BOARD OF SUPERVISORS AGENDA LETTER

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:

Department Name:	County Executive Office
Department No.:	012
For Agenda Of:	12/12/2017
Placement:	Departmental
Estimated Time:	1 hour
Continued Item:	No
If Yes, date from:	
Vote Required:	Majority

TO:	Board of Supervisors	
FROM:	Department Director(s)	Mona Miyasato, County Executive Officer
	Contact Info:	Jeff Frapwell, Assistant County Executive Officer
SUBJECT:	**FY 2018-20 Fiscal Issues Report and Budget Development Policies**	

County Counsel Concurrence
As to form: N/A

Auditor-Controller Concurrence
As to form: N/A

Other Concurrence:
As to form: N/A

Recommended Actions:

That the Board of Supervisors:

a) Receive and file the Fiscal Years 2018-20 Fiscal Issues Report, including significant fiscal challenges expected to impact the County in the next two fiscal years; and

b) Adopt the Fiscal Year 2018-19 Budget Development Policies, receive staff comments and provide direction as appropriate; and

c) Determine pursuant to CEQA Guidelines §15378 that the above activities are not a project under the California Environmental Quality Act.

Background:

The FY 2017-18 budget included service level reductions as a result of expenditure growth, particularly salary and retirement costs, outpacing revenue growth. At the time of budget adoption, it was anticipated that additional service level reductions would be required in the coming years as the growth differential was anticipated to continue. On October 10, 2017, the Board received the Five-Year Forecast Report, which projected anticipated budget gaps resulting from expenditure growth in excess of revenue growth over the five-year period of FY 2018-19 through FY 2022-23.

The purpose of this Fiscal Issues Report is to highlight fiscal issues that are likely to occur within the next two years. The impacts of these issues were not included in the Five-Year Forecast assumptions, either because of uncertainty in whether they would come to fruition or because Board policy action would be required, and therefore would potentially add to department budget gaps. Deferred maintenance was partially included. This report does not intend to solve the fiscal issues presented, though discussion of potential solutions may be included, but instead highlight expected fiscal challenges for budget and planning purposes.

There are still several unknown fiscal issues which will not be resolved until summer or later. These include the impact of the State and federal budget actions on the County (discussed more at length below), the outcome of a possible cannabis tax measure, and the result of labor negotiations on pension cost sharing.

This report is also includes the FY 2018-19 proposed budget development policies, which provide guidelines to departments for developing their requested budgets. These policies incorporate a long-term perspective by linking budget development with countywide priorities and goals.

Taken together, the Five-Year Forecast, Fiscal Issues Report, and budget policies set the stage for budget development by providing a view of the relationship between expenditure and revenue growth, highlighting major fiscal issues that may require identification of new funding or commensurate funding cuts elsewhere in the budget, and affirming funding priorities and standards. These reports are presented as a precursor to budget development in order to allow time for discussion and development of strategies to close the projected budget gap.

Summary Text:

Fiscal Issues Report for Fiscal Years 2018-20

The purpose of this report is to provide the Board with an overview of significant fiscal issues that are expected to impact the County over the next two fiscal years. The issues contained in this report were selected based on an analysis of the areas in which the County faces potential losses of State or federal funding, maintenance and capital needs, and commitments to established funding plans. The issues presented have varying levels of likelihood of occurrence within the next two years, with some more certain than others, and some at the discretion of the Board or other entities. The table below summarizes the issues included in this report, with a detailed analysis of each issue provided in Attachment A.

Summary Table of Fiscal Issues

	Issue and Impacted Department(s)	FY 2018-19 Impact	FY 2019-20 Additional Impact
1	Deferred Maintenance (Public Works, Community Services, and General Services)*	$5.4 million (ongoing)	$2.6 million
2	IHSS Mandated County Share (Social Services)	$0-$75,000 (ongoing)	$400,000-$800,000
3	In-Car Video and Computer Systems Replacement (Sheriff)	$1 million (one-time)	$125,000 (ongoing)
4	Inpatient System of Care & IMD Cost Increases (Behavioral Wellness)	$4 million (ongoing)	$0
5	Public Safety Communications System Replacement (General Services)	$0	$10s of millions for several years + ongoing set aside for future replacement
6	Public Safety Portable Radio Replacement (Sheriff, Fire, and Probation)	$420,000 (ongoing for five years)	$0
7	Solar Projects (General Services)	$4 million (one-time)	$2 million (ongoing for five years)
8	South County Main Jail Facilities, Deferred Maintenance, and Other Operational Costs (General Services and Sheriff)	$0	$5 million (ongoing for five years)
9	Vintage Ranch Bridge Project (Public Works)	$400,000-$500,000 (one-time)	$0
10	Waller Park Irrigation Well Replacement (Community Services)	$750,000 (one-time)	$0

* The Five-Year Forecast included a portion of the estimated impacts presented here. Growth of $0.3 million was assumed in FY 2018-19 and growth of $0.4 million in FY 2019-20.

Looking Forward

In addition to the issues identified above, there are other potential issues that cannot be quantified at the present time because of federal or State policy uncertainty. A major issue of this nature involves potential changes to the Affordable Care Act (ACA). Federal changes to the ACA could create fiscal challenges for the County, such as a decrease of insured patients at the Public Health Department's Health Care Centers and an increase in enrollees in the Indigent Care Program, which is funded by local realignment resources. Changes could also impact the State Medi-Cal funding ratios, requiring greater local funding for many community health programs.

The Northern Branch Jail Funding Plan has also been a recent area of concern, given that the operating cost estimates that formed the basis of the funding plan are now almost three years old. CEO and Sheriff staff updated the projections using more recent salary estimates, and found that the projected remaining balance in the fund by FY 2022-23 remains positive. This is due in large part to the fact that the prior projections on salary increases are still tracking fairly close to, though slightly under, the updated salary projections, which used the most current salary models developed for the Five-Year Forecast. Furthermore, the Sheriff's Office drew less from the fund in FY 2016-17 than was anticipated in the original projections, which has left a larger balance that absorbs some of the higher salary costs. Staff will continue to monitor the projected operating costs, but there is no recommendation to alter the funding plan at this time.

In addition, expected pension cost increases, in conjunction with regular salary increases (resulting from negotiated increases, expected step and merit increases, and other required allowances) and health insurance contribution increases, have created projected structural deficits in some departments, particularly those dependent on State and federal funding that does not keep pace with the expenditure increases. The Five-Year Forecast included pension cost increases of $6.2 million in FY 2018-19 ($3.1 million General Fund), and $7.5 million in FY 2019-20 ($3.9 million General Fund). The Department of Social Services, for example, projects a $4.1 million gap in FY 2018-19 and an $8.2 million gap in FY 2019-20, which result from a combination of capped funding amounts from State or federal sources or revenue growth that doesn't keep pace with cost increases.

When considering the Fiscal Issues Report in conjunction with the Five-Year Forecast, it is clear that the County will be challenged in the coming years to align expenditures with revenues. In the near-term, salary and benefit costs will continue to rise, State and federal revenues will continue to provide uncertainty, and service demands will continue to change and, in some cases, expand.

This challenge provides the County with an opportunity to re-vision the way we do our work over the next few years. Staff is already working to evaluate operations and develop rebalancing strategies to strengthen and enhance the way services are delivered to customers in alignment with community and Board priorities. Proposed Renew '22 rebalancing strategies and implementation plans are being prepared for presentation to the Board, and will serve as important actions to consider in advance of budget development.

FY 2018-19 Budget Development Policies & General Fund Allocation Policy

Budget Development Policies

The FY 2018-19 policies are similar to those of prior years, with notable changes in the following areas:

- Strategic Reserve Funding (Policy 5) – Contributions to the General Fund Strategic Reserve will be suspended for FY 2018-19.

  The Board suspended the policy for the FY 2017-18 budget. This change would continue that practice for FY 2018-19. The existing reserve is at $29.9 million or 7.3% of the $407.1 million FY 2017-18 adopted general fund operating revenues. The Board could reinstitute the policy at any time in the future.

- General Fund Contribution Allocation Policy (Policy 2b) – The recommended policy for the FY 2018-19 budget is that initial GFC allocations will be equal to the adopted contribution for FY 2017-18, reduced by any one-time FY 2017-18 GFC allotments.

  This means that departments will be allocated the same level of discretionary general fund revenues as received in the FY 2017-18 budget.

The policies are presented in full in Attachment B.

Fiscal and Facilities Impacts:
Budgeted: No

Fiscal Analysis:
Potential impacts of the identified fiscal issues are discussed in this Board letter. Some may be included in the FY 2018-19 Recommended Budget for the Board's consideration during budget hearings. Others may be brought individually to the Board for direction. In addition, some issues may be addressed through proposed Renew '22 initiatives, which will be presented to the Board throughout the current fiscal year and beyond.

The budget development policies and General Fund Contribution Allocation Policy were developed with the goal of achieving a structurally balance budget in FY 2018-19.

Special Instructions:
None

Attachments:
Attachment A – Fiscal Issues
Attachment B – FY 2018-19 Budget Development Policies & General Fund Allocation Policy

Authored by:
Rachel Lipman, Fiscal & Policy Analyst

cc:
Theodore A. Fallati, CPA, Auditor Controller

Attachment A – Fiscal Issues

1. Deferred Maintenance (Public Works, Community Services, and General Services)
2. IHSS Mandated County Share (Social Services)
3. In-Car Video and Computer Systems Replacement (Sheriff)
4. Inpatient System of Care & IMD Cost Increases (Behavioral Wellness)
5. Public Safety Communications System Replacement (General Services)
6. Public Safety Portable Radio Replacement (Sheriff, Fire, and Probation)
7. Solar Projects (General Services)
8. South County Main Jail Facilities, Deferred Maintenance, and Other Operational Costs (General Services and Sheriff)
9. Vintage Ranch Bridge Project (Public Works)
10. Waller Park Irrigation Well Replacement (Community Services)

1. Deferred Maintenance (Public Works, Community Services, and General Services Departments)

While more resources have been allocated to deferred maintenance needs over the last three years, there continues to be a greater need for funding.

FY 2018-19 Impact	$5.4 million (ongoing)
FY 2019-20 Additional Impact	$2.6 million

In response to growing deferred maintenance needs, the Board developed a funding policy, effective in July 2015, that would provide a mechanism to increase ongoing funding available for maintenance projects. The plan commits 18% of unallocated discretionary general revenues to address maintenance needs on an annual basis, thereby increasing the ongoing funding every year that experiences growth in discretionary revenues. At the time, the growth projections showed the funding plans would cumulatively provide approximately $100 million toward maintenance over 10 years. However, because the plan used a percentage of unallocated discretionary revenues as the basis of annual calculated dollar amounts, the actual dollar amounts allocated to deferred maintenance needs vary from year-to-year based on revenue growth, salary and benefit growth, and other funding needs. The dollar amounts in the table above are the difference between the current projected ongoing FY 2018-19 funding and what was originally projected when the plan was adopted in 2015.

In the FY 2017-18 budget, a total of $6.4 million was allocated to deferred maintenance, of which $3.1 million was one-time funding in excess of the 18% ongoing funds.

The estimated backlog of deferred maintenance projects is approximately $400 million countywide according to inventories maintained by the three departments with maintenance responsibilities—Public Works, Community Services, and General Services. Condition assessment reports had been developed by Jorgenson (an assessment of County-owned and County-operated buildings and parks presented to the Board in May 2014), Marx|Okubo (an assessment of the Main Jail facilities presented to the Board in November 2015), and Vanir (an ADA assessment of the Main Jail completed in June 2016). In addition, Vanir is currently compiling previous studies and analyses of the Main Jail and condensing them into a proposed implementation plan (expected to be completed in December 2018).

Despite the new State SB 1 funding for roads ($2.75 million in FY 2017-18 and $6.5 million in FY 2018-19), Public Works has estimated an existing backlog of $284 million in deferred maintenance for pavement, bridges, drainage (including culverts), hardscape, trees, and traffic devices.

To address this backlog, $13 million per year would be needed to maintain the existing Pavement Condition Index of 57. According to the department, approximately $20 million per year would be needed to begin to reduce the backlog and increase the Pavement Condition Index to good condition. Another $7 million per year would be needed to reduce the deferred maintenance backlog on bridges, drainage, hardscape, trees, and traffic devices. These dollar amounts far exceed annual budgeted amounts, even with the additional resources provided by the maintenance funding plan.

General Services has identified a deferred maintenance backlog of $73 million for County buildings, systems, and facility infrastructure needs. For the past four years, the department has been seeking to address critical needs (those with health and safety risk or legal mandates) identified in the Jorgensen and Vanir reports. Total critical issues were identified in 2013 at approximately $9 million. However, during the past four years, very little funding has been used for these critical issues due to unexpected emergency repair needs averaging $1.2 million per year.

As four years have now passed, per the Jorgensen and Marx|Okubo reports, second tier needs have become critical needs, bringing the backlog of critical deferred maintenance needs to $20 million.

General Services' staff is currently updating Maintenance Connection, an internally used facilities database used to capture and track all deferred maintenance information for each County-owned building. The staff is utilizing data from Facilities Condition Assessment Reports, ADA Assessment Reports, and current projects, to better understand the impact of deferred maintenance in future years.

Parks has a deferred maintenance backlog of $43 million, which includes identified needs at County park amenities, systems, and infrastructure. Critical maintenance issues as identified in the Jorgensen report would cost approximately $6.3 million to address. The Parks Division has incorporated the Jorgensen report into their deferred maintenance database, and is currently seeking improved database options to track the backlog of deferred maintenance at County parks. This may include incorporation of the Parks Division deferred maintenance backlog database into the General Services Maintenance Connection, if determined feasible.

The 18% share of unallocated discretionary revenue committed to deferred maintenance needs in the funding policy will be allocated to departments based on existing needs and priorities during the budget process. Staff will continue to review additional options to provide funding for critical deferred maintenance needs. One-time sources of funds, the use of Certificates of Participation (bonds) for capital maintenance needs, as well as federal and State program funding are also being considered to address the significant backlog of deferred maintenance in County-owned and County-maintained facilities, parks, and transportation elements.

2. In-Home Supportive Services Mandated County Share (Social Services Department)

While the new State methodology is better than what was proposed earlier last year, it will require more local funding and leaves uncertainty as to future years.

FY 2018-19 Impact	$0-$75,000 (ongoing)
FY 2019-20 Additional Impact	$400,000-$800,000

The In-Home Supportive Services (IHSS) program provides support services so that low-income elderly, blind, and disabled people can remain safely in their own homes and avoid costly nursing home care. In-home caregivers provide personal and domestic services at about half the cost of nursing home care. IHSS is a mandatory program that the County is required to administer, and is supported by a combination of federal, State, and County government funding.

Beginning in FY 2017-18, a new methodology and mandated county share for the IHSS program was negotiated between the California State Association of Counties (CSAC) and the State. The result of this negotiation resulted in a new Maintenance of Effort (MOE) for each county along with offsetting revenue sources. While this new methodology was constructed to reduce the level of cost shifts from the State to the counties, the actual impact is highly dependent on the level of sales tax and vehicle license fee (VLF) collections, resulting in a potential risk to counties.

The State will apply a cost inflator to the MOE beginning in FY 2018-19, at which time the MOE will increase by 5 percent from the FY 2017-18 level. Starting in FY 2019-20, the MOE will grow based on tiered adjustment factors tied to revenue growth. Based on the State's current projections of revenue growth, the MOE is expected to increase by 7 percent in FY 2019-20. To increase realignment funding for IHSS, the State will redirect VLF and sales tax growth from other realignment programs to IHSS for five years. For the first three years, the vast majority of VLF and sales tax realignment revenue growth would be redirected to IHSS. In the last two years, only half of VLF and sales tax revenue growth would be redirected to IHSS. Additionally the level of State General funding dedicated to offset local IHSS costs will decrease, year after year, from $400 million in FY 2017-18 to $150 million in FY 2020-21. While these additional sources of revenue should significantly reduce the cost increase to counties due to the change in the MOE calculation, it will not cover all of counties' IHSS costs. In FY 2019-20, the State is required to reexamine the funding structure in consultation with counties.

For Santa Barbara County, the net MOE impact is estimated to range from $7.7 million to $8.2 million in FY 2018-19 ($0.4-$0.9 million above FY 2017-18 adopted levels) and $8.1 million to $9.0 million in FY 2019-20 (an additional $0.4-$0.8 million). These estimates are based solely on wage levels included in our current MOU with labor that expires in June 2019. Any future increases negotiated would further increase our MOE requirement.

Additionally, due to the complicated revenue offset formulas, these estimates are dependent on the level of revenues received in FY 2017-18 and anticipated to be received in subsequent fiscal years. The State is refining its estimates of offsetting revenues and will provide updated amounts in the Governor's budget to be released in January 2018. Additionally, details on how these revenue offsets will be applied against the MOE are still being finalized. Anticipating increases in the County's MOE in FY 2018-19, the Board set aside $625,000 in the FY 2017-18 Adopted Budget to buffer against higher IHSS costs.

3. In-Car Video and Computer System Replacement (Sheriff's Office)

Replacement of large equipment in the Sheriff's Office has been an issue given the department's ongoing challenge to operate within its existing budget; additional funding will be needed for critical needs.

FY 2018-19 Impact	$1 million (one-time)
FY 2019-20 Additional Impact	$125,000 ongoing to build up replacement fund

The Sheriff's Office first acquired in-car video capabilities in 2004. They were first upgraded in 2008 and, in FY 2011-12, were replaced with COBAN Titan M7 computer systems (MDTs) and modems in patrol vehicles, which are currently used to provide Computer Aided Dispatch System (CAD) and other research and safety tools. This brings real-time safety information, mapping, and call data to deputies in the field for expedited response time, and improves safety for community members and deputies. Sheriff's deputies also utilize an in-car video system, purchased in FY 2011-12, that supplies the Sheriff's Office, District Attorney's Office, and Courts with digital evidence. There is an increased desire for transparency in law enforcement and digital recordings have become an important tool for the judicial system.

These technologies are critical tools for law enforcement, and while technology is constantly improving in function and ability, these computer systems are subjected to far more demanding environments than typical electronics equipment. These systems have a general life expectancy of 4-5 years. The current equipment in patrol vehicles is in the fifth year of life and beginning to fail. Replacement equipment packages for patrol cars cost about $15,000 each, and the department currently has a need for 67 units, bringing the total replacement cost to around $1 million.

The department has struggled in recent years to operate within their adopted budget, and with continued cost increases anticipated, it is not expected that the department will have the funds available to allocate towards large equipment replacement expenses such as this. The FY 2011-12 system purchase was funded by one-time salary savings. The Sheriff's Office also had some funds set aside towards replacement, which have been fully expended over the years to replace broken units in a piecemeal fashion, and the department has been unable to fund a wholesale replacement of the system. In addition to one-time funding for the purchase of replacement equipment, sufficient ongoing funding should also be identified to set aside for the purchase of replacement equipment at the end of the expected service life.

If funding is not identified and current units were to fail, all critical safety information would be broadcast verbally via radio transmission, as was done historically before the implementation of MDT devices. This would cause an unmanageable workload increase on 911 dispatchers if important safety information couldn't be transferred through the CAD system to first responders in the field. Response time would be extended and it would take longer for first responders to arrive to emergencies and community members in need.

4. Inpatient System of Care Revenue Loss and Institute for Mental Disease Client Services Cost Increases (Behavioral Wellness Department)

Current client mix (administrative days vs. acute days) within the County's Psychiatric Health Facility and a high demand for Institute for Mental Disease and Incompetent to Stand Trial (IST) services are having the effect of depressing departmental revenues and pushing service costs above historical averages.

FY 2018-19 Impact	$4 million (ongoing)
FY 2019-20 Additional Impact	$0

Current trends in Inpatient System of Care and Institute for Mental Disease (IMD) client services continue to significantly challenge the Department of Behavioral Wellness. The department is unable to maximize Psychiatric Health Facility (PHF) revenue due to the current client services mix, and faces increased costs as a result of higher demand for both short- and long-term IMD services. Administrative day stays, caused by the difficulty in quickly placing clients in step-down facilities, are a leading indicator for the overall demand for long-term out-of-County IMD services. Clients with extended administrative day stays are regularly the product of conservatorship investigations or proceedings. Conservatorship proceedings frequently conclude with the newly conserved client being placed in a long-term locked IMD facility, which the department must fund to the extent resources are available. When PHF beds are filled by clients receiving administrative day services, not only does the PHF experience lost revenue, but overflow of potential PHF clients are sent out of the County for short-term IMD hospitalization. The demand for short-term out-of-County IMD is therefore also contingent upon administrative days, to the extent that the number of clients countywide requiring acute care doesn't exceed 16 on any given day. While this threshold of 16 clients requiring acute care is not surpassed every day, the ongoing annual impact is estimated at $600,000 in excess of budget.

Current projections indicate that in FY 2017-18, PHF revenue will come in approximately $1.4 million lower than budgeted levels. PHF revenue for FY 2017-18 was budgeted assuming a client services mix of 66% acute and 34% administrative; however, the current (through 10/31/17) and ongoing projected mix is 43% acute and 57% administrative.

Over the past several years, the department and the County Executive Office have been reporting regularly on the unfavorable funding mix of clients in the PHF and its impact on contracted short-term acute IMD beds. The department is continuing its efforts to reduce the number of contracted IMD beds and improve revenues through:

- Developing alternative service and facility models that will allow for leveraging of additional funding, with a goal of minimizing administrative days
- Developing alternative placement for non-acute IST clients
- Implementing solutions identified by the IST Task Group (reconvened in FY 2016-17) to responsibly address IST administrative days and decrease overall percentage of ISTs in the PHF
- Evaluating the effectiveness of crisis services and beds to minimize administrative days
- Working with system partners on identifying solutions to address issues

The department is currently analyzing the potential for an additional in-county acute involuntary and long-term care beds. The analysis involves identifying associated costs, potential cost savings, efficiencies, facility options, and resources available.

5. Public Safety Communications System Replacement (General Services Department)

Public Safety Communications infrastructure is no longer supported by manufacturer and unable to support new technologies, necessitating a study to provide options and develop a multi-year replacement plan.

FY 2018-19 Impact	$0 (planning stage)
FY 2019-20 Additional Impact	$10s of millions phased over several years
Beyond FY 2019-20	Set aside annual amount for replacement system

The County's public safety communications system is nearing end-of-life. The current system has been in place for more than 20 years and is beyond manufacturer support, which puts public safety communication capabilities at risk. The current system is not able to support new technologies, such as video capabilities. In addition, there are increased coverage issues as development has expanded in the County. The replacement system must meet public safety standards for performance and reliability and provide radio communications for the next 10 to 20 years.

The County is seeking to contract with Federal Engineering to provide options for a cutover plan that will best address the needs and issues the County faces. The Federal Engineering report will include options considering technology, regulatory and interoperability issues that are inherent to the project. The report will include a regional solution as well as consider existing County investments, including radio communications sites, infrastructure, and radios that can be leveraged in the new system. The report will include system and site drawings and coverage maps, implementation plans, schedules and costs, systems alternatives analysis, conceptual design and recommendations report. At the end of this engagement with Federal Engineering, the County will understand the costs for replacing the current radio system and will have the information needed to determine next steps. The report will be completed by the end of FY 2018-19. The needed actions and steps for the next two fiscal years will be outlined in that report.

Based on costs estimates from other counties, potential costs are likely to be in the tens of millions of dollars, and implementation may be phased in over a number of years. There is currently $4 million set aside to be used for system replacement.

6. Public Safety Portable Radio Replacement (Sheriff, Fire, and Probation Departments)

Replacement of portable radios for the public safety departments is a critical need; as no departments are currently setting aside funding, some departments will not be able to fully fund these costs.

FY 2018-19 Impact	$420,000 (ongoing for five years)
FY 2019-20 Additional Impact	Ongoing amount to build up replacement funds

In addition to the larger communication infrastructure needs described in the public safety communications system replacement section of this report (Item 6), various public safety departments will soon also need to purchase replacement communication equipment, such as portable radios. No funds are currently being set aside in these departments for this purpose.

The existing portable radios utilized by public safety departments do not meet the needs for coverage and reliability of the departments, as many are beyond their expected service life, no longer supported by the manufacturer, and experiencing increasing rates of failure and performance issues. Portable radio systems are integral to maintaining reasonable levels of safety for public safety personnel and the public within our local communities.

As part of a multi-phase plan to replace public safety radios, $300,000 was committed to replace public safety radios, mostly in the Probation Department, in FY 2017-18. This fiscal issue identifies the need to secure funding for the second phase, which would fund the replacement of 325 Sheriff's Office radios. The Fire Department will fund replacement of their own radios, and an ongoing amount will need to be committed for future replacement.

Since the public safety communications replacement project will dictate the types of radios needed, it is recommended to replace the current radios slowly, with a five-year staggered replacement plan. Costs are estimated at $5,000-$8,000 per radio, with an estimated annual commitment of $420,000 over the five-year period. It is also recommended to set aside ongoing funding each year into a replacement fund, which could be drawn upon at the end of the five to eight year expected lifespan of the radios.

7. Solar Projects (General Services Department)

The Board directed staff to evaluate new solar projects; while the projects would ultimately result in longer term energy cost savings, if initiated if F 2018-19, there is no identified source to fund the upfront costs.

FY 2018-19 Impact	$4 million (one-time)
FY 2019-20 Additional Impact	$2 million (ongoing for five years)

In September 2011 the Board approved a solar array project at the Calle Real Campus. The project was financed by $5.5 million Qualified Energy Conservation Bonds with a 15-year term and an effective rate of 1.2% and a $1.7 million rebate from SCE. The project has produced $1.2 million utility savings in the first 5 years. Based on the success of this project, the Board, on May 2, 2017, requested that General Services return with new solar projects.

The department has issued an RFP for four potential projects and will be returning to the Board in December or January to provide a summary and receive further direction. The projects should be able to be initiated in FY 2018-19.

If the Board approves the additional projects, the department currently estimates that initiation costs will be $4 million in FY 2018-19, with additional projects at a cost of $2 million per year for the subsequent 5 years. These projects will ultimately realize a savings for the County in energy costs and a reduction in emissions that will help the County achieve its ECAP goals.

8. South County Main Jail Facilities, Deferred Maintenance, and Other Operational Costs (General Services Department, Sheriff's Office)

The South County Main Jail will continue to house about two-thirds of the inmate population after the new Northern Branch Jail is operational; facility and operational issues will require more funding over the next several years.

FY 2018-19 Impact	$0
FY 2019-20 Additional Impact	$5 million (ongoing for five years)

Many years of deferred maintenance have caused a significant backlog of needed repairs at the South County Main Jail Facilities. The condition of the jail has instigated Grand Jury Reports, maintenance studies, and caused many maintenance emergencies. Over the years, several reports have been issued regarding deferred maintenance needs and ADA issues at the South County Main Jail Facilities. The County has contracted with Vanir Construction Management to develop an implementation plan that will evaluate three potential strategies to address identified deferred maintenance needs and ADA issues:

- Repairs or Alterations Only—repair all inadequacies related to court orders, overcrowding, and condition assessments as reported in the previous studies.
- Repairs and Remodeling—address all inadequacies reported in the previous studies through repairs, remodeling, and replacement.
- Partial Repairs and New Facility Construction—abandon in-place portions of the facilities where repairs are too costly, and rebuild where feasible.

Vanir's implementation plan will also include recommendations regarding the best method of contracting, bid packaging, temporary inmate housing options, repair priority, timeline, cost estimates, cash flow analysis, security staff needs, and government code analysis. Preliminary cost estimates suggest that the cost of renovation could reach as high as $25 million, which would be phased over several years. Work is expected to begin in FY 2019-20 once the Northern Branch Jail opens in order to provide the Sheriff's Office with flexibility to move inmates during renovation.

Other costs to address operational needs at the Main Jail are also being identified. While areas of the Main Jail are to be closed down with the opening of the new Northern Branch Jail, and those positions transferred to the new jail, a study by CGL consultants in 2015 indicated shift relief staffing would be needed at the Main Jail if the overall jail population did not decrease. An additional 20-30 positions at the jail may be necessary as a result of CGL recommendations and FY 2017-18 budget reductions. However, as part of the Sheriff's Renew '22 proposals, the Sheriff will be looking at the feasibility of consolidating certain functions at the Main Jail to reduce staffing needs.

9. Vintage Ranch Bridge Project (Public Works Department)

The County may be responsible for the cost of construction of a bridge and public hiking trail if the Vintage Ranch development project moves forward.

FY 2018-19 Impact	$400,000-$500,000 (one-time)
FY 2019-20 Additional Impact	$0

The Key Site 7 (Vintage Ranch) project site is located on a 33.07-acre property within the Orcutt Community Planning area, and includes plans for residential development and open space lots. The Development Plan includes construction of a precast free span bridge and construction of a public hiking trail through the public open space area, which is a requirement of both the Orcutt Community Plan (OCP) and the site-specific EIR for Vintage Ranch. To meet the Development Standards of the OCP for Vintage Ranch, the trail requires a bridge with “sufficient minimum clearance to permit free movement of large mammals and trail users” beneath Black Oak Road. This road is currently an unpaved, non-standard access road for emergencies and maintenance only, and the new road (including the bridge) will be a collector road open to the public. The Development Standards state that the bridge will be funded through the Orcutt Transportation Improvement Plan (OTIP) fees. However, the bridge was not identified on the list of funded projects in the OTIP and OTIP fees were therefore not assessed for this bridge. The applicant has stated the estimated cost is $400,000-$500,000, and that they will seek reimbursement from the County based on the OCP language.

This may occur within the next two fiscal years, though the timing depends on how quickly the project moves through the design review and approval process.

10. Waller Park Irrigation Well Replacement (Community Services Department)

The irrigation well at Waller Park has failed, and construction of a new well is estimated to cost $750,000.

FY 2018-19 Impact	$750,000 (one-time)
FY 2019-20 Additional Impact	$0

Waller Park accesses water from an irrigation well that provides water to the entire 136 acres of the park. The existing well is located within the central portion of the Santa Maria Groundwater Basin in an area designated as the Municipal Wellfield Area. Recently, the 50-year-old well failed due to extreme corrosion of the well casing and is now collapsing in various locations. The well liner was installed approximately 10 years ago to cost-effectively extend its service life, but those repairs are now failing and the equipment has been deemed inoperable. The park and amenities are heavily used by County residents and visitors, and the well provides water for irrigated areas that surround restrooms, picnic areas, play structures, ponds, bridal areas, and ball fields. Currently, a smaller temporary pump has been installed in the existing well to continue irrigation of the park at a third the necessary production rate, but is not a reliable or sustainable solution.

Based on available geophysical surveys in the area, a deeper well design (1,000 feet below ground surface) has been proposed to utilize aquifer zones to more easily achieve the desired production rate (1,000 gallons per minute) for the park and increase the longevity of the well. The proposed design consists of carbon steel and stainless steel materials and is designed to resist corrosion and control well construction and maintenance costs. The new site has been proposed near the existing well to mitigate the cost of relocating electrical power, equipment and water conveyance facilities. The estimated cost for rehabilitating and drilling a deeper well is $750,000.

The department is currently in discussions with the Laguna Sanitation District to bring recycled water into the park. Construction would begin in fall of 2018 and the park would be able to begin utilizing recycled water in 2020. The estimated cost for recycled water would be $226,000 annually, though it is not certain that Laguna Sanitation would be able to provide an adequate amount of water for the entire 136 acres of the park. The new well would help offset those costs regardless of whether the Laguna Sanitation project gets completed. The department will also explore other options, including use of smart irrigation controllers to reduce water usage and possibly eliminating watering to certain areas of the park. Recently, staff replaced all irrigation heads, repaired leaks, and reduced the frequency of watering.

Attachment B – FY 2018-19 Budget Development Policies & General Fund Allocation Policy

Budget Development Policies

1. **Accountability and Transparency:** Information about how public monies are spent and the outcomes they achieve are to be clear, transparent, and understandable.
   a) Budget information will include recommended expenditures and revenues presented by category (object level) at the department level. Sources of revenue will be identified as well as staffing trends.
   b) Oversight of spending, contracts, and grants will be maintained through quarterly financial reports and consistent program monitoring.
   c) Departmental staffing levels will be clearly identified and consistently calculated. To achieve this, and to ensure greater comparability of year-over-year changes within departments, extra help and contractor on payroll positions will be excluded from FTE calculations because these types of positions do not occupy authorized positions and often experience wide fluctuations during the fiscal year.
   d) Subject to CEO concurrence, departments may keep a reasonable number of authorized vacant unfunded positions for possible future needs. Unless otherwise arranged with the CEO's Office, this number should remain consistent from year-to-year.
2. **Program-Based Budgeting:** Allocations from the General Fund to departments will be distributed according to Board policy direction, historical spending, and federal and State mandates.
   a) Allocate resources in a manner that supports Board strategic and programmatic priorities.
   b) Refer to **General Fund Contribution Allocation Policy** for allocation methodology.
3. **Balanced Budget/Fiscal Stability:** A structurally-balanced budget (ongoing revenues equal to ongoing expenditures) for all County operating funds will be presented to the Board of Supervisors for scheduled public hearings.
   a) Fund ongoing operations with ongoing revenue. One-time revenues should be dedicated for one-time expenditures. In some cases, the use of one-time funds may be permitted to ease the transition to downsized or reorganized operations.
   b) Recommend organization-wide rebalancing strategies such as mandate relief, reorganizations, consolidations, reengineering, public-private partnerships, information technology innovations, and other efficiency efforts that can provide long-term cost savings to the County.
   c) Enhance revenue through efforts that stimulate economic vitality to result in an increased tax base.
   d) Ensure appropriate maximum reimbursement of federal and State programs and user fees that fully offset service costs as allowed by law.
   e) Program increase requests must fully document the need and identify the new ongoing funding source or reduction of funding elsewhere.
4. **Identify and Mitigate Fiscal Risks:** The County Executive Office, in coordination with County departments, will identify fiscal issues, events, and circumstances that pose significant risks and reduce the impact of those risks.
   a) Future New Jail Operations – Consistent with the funding plan presented in the FY 2016-17 Recommended Budget, a General Fund Contribution of $10.9 million will be recommended for future jail operations in the FY 2018-19 budget. Additionally, an ongoing request to increase this allocation each fiscal year will be recommended, until such time as the annual jail operations

funding equals the incremental annual operating cost of the new facility, pursuant to the Board adopted funding plan for jail operations.

b) Other Post-Employment Benefits (OPEB) – On March 1, 2016, the Board adopted an OPEB funding plan. As a result, a consistent ongoing contribution rate of 4.0% of covered payroll will be utilized.

c) Behavioral Wellness Department Operations – In recent years, the demand for inpatient beds has been significantly increasing without corresponding funding. The need can vary significantly from month-to-month but, if this trend continues, it is likely that the department will require additional funding to address this community need. A minimum of $1 million will be maintained within the General Fund, to be available for behavioral health inpatient bed costs in excess of budget where there is no other available departmental funding.

5. Reserves: Establish and maintain a strategic reserve equal to 8% of the General Fund operating revenue (approximately 30 days working capital). Once the target is achieved, any excess fiscal year-end unassigned General Funds will lapse to the Unassigned Fund Balance account for future Board appropriation.

a) Contributions to the General Fund Strategic Reserve will be suspended for FY 2018-19.

b) Non-General Fund operating funds, in consultation with the County Executive Office and the Auditor-Controller's Office, will maintain appropriate and prudent operating reserves.

6. Service Levels: Service level impacts, positive or negative, will be identified in departmental budget requests and communicated to the public.

Department budgets will identify major programs, services, and outcomes, and significant changes to service levels will be detailed and presented to the Board prior to budget hearings.

7. Capital and Infrastructure: Provide funding for necessary capital improvements and maintenance of existing facilities.

a) Capital Plans will identify necessary capital improvements and maintenance needs. Prioritization and funding strategies will be developed to address these needs through a Facilities Condition Assessment and ongoing Maintenance Management and Preservation Plans.

b) A minimum of $3.0 million will be recommended for capital improvements/refurbishments and infrastructure maintenance.

c) As discretionary revenues grow, 18% of the unallocated Discretionary General Fund Revenues will be committed for maintenance needs and will be allocated to Public Works, General Services and Parks during the budget development process based on existing needs and priorities.

8. Employee Retention: Attract, retain and develop a high performing workforce committed to excellent customer service.

a) Design future compensation and benefits strategies to ensure Santa Barbara County employees are fairly and adequately compensated in alignment with their job markets.

b) Implement strategies to increase employee engagement.

c) Continue to provide training and development programs designed to develop skills, competencies, and leadership potential.

General Fund Contribution Allocation Policy

Based on Budget Development Policy 2, Program-Based Budgeting
Allocations from the General Fund to departments will be distributed according to Board policy direction, historical spending, and federal and State mandates.

1. Initial General Fund Contribution allocations for the FY 2018-19 budget will be equal to the adopted contribution for FY 2017-18, reduced by any one-time FY 2017-18 GFC allotments.

2. Where not prohibited by law, departments must use all non-General Fund revenues, such as special revenues, grants, and agency funds, before using GFC. Unanticipated revenues should be used to eliminate departmental use of one-time funds for ongoing operations.

3. In the event that projected countywide general revenues do not meet the GFC allocation, departmental allocations will be reduced as necessary to balance the budget.

4. When submitted budgets reflect significant service level reductions from FY 2017-18 levels, departments will document service level impacts by program in order of severity, while identifying mandate levels and outcome measures.

5. Based on available funding, the CEO may recommend GFC allocations above the FY 2017-18 levels to address significant issues or structural imbalances within specific departments.

6. Any request for GFC in excess of the CEO's recommended allocation will be submitted as a budget enhancement request.

7. Requests for additional FTE above currently authorized levels must be submitted as budget adjustment requests (with ongoing funding source identified) or budget enhancement requests for additional GFC allocation.

8. Special Revenue Funds will be evaluated at fiscal year-end, and appropriate adjustments may be made to the following year's GFC allocation.

9. Unallocated Discretionary General Fund Revenues will remain in the Residual Fund Balance account for future Board appropriation.