

FY2019-20 Budget Recommended for Adoption
OVERVIEW OF REVISIONS TO APPROVED RECOMMENDED
("APPROVED") BUDGET

All Funds Overview

The Approved Budget for All Funds totaled \$4,404,572,168 in appropriations. With the completion of the County's FY2018-19 year-end financial closing activities and the availability of certain updated information, an increase of \$138,093,375 (3.1%) is proposed, bringing the Budget Recommended for Adoption (the "Adopted Budget") to \$4,542,665,543 in appropriations.

The \$138,093,375 in appropriation adjustments is comprised of:

- A \$120,743,614 increase in appropriations to cover the re-budgeting of expenditures for capital projects, equipment purchases, contracted services or other project costs that were expected to take place in FY2018-19 but that were delayed for a variety of reasons. Much of this cost increase is covered by additional fund balance carry-forward available because of project or purchasing delays in FY2018-19.
- A \$17,349,760 increase in appropriations to cover other appropriation changes due to things like the receipt of increased or decreased revenue for various programs, changes in funding requirements received from the State or appropriation adjustments approved by the Board after the Approved Budget went into effect on July 1st.

General Fund Overview

The Adopted General Fund appropriation is \$1,810,176,515.

Resource Adjustments

General Fund resource estimates have increased by \$17,150,470, as reflected in the following adjustments:

- The unaudited year-end fund balance carry-forward of \$86,022,507, which is an \$11,022,507 increase compared to the Approved Budget;

- A \$2,744,100 increase in discretionary revenue estimates – primarily property tax revenue and excess bond revenue;
- The cancelation of \$218,253 in Teeter Reserves; and
- A net \$3,165,610 increase in federal, State and other revenue, including:
 - The re-budgeting of \$1,047,894 in Public Health Dental Initiative grant revenue in the Health Services budget due to the grant period running from January to December;
 - The re-budgeting of \$902,223 in State Department of Water Resources (DWR) Grant revenue due to delays in purchasing DWR Grant-funded equipment in FY2018-19;
 - The re-budgeting of \$327,068 in State reimbursement for the purchase of a new ballot sorter and extractors in the Voter Registration-Elections budget due to delays in the purchase of that equipment in FY2018-19; and to claim additional reimbursement for the purchase of the ballot sorter;
 - The loss of \$158,500 in the Animal Care and Regulation budget due to the City of Elk Grove notifying the County that they would be opening their new Animal Shelter sooner than expected.

General Reserves/Set-Asides

The Adopted General Fund Budget includes \$10,975,825 in additional reserves and set-asides for the following purposes:

- \$8,602,251 to General Reserves. This is consistent with the Board’s General Reserve Policy that calls for placing 10% of the Available fund balance in General Reserves. With this adjustment, the General Reserves balance will stand at \$19,317,278. This is still \$1,844,756 less than the balance at the end of FY2018-19.
- \$2,587,328 to the Reserve for Audit Report Payback/Litigation Settlement Costs. With this adjustment, the balance for this

Reserve will stand at \$4,720,917. This is \$412,672 less than the balance at the end of FY2018-19.

- \$4,499 to the Teeter Loan Buyout Reserve, bringing that reserve balance to \$2,556,499. This is based on the most recent calculation by the Finance Department of what reserve balance is required.

The General Reserves and Audit Report Payback/Future Litigation Cost Reserve can be used to help cover future costs associated with the potential loss of Title IV-E Waiver revenue, potential final judgement costs associated with the Hardesty lawsuit and additional costs associated with the Mays (jail conditions of confinement) litigation consent decree.

The Adopted Budget also reflects the following additional reserve cancellations:

- \$78,223 in Teeter Tax Loss reserves, bringing that reserve balance to \$5,731,172; and
- \$140,030 in Teeter Delinquencies reserves, bringing that reserve balance to \$751,004.

These cancellations are also based on the most recent calculation by the Finance Department of what reserve balances are required.

General Fund Appropriations

The Adopted General Fund Budget includes appropriation adjustments totaling \$5,956,392 for the following purposes:

- A \$4,120,662 increase in appropriations (with a \$1,530,321 increase in Net County Cost) to cover the re-budgeting of expenditures for equipment purchases, contracted services or other project costs that were expected to take place in FY2018-19 but that were delayed for a variety of reasons. This increase in appropriations is net of \$5,252,182 in additional reimbursements from restricted funds (like the Realignment funds), which are reflected as a negative appropriation. If that is adjusted for, the increase in budgeted expenditures would be \$9,372,844.
- A \$222,949 reduction in appropriations (with a \$798,218 reduction in Net County Cost) to cover other appropriation changes due to things like the receipt of increased or decreased revenue for various programs, changes in funding requirements

received from the State or appropriation adjustments approved by the Board after the Approved Budget went into effect on July 1st. This decrease in appropriation is net of a \$3,571,907 decrease in reimbursements from restricted funds. If that is adjusted for, there would be a \$3,794,856 decrease in budgeted expenditures.

- A \$2,058,679 increase in appropriations (with an equivalent increase in Net County Cost) reflecting a reduction in Teeter reimbursements (which are a negative appropriation) in the Non-Departmental Revenues budget unit.

The General Fund budget units with the largest increase in appropriations include:

- Health Services, with a \$1,384,002 increase, due primarily to the re-budgeting of Public Health Dental Initiative revenue and expenditures due to the grant period running from January to December.
- Emergency Services, with a \$902,223 increase due to the re-budgeting of California Department of Water Resources Grant revenue and expenditures due to delays in purchasing grant-funded equipment in FY2018-19.
- Child, Family and Adult Services, with an \$816,000 increase in appropriations, due primarily to the re-budgeting of \$266,000 for the Black Child Legacy Campaign, reflecting money not spent in FY2018-19, and the restoration of \$300,000 in foster care-related contract expenditures due to the receipt of additional Foster Parent Recruitment and Retention Support revenue from the State.
- The District Attorney, with a \$473,000 increase due to delays in the purchasing of equipment and the completion of capital projects for the Crime Lab in FY2018-19.

More detailed information regarding appropriation increases in General Fund budget units is provided in Attachments 2, 3 and 4.

Semi-Discretionary Revenue Restricted Funds Overview

The County receives “Semi-discretionary” revenue, which refers to Proposition 172 and 1991 and 2011 Realignment revenue that the Board generally has the ability to allocate within certain broad parameters.

Discretionary revenue is received restricted funds and then either transferred to the appropriate operating budget as a reimbursement or held in reserve in the restricted funds.

The following table summarizes the changes to the Approved Semi-discretionary revenue restricted funds' budgets:

FY2019-20 Adopted Budget - Semi-Discretionary Revenue Funds						
Fund Balance, Revenue, Expenditures, Reserve Changes from Approved Budget						
Fund-Category	Adopted Beginning Balance Change	Adopted Revenue Change	Adopted Expenditure Change	FY2019-20 Approved Reserves	Adopted Reserve Changes	FY2019-20 Adopted Reserves
Enhancing Law Enforcement Activities	\$ 129,639		\$ (3)		\$ 129,642	\$ 129,642
Law Enforcement Services	\$ 3,520			\$ 770,223	\$ 3,520	\$ 773,743
Community Corrections Planning	\$ -			\$ 696,511	\$ -	\$ 696,511
Behavioral Health	\$ (2)		\$ (2)		\$ -	\$ -
Protective Services	\$ 2,607,329				\$ 2,607,329	\$ 2,607,329
2011 Realignment Fund	\$ 2,740,486	\$ -	\$ (5)	\$ 1,466,734	\$ 2,740,491	\$ 4,207,225
Mental Health	\$ (84,289)		\$ (84,289)		\$ -	\$ -
Public Health	\$ (2,427)		\$ (2,427)		\$ -	\$ -
Social Services	\$ 16,285,747	\$ (2,764,832)	\$ 1,766,996		\$ 11,753,919	\$ 11,753,919
CalWORKS	\$ 8,674,751	\$ (8,674,751)			\$ -	\$ -
1991 Realignment Fund	\$ 24,873,782	\$ (11,439,583)	\$ 1,680,280	\$ -	\$ 11,753,919	\$ 11,753,919
					\$ -	\$ -
Public Safety Sales Tax Fund	\$ 746,386				\$ 746,386	\$ 746,386
					\$ -	\$ -
Total Semi-Discretionary Revenue Funds	\$ 28,360,654	\$ (11,439,583)	\$ 1,680,275	\$ 1,466,734	\$ 15,240,796	\$ 16,707,530

As can be seen, the unaudited actual ending fund balance for the Semi-discretionary revenue restricted funds increased by a total of \$28,360,654. Approximately \$11.4 million of that increase is offset by reduced revenues in FY2019-20, reflecting the fact that revenue originally anticipated to be received in FY2019-20 was accrued into FY2018-19. Approximately \$1.7 million of the increase in beginning balance is offset by increased expenditures (transfers to operating budgets) in FY2019-20, due primarily to a net increase of \$1.77 million in the required transfer to the In Home Supportive Services (IHSS) Provider Payments budget.

The remaining \$15.2 million is reflected as an increase in reserves for two reasons:

- The beginning fund balance numbers include revenue accruals based on 10 months' worth of actual FY2018-19 revenue. Since those accruals were made, the State has posted the 11th month

revenue numbers, which, in a number of cases, are significantly lower than assumed when the accruals were prepared. In another month, the State will post the 12th month revenue numbers and, historically, that number has been quite volatile – sometimes shifting actual Realignment and Proposition 172 revenue by as much as \$5 million or more either up or down. Thus, it is possible that revenues were over-accrued in FY2018-19, which will result in a decrease in FY2019-20 revenue.

- Approximately \$14.4 million of the additional reserves are Social Services or Protective Services Realignment reserves. Both Social Services and Protective Services Realignment revenue can be spent on Title IV-E related programs. Thus, these reserves could be used to help mitigate the impact of the loss of approximately \$29 million in Title IV-E Waiver revenue if that were to occur. As the Board knows, the Title IV-E Waiver is currently scheduled to end on September 30 unless Congress and the President agree to an extension, which is looking increasingly unlikely. There are a number of efforts in Congress to provide some form of assistance or flexibility to states and counties to help mitigate the loss of the Waiver, but the fate of those efforts is unknown at this time.

Other Funds Overview

The Adopted Budget for all other funds totals \$1,916,783,563 in appropriations, an increase of \$130,444,311 compared to the Approved Budget for those funds. The following table summarizes the changes in appropriations and reserve status of those funds.

Fiscal Year 2019-20 Approved Compared to Adopted Budget Non-General Fund (excludes Semi-Discretionary Funds)		
Fund	FY 2019-20 Change from Approved Budget Appropriations	FY 2019-20 Reserve Change from Approved Budget
Community Investment Program	\$ (107,918)	\$ -
Neighborhood Revitalization	\$ 46,202	\$ -
Mental Health Services Act	\$ -	\$ 16,396,506
Clerk/Recorder Fees	\$ -	\$ (693,852)
SSD DOJ Asset Forfeiture	\$ -	\$ 13,385
SSD Restricted Revenue	\$ -	\$ 1,482,739
Economic Development	\$ 3,984,759	\$ -
Environmental Management	\$ -	\$ 649,089
Golf Fund	\$ 20,839	\$ 45,031
Transient Occupancy Tax	\$ 1,465,879	\$ -
Transportation	\$ 5,567,276	\$ (2,839,596)
Water Resources	\$ (645,322)	\$ 3,886,896
Airport System	\$ 65,735,083	\$ -
Waste Management & Recycling	\$ -	\$ 15,339,308
Capital Projects Funds	\$ 7,256,646	\$ -
Debt Service Funds	\$ (2,521,588)	\$ -
Other Special Revenue Funds	\$ 1,326,545	\$ 2,221,675
Other Enterprise Funds	\$ 731,014	\$ -
Other Internal Service Funds	\$ 18,898,282	\$ -
Other Special Districts & Agencies	\$ 28,686,614	\$ (165,737)
Subtotal (minus General Fund and Semi-Discretionary Funds)	\$ 130,444,311	\$ 36,335,444

The \$130.4 million increase in appropriations is comprised of:

- A \$114.9 million increase in appropriations to cover the re-budgeting of expenditures for capital projects, equipment purchases, contracted services or other project costs that were expected to take place in FY2018-19 but that were delayed for a variety of reasons. Much of this cost increase is covered by additional fund balance carry-forward available because of project or purchasing delays in FY2018-19.
- A \$15.5 million increase in appropriations to cover other appropriation changes due to things like the receipt of increased or decreased revenue for various programs, changes in funding requirements received from the State or appropriation

adjustments approved by the Board after the Approved Budget went into effect on July 1st.

The funds or fund groups with the largest increase in appropriations include:

- Airport System Funds, with an increase of approximately \$65.7 million, due primarily to the re-budgeting of fund-balance carryforward for capital projects as the result of changes in project timelines.
- Other Special District and Agencies, with a net \$28.7 million increase, due primarily to the re-budgeting of additional fund balance carry-forward to fund projects and developer reimbursements in the North Vineyard Station CFDs and other financing districts.
- Other Internal Service Funds, with a net \$18.9 million increase, due primarily to the re-budgeting of additional fund balance carry-forward in the General Services Capital Outlay and Interagency Procurement Funds. The appropriation increase in the General Services Capital Outlay Funds will provide for the purchase of heavy equipment that was originally anticipated to be purchased in FY2018-19. The appropriation increase in the Interagency Procurement Fund will provide for the transfer of debt service revenue from departments received in the Interagency Procurement Fund in FY2018-19 for FY2018-19 debt service to the Fixed Asset Revolving Fund. The debt service was inadvertently not transferred in FY2018-19.
- Capital Projects Funds, with a \$7.3 million increase, due primarily to the re-budgeting of additional fund balance carry-forward in the Capital Construction and Parks Construction Funds for capital projects as the result of changes in project timelines and for certain new projects.

More detailed information regarding appropriation increases in these funds is provided in Attachments 2, 3 and 4.