

County Executive
Navdeep S. Gill



County of Sacramento

Board of Supervisors
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May 31, 2019

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

Re: Fiscal Year 2019-20 Recommended Budget

Honorable Members of the Board:

I am pleased to present the Recommended Budget for Fiscal Year (FY) 2019-20 (Budget) for your review and consideration. The Budget for All Funds totals \$4,402,969,426 in appropriations. This is a \$104,592,705 (2.4%) increase compared to the FY 2018-19 Adopted Budget.

The County's Recommended General Fund and Restricted Funds Budgets for FY 2019-20 totals \$2,732,279,596 in appropriations, which is comprised of \$918 million in restricted funds and \$1,802,617,381 in General Fund. This is an increase of \$109,841,206 (4.2%) compared to the FY 2018-19 Adopted Budget. This increase in expenditures is funded by:

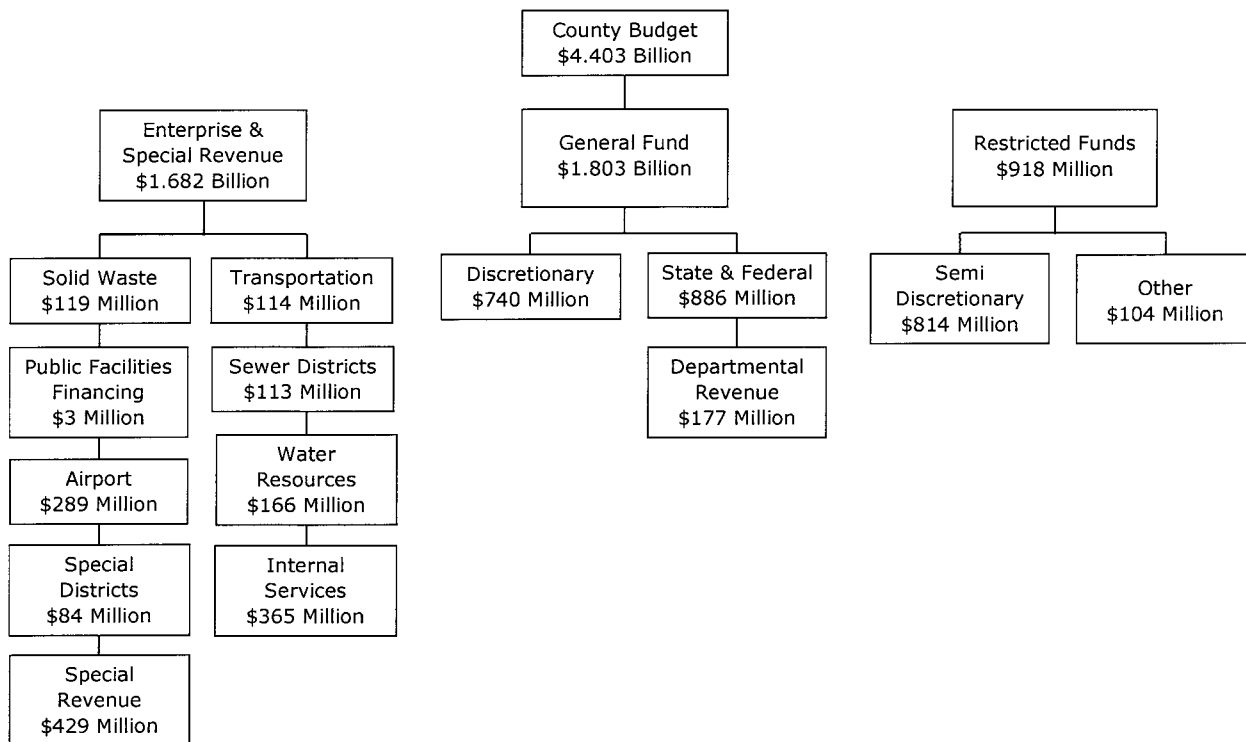
- A \$17.4 million (2.7%) net increase in discretionary revenue and reimbursements compared to the FY 2018-19 Adopted Budget, primarily increases in property tax and sales tax revenue, after adjusting for a \$14.1 million reduction in one-time revenue received in FY 2018-19;
- A \$29.9 million (3.8%) increase in Semi-discretionary reimbursements, including an \$8.8 million (1.7%) increase in non-CalWORKS Realignment reimbursements, a \$12.9 million (9.5%) increase in CalWORKS Realignment reimbursements and an \$8.3 million (6.7%) increase in Proposition 172 reimbursements;
- An \$11.8 million (12.8%) increase in reimbursements from other restricted funds, including a \$7.5 million (8.2%) increase in Mental Health Services Act (MHSA) reimbursements;

- A net \$27.3 million (2.6%) increase in federal, state, and local revenue from various sources;
- A \$9.6 million increase in the use of reserves compared to the use of reserve amounts in the FY 2018-19 Adopted Budget; and
- A \$5.7 million increase in the use of fund balance.

Enterprise and special revenue funds comprise the remaining \$1.682 billion of the total \$4.4 billion Budget.

The following chart illustrates the distribution of the All Funds Budget.

Fiscal Year 2019-20 Recommended Budget



Note: General Fund (\$1.803 billion) and restricted funds (\$918 million) together total \$2.73 billion.

Despite the growth in revenue, some reductions in current staffing and programs for all departments (the "Base" budget) are necessary to produce a balanced budget while providing for the following:

- **University of California - Davis Health System Lawsuit:** The County is obligated to make annual payments to UC Davis as a part of a lawsuit settlement. For FY 2019-20, the County will make a \$7.8 million payment, and this payment obligation will increase over time and continue until FY 2033-34.

- **Jail Lawsuit:** The County will need to make significant investments in the jails in order to resolve a lawsuit concerning conditions of confinement. This includes \$21.7 million in staffing and contract increases in Correctional Health and the Sheriff's Correction Budget, and \$8 million for planning and design costs related to the construction and renovation of jail facilities.
- **Human Assistance-Aid Payments:** The FY 2019-20 Budget assumes a \$24.2 million increase in Human Assistance-Aid Payments expenditures increases in programs such as CalWORKS, Foster Care, and General Assistance.
- **IHSS Provider Payments:** The In-Home Supportive Service Maintenance of Effort requirement necessitates a \$7.4 million increase.
- **Discretionary Revenue and Non-CalWORKS Realignment:** Growth in discretionary revenue and non-CalWORKS Realignment reimbursements has lagged the growth in expenses.
- **Federal and State Revenue:** There will be reductions in federal and state revenue for certain programs. For example, the County will see a \$4.2 million decrease in the CalWORKS Single Allocation, a \$3.6 million reduction in the CalFresh administration allocation and a \$4.2 million reduction in Title XIX Adult Protective Services revenue.
- **Salary and Benefit Costs:** The FY 2019-20 budget assumes increased salary and benefits costs as agreed to in various labor agreements.
- **Hardesty Schneider Lawsuit:** The FY 2019-20 budget also sets aside \$1 million for costs associated with the Hardesty Schneider lawsuit.
- **March 2020 Primary Election:** The costs of a new State requirement for the mailing of postcards and postage for the March 2020 primary election is estimated at \$668,000.
- **Billboard Revenue:** A transfer of \$335,000 to the Neighborhood Revitalization Fund is included, in accordance with Board direction, to fund projects intended to improve the safety and economic vitality of commercial corridors and neighborhoods within the unincorporated County. This amount represents the net remaining proceeds received from the Sierra 99 Gateway Digital Billboard.

To balance the Budget, we recommend approximately \$43 million in expenditure reductions in several General Fund departments and programs. We used the following considerations in making our recommended reductions:

- Limit the impact on Board priority programs or initiatives;
- Avoid eliminating whole programs or services; instead, make targeted reductions in various programs;
- Avoid backfilling reductions in federal, state or other revenue, while recognizing there may be circumstances where backfilling or using Net County Cost to cover cost increases is warranted to avoid negative consequences; and
- Avoid employee layoffs to the extent possible.

The following table summarizes the reductions by budget unit. More detailed information is provided in Attachment 1 – Program Reductions, and in the Program Information section for each budget unit.

**FY2019-20 Requested/Recommended General Fund Budget
Program Reductions to Base Budget**

Department/Budget Unit	FY 2019-20 Base Expenditures (1)	Recommended Reductions	Percent of Base	FTE Reductions
Sheriff - Corrections	\$188,641,266		0.00%	
Sheriff - Non-Corrections	\$347,414,295	\$3,796,935	1.09%	12
Sheriff - Total	\$536,055,561	\$3,796,935	0.71%	12
District Attorney	\$98,972,226	\$3,965,517	4.01%	
Clerk of the Board	\$4,499,874	\$94,516	2.10%	
County Counsel	\$6,167,273	\$127,323	2.06%	3
Emergency Services	\$4,619,289	\$50,735	1.10%	
Financing - Transfers/Reimbursement	\$4,843,957	\$400,000	8.26%	
Planning and Environmental Review	\$11,666,344	\$615,879	5.28%	4.2
Animal Care and Regulation	\$12,072,309	\$587,673	4.87%	2
Regional Parks	\$17,492,874	\$173,436	0.99%	
Code Enforcement	\$10,581,419	\$301,253	2.85%	2
Child, Family and Adult Services	\$209,253,443	\$7,658,122	3.66%	55
Health Services	\$435,829,546	\$1,041,568	0.24%	4.6
Health - Medical Treatment Payments	\$2,597,918	\$500,000	19.25%	
Human Assistance - Administration	\$351,230,019	\$16,485,597	4.69%	93.5
Juvenile Medical Services	\$9,812,054	\$225,284	2.30%	
Probation	\$161,525,230	\$5,528,010	3.42%	14
Public Defender	\$37,396,333	\$1,499,055	4.01%	2
Total	\$1,914,615,669	\$43,050,903	2.25%	192.3

(1) Before reduction due to restricted reimbursements

The 192.3 FTE positions recommended for elimination are either vacant or, in a few cases, filled with employees who will be shifted to other positions in the same class. No layoffs are proposed.

The Budget Units with the largest recommended reductions are:

- **Human Assistance – Administration:** \$16.5 million reduction in expenditures partly due to a \$5.1 million reduction in revenue for various programs. This reduction results in the elimination of 93.5 vacant positions. This includes \$11.3 million in staffing reductions in the CalFresh and CalWORKS programs and increased salary savings from not filling certain positions as they become vacant. The Department’s Recommended Budget also includes the elimination or reduction in funding for a variety of contracts.
- **Child, Family and Adult Services:** \$7.7 million reduction in expenditures partly due to a \$4 million reduction in revenue. This reduction results in the elimination of 55 vacant positions. The Department’s Recommended Budget eliminates or reduces funding for various contracts.
- **Probation:** \$5.2 million reduction in expenditures partly due to a \$4.1 million reduction in revenue. This reduction results in the elimination of 14 vacant positions and increased salary savings from not filling certain positions as they become vacant. The Department’s Recommended Budget also eliminates or reduces funding for various contracts.

Notwithstanding these reductions, the Budget maintains the capacity to provide critical services to County residents while implementing strategic initiatives that address the Board’s priorities and expands some services by taking advantage of increased federal and state revenues and fees.

Departmental Requests for New or Enhanced Programs

Several departments also submitted requests for new enhanced programs (Growth). The most significant funded requests include:

- **Child Support Payment Collection Enhancements:** The recommended Budget includes \$2.3 million in state and federal revenue to add 25 FTE positions in Child Support Services in a variety of areas to enhance the collection of child support payments. The Governor’s proposed State Budget includes a significant increase in funding for child support programs in counties with the highest case-to-employee ratios, which includes Sacramento County.

- **Pre-Trial Assessment and Monitoring Pilot Program:** The recommended Budget includes \$1.2 million in 2011 Realignment Local Innovation funds to add seven positions in Probation to establish a Pre-Trial Assessment and Monitoring Pilot Program. The goal of the program is to identify detainees in the County's jails who can be safely monitored in the community pending trial and release them under conditions that will support their future appearance.
- **Airport Volume:** The recommended Budget includes \$3.5 million to add 29 FTE positions in the Airports Department in a variety of areas to deal with the impact of increasing passenger and freight volume and address capital needs.

The following tables summarize the recommended Growth requests by Department/Budget Unit.

Funded - Net County Cost New or Enhanced Programs

Department/Budget Unit	Cost	Net County Cost	Revenue/Reimbursement	FTE
Cooperative Extension	\$4,000	\$4,000	\$0	0.0
Correctional Health	\$5,332,663	\$5,332,663	\$0	12.0
Financing - Transfers/Reimbursements	\$8,335,000	\$8,335,000	\$0	0.0
Non-Departmental Costs - General Fund	\$1,300,000	\$1,300,000	\$0	0.0
Sheriff	\$8,648,895	\$6,648,895	\$2,000,000	56.0
Voter Registration Elections	\$668,600	\$668,600	\$0	0.0
TOTAL	\$24,289,158	\$22,289,158	\$2,000,000	68.0

Funded – Non-Net County Cost New or Enhanced Programs

Department/Budget Unit	Cost	FTE
Child Support Services	\$2,306,121	25
District Attorney	\$103,058	1
Finance	\$64,580	0
Health Services	\$548,335	4.9
Probation	\$1,198,984	7
Sheriff	\$896,818	2
General Fund	\$5,117,896	39.9
Non General Fund		
2011 Realignment	\$3,198,984	0
Airport	\$3,479,909	29
Capital Construction	\$8,000,000	0
Development and Code Services	\$194,207	0
Mental Health Services Act	\$317,244	0
Neighborhood Revitalization Fund	\$335,000	0
Parking Fund	\$250,000	0
Rural Transit	\$640,000	0
Solid Waste Enterprise/Capital Outlay	\$1,311,703	4
Technology	\$388,497	3
Transportation	\$10,000	0
Water Agency	\$950,999	4
Non-General Fund	\$19,076,543	40
Total All Funds	\$24,194,439	79.9

Attachment 2 provides more detailed information on all recommended Growth requests for General Fund and Non-General Fund departments.

Recent Board Investments in New Programs and Services

As proposed, the Budget continues funding for most programs and services that were initiated over the last few years with Board approval; however, in some cases, the level of funding has been reduced. The following is a brief update on the status of these initiatives:

- Homelessness Initiatives:** The Board has approved several initiatives to address homelessness, such as providing Rapid Rehousing, providing the Winter Shelter program, improving family crisis response and shelters, preserving the Mather Community Campus, establishing a full-service rehousing shelter, and

implementing a flexible supportive rehousing program. The FY 2019-20 Recommended Budget expands services in several areas using state and federal funding. The total budget for this initiative is \$20 million. There is a reduction of spending in one area: a \$700,000 reduction in funding for the Scattered Site Housing program subsidies. The remaining amount for this service is \$2 million. For the current fiscal year, the contractor has been successful in placing families in federally-funded housing slots, thus not needing the full amount.

- **Clean-Up and Safety Initiatives:** The Board has approved the Parkways and Unincorporated Communities Clean-up and Safety Initiative to reduce the incidence and mitigate the impact of illegal camping in the American River and Dry Creek Parkways and in the County's unincorporated communities. The FY 2019-20 Recommended Budget includes continued funding for this initiative, but at a reduced level. The Recommended Budget eliminates funding for five Deputy Sheriffs assigned to the HOT teams, leaving a total of five Deputies. The Budget continues full funding for the Problem Oriented Policing (POP) teams, and Deputies assigned to those teams may be able to assist in dealing with some of the issues currently handled by HOT teams, as time permits. The Recommended Budget also continues funding for the Parks Resource Team, which is comprised of Regional Parks Rangers and maintenance staff. The Recommended Budget eliminates funding for the Animal Control Officer added to address issues associated with camping in the American River and Dry Creek Parkways.
- **Policing Model:** The recommended Budget includes funding for the intelligence-led policing model being implemented by the Sheriff's Office.
- **Behavioral Health Services:** The recommended Budget includes funding for Behavioral Health Services enhancements to provide appropriate services to persons with serious drug and alcohol problems, reduce reliance on hospital emergency rooms, and ensure that individuals experiencing a mental health crisis receive the best treatment possible in the most appropriate setting for their needs.
- **Mental Health Services Act:** The recommended Budget includes funding for the implementation of the three-year MHSA plan to expedite services for individuals with serious mental illness and/or co-occurring substance abuse disorders, and are homeless or at risk of becoming homeless, including persons being served by the County's

various homeless initiatives and the City of Sacramento's Whole Person Care program.

- **Healthy Partners:** The Healthy Partners Program provides health care services to undocumented immigrants. Funding for the Healthy Partners program continues at the same level in the FY 2019-20 Recommended Budget with one exception. The Recommended Budget includes \$1.76 million in funding for specialty care for this program, a \$500,000 reduction from the FY2018-19 Adopted Budget level.
- **The Black Child Legacy Campaign:** The recommended Budget includes funding for the continued implementation of a strategic plan to reduce disproportionate African-American child deaths through community-based contracts and targeted staffing in Child Protective Services, Public Health and Probation.
- **Foster Care Waiver:** The recommended Budget includes funding for the implementation of the Title IV-E Foster Care Waiver pilot program, providing Child Protective Services and Probation with federal funding and flexibility to reduce cost and improve outcomes for foster care youth over a five-year period. For the most part, funding for this initiative is included in the FY 2019-20 Recommended Budget, however, Probation's Recommended Budget includes the elimination of 6 FTE positions and contract reductions, which will result in some reduction in services provided to youth at risk of out-of-home placement. This results in a \$1.2 million reduction in Title IV-E Waiver revenue and a \$1.69 million reduction in Net County Cost.
- **Probation Adult Supervision:** The recommended Budget includes funding for the implementation of a new Adult Supervision Model in Probation that prioritized supervision and services for all high-risk probationers in the first six months to a year of probation, with a view to reducing offender recidivism.
- **Community Livability Initiatives:** The recommended Budget includes funding for the implementation of Community livability initiatives, such as increased code enforcement and graffiti abatement activities, an enhanced 311 Call Program for residents to bring livability concerns to the County's attention, and the establishment of a Community Prosecution Unit in the District Attorney's Office.
- **Animal Care:** The recommended Budget includes funding for the implementation of initiatives that focus on improving animal care and

maintaining the Animal Shelter’s 90% live release rate. The FY 2019-20 Recommended Budget includes a reduction in expenditures for various contracted services and the elimination of two positions. Even with these reductions, the Department expects to be able to maintain a live release rate goal of 90%.

- Increased American River Parkway/Regional Parks Maintenance:** The recommended Budget includes funding for the continuation of efforts to reduce fire danger and illegal camping, increase debris removal and generally enhance the visitor experience in the American River Parkway and the County’s Regional Parks. The FY 2019-20 Recommended Budget includes continued funding for clean-up activities but reduces the number of seasonal staff hours by approximately half – from 9,000 to 4,654.

The Recommended Budget reflects the termination of the Shotspotter program, which results in the elimination of 4 FTE Deputy Sheriff positions and cancellation of the contract for use of the Shotspotter acoustic technology, for a savings of \$1,027,000.

More detailed information concerning the status of these initiatives is provided in Attachment 8.

The table below provides information concerning the County’s full-time equivalent positions (FTEs):

Existing FTEs	12,381.1
Recommended Growth Net County Cost FTEs	68.0
Recommended Growth Non-Net County Cost FTEs	79.9
Base FTE Changes	(28.8)
FTE Reductions due to Program Reductions	(192.3)
Total Recommended FTE's	12,307.9

Note: (Base FTE changes) Vacant position cuts were a result of Reductions departments made to their base budgets.

FY 2019-20 Recommended One-Time Revenue

The General Fund is balanced using the following one-time resources:

Description	FY2018-19	FY2019-20
One-Time Discretionary	\$ 14,080,000	\$ 422,110
Fund Balance Carry-Over	\$ 69,303,395	\$ 75,000,000
Reserve Cancellation	\$ 2,798,781	\$ 12,350,981
Realignment Carryover	\$ 21,993,420	\$ 20,776,375
Total	\$ 108,175,596	\$ 108,549,466

Contingency

The General Fund Budget includes a contingency of \$986,199.

Interfund Transfers Repayment

The Budget includes a repayment of \$6,697,901 for the Interfund Transfer. The table below summarizes the status of the Interfund Transfers.¹

Original Amount	\$77.65 million
Amount Paid	\$50.9 million
Outstanding Balance as of 6/30/19	\$26.75 million

Budget Uncertainties

The Budget is based on certain assumptions and current and future revenue and expenditure requirements. Therefore, there are risks related to whether these assumptions will come to pass, including:

- Expiration of Title IV-E Foster Care Waiver:** The Title IV-E Foster Care Waiver faces potential expiration on September 30, 2019. Efforts continue in Congress to extend the waiver or provide relief for states and counties currently participating in the pilot program. There have also been recent discussions in the State Legislature to assist the participating counties. However, it is not clear that these efforts will be successful or completed prior to the final adoption of the County's FY 2019-20 budget. If the waiver ends without any federal or state relief, the County will experience a \$21 million revenue reduction in FY 2019-20, and another \$8 million reduction in FY 2020-21. This would likely require further budget reductions when the Board considers the Budget Recommended for Adoption in September.

¹ Amount due to Workers Compensation Fund is \$18.52 million and the Clerk- Recorder's Fund is \$8.3 million.

- **Jail Lawsuit:** Additional investments will need to be made in the jails to address conditions of confinement issues raised by the recent lawsuit against the County.
- **Hardesty Schneider Lawsuit:** The County has appealed the recent judgement against the County on the Hardesty Schneider lawsuit. If the appeal is unsuccessful, the County faces a judgement of approximately \$105 million, excluding attorney fees.
- **One-Time Resources:** As indicated above, the FY 2019-20 Budget is balanced using one-time resources – most notably, \$12 million in General Fund reserves (including approximately \$9 million in General Reserves) and \$20.8 million in Realignment fund balance.

Given these factors, it is likely that there will be a need to make program expenditure reductions in the coming years.

Attachments to the Budget Transmittal

There are several attachments included with this transmittal letter that provide detailed Budget information:

- Attachment 1 provides information on proposed program reductions.
- Attachment 2 provides information on new and enhanced programs.
- Attachment 3 presents the All Funds Budget.
- Attachment 4 provides more information on the General Fund Budget.
- Attachment 5 provides a summary of significant issues by department, including program reductions and requests for new or enhanced programs and funding.
- Attachment 6 addresses the allocation of Transient Occupancy Tax (TOT) revenue.
- Attachment 7 provides the Economic and Fiscal Context for the Budget.
- Attachment 8 summarizes Recent Board Investments.

Conclusion/Acknowledgement

The Budget is the culmination of a process involving County employees, members of the community and advisory boards and commissions. The employees and Department Heads' dedication through the FY 2019-20 budget process facilitated the balanced budget I am proposing, which once again could not have been achieved without their assistance. I wish to acknowledge Chief Fiscal Officer Britt Ferguson, the staff of the Office of Budget and Debt Management, Office of the County Executive, the Assistant

County Executive and the Deputy County Executives for their perseverance and dedication in preparing this document. I also want to thank the Board for your support of our workforce.

The Budget will be presented to the Board on June 11, 2019, at 9:30 A.M., with deliberations on that date, and June 12 and June 13 if needed.

We look forward to working with you as you review the Recommended Budget. 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