

FY2018-19 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 FY2018-19 and approved a budget totaling \$1.72 billion in appropriations, which represented a \$746.3 million (30.3%) reduction from the FY2017-18 Adopted Budget as shown below.

General Fund Budget FY2017-18 Adopted - FY2018-19 Approved

	FY2017-18 Adopted	FY2018-19 Approved	Difference
Resources			
Beginning Balance	\$ 46,537,263	\$ 56,700,000	\$ 10,162,737
Use of Reserves	\$ 11,746,058	\$ 1,670,297	\$ (10,075,761)
Discretionary Revenue	\$ 594,833,339	\$ 623,491,045	\$ 28,657,706
Semi-discretionary Revenue	\$ 708,472,302		\$ (708,472,302)
Other Departmental Revenue	\$ 1,112,453,140	\$ 1,037,226,958	\$ (75,226,182)
Total Revenue	\$ 2,415,758,781	\$ 1,660,718,003	\$ (755,040,778)
Total Resources	\$ 2,474,042,102	\$ 1,719,088,300	\$ (754,953,802)
Requirements			
Expenditures	\$ 2,650,610,964	\$ 2,797,773,125	\$ 147,162,161
Discretionary Reimbursements	\$ (8,303,842)	\$ (8,580,913)	\$ (277,071)
Semi-discretionary Reimbursements		\$ (769,429,975)	\$ (769,429,975)
Other Reimbursements	\$ (181,259,719)	\$ (301,856,429)	\$ (120,596,710)
Contingency	\$ 4,288,000	\$ 1,182,492	\$ (3,105,508)
Total Appropriations	\$ 2,465,335,403	\$ 1,719,088,300	\$ (746,247,103)
Provision for Reserves	\$ 8,706,699		\$ (8,706,699)
Total Requirements	\$ 2,474,042,102	\$ 1,719,088,300	\$ (754,953,802)

However, the decrease in appropriations was due to a change in accounting and budgeting practices that resulted in Semi-discretionary (Realignment and Proposition 172) revenue, Mental Health Services Act revenue and certain Clerk-Recorder fee revenue being treated as a reimbursement (reduction in appropriations) rather than as revenue in the General Fund. Adjusting for that budgeting/accounting change, FY2018-19 Approved appropriations actually increased by \$115.4 million (4.7%) compared to the FY2017-18 Adopted Budget.

FY2018-19 Adopted Budget

The County's FY2018-19 Adopted Budget totals \$1,735,552,943 in appropriations. This is an increase of \$16,464,643 (1%) compared to the

FY2018-19 Approved Budget. A more detailed comparison of the FY2018-19 Adopted Budget and the FY2018-19 Approved Budget is shown below.

General Fund Budget
FY2018-19 APPROVED - FY2018-19 ADOPTED

	FY2018-19 Approved	FY2018-19 Adopted	Difference
Resources			
Beginning Balance	\$ 56,700,000	\$ 69,303,395	\$ 12,603,395
Use of Reserves	\$ 1,670,297	\$ 2,798,781	\$ 1,128,484
Discretionary Revenue	\$ 623,491,045	\$ 636,286,019	\$ 12,794,974
Departmental Revenue	\$ 1,037,226,958	\$ 1,035,357,160	\$ (1,869,798)
Total Revenue	\$ 1,660,718,003	\$ 1,671,643,179	\$10,925,176
Total Resources	\$ 1,719,088,300	\$ 1,743,745,355	\$24,657,055
Requirements			
Expenditures	\$ 2,797,773,125	\$ 2,832,412,679	\$34,639,554
Discretionary Reimbursements	\$ (8,580,913)	\$ (10,489,830)	\$ (1,908,917)
Semi-discretionary Reimbursements	\$ (769,429,975)	\$ (783,884,823)	\$ (14,454,848)
Other Reimbursements	\$ (301,856,429)	\$ (304,471,282)	\$ (2,614,853)
Contingency	\$ 1,182,492	\$ 1,986,199	\$ 803,707
Total Appropriations	\$ 1,719,088,300	\$ 1,735,552,943	\$16,464,643
Provision for Reserves		\$ 8,192,412	\$ 8,192,412
Total Requirements	\$ 1,719,088,300	\$ 1,743,745,355	\$24,657,055

However, that increase also reflects the receipt of an additional \$14.8 million in Semi-discretionary and Mental Health Services Act reimbursements (which are budgeted as a reduction in appropriations). If that is adjusted for, Adopted General Fund appropriations would actually increase by \$31.2 million.

Fund Balance and Reserves

The General Fund's unaudited FY2017-18 ending fund balance, which becomes the beginning balance for FY2018-19, totals \$132,724,744. This includes \$63.4 million in reserves, consisting primarily of \$9.8 million in Teeter Reserves, a \$32.4 million Reserve for Cash Flow, \$13.65 million in General Reserves, a \$5 million Reserve for Audit Report Paybacks/Future Litigation Settlement Costs, a \$1.3 million Reserve for Technology Upgrades, a \$718,000 Reserve for Future Pension Obligation Bond Debt Service, and an Available (unobligated) balance of \$69,303,395. The Available balance is approximately \$12.6 million higher than in the Approved General Fund Budget, due primarily to the receipt of one-time prior year Mental Health revenue in FY2017-18 that was used to offset Net County Cost.

The Approved Budget included the following reserve changes:

- Cancellation of the \$718,248 Reserve for Future Pension Obligation Bond Debt Service to help cover increases in General Fund Pension Obligation Bond debt service costs in FY2018-19.
- Cancellation of \$952,049 of the Reserve for Technology Upgrades to help fund software upgrades for personal computers to Microsoft 10 and Windows 2016.

The Adopted Budget also includes the following reserve adjustments:

- A net \$580,719 reduction in the various Teeter Reserves, reflecting a decrease in the amount of reserves that need to be set aside for the Teeter Plan.
- A \$7,511,058 increase in General Reserves. Approximately \$6,930,000 of this increase is due to the Board's General Reserve Policy that calls for placing 10% of the General Fund's actual Available fund balance in General Reserves each year. Approximately \$581,000 of the increase is due to the Board's General Reserve Policy that states that any existing reserves no longer needed for the stated purpose will be reclassified as General Reserves. As indicated, a portion of Teeter Reserves are no longer needed.
- A \$133,589 increase in the Reserve for Audit Report Payback/Future Litigation Settlement Costs. Given the significant potential costs the County is facing from various lawsuits, any discretionary resources remaining after Base budgets and the most critical Growth needs are funded are being placed in this Reserve.

The following table summarizes the General Fund's reserve status reflected in the Adopted Budget.

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**FY2018-19 Adopted Budget
GENERAL FUND RESERVE STATUS**

Reserved For:	FY2017-18 Ending	FY2018-19 Approved	FY2018-19 Adopted	Change from Approved
Loan Buyout - Teeter	\$ 2,934,879	\$ 2,934,879	\$ 2,552,000	\$ (382,879)
Tax Loss-Teeter	\$ 5,261,630	\$ 5,261,630	\$ 5,809,395	\$ 547,765
Teeter Delinquencies (Teeter)	\$ 1,636,639	\$ 1,636,639	\$ 891,034	\$ (745,605)
River Delta Fire District Loan	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
Imprest Cash	\$ 290,955	\$ 290,955	\$ 290,955	\$ -
Special Deposits Travel	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Health for All Loan	\$ 104,730	\$ 104,730	\$ 104,730	\$ -
General Reserves	\$ 13,650,979	\$ 13,650,979	\$ 21,162,037	\$ 7,511,058
Cash Flow	\$ 32,421,527	\$ 32,421,527	\$ 32,421,527	\$ -
Future Pension Obligation Bond	\$ 718,248	\$ -	\$ -	\$ -
Audit Report Payback/Future Litigation Costs	\$ 5,000,000	\$ 5,000,000	\$ 5,133,589	\$ 133,589
Technology Upgrades	\$ 1,276,765	\$ 324,716	\$ 324,716	\$ -
Total	\$ 63,421,352	\$ 61,751,055	\$ 68,814,983	\$ 7,063,928

Discretionary Revenue and Reimbursements

The Adopted Budget includes approximately \$14.7 million (2.3%) more in discretionary revenue and reimbursements than the Approved Budget. This is the result of increases and decreases in a number of revenue sources as shown in the following table:

DISCRETIONARY REVENUE AND REIMBURSEMENTS				
	FY2017-18 Actual	FY2018-19 Approved	FY2018-19 Adopted	Approved to Adopted Difference
Property Tax - Secured/VLF In-Lieu	\$ 393,038,737	\$ 418,163,709	\$ 418,163,709	\$ -
Property Tax - Supplemental	\$ 5,497,402	\$ 5,000,000	\$ 5,000,000	\$ -
Other Property Tax	\$ 16,111,169	\$ 16,063,916	\$ 16,063,916	\$ -
Total Property Tax	\$ 414,647,308	\$ 439,227,625	\$ 439,227,625	\$ -
Sales and Use Tax	\$ 85,668,000	\$ 86,190,000	\$ 86,190,000	\$ -
Utility User Tax	\$ 19,808,827	\$ 20,383,325	\$ 20,365,913	\$ (17,412)
Transient Occupancy Tax	\$ 6,583,436	\$ 6,695,000	\$ 6,540,262	\$ (154,738)
Property Transfer Tax	\$ 11,490,292	\$ 11,000,000	\$ 11,000,000	\$ -
Other One-time Revenue	\$ 2,950,000	\$ 1,150,000	\$ 14,080,000	\$ 12,930,000
Other On-Going Revenue	\$ 61,762,302	\$ 58,845,095	\$ 58,882,219	\$ 37,124
Total Revenue	\$ 602,910,165	\$ 623,491,045	\$ 636,286,019	\$ 12,794,974
Teeter	\$ 8,950,905	\$ 7,000,000	\$ 9,561,301	\$ 2,561,301
SWA	\$ 1,487,253	\$ 1,580,913	\$ 928,529	\$ (652,384)
Total Reimbursements	\$ 10,438,158	\$ 8,580,913	\$ 10,489,830	\$ 1,908,917
TOTAL	\$ 613,348,323	\$ 632,071,958	\$ 646,775,849	\$ 14,703,891

Major contributors to the net \$14.7 million increase in discretionary revenue and reimbursements compared to the Approved Budget include:

- The receipt of \$11.9 million in one-time prior-year SB 90 revenue owed by the State to the County. This is Sacramento County's share of a prior year SB 90 claim owed to counties included in the Governor's May Revise and approved as part of the State's FY2018-19 Budget.
- The receipt of approximately \$1 million in one-time excess interest in debt service funds.
- A \$2.6 million increase in Teeter reimbursements reflecting a revised analysis based in part on higher actual Teeter reimbursements than estimated in FY2017-18.
- A \$652,000 reduction in SWA reimbursement, due to funding decisions made by the SWA Board.

Semi-Discretionary Reimbursements

The Approved General Fund Budget included \$769.4 million in Semi-discretionary (Proposition 172 and Realignment) reimbursements from the Realignment and Proposition 172 Restricted Funds, comprised of both new revenue estimated to be received in those Funds in FY2018-19 and, in some cases, carry-over Restricted Fund balances from the prior year. The Adopted General Fund Budget includes \$783.9 million in Semi-discretionary reimbursements, an increase of \$14.5 million (1.9%) compared to the amount included in the Approved Budget.

The following table summarizes the amount of Semi-discretionary reimbursements to General Fund departments included in the FY2018-19 Adopted Budget compared to the amount included in the Approved Budget.

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**General Fund Semi-discretionary Reimbursements
FY2018-19 Approved - Adopted Budgets**

	FY2018-19 Approved	FY2018-19 Adopted	Difference
Enhancing Law Enforcement Activities	\$ 22,166,081	\$ 22,166,081	\$ -
Law Enforcement Services	\$ 91,610,755	\$ 93,093,120	\$ 1,482,365
Behavioral Health	\$ 71,225,990	\$ 71,629,167	\$ 403,177
Protective Services	\$ 123,614,919	\$ 127,859,878	\$ 4,244,959
Total 2011 Realignment	\$ 308,617,745	\$ 314,748,246	\$ 6,130,501
Mental Health	\$ 52,072,728	\$ 52,072,728	\$ -
Public Health	\$ 15,329,084	\$ 16,700,779	\$ 1,371,695
Social Services	\$ 133,499,757	\$ 140,452,411	\$ 6,952,654
Total 1991 Realignment - No CalWORKS	\$ 200,901,569	\$ 209,225,918	\$ 8,324,349
CalWORKS	\$ 136,327,624	\$ 136,327,624	\$ -
Total 1991 Realignment	\$ 337,229,193	\$ 345,553,542	\$ 8,324,349
Total Realignment	\$ 645,846,938	\$ 660,301,788	\$ 14,454,850
Proposition 172	\$ 123,583,038	\$ 123,583,038	\$ -
Total	\$ 769,429,976	\$ 783,884,826	\$ 14,454,850

The increase in Semi-discretionary reimbursements is being used to fund the cost of supplemental pay for IHSS caregivers as called for in a collective bargaining agreement approved by the Board, a proportionate share of employee cost of living adjustments above the amount included in the Approved Budget and critical growth requests in the Sheriffs, Child, Family and Adult Services, Health Services, Correctional Health Services and Human Assistance - Administration budgets.

Net County Cost/Discretionary and Semi-discretionary Revenue/Reimbursement Allocations

The FY2018-19 Adopted Budget includes a Net County Cost of approximately \$710.7 million, which represents an increase of approximately \$20.2 million (2.9%) compared to the Approved Budget. The recommended allocations are summarized in the table on the following page:

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FY 2018-19 General Fund Allocations

	FY2018-19 Approved	FY2018-19 Adopted	Variance
Elected Departments			
Assessor	\$ 10,397,139	\$ 10,547,093	\$ 149,954
Board of Supervisors	\$ 3,505,701	\$ 3,529,212	\$ 23,511
District Attorney	\$ 60,945,764	\$ 61,600,570	\$ 654,806
Sheriff	\$ 243,617,425	\$ 255,031,424	\$ 11,413,999
Subtotal	\$ 318,466,029	\$ 330,708,299	\$ 12,242,270
General Government			
Appropriation for Contingency	\$ 1,182,492	\$ 1,986,199	\$ 803,707
County Counsel	\$ 2,472,110	\$ 2,602,270	\$ 130,160
Financing-Transfers/Reimbursement	\$ 6,100,838	\$ 6,211,725	\$ 110,887
Non-Departmental Costs/General Fund	\$ 30,704,567	\$ 32,004,567	\$ 1,300,000
Planning and Environmental Review	\$ 2,028,100	\$ 2,101,810	\$ 73,710
Other General Government	\$ 4,634,217	\$ 4,841,800	\$ 207,583
Subtotal	\$ 47,122,324	\$ 49,748,371	\$ 2,626,047
Administrative Services			
Court	\$ 33,323,032	\$ 33,323,032	\$ -
Data Processing-Shared Systems	\$ 10,696,730	\$ 10,696,730	\$ -
Finance	\$ 1,441,784	\$ 1,506,920	\$ 65,136
Voter Registration And Elections	\$ 10,154,671	\$ 10,195,732	\$ 41,061
Other Administrative Services	\$ 421,364	\$ 1,141,157	\$ 719,793
Subtotal	\$ 56,037,581	\$ 56,863,571	\$ 825,990
Municipal Services			
Agricultural Comm-Sealer Of Wts & Meas	\$ 1,263,528	\$ 1,295,417	\$ 31,889
Animal Care And Regulation	\$ 9,776,420	\$ 9,815,463	\$ 39,043
Regional Parks	\$ 9,594,854	\$ 9,907,783	\$ 312,929
Wildlife Services	\$ 60,733	\$ 60,733	\$ -
Subtotal	\$ 20,695,535	\$ 21,079,396	\$ 383,861
Public Works and Infrastructure			
Code Enforcement	\$ 5,958,247	\$ 6,033,059	\$ 74,812
Subtotal	\$ 5,958,247	\$ 6,033,059	\$ 74,812
Social Services			
Child, Family And Adult Services	\$ 5,226,484	\$ 5,226,484	\$ -
Correctional Health Services	\$ 37,343,075	\$ 39,365,768	\$ 2,022,693
Health Services	\$ 35,765,769	\$ 36,055,046	\$ 289,277
Human Assistance-Administration	\$ 23,831,928	\$ 23,891,864	\$ 59,936
Human Assistance-Aid Payments	\$ 16,629,201	\$ 16,629,201	\$ -
Probation	\$ 66,468,257	\$ 67,644,854	\$ 1,176,597
Public Defender & Conflict Criminal Defenders	\$ 43,865,502	\$ 44,236,078	\$ 370,576
Other Social Services	\$ 13,032,323	\$ 13,203,622	\$ 171,299
Subtotal	\$ 242,162,539	\$ 246,252,917	\$ 4,090,378
Total Net County Cost	\$ 690,442,255	\$ 710,685,613	\$ 20,243,358

Overall, approximately \$9.1 million of the increase in Net County Cost is due to adjustments for most departments to cover the difference between the 2% Cost of Living Adjustment (COLA) for County employees included in the Approved Budget and the 3% to 4% COLA being negotiated with most County unions. Approximately \$4.1 million of the increase is related to funding for a

select number of critical Growth requests – primarily to make operational improvements in the County jails. As can be seen, the budget units with the largest increase in Net County Cost are:

- The Sheriff, with an \$11.4 million increase, due primarily to the loss of \$5.2 million in Immigration and Customs Enforcement (ICE) contract revenue, funding for the higher employee COLA amount and funding for \$3.9 million in Growth requests to implement operational improvements at the County jails.
- Correctional Health Services, with a \$2 million increase, due primarily to the loss of \$1.5 million in ICE revenue and funding for \$435,000 in Growth requests to implement improvements and medical and psychiatric services in the County jails.
- Probation, with a \$1.2 million increase, due primarily to funding for the higher employee COLA amount.

In some cases, though, increases in Semi-discretionary reimbursements 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 table on the following page compares the allocation of Net County Cost and Semi-discretionary reimbursements to all budget units in the FY2018-19 Approved and Adopted Budgets.

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Net County Cost, Semi-Discretionary Resources

FY 2018-19 Approved - FY2018-19 Adopted	FY 2018-19 Approved	FY 2018-19 Adopted	Difference
AG COMM-SEALER OF WTS & MEASURES	\$ 1,263,528	\$ 1,295,417	\$ 31,889
ANIMAL CARE AND REGULATION	\$ 9,776,420	\$ 9,815,463	\$ 39,043
APPROPRIATION FOR CONTINGENCY	\$ 1,182,492	\$ 1,986,199	\$ 803,707
ASSESSOR	\$ 10,397,139	\$ 10,547,093	\$ 149,954
BOARD OF SUPERVISORS	\$ 3,505,701	\$ 3,529,212	\$ 23,511
CARE IN HOMES AND INSTITUTIONS	\$ 1,100,000	\$ 1,100,000	\$ -
CHILD, FAMLY AND ADULT SERVICES	\$ 81,827,858	\$ 87,333,165	\$ 5,505,307
CIVIL SERVICE COMMISSION	\$ 375,930	\$ 378,170	\$ 2,240
CLERK OF THE BOARD	\$ 1,423,267	\$ 1,434,994	\$ 11,727
CODE ENFORCEMENT	\$ 5,958,247	\$ 6,033,059	\$ 74,812
CONFLICT CRIMINAL DEFENDERS	\$ 10,683,294	\$ 10,687,894	\$ 4,600
CONTRIBUTION TO LAFCO	\$ 239,500	\$ 239,500	\$ -
CONTRIBUTION TO LAW LIBRARY	\$ 36,338	\$ 36,338	\$ -
COOPERATIVE EXTENSION	\$ 389,176	\$ 389,176	\$ -
CORONER	\$ 6,818,243	\$ 6,956,092	\$ 137,849
CORRECTIONAL HEALTH SERVICES	\$ 45,760,068	\$ 48,969,473	\$ 3,209,405
COUNTY COUNSEL	\$ 2,472,110	\$ 2,602,270	\$ 130,160
COUNTY EXECUTIVE	\$ 1,114,360	\$ 1,144,782	\$ 30,422
COUNTY EXECUTIVE CABINET	\$ 257,252	\$ 419,670	\$ 162,418
COURT / COUNTY CONTRIBUTION	\$ 24,561,756	\$ 24,561,756	\$ -
COURT / NON-TRIAL COURT FUNDING	\$ 8,761,276	\$ 8,761,276	\$ -
CRIMINAL JUSTICE CABINET	\$ -	\$ 157	\$ 157
DATA PROCESSING-SHARED SYSTEMS	\$ 10,696,730	\$ 10,696,730	\$ -
DEPARTMENT OF FINANCE	\$ 1,441,784	\$ 1,506,920	\$ 65,136
DISTRICT ATTORNEY	\$ 77,366,111	\$ 78,029,426	\$ 663,315
EMERGENCY OPERATIONS	\$ 1,040,051	\$ 1,032,407	\$ (7,644)
FAIR HOUSING SERVICES	\$ 183,857	\$ 183,857	\$ -
FINANCING-TRANSFERS/REIMB	\$ 6,100,838	\$ 6,211,725	\$ 110,887
GRAND JURY	\$ 291,364	\$ 291,364	\$ -
HEALTH SERVICES	\$ 172,194,606	\$ 172,871,949	\$ 677,343
HEALTH-MEDICAL TREATMENT PAYMENTS	\$ 1,093,567	\$ 1,093,567	\$ -
HUMAN ASSISTANCE-ADMIN	\$ 51,379,824	\$ 51,727,895	\$ 348,071
HUMAN ASSISTANCE-AID PAYMENTS	\$ 230,683,961	\$ 230,683,961	\$ -
IHSS PROVIDER PAYMENTS	\$ 72,670,614	\$ 78,393,176	\$ 5,722,562
JUVENILE MEDICAL SERVICES	\$ 4,743,574	\$ 4,777,024	\$ 33,450
NON-DEPARTMENTAL COSTS/GF	\$ 30,704,567	\$ 32,004,567	\$ 1,300,000
OFFICE OF INSPECTOR GENERAL	\$ 130,000	\$ 130,000	\$ -
OFFICE OF LABOR RELATIONS	\$ -	\$ 8,263	\$ 8,263
PERSONNEL SERVICES	\$ -	\$ 719,793	\$ 719,793
PLANNING AND ENVIRONMENTAL REVIEW	\$ 2,028,100	\$ 2,101,810	\$ 73,710
PROBATION	\$ 126,556,448	\$ 128,088,914	\$ 1,532,466
PUBLIC DEFENDER	\$ 34,006,789	\$ 34,372,765	\$ 365,976
REGIONAL PARKS	\$ 9,594,854	\$ 9,907,783	\$ 312,929
SHERIFF	\$ 398,828,781	\$ 411,242,468	\$ 12,413,687
VETERAN'S FACILITY	\$ 16,452	\$ 16,452	\$ -
VOTER REGISTRATION/ ELECTIONS	\$ 10,154,671	\$ 10,195,732	\$ 41,061
WILDLIFE SERVICES	\$ 60,733	\$ 60,733	\$ -
Total	\$ 1,459,872,231	\$ 1,494,570,437	\$ 34,698,206

The amount of Net County Cost and Semi-discretionary resources allocated to programs in the Adopted budget is approximately \$34.7 million (2.4%) greater than the FY2018-19 Approved Budget level. The budget units with the largest increases include:

- The Sheriff, with a \$12.4 million increase, due primarily to the loss of ICE revenue, higher employee COLA costs and funding for Growth requests to make operational improvements in the jails.
- IHSS Provider Payments, with a \$5.7 million increase, due to the supplemental wage increase for caregivers included in a collective bargaining agreement approved by the Board.
- Child, Family and Adult Services, with a \$5.5 million increase, due to higher employee COLA costs and funding for four Growth requests to address critical needs in Child Protective Services.