FY 2019-20 Recommended Budget includes additional restricted funds or reflects the transfer of additional resources from unbudgeted funds to existing budgeted funds. As a result of these changes, the relevant revenue will now be recognized as revenue when it is received in the restricted funds and the transfer to the appropriate department will be budgeted/recorded as a reimbursement, which is budgeted and accounted for as a negative appropriation/expenditure in those departments receiving the money, thus reducing appropriations in those budget units.

The following restricted funds were created as part of the FY 2018-19 Budget:

- The Public Safety Sales Tax Fund, to account for Proposition 172 revenue;
- The 1991 Realignment Fund to account for 1991 Realignment revenue;
- The 2011 Realignment Fund to account for 2011 Realignment revenue;
- The Mental Health Services Act Fund to account for Mental Health Services Act (MHSA) revenue; and

- Clerk/Recorder Fees Fund to account for Micrographic and Certain other Clerk-Recorder Fee revenue.

The FY 2019-20 Recommended Budget includes four additional Clerk-Recorder fee revenue sources in the Clerk/Recorder Fee Fund, transfers the balance of McClellan Air Force Base mediation resources in unbudgeted funds to the Economic Development special revenue fund and includes three new restricted funds:

- The Sheriff's Restricted Revenue Fund to account for a number of revenue sources that fund Sheriff's programs including state asset forfeiture revenue and Tucker revenue;
- The Sheriff's DOJ Asset Forfeiture Fund to account for federal asset forfeiture revenue; and
- The EMD Special Program Fund to account for certain Environmental Management revenue.

The following tables summarize the FY 2019-20 Recommended budgets for restricted funds compared to the FY 2018-19 Adopted budgets:

<b>FY 2019-20 Recommended Budget - Restricted Funds</b>			
<b>Beginning Balance - FY 2018-19 Adopted - FY 2019-20 Recommended</b>			
<b>Fund</b>	<b>FY 2018-19 Adopted</b>	<b>FY 2019-20 Recommended</b>	<b>Difference</b>
Public Safety Sales Tax			\$ -
1991 Realignment	\$ 22,170,678	\$ 11,940,963	\$ (10,229,715)
2011 Realignment	\$ 15,289,921	\$ 10,302,145	\$ (4,987,776)
Clerk Recorder Fees	\$ 12,430,775	\$ 18,859,206	\$ 6,428,431
Mental Health Services Act	\$ 147,428,186	\$ 143,407,927	\$ (4,020,259)
Sheriff's Restricted Revenue		\$ 3,976,973	\$ 3,976,973
Sheriff's DOJ Asset Forfeiture		\$ 1,055,841	\$ 1,055,841
EMD Special Program		\$ 1,858,105	\$ 1,858,105
<b>Total</b>	<b>\$ 197,319,560</b>	<b>\$ 191,401,160</b>	<b>\$ (5,918,400)</b>

As can be seen, we are estimating that the 1991 Realignment and 2011 Realignment Funds together will begin FY 2019-20 with approximately \$15 million less in beginning fund balance than in FY 2018-19, and the Mental Health Services Act Fund will begin FY 2019-20 with approximately \$4 million less. This is because these funds were budgeted to spend down fund balance in FY 2018-19 and the relevant departments that receive funding are estimating that these allocations will be spent. The increase in the Clerk-Recorder Fees Fund's beginning balance is due primarily to the inclusion of money that had been collected in the old, unbudgeted funds for four new revenue sources – Hours, Index, E-Recording and Vital Health Records fees.

<b>FY 2019-20 Recommended Budget - Restricted Funds</b>			
<b>Revenue - FY 2018-19 Adopted - FY 2019-20 Recommended</b>			
<b>Fund</b>	<b>FY 2018-19 Adopted</b>	<b>FY 2019-20 Recommended</b>	<b>Difference</b>
Public Safety Sales Tax	\$ 123,583,038	\$ 131,830,208	\$ 8,247,170
1991 Realignment	\$ 333,708,790	\$ 345,068,818	\$ 11,360,028
2011 Realignment	\$ 305,158,584	\$ 316,337,391	\$ 11,178,807
Clerk Recorder Fees	\$ 1,874,593	\$ 3,037,479	\$ 1,162,886
Mental Health Services Act	\$ 59,510,926	\$ 65,685,872	\$ 6,174,946
Sheriff's Restricted Revenue	\$ -	\$ 2,163,995	\$ 2,163,995
Sheriff's DOJ Asset Forfeiture	\$ -	\$ 75,919	\$ 75,919
EMD Special Program	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ 823,835,931</b>	<b>\$ 864,199,682</b>	<b>\$ 40,363,751</b>

Overall revenue to the restricted funds is projected to increase by \$40.4 million (4.9%), with Proposition 172 revenue (in the Public Safety Sales Tax Fund) increasing by \$8.3 million (6.7%), 1991 Realignment revenue increasing by \$11.4 million (3.4%), 2011 Realignment revenue increasing by \$11.2 million (3.6%) and MHSA revenue increasing by \$6.2 million (10.4%).

<b>FY 2019-20 Recommended Budget - Restricted Funds</b>			
<b>Appropriations - FY 2018-19 Adopted - FY 2019-20 Recommended</b>			
<b>Fund</b>	<b>FY 2018-19 Adopted</b>	<b>FY 2019-20 Recommended</b>	<b>Difference</b>
Public Safety Sales Tax	\$ 123,583,038	\$ 131,830,208	\$ 8,247,170
1991 Realignment	\$ 346,112,548	\$ 357,009,781	\$ 10,897,233
2011 Realignment	\$ 314,748,246	\$ 325,172,804	\$ 10,424,558
Clerk Recorder Fees	\$ 1,218,065	\$ 2,430,118	\$ 1,212,053
Mental Health Services Act	\$ 91,292,729	\$ 98,741,341	\$ 7,448,612
Sheriff's Restricted Revenue	\$ -	\$ 3,155,000	\$ 3,155,000
Sheriff's DOJ Asset Forfeiture	\$ -	\$ -	\$ -
EMD Special Program	\$ -	\$ 405,620	\$ 405,620
<b>Total</b>	<b>\$ 876,954,626</b>	<b>\$ 918,744,872</b>	<b>\$ 41,790,246</b>

Restricted fund appropriations reflect the resources (from revenue and use of fund balance) in the restricted funds transferred out (or allocated) as a reimbursement to the relevant operating budgets – mostly in the General Fund – to cover the cost of providing services. FY 2019-20 Recommended appropriations total \$918.7 million, an increase of \$41.8 million (4.8%) compared to the FY 2018-19 Adopted level. Appropriation changes for specific funds include:

- 1991 Realignment, with a \$10.9 million (3.2%) increase;
- 2011 Realignment, with a \$10.4 million (3.3%) increase;

- Public Safety Sales Tax (Proposition 172), with an \$8.3 million (6.7%); and
- Mental Health Services Act, with a \$7.5 million (8.2%) increase.

The net result of all of this is that all of the restricted funds, with the exception of Clerk-Recorder Fees and Sheriff's DOJ Asset Forfeiture, are budgeted to spend down their fund balances - in some cases to zero - effectively using one-time resources to fund operating programs. In some cases, this requires or results in the cancellation of Restricted Fund reserves as shown in the following table:

<b>FY 2019-20 Recommended Budget - Restricted Funds</b>			
<b>Reserves - FY 2018-19 Adopted - FY 2019-20 Recommended</b>			
<b>Fund-Category</b>	<b>FY 2018-19 Adopted</b>	<b>FY 2019-20 Recommended</b>	<b>Difference</b>
Enhancing Law Enforcement Activities		\$ -	\$ -
Law Enforcement Services	\$ 5,307,915	\$ 770,223	\$ (4,537,692)
Community Corrections Planning		\$ 696,511	\$ 696,511
Behavioral Health	\$ 243,418	\$ -	\$ (243,418)
Protective Services	\$ 148,926	\$ -	\$ (148,926)
<b>2011 Realignment Fund</b>	<b>\$ 5,700,259</b>	<b>\$ 1,466,734</b>	<b>\$ (4,233,525)</b>
Mental Health		\$ -	\$ -
Public Health	\$ 996,098	\$ -	\$ (996,098)
Social Services	\$ 8,770,822	\$ -	\$ (8,770,822)
CalWORKS			\$ -
<b>1991 Realignment Fund</b>	<b>\$ 9,766,920</b>	<b>\$ -</b>	<b>\$ (9,766,920)</b>
<b>Public Safety Sales Tax</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Clerk Recorder Fees</b>	<b>\$ 13,087,303</b>	<b>\$ 19,466,567</b>	<b>\$ 6,379,264</b>
<b>Mental Health Services Act</b>	<b>\$ 115,646,383</b>	<b>\$ 110,352,458</b>	<b>\$ (5,293,925)</b>
<b>Sheriff's Restricted Revenue</b>		<b>\$ 2,985,968</b>	<b>\$ 2,985,968</b>
<b>Sheriff's DOJ Asset Forfeiture</b>		<b>\$ 1,131,760</b>	<b>\$ 1,131,760</b>
<b>EMD Special Program</b>		<b>\$ 1,452,485</b>	<b>\$ 1,452,485</b>
<b>Total Restricted Funds</b>	<b>\$ 144,200,865</b>	<b>\$ 136,855,972</b>	<b>\$ (7,344,893)</b>

With regard to the Realignment Funds, the Recommended Budget eliminates almost all reserves to assist in balancing the FY 2019-20 Budget. The exceptions are \$770,000 in Community Corrections Innovation funds that will be used to fund the second year of the Probation Department's Pre-trial Release Program in FY 2020-21 and \$696,000 in Community Corrections Planning funds that will be used to conduct various correctional system studies and planning efforts.