

COUNTY OF EL DORADO

HEALTH & HUMAN SERVICES

Patricia Charles-Heathers, Ph.D., MPA  
Director



INTEROFFICE MEMORANDUM

Date: September 14, 2018

To: Don Ashton, CAO  
Shawne Corley, Assistant CAO

From: Patricia Charles-Heathers, Ph.D., Director

Subject: Health and Human Services Agency (HHS) *OK*  
5 Year Projection – FY 2018/19 through FY 2022/23

**HHS Five Year Projection  
FY 2018-19 through FY 2022-23**

**Introduction**

HHS conducted a five year projection from FY 2018-19 through FY 2022-23 to determine the impact of increasing costs to the County General Fund and program fund balances. This projection is assuming that the Agency will continue with the current model of doing business with specific cost and revenue increases. Revenues were increased in areas that are dependent on cost increases, where appropriate. This projection is not assuming increases in capped allocations provided in the State and Federal Budgets. Costs saving measures are also not part of the projection, as this is a current use model with modest increases to spending to show the potential use of general fund support and fund balance use. The pending classification and compensation study is not considered in this scenario, nor is the effect of a potential economic downturn that would reduce available Realignment, State and Federal revenues. The following assumptions were included in the five year projection:

<ul style="list-style-type: none"> <li>• Step Increases</li> </ul>	<ul style="list-style-type: none"> <li>• Increased at 3.5% for FY 18/19, then 2.7% thereafter</li> </ul>
<ul style="list-style-type: none"> <li>• PERS Unfunded Actuarial Liability</li> </ul>	<ul style="list-style-type: none"> <li>• Assumptions were based on the PERS July 2017 Actuarial Report projecting contributions through FY 20/21. FY 21/22 and FY 22/23 are assumed at a historical trend</li> </ul>
<ul style="list-style-type: none"> <li>• PERS Employer Contribution</li> </ul>	<ul style="list-style-type: none"> <li>• Based on the same assumptions as the PERS UAL</li> </ul>
<ul style="list-style-type: none"> <li>• Retiree Health</li> </ul>	<ul style="list-style-type: none"> <li>• Increases are based on an average historical trend</li> </ul>
<ul style="list-style-type: none"> <li>• Worker’s Compensation</li> </ul>	<ul style="list-style-type: none"> <li>• Increases are based on an average historical trend</li> </ul>
<ul style="list-style-type: none"> <li>• Cost Plan 2CFR 200 - County Cost Allocation Plan (formerly A-87)</li> </ul>	<ul style="list-style-type: none"> <li>• Increases are based on an average historical trend</li> </ul>
<ul style="list-style-type: none"> <li>• HHS Admin Indirect Cost Rate</li> </ul>	<ul style="list-style-type: none"> <li>• FY 19/20 based on projected actuals from FY 17/18, following years are based on projected budgets</li> </ul>
<ul style="list-style-type: none"> <li>• IHSS MOE Increases</li> </ul>	<ul style="list-style-type: none"> <li>• Per publications provided by County Welfare Directors Association (CWDA) and California State Association of</li> </ul>

	Counties (CSAC)
<ul style="list-style-type: none"> <li>Increase to Revenues</li> </ul>	<ul style="list-style-type: none"> <li>Realignment revenues were increased only for IHSS costs through FY 19/20 as projected by the State, otherwise Realignment remains flat</li> </ul>
	<ul style="list-style-type: none"> <li>Open Federal or Fee revenues were increased according to cost increases that would likely pull down additional funds (CalFresh, Children’s Welfare Services (CWS), In Home Support Services (IHSS) Public Authority (PA), etc.)</li> </ul>
	<ul style="list-style-type: none"> <li>Property Tax revenues are based on the CAO estimations of 5% through FY 20/21, then 3% for FY 21/22, then flat for FY 22/23 which affect the fire districts (CSA 3 and CSA 7)</li> </ul>

Included with this memo are Program Summaries by Division for each fiscal year.

**HHSA Summary**

Based on the assumptions outlined in the introduction above, between FY 2018-19 and FY 2022-23 it is estimated that HHSA is trending to need an increase in County General Fund (CGF) support of about \$8.1M over the current level. Currently, the General Fund support for HHSA Divisions is about 7.8% of total appropriations. By FY 2022-23, the estimate is about 11.5%. The table below illustrates the estimated total CGF support required by division through FY 2022-23.

**Table 1 – County General Fund Support Summary by Division**

Division	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23	Net Inc/(Dec)
HHSA Admin	(536,957.00)	(2,252,394.00)	631,189.00	2,345,329.00	(529,195.00)	7,762.00
Social Services	2,204,642.00	4,113,229.00	4,894,995.00	5,418,588.00	7,678,877.00	5,474,235.00
Community Services	4,243,637.00	4,858,227.00	4,799,803.00	4,833,919.00	5,384,474.00	1,140,837.00
Public Health	6,651,861.00	7,631,596.00	7,682,252.00	7,789,180.00	8,137,902.00	1,486,041.00
Behavioral Health	16,510.00	16,510.00	16,510.00	16,510.00	16,510.00	-
<b>NCC/GFC Total</b>	<b>12,579,693.00</b>	<b>14,367,168.00</b>	<b>18,024,749.00</b>	<b>20,403,526.00</b>	<b>20,688,568.00</b>	<b>8,108,875.00</b>

**HHSA Administration/Finance**

The HHSA Admin/Finance use of Net County Cost (NCC) is cyclical in nature as HHSA Divisional Programs pay for actual Admin/Finance costs through an approved Indirect Cost Rate (ICR). The rate is calculated based on recovering actual costs that occurred two years prior utilizing a similar methodology as the Title 2 Code of Federal Regulations (2CFR 200) Cost Allocation Plan. The total estimated NCC increase through FY 2022-23 is \$8K. The table below illustrates the estimated increases to costs by category and the change in the use of/ (return to) to the County General Fund (CGF) by fiscal year. It should be noted that due to the inverse relationship between the Admin/Finance Division and the Programmatic Divisions, a budgeted return to General Fund for HHSA Admin/Finance equates to increased costs to the programmatic divisions.

**Table 2 – HHSA Admin/Finance General Fund Increases by Cost Category**

Cost Category	FY 19/20	FY 20/21	FY 21/22	FY 22/23	Total
Step Increase	169,002.00	144,823.00	138,854.00	142,609.00	595,288.00
PERS UAL	122,898.00	93,067.00	115,542.00	109,592.00	441,099.00
PERS Emp. Cont. %	37,242.00	60,918.00	16,131.00	17,416.00	131,707.00
Retiree Health	13,330.00	11,196.00	11,197.00	(3,619.00)	32,104.00
Worker's Comp	10,272.00	8,108.00	8,107.00	(2,620.00)	23,867.00
Cost Plan 2CFR 200	45,823.00	(5,274.00)	(273.00)	(10,274.00)	30,002.00
<b>Total Cost Increase</b>	<b>398,567.00</b>	<b>312,838.00</b>	<b>289,558.00</b>	<b>253,104.00</b>	<b>1,254,067.00</b>
<b>Revenue Category</b>					
ICR Revenue	(2,114,004.00)	2,570,745.00	1,424,582.00	(3,127,628.00)	(1,246,305.00)
<b>Total Revenue</b>	<b>(2,114,004.00)</b>	<b>2,570,745.00</b>	<b>1,424,582.00</b>	<b>(3,127,628.00)</b>	<b>(1,246,305.00)</b>
<b>Inc/ (Dec) to NCC</b>	<b>(1,715,437.00)</b>	<b>2,883,583.00</b>	<b>1,714,140.00</b>	<b>(2,874,524.00)</b>	<b>7,762.00</b>

### **Social Services**

The Social Services Division is estimated to require an additional \$5.4M in NCC by FY 2022-23. The IHSS MOE increases are assumed to be funded with increased 1991 Realignment only through FY 2019-20. The ability of 1991 Realignment to fund the legislated obligations after 2020 is unknown at this point. Other cost increases include salary step increases, PERS employer contribution, PERS UAL, Retiree Health, Worker's Comp, and Cost Plan 2CFR200 equate to \$3.9M. The HHSA Admin/Finance Indirect Cost Rate accounts for \$580K of the additional NCC. Estimated open ended federal funding was increased where appropriate. The table below illustrates the estimated General Fund cost increases by category.

**Table 3 – Social Services General Fund Increases by Cost Category**

Cost Category	FY 19/20	FY 20/21	FY 21/22	FY 22/23	Total
IHSS MOE	596,466.00	405,458.00	298,592.00	315,012.00	1,615,528.00
Salary Step Increase	466,598.00	382,016.00	390,988.00	396,540.00	1,636,142.00
PERS UAL	337,375.00	256,053.00	317,893.00	300,650.00	1,211,971.00
PERS Emp. Cont. %	107,003.00	170,605.00	48,384.00	101,285.00	427,277.00
Retiree Health	88,833.00	44,022.00	44,021.00	44,023.00	220,899.00
Worker's Comp	147,658.00	73,182.00	73,183.00	73,180.00	367,203.00
Cost Plan 2CFR 200	275,210.00	68,155.00	68,156.00	68,156.00	479,677.00
HHSA Admin ICR	962,634.00	(1,141,988.00)	(621,973.00)	1,381,455.00	580,128.00
<b>Total Cost Increase</b>	<b>2,981,777.00</b>	<b>257,503.00</b>	<b>619,244.00</b>	<b>2,680,301.00</b>	<b>6,538,825.00</b>
<b>Revenue Category</b>					
1991 Realignment IHSS offse	(596,466.00)				(596,466.00)
Open Federal Funding	(476,724.00)	524,263.00	(95,651.00)	(420,012.00)	(468,124.00)
<b>Total Revenue Increase</b>	<b>(1,073,190.00)</b>	<b>524,263.00</b>	<b>(95,651.00)</b>	<b>(420,012.00)</b>	<b>(1,064,590.00)</b>
<b>Increase/(Decrease) to NCC</b>	<b>1,908,587.00</b>	<b>781,766.00</b>	<b>523,593.00</b>	<b>2,260,289.00</b>	<b>5,474,235.00</b>

### **Community Services**

The Community Services Division is estimated to require an additional \$1.1M in General Fund support over the next five years. Salary step increases accounted for \$377K; and PERS, cost applieds, and the Cost Plan 2CFR

200 (cost plan charged to the Public Guardian Division only) accounted for the remainder of the increase. The majority of Community Services program funding is capped grant revenue. Any open revenue sources were increased as appropriate for this projection. The following table illustrates the increase in General Fund cost by category.

**Table 4 – Community Services General Fund Increases by Cost Category**

Cost Category	FY 19/20	FY 20/21	FY 21/22	FY 22/23	Total
Discontinue WIOA (Dec)*	(34,628.00)				(34,628.00)
Step Increase	74,356.00	98,212.00	100,859.00	103,586.00	377,013.00
PERS UAL	65,642.00	71,806.00	89,149.00	84,556.00	311,153.00
PERS Emp. Cont. %	4,319.00	44,270.00	12,760.00	26,233.00	87,582.00
Retiree Health	8,405.00	3,843.00	3,843.00	3,843.00	19,934.00
Worker's Comp	4,886.00	1,979.00	1,980.00	1,980.00	10,825.00
Cost Plan 2CFR 200 (Public Guardian)	40,109.00	5,012.00	5,012.00	5,012.00	55,145.00
HHSA Admin ICR	84,170.00	(293,062.00)	(157,352.00)	365,112.00	(1,132.00)
<b>Total Cost Increase</b>	<b>247,259.00</b>	<b>(67,940.00)</b>	<b>56,251.00</b>	<b>590,322.00</b>	<b>825,892.00</b>
<b>Revenue Category</b>					
Other Revenue (Debit Yr 1 due to WIOA)	367,331.00	9,516.00	(22,135.00)	(39,767.00)	314,945.00
<b>Total Revenue Increase</b>	<b>367,331.00</b>	<b>9,516.00</b>	<b>(22,135.00)</b>	<b>(39,767.00)</b>	<b>314,945.00</b>
<b>Increase/(Decrease) to GF</b>	<b>614,590.00</b>	<b>(58,424.00)</b>	<b>34,116.00</b>	<b>550,555.00</b>	<b>1,140,837.00</b>

\*WIOA was discontinued during FY 2018-19

Community Services has a number of small fund balances that are restricted to certain activities. The Senior Legal program received a donation that utilizes \$50K per year until depleted. The donation will be exhausted by the end of FY 2022-23. The Medi-Cal Admin Activities (MAA) program has a fund balance that grew during the period time when HHSA had several community partners participating in the program. Currently, there is only one staff member working in MAA which is drawing down the fund balance. By the end of FY 2022-23, the fund balance will be depleted. Any other fund balances held by the Community Services Programs would be restricted to specific programs based on funding guidelines and regulations.

**Public Health**

The Public Health Division is estimated to require an increase of \$1.5M in General Fund support over the next five years for Animal Services, California Children's Services (CCS), and Emergency Medical Services (EMS). The projection assumed EMS will have no Ground Emergency Medical Transportation (GEMT) fund balance after FY 2018-19, and therefore may require an increase in General Fund to support the program. Salary step increases account for \$705K of the increase, PERS, cost applies, and the Cost Plan 2CFR 200 account for \$1.8M, and the balance is due to the HHSA Admin/Finance ICR. The cost increases are offset by an increase in other revenue of \$1.2M. The following table illustrates the increases in cost by category.

**Table 5 – Public Health General Fund Increases by Cost Category**

Cost Category	FY 19/20	FY 20/21	FY 21/22	FY 22/23	Total
Step Increase	182,919.00	169,585.00	174,008.00	178,856.00	705,368.00
PERS UAL	142,003.00	107,533.00	133,504.00	126,633.00	509,673.00
PERS Emp. Cont. %	53,240.00	76,699.00	21,590.00	45,114.00	196,643.00
Retiree Health	27,045.00	18,243.00	18,243.00	18,242.00	81,773.00
Worker's Comp	115,825.00	78,075.00	78,074.00	78,075.00	350,049.00
Cost Plan 2CFR 200	253,814.00	156,035.00	156,034.00	156,034.00	721,917.00
HHSA Admin ICR	423,235.00	(522,557.00)	(284,736.00)	528,436.00	144,378.00
<b>Total Cost Increase</b>	<b>1,198,081.00</b>	<b>83,613.00</b>	<b>296,717.00</b>	<b>1,131,390.00</b>	<b>2,709,801.00</b>
<b>Revenue Category</b>					
Other Revenue	(218,346.00)	(32,957.00)	(189,789.00)	(782,668.00)	(1,223,760.00)
<b>Total Revenue</b>	<b>(218,346.00)</b>	<b>(32,957.00)</b>	<b>(189,789.00)</b>	<b>(782,668.00)</b>	<b>(1,223,760.00)</b>
<b>Increase/(Decrease) to GF</b>	<b>979,735.00</b>	<b>50,656.00</b>	<b>106,928.00</b>	<b>348,722.00</b>	<b>1,486,041.00</b>

Public Health has built up a prudent fund balance of 1991 Health Realignment over the last several years. As costs have been increasing, the year over year return to fund balance has decreased; and, partially due to the redirection of Realignment Growth, it is estimated that by the end of FY 2019-20 Public Health will require the use of fund balance to sustain programs at current service levels. The Mental Health Services Act Innovation (INN) annual funding of \$700K for the Community HUB program was discontinued in the projection after June 2020. Behavioral Health is currently requesting approval from the State to extend the HUB innovation funding through September 2021. State approvals for innovation projects are unpredictable; therefore, the possible extension of funding was not included in this projection. Loss of this revenue without alternative funding or a change in business practices will completely deplete the fund balance by the end of FY 2022-23. The following table illustrates the annual projected ending fund balance for Public Health Sub Fund 001.

**Table 6 – Public Health Sub Fund 001 Projected Ending Fund Balances**

	FY 19/20	FY 20/21	FY 21/22	FY 22/23	Total FB Use/(Add)
<b>Projected Ending Fund Balance</b>	<b>2,102,624.00</b>	<b>1,220,837.00</b>	<b>895,649.00</b>	<b>(182,263.00)</b>	<b>2,284,887.00</b>

The County Service Area (CSA) 3 and 7 program funding provides for emergency medical transportation through the use of multiple joint powers authorities, pays for ambulance billing (provided by HHSA), and maintains a fund balance. The projection assumes that the ambulance fee revenue remains flat and the property tax special tax/benefit assessments increase by 5% through FY 20/21, then lowering to 3% for FY 21/22, then flat for FY 22/23, the following table estimates the annual ending fund balances for the CSAs.

**Table 7 – Public Health CSA 3 and CSA 7 Projected Ending Fund Balances**

	<b>FY 19/20</b>	<b>FY 20/21</b>	<b>FY 21/22</b>	<b>FY 22/23</b>	<b>Total FB Use/(Add)</b>
CSA 7	4,790,193.00	4,875,998.00	4,926,644.00	4,907,394.00	(117,201.00)
CSA 3	857,832.00	920,952.00	954,445.00	981,517.00	(123,685.00)
<b>Total CSAs</b>	<b>5,648,025.00</b>	<b>5,796,950.00</b>	<b>5,881,089.00</b>	<b>5,888,911.00</b>	<b>(240,886.00)</b>

**Behavioral Health**

The Behavioral Health Division General Fund Contribution is \$16,510 per year for the legislated state and local program realignment (SLPR) match. There is no projected increased General Fund support required for the Behavioral Health Divisions. The Traditional and MHSA sub-funds maintain both restricted and unrestricted fund balances. The Traditional fund balance is unrestricted, and the MHSA fund balance includes both an unrestricted amount as well as a statutorily required prudent reserve. This projection does not any assumption related to possible MHSA reversion into the fund balance calculations. Substance Use Disorder (SUD) programs required additional 2011 Realignment to maintain current service levels which can impact the funding to Traditional programs. The total additional 2011 realignment funds needed for SUD in this projection was about \$220K. Federal revenues for SUD were increased as appropriate for contracted treatment services and Drug Medi-Cal services as the budget assumed participation in the Medi-Cal Organized Delivery System (ODS) Waiver. The following table projects the annual ending fund balances with no change to the current service delivery model.

**Table 8 – Behavioral Health Projected Ending Fund Balances**

<b>Program</b>	<b>FY 18-19</b>	<b>FY 19-20</b>	<b>FY 20-21</b>	<b>FY 21-22</b>	<b>FY 22-23</b>	<b>Total FB Use/(Add)</b>
Traditional	2,757,852.00	2,420,768.00	2,443,444.00	2,416,873.00	2,056,372.00	701,480.00
MHSA	8,830,639.00	8,242,624.00	9,011,108.00	8,946,920.00	8,308,387.00	522,252.00
<b>Total</b>	<b>11,588,491.00</b>	<b>10,663,392.00</b>	<b>11,454,552.00</b>	<b>11,363,793.00</b>	<b>10,364,759.00</b>	<b>1,223,732.00</b>

Note: MHSA Innovation support of the Community HUBs discontinued after FY 19-20, creating an increase to fund balance in FY 20-21.