

County Executive  
Navdeep S. Gill



## County of Sacramento

Board of Supervisors  
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August 26, 2016

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

### **Re: Fiscal Year 2016-17 Budget Adoption**

Honorable Members of the Board:

I am pleased to present the Adopted Budget for FY2016-17 (Adopted Budget) for your review and consideration. The Budget for All Funds totals \$3,972,545,036 in appropriations. This is a \$83,963,125 (2.2%) increase from the Budget approved in June (Approved Budget). The increase is due to:

- A \$54.3 million increase in special revenue and enterprise fund appropriations, due in large part to re-budgeting of capital and other project costs based on changes in project timing or changes in project costs; and
- A \$29.6 million increase in General Fund appropriations.

### **General Fund Overview**

The Adopted Budget General Fund appropriation is \$2,396,331,370.

### **Revenue Adjustments:**

FY 2016-17 General Fund revenue estimates have increased by \$39.3 million, as reflected in the following adjustments:

- The unaudited FY 2015-16 year-end fund balance carry-forward of \$47,547,865, which is a \$14,547,865 increase compared to the Approved Budget;
- A \$1,644,181 increase in discretionary revenue and reimbursements estimates;
- The cancellation of \$958,118 in Teeter Reserves;

- An additional \$22.2 million in federal, state and other revenue, including a \$10.3 million increase in Realignment revenue, coupled with an \$876,710 decrease in Proposition 172 revenue.

### **General Fund Reserves/Set Asides:**

The proposed Adopted General Fund Budget includes \$9.6 million in reserves and set asides for the following purposes:

- \$4,754,786 to General Reserves. This is consistent with the Board's new General Reserve Policy, which calls for placing 10% of the Available fund balance in General Reserves. With this adjustment, the General Reserves balance will stand at \$4,944,277.
- \$3,600,000 to a new Reserve for Warren. E. Thornton/Morgan Alternative Center Capital Costs. 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-place foster care youth under the Continuum of Care Reform. 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, it is prudent to set aside sufficient discretionary resources to cover the estimated capital costs.
- \$1,276,765 to a new Reserve for Technology Upgrades. We anticipate that over the next five years the County 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, the Budget System and the updated voting system and 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.
- \$25,000 to a new Reserve for River Delta Fire District Loan, which is required if the Board approves a loan to the District. The Non-departmental Costs Budget includes funding for a \$25,000 loan to the District to cover costs related to placing a funding measure on the ballot.

### **General Fund Appropriations:**

The recommended General Fund budget includes appropriation adjustments totaling \$29,650,378 for the following purposes:

- \$3,265,261 to repay a portion of the amount previously transferred to the General Fund from other County funds, bringing the total repayment to \$5,270,267. With this repayment, the outstanding balance at the end of FY2016-17 will be approximately \$38.8 million<sup>1</sup>, down from the original balance of \$77.65 million;

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<sup>1</sup> Amount due to the Workers Compensation Fund will be \$30.5 million and the Clerk Recorder's Fund will be \$8.3 million.

- \$350,000 to increase the Appropriation for Contingency to \$2,173,000;
- \$8,111,025 (\$1,464,175 Net County Cost) to cover Base Budget increases, including encumbrance carry-forwards (purchases that were expected to be completed in FY2015-16 but were delayed into FY2016-17) and revised cost and revenue estimates; and
- \$17,924,292 (\$2,414,177 Net County Cost) to fund certain Growth requests as described more fully in the tables below and in Attachment 4. (Should the \$560,745 be included in this total?)

**Departmental Requests for New or Enhanced Programs**

For the preparation of the FY 2016-17 Budget, County departments submitted approximately \$53 million in requests for new or enhanced programs, including \$32 million in General Fund (Net County Cost) support. To assist in evaluating these requests, departments were asked to prioritize their needs. This prioritization was taken into account, along with Board priorities and other factors, in making Budget recommendations in June. Not all of the requests were able to be funded in June. The remaining requests were considered in the preparation of the Adopted Budget.

The Adopted Budget includes an additional \$19 million for all Funds in funding for new or enhanced programs and services. These are funded from the following sources:

- Discretionary/carryover (Net County Cost) of \$2.4 million,
- Realignment revenue of \$7.2 million and
- Federal, State or fee revenue of \$9.4 million.

**Funded Net County Cost New or Enhanced Programs**

<b>Department</b>	<b>Description</b>	<b>Amount</b>	<b>FTE</b>
Agricultural Commissioner	Chief Deputy Agricultural Commissioner Position	\$145,347	1
Assessor	Assessment Tech. Position in Property Transfer	\$77,116	1
District Attorney	Cyber Crimes Investigator/Vehicle (Net amount - partially funded using excess grant revenue to free up Net County Cost - total cost is \$230,574)	\$31,252	1
	2 Vehicles for Investigators	\$86,520	0
Financing Transfers/ Reimbursements	Transfer to Roads Fund for Road Maintenance	\$1,400,000	0
Non-Departmental Costs	Aerospace Museum Grant Match	\$250,000	0
	Loan to River Delta Fire District	\$25,000	0



Emergency Operations	Backfill of Grant Funding to Support Sacramento Medical Corps	\$60,000	0
Regional Parks	Headquarters Move Costs	\$208,000	0
	American River Ranch Roofing and Driveway Repair	\$60,000	0
	Admin. Services Officer to Free Up Ranger Time	\$70,942	1
<b>Total</b>		<b>\$2,414,177</b>	<b>4</b>

The recommended Net County Cost-funded Growth includes a \$1.4 million transfer from the General Fund to the Road Fund for road maintenance as part of long-term plan to improve the condition of existing County roads. It is apparent that a general fund allocation will be necessary to augment funds from all available federal, State, and local sources to maintain County roads at an acceptable level. Staff is now working on the details of this plan which will be presented to the Board later in the fiscal year.

**Funded - Non-Net County Cost New or Enhanced Programs** – The table below is a summary by department of the funded new or enhanced requests that do not require Net County Cost. A more detailed list of specific funded non-Net County Cost Growth requests is provided in Attachment 1.

Department	Amount	Realignment	Federal State Other(a)	FTE
Agricultural Commissioner	\$ 25,795	\$ -	\$ 25,795	0.2
Animal Care and Regulation	\$ 185,000	\$ -	\$ 185,000	0.0
Community Development	\$ 257,650	\$ -	\$ 257,650	2.0
District Attorney	\$ 310,079	\$ -	\$ 310,079	1.0
Health and Human Services - Alcohol & Drug	\$ 815,000	\$ 665,000	\$ 150,000	0.0
Health and Human Services - APS	\$ 794,564	\$ 397,282	\$ 397,282	5.0
Health and Human Services - CPS	\$ 3,687,657	\$ 2,695,610	\$ 992,047	42.0
Health and Human Services - IHSS	\$ 558,035	\$ -	\$ 558,035	7.0
Health and Human Services - Mental Health	\$ 3,712,322	\$ 1,381,161	\$ 2,331,161	10.0
Health and Human Services - Primary Health	\$ 888,810	\$ -	\$ 888,810	1.0
Health and Human Services - Public Health	\$ 1,007,608	\$ 570,267	\$ 437,341	7.2
<b>Subtotal Health and Human Services</b>	<b>\$ 11,463,996</b>	<b>\$ 5,709,320</b>	<b>\$ 5,754,676</b>	<b>72.2</b>
Human Assistance	\$ 2,728,340	\$ 404,001	\$ 2,324,339	23.0
Non-Departmental Costs	\$ 1,100,000	\$ 1,100,000	\$ -	0.0
<b>Sub-total General Fund</b>	<b>\$ 16,070,860</b>	<b>\$ 7,213,321</b>	<b>\$ 8,857,539</b>	<b>98.4</b>
Parking Enterprise	\$ 327,946	\$ -	\$ 360,000	0.0
Retirement Board	\$ 155,027	\$ -	\$ 155,027	1.0
<b>Total</b>	<b>\$ 16,553,833</b>	<b>\$ 7,213,321</b>	<b>\$ 9,372,566</b>	<b>99.4</b>

(a) Includes reimbursement of \$560,745

The funded Non-Net County Cost Growth requests include \$1.1 million in appropriations in the Non-Departmental Costs Budget to establish a “Social Services Community Support Fund.” Through a targeted grant process, the Social Services Community Support Fund would finance projects operated by non-profit organizations to address critical emergent needs related to Adoption Assistance, Adult Protective Services, California Children’s Service, CalWORKS, Child Welfare Services and Foster Care. These are programs that are eligible for Social Services Realignment funding, which would be the revenue source for the grants. If the Board approves this recommended appropriation, we will return later in the fiscal year with a recommended plan for soliciting applications and allocating these funds.

**FTE Positions**

The table below provides information concerning the County’s FTEs.

Existing FTEs	12,033.9
Recommended Net County Cost FTEs	4.0
Recommended Non Net County Cost FTEs	99.4
<b>Total</b>	<b>12,137.3</b>

**FY2016-17 Adopted Budget – One-Time Revenue**

The Adopted General Fund Budget is balanced using the following one-time sources:

Description	FY2016-17 Approved	FY2016-17 Adopted
One-time Discretionary	\$0	\$1.1 million
Fund Balance/Carryover	\$33 million	\$47.6 million
Reserve Cancellation	\$0	\$1.0 million
Realignment Revenue Carryover	\$13 million	\$17.8 million
<b>Total</b>	<b>\$46 million</b>	<b>\$67.5 million</b>

**Realignment Trust Fund Contingency Reserve**

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 summarized above and 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 Reserves**

<b>Realignment Revenue Category</b>	<b>FY2016-17 Approved</b>	<b>FY2016-17 Adopted</b>	<b>Difference</b>
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
<b>TOTAL</b>	<b>\$3,314,007</b>	<b>\$11,753,278</b>	<b>\$8,439,271</b>

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.

**Transient Occupancy Tax Revenue Allocations**

The Adopted Budget includes an additional \$259,000 in estimated Transient Occupancy Tax (TOT) revenue and utilizes an additional \$316,577 in TOT revenue to: (1) pay a portion of the Powerhouse Science Center’s construction loan debt service (\$286,577); and (2) cover the Finance Department’s TOT audit costs (\$30,000). With these changes, the amount of TOT revenue used to cover general Net County Cost needs will be reduced by \$57,577 compared to the Approved Budget level.

In December 2014, the Board approved an agreement with the Powerhouse Science Center (PHSC) that commits the County to considering, as part of our annual budget process, an annual allocation of \$344,000 to the PHSC, starting in FY2016-17 and continuing for 20 years. The TOT Fund has \$57,423 in unallocated funds available in its fund balance,

therefore \$286,577 is the amount of FY2016-17 TOT revenue that needs to be used for this purpose. Under the agreement, the County's annual allocation to the PHSC is discretionary and, at a minimum, is contingent upon the PHSC meeting twelve conditions, including:

- The PHSC has secured funding for 100% of the cost to construct the project;
- The PHSC has secured a \$25 million loan from the California Municipal Finance Authority (CMFA);
- The PHSC has provided the County with a list of all donations and sponsorships that the PHSC intends to use to repay the CMFA loan; and
- The PHSC has secured funding to pay 100% of the annual debt service on the CMFA loan.

County staff is awaiting receipt of information from the PHSC related to these and other conditions and no actual allocation of County funds to the PHSC will be made until all conditions are satisfied.

Some Board members have expressed an interest in considering alternative methods of allocating TOT revenue in the future. In light of that, staff will return to the Board later this fiscal year to seek Board direction in time to implement any changes in the FY2017-18 budget process.

### **Attachments to the Budget Transmittal Letter**

There are several attachments included with this transmittal letter that provide in-depth information concerning the Budget:

- Attachment 1 Provides a detailed list of the funded non-Net County Cost Growth requests
- Attachment 2 Presents the All Funds Budget
- Attachment 3 Provides more information on the General Fund Budget
- Attachment 4 Provides a summary of significant changes by department

### **Conclusion/Acknowledgement**

As with the Recommended Budget presented in June, I would like to acknowledge the hard work and dedication of the County's Department heads and fiscal staffs in preparing the Budget you have before you today. Their input and judgement has been critical in crafting a Budget that attempts to address important community needs in a fiscally responsible manner.

The Budget will be presented to the Board on September 7, 2016, at 9:30 A.M, with deliberations on that date and September 8 as needed.

We look forward to working with you as you review the Budget Recommended for Adoption. During your review, please contact me with any questions that you may have concerning the Budget.

Respectfully submitted,

A handwritten signature in black ink that reads "Navdeep S. Gill". The signature is written in a cursive, flowing style.

Navdeep S. Gill  
County Executive