County of El Dorado

Chief Administrative Office

330 Fair Lane
Placerville, CA 95667-4197

Don Ashton, MPA
Chief Administrative Officer

Phone (530) 621-5530
Fax (530) 626-5730

February 28, 2018

Memo To: The Honorable Board of Supervisors

Subject: FY 2017-18 Mid-Year Budget Report and FY 2018-19 Outlook

The Chief Administrative Office has regularly provided the Board of Supervisors with a mid-year budget report in order to identity and keep the Board and the public apprised of any changes to approved budgets, and to assess the financial environment for the County as we prepare for the coming fiscal year budget.

For this report, County departments were asked to review their budgets and to identify any known or anticipated significant changes to expenditures and/or revenues through the end of the fiscal year. However, different from prior years and due to competing priorities for departmental fiscal staff as well as the anticipated transition away from the BPREP budget system and to a FENIX budget module, departments were not asked to provide the Chief Administrative Office with detail line item projections, rather were asked to only identify any anticipated changes to their year-end balances. These estimates help the Chief Administrative Office in estimating overall General Fund savings through the end of the year.

The following report summarizes departmental year-end financial forecasts and related issues. Discussion of anticipated year-end variances from the Board approved budgets have been provided by every County department and are summarized in Attachment B to this report.

The Chief Administrative Office has also provided an outlook for the coming year, with brief discussion of the Governor's Proposed Budget and anticipated budget pressures.

FY 2017-18 General Fund Year-End Projection

The net result of the Non-Departmental and department year-end projections is an estimated year-end fund balance projection of $10.5 million. This is $2.6 million less than was projected at this time last year, and $5.6 million less than what was incorporated into the FY 2017-18 Recommended Budget.

This estimated year-end fund balance is predominantly comprised of unspent General Fund Contingency ($5.3 million) and unspent appropriations in other departments. It is important to note that in some larger departments, an appropriation savings does not always equate to a reduction in Net County Cost, as revenues may be tied to appropriations (i.e., reimbursements).

For the General Fund budget as amended through December 31, 2017, Non-departmental revenues (Department 15), or the discretionary General Fund revenues received to fund Net County Cost, are projected to be $1.3 million higher than budgeted.

The projected changes in non-departmental revenues are primarily attributed to the following:

- $460,000 increase in Sales & Use Tax (2.5% increase over the prior year actual)
- $278,000 increase in Transient Occupancy Tax (less than 2% increase over the prior year)
- $167,000 increase in Property Transfer Tax revenue (the same as the prior year actual)

It should be noted that these are preliminary projections and will be used only for planning purposes at this point. The Recommended Budget that will be presented in June will reflect updated projections for these major revenue sources, and those figures may increase or decrease from the current projection.

Not included in this fund balance estimate are any unspent Capital Project funds that may also roll forward from year to year. Any fund balance related to Capital Projects will have a corresponding Capital Project appropriation, therefore would not be available for discretionary General Fund operations.

FY 2018-19 General Fund Outlook & County Priorities

Revenues and Funding Sources

As discussed above, we are currently projecting a conservative fund balance carryover estimate of $10.5 million. The carryover fund balance represents unused funds from the current budget year, which are available for use in the following fiscal year. It is necessary to use a portion of these carryover funds to maintain the appropriation for the General Fund Contingency at the 3% of General Fund expenses level, as directed by Board policy.

The following are current estimates for the major revenue assumptions that will be used in developing the FY 2018-19 Recommended Budget. These assumptions are subject to change as we move through the budget development process and gain additional information as we approach the end of the fiscal year.

Property Tax Revenue: We are currently assuming a 5% growth in property taxes for FY 2018-19. The State Board of Equalization is advising county Assessors to use 2 percent as Proposition 13's inflation factor for 2018-19. In addition, local real estate sales have seen an increase over the past year. With input from the County Assessor, we believe that 5% is a conservative estimate, appropriate for use at this stage of the budget planning process. This estimate will be monitored as we approach the end of the fiscal year.

Sales Tax Revenue: We are currently planning for a 2% growth in sales tax for FY 2018-19. This estimate may change with further analysis, especially considering recent reports of lower consumer confidence and spending levels in California, and may be adjusted as we approach the end of the fiscal year.

Expenditures and Priorities

Departments have been provided with general direction to submit FY 2018-19 budget requests within a "status quo" budget, focusing on what is necessary to maintain existing programs and services.

That said, it can be generally assumed that the County will experience a natural growth in salary and benefit costs of approximately 4%, absent any separate actions to increase or reduce salary and benefit costs (i.e., elimination of vacant positions). As we have shared previously, much of the growth in salary and benefit costs will be due to factors outside of the County's direct control - - such as, increases in CalPERS costs, and increases in health and related benefit costs. However, current negotiations with employee groups are still underway. To the extent possible, budget projections for year-end FY 2017-18 do include those negotiated salary and benefit adjustments which have been completed and implemented. However, potential impacts from recommendations related to the class and compensation study have not been included in projections.

Updated Budget Policies were adopted in November of 2017. In line with the policies, we anticipate providing your Board with a Recommended Budget for FY 2018-19 that maintains the General Fund Contingency at 3% of General Fund expenditures, maintains the General Reserve at 5%, and sets aside a minimum of $5 million for Capital Improvement projects.

Infrastructure -- including county owned buildings, roads, and information technology -- and public safety remain as the County's top funding priorities, and FY 2018-19 budget recommendations will reflect these priorities.

The County continues to move forward with the new Public Safety Facility. In December of 2016, the Board approved a "letter of intent" to accept the conditions of the $57 million USDA loan to fund the construction of the $68 million project. It is anticipated that the annual payment on the long-term loan obligation for that facility, currently estimated to be $2.3 million a year, will need to be incorporated into the County's on-going operating budget beginning with FY 2020-21. Additionally, beginning with FY 2017-18 and continuing for nine years, the County will include an increase to the loan reserve as a set-aside in its annual budget, in order to fund the required reserve obligation associated with the USDA loan. That set-aside is equal to 10% of the annual payment, such that one full payment will be held in reserve. The annual payment is now set at $2.3 million, so the annual increase to that reserve will be $230,000.

In FY 2016-17, the Board approved moving forward with the acquisition of a new property tax system. This approval contributes to meeting the County's goal of transitioning its information technology infrastructure from the aged mainframe. The original project budget anticipated implementation/conversion expenses of $672,300 in FY 2018-19, offset by reductions related to the decreasing or eliminated use of the older main-frame system; however, it is likely that these estimates will change as we near the new fiscal year.

A solution to marijuana enforcement will be need to be considered during the next year as well, anticipated to include staffing increases for code enforcement and public safety efforts. It is likely that fees will be developed to partially cover costs; however, recent research shows that most jurisdictions are experiencing cost increases related to regulation and enforcement activities in excess of revenue from well-planned and supported fee structures.

As previously mentioned, it is essential that we continue to contain costs, seek and implement efficiencies, identify new revenue opportunities in accordance with the Board's Budget Policies, and collaborate with other counties, cities and private/non-profit organizations in order to address these and other critical needs.

In the coming year, every effort will be made to incorporate these priorities into the County budget with little or no impact to existing programs and services. As previously stated, departments have been provided with general direction to submit their FY 2018-19 budget requests within a "status quo" budget, focusing on what is necessary to maintain existing programs and services. County Departments continue to look closely at their own operations to identify possible areas to create efficiencies. Opportunities will be evaluated closely during the FY 2018-19 budget development process, and viable options may be presented within the Recommended Budget or, due to complexity, may be brought to the Board for consideration as separate proposals.

Governor's Proposed Budget

The Governor's 2018-19 proposed budget assumes increased revenues, with a high priority on limiting new on-going commitments and building reserves. The economic forecast in the Governor's January budget proposal reflects steady growth at an average year-over-year growth rate of 4.2 percent through 2022. Revenue estimates may increase even more prior to budget adoption at the May Revise, due to a 4.7 percent increase in personal income tax revenue, and State general fund savings in the event that Congress to authorizes a higher federal cost share for the Children's Health Insurance Program (CHIP). The state budget affects funding for many El Dorado County programs, and a number of issues have been identified as potentially important. Staff will be watching closely for relevant developments that would affect the County's FY 2018-19 Recommended Budget.

Transportation and Infrastructure

The Governor's budget includes a variety of proposed spending on maintenance and rehabilitation of state and local transportation systems and investments in transit. The budget allocates $4.6 billion in transportation spending, consistent with SB1. Revenues resulting from SB1 are estimated to provide $5,440,000 to El Dorado County in 2018-19, with revenues increasing each fiscal year thereafter. However, there is a proposed ballot measure aimed for the November 2018 ballot (Attorney General #17-0033) that would repeal the new transportation revenues provided by SB 1 and make it more difficult to increase funding for state and local transportation improvements in the future.

In prior years, the Judicial Council was forced to pause court planning and construction projects. The budget proposal invests $32.2 million from the Immediate and Critical Needs Account for courthouse projects; however, the Placerville Courthouse was not included in the funding list. As you may recall, a letter was sent to the Governor earlier this year to request that the Placerville Courthouse be reconsidered for funding.

The Governor's proposal also provides $5 million annually for the next three years for a new initiative to assist county assessors in the maintenance and equalization of property tax rolls, as well as dollar-for-dollar matching funds for Counties to purchase new equipment for county voting systems. It is important to note that the proposal for purchasing new voting systems will require the County to cover 50% of the cost with local funds.

In-Home Supportive Services / Health & Human Services

The Governor's budget proposal provides a $27.8 million General Fund increase for county In-Home Supportive Services (IHSS) administrative costs. No changes are proposed to the structure of the new county maintenance of effort (MOE) that was negotiated last year. Provisions of SB 90 provide revenues for counties to offset the nearly $600 million that was shifted to counties and incorporated into the new MOE. The increased revenue included in the Governor's January budget proposal will help counties better manage the increased costs in the current year. For 2018-19, the Governor's January budget proposal includes a 7.7 percent increase over the 2017-18 costs to cover costs of increased caseload and the minimum wage increase for IHSS expenditures.

Other programs administered by the County will also potentially receive increased funding. An increase of $54.8 million for Medi-Cal county administration, based on an adjustment that incorporates the increase in the California Consumer Price Index, is included in the budget proposal. The budget proposed $238.2 million to continue implementation of Continuum of Care reforms. Also, $115 million over three years is provided to address the waitlist for County deferrals of defendants who are found Incompetent to Stand Trail (IST) by the courts to the Department of State Hospitals.

The proposal also includes $29 million for county probation departments to supervise the temporary increase in the average daily population of offenders on Post Release Community Supervision (PRCS), as a result of the implementation of court-ordered measures and Proposition 57.

Parks and Recreation

In 2017, the Legislature was successful in securing the passage of a water and parks bond measure, SB 5, California Drought, Water, Parks, Climate, Coastal Protection and Outdoor Access for All. The Governor's January budget proposal allocates $472 million in funding from SB 5 for various park programs and projects, including deferred maintenance projects to county fairgrounds, rehabilitating older parks and grants for the acquisition and development of parks, recreation lands, or facilities in urban and rural areas. The budget summary notes that projects funded by the bond measure in 2018-19 will be prioritized to support existing programs, 'shovel-ready" projects, and a phased-in approach for newly established programs.

Additionally, the proposal includes several elements aimed at expanding conservation efforts, improving hunting and fishing participation; connecting more Californians to the outdoors; and, increasing stability for critical programs $31 million to expand a number of program activities, including supporting voluntary conservation programs for local governments.

Affordable Housing

The budget projects that $258 million in tax revenues will be generated via SB 2's recording fee in 2018-19. Of the revenue generated between Jan. 1, 2018, and Dec. 31, 2018, half will go toward statewide grants for homeless services and half will go directly to local governments for planning activities that promote housing development.

Future Budget Pressures

The coming year's budget pressures continue to include CalPERS cost increases driven by plan fundamentals and plan administrative changes approved by the CalPERS Board of Directors, as well as countywide impacts related to employee negotiations and the implementation of the Classification and Compensation Study.

El Dorado County will also continue to experience budget pressures in the coming years largely be due to the County deferring action in prior years. In particular, addressing long overdue facility and infrastructure needs may take precedence over other discretionary expenses.

In 2013, Vanir Construction Management conducted a Conditions Assessment Report, identifying facilities in need of replacement and facilities with deferred maintenance needs. The report concluded that three County facilities were at "end of life" and should be considered for replacement: the Sheriff Administrative Center on Fair Lane, the District Attorney facility on Main Street, and the El Dorado Center in South Lake Tahoe. The Placerville Juvenile Hall and the Spring Street Complex were identified as "near end of life" facilities. In total, the assessment identified approximately $55 million in current and future maintenance needs at the time the report was issued in 2013.

The County has made progress toward reducing the backlog of maintenance needs: solutions to several of the immediate facility needs have either been implemented or are currently underway. In late 2017, the renovation of Buildings A and B in Placerville was completed. In 2018, the District Attorney offices moved into an improved facility under a long-term lease. Planning continues for the Public Safety Facility, anticipated to break-ground in Spring of 2018. Additionally, solutions are currently being pursued for the El Dorado Center in South Lake Tahoe as well as the Placerville Juvenile Hall. However, continued progress will require diligence in setting aside appropriate funding to maintain facilities and to continue developing strategies for facilities in need of major repair or replacement.

On-going solutions to significant funding challenges will undoubtedly impact the County as a whole, as our resources become more constrained and are spread over larger program demands. The Board of Supervisors has made great strides in setting aside funds in anticipation of upcoming cost increases and County needs. However, continued planning for known and likely cost increases and funding obligations will assist the County in meeting our future fiscal challenges.

Respectfully Submitted,

DON ASHTON
CHIEF ADMINISTRATIVE OFFICER

Shawne M. Corley
Assistant Chief Administrative Officer

Attachments: A: General Fund Department Budget Status at December 31, 2017
B: FY 2017-18 Summary of Department Mid-Year Projections

Attachment A - General Fund Mid-Year Projection as of 12/31/2017

Department	Budgeted Net County Cost	Projected Net County Cost	Variance from Adopted Net County Cost
Board of Supervisors	$ 1,572,741	$ 1,572,741	$ -
Chief Administrative Office/Central Svc./Economic Development	$ 10,191,768	$ 10,150,000	$ 41,768
Auditor-Controller	$ 2,909,745	$ 2,834,002	$ 75,743
Treasurer-Tax Collector	$ 925,388	$ 925,388	$ -
Assessor	$ 3,507,142	$ 3,307,142	$ 200,000
County Counsel	$ 2,795,386	$ 2,795,386	$ -
Human Resources	$ 1,804,466	$ 1,667,466	$ 137,000
Information Technologies	$ 10,048,403	$ 10,048,403	$ -
Surveyor	$ 1,472,927	$ 1,472,927	$ -
Non-Departmental G.F. (incl. Contingency)	$ (96,166,995)	$ (103,454,453)	$ 7,287,458
Grand Jury	$ 83,086	$ 40,000	$ 43,086
Superior Court MOE	$ 1,422,928	$ 1,422,928	$ -
District Attorney	$ 6,740,033	$ 6,917,463	$ (177,430)
Public Defender	$ 3,374,535	$ 3,374,535	$ -
Sheriff	$ 51,944,181	$ 49,444,181	$ 2,500,000
Probation	$ 12,281,298	$ 12,077,133	$ 204,165
Ag Commissioner	$ 554,419	$ 554,419	$ -
Recorder-Clerk/Registrar of Voters	$ 1,015,884	$ 986,884	$ 29,000
Transportation (County Engineer)	$ 429,613	$ 429,613	$ -
Development Services	$ 2,400,680	$ 1,937,680	$ 463,000
Dev. Services - HCED	$ 164,772	$ 164,772	$ -
CDA - Admin	$ -	$ 392,000	$ (392,000)
Environmental Management	$ -	$ -	$ -
HHSA Agency Total GF Cost/NCC	$ 14,111,267	$ 14,016,584	$ 94,683
Veterans Services	$ 424,058	$ 424,058	$ -
Library	$ 1,569,374	$ 1,569,374	$ -
Child Support Services	$ -	$ -	$ -
GENERAL FUND TOTAL	**$ 29,543,333**	**$ 18,924,401**	**$ 10,506,473**

Attachment B

FY 2017-18 Summary Discussion of Department Mid-Year Projections

General Government

Board of Supervisors – No change to Net County Cost

The Board of Supervisors is projecting no material changes from budget.

Chief Administrative Office –Net County Cost savings of $41,768

The Chief Administrative Office is conservatively projecting a net county cost savings of $41,768 in the Administration division, based on expenditure savings.

The Chief Administrative Office is not projecting material changes from the Central Services division's budget. The pending approval of billing rates for the Facilities division and the financial impact of the MOU changes for Local 1, MA, and OE3 will introduce potential changes, but is not anticipated to exceed the budgeted net county cost. A large retirement payout is anticipated to be absorbed with salary savings within the other divisions of the office.

Auditor-Controller – Net County Cost savings of $75,743

The Auditor-Controller is projecting expenditure savings of approximately $74,000 and a revenue surplus of $2,000, resulting in a Net County Cost savings of $76,000. Savings are mainly in Salary and Benefits, and are related to turnover.

Treasurer-Tax Collector – No Change to Net County Cost

Assessor – Net County Cost savings of $200,000

The department will likely experience savings in Salary and Benefits, in addition to a moderate increase in revenues over budget.

County Counsel – No change to Net County Cost

County Counsel employee pay-outs for retirement or resignations increased costs, but it is anticipated that these unexpected expenditures would be absorbed with salary savings. The Department is projecting savings of approximately $160,000 in Salaries and Benefits, and $50,000 in Service and Supplies.

Revenues overall are projected to fall short by approximately $210,000. Inter-fund revenues are projected to reach 30% of the budgeted amount at mid-year, with a shortfall of $150,000 projected at year end. For Public Guardian, budgeted revenue is $120,000. County Counsel projects a shortfall of $40,000 due to the courts paying for work based on hours worked rather than "advance fees" for new cases. County Counsel anticipates billing approximately $30,000 for Charges for Services to an outside entity in Fiscal Year 17-18. This is additional revenue that was not expected at the time of budget preparation.

Information Technologies – No Change in Net County Cost

Information Technologies is projecting to be on budget for the year. Salary savings from vacancies are projected to be spent on incremental overtime, temporary staffing, and a one-time payout to all regular employees of Local 1 of approximately $84,000 due to a change in negotiated labor agreements.

Recorder Clerk – Incremental Net County Cost savings of $29,000

Incremental Net County Cost savings of $67,000 resulting from department vacancies is projected to be partially offset with costs associated with the overlap of the Assistant Recorder position of $38,000, for cross-training and knowledge transfer, due to the planned retirement of this position.

Elections – No change in Net County Cost

Elections services will require an additional $26,000 to pay for the incremental cost of converting to a new Election Management System. However, it is projected that there will be savings in extra help to offset with this. The savings will not be verified until after the Primary Election on June 5' 2018.

Human Resources-Risk Management – Net County Cost savings of $137,000

The Human Resources department is projecting Net County Cost savings of $137,000, which is the result of salary savings from vacant positions.

Law & Justice

Grand Jury – Net County Cost savings of $43,086

It is anticipated that expenditures in the Grand Jury budget will equal approximately $40,000 by year-end, resulting in a savings of approximately $43,000. There are no revenues attributable to this budget unit.

Superior Court MOE – No change to Net County Cost

District Attorney – Net County Cost increase of $177,430

The District Attorney is projecting a revenue shortfall of $152,000, due to grant awards coming in lower than anticipated. Some of this reduction is offset by reduced expenditures. Expenditures are projected to exceed budget by $54,000, due mainly to bargained increases in salary and benefit costs totaling $143,000. In addition, the department incurred a lease buyout expense of $48,000 when terminating a lease to consolidate the offices into one building. These overages are partially offset by reduced expenditures related to reduced grant revenues. The department will monitor the budget closely, reevaluating in the 3rd quarter, and will return to the Board for a budget transfer if necessary.

Public Defender – No Change to Net County Cost

Sheriff – Net County Cost savings of $2,500,000

This projected net county costs savings is predominantly based on lower than budgeted expenditure levels.

Probation – Net County Cost savings of $204,165

The Probation department is projecting expenditure savings of $299,000 and a revenue shortfall of $95,000, resulting in a Net County Cost savings of $204,000.

The shortfall in revenue is the net result of increases in some sources and reductions in others, and fully accounts for the loss of revenue related to the implementation of SB 190 which discontinued juvenile detention fees.

The Department anticipates savings in Salary and Benefits of $213,000. This number is based on the assumption that the Department will fill all positions that were vacant at mid-year. Additional savings may be realized if these positions are not filled as anticipated.

The Department is also projecting expenditure savings in Services and Supplies of approximately $76,000, primarily comprised of reductions in projected needs for professional and specialized services.

Savings of approximately $10,000 is anticipated in Support & Care based on the current number of minors currently committed to outside ranches or camps.

Land Use and Development Services

Surveyor – No change to Net County Cost

Agriculture – No change to Net County Cost

Due to department salary and benefit increases with labor contract negotiation agreements, the department may need additional funds later in the fiscal year. However, the department is working to cover these increases with savings in other areas, if possible.

Community Development Services Departments

Transportation – $503,000 savings in Transportation special revenue programs. There is No Change to Net County Cost.

Fund Type 10 – (General Fund) - County Engineer and Cemeteries – No Change to Net County Cost

Fund Type 11 (Special Revenue Fund) – Decrease in Transportation ($503,000), Capital Improvement Program No Change, Erosion Control No Change

It is projected that, overall, revenues and expenditures in the Transportation Orgs in this fund type will decrease by $503,000, with the use of fund balance decreasing $1.5 million. This is primarily due to salary savings from unanticipated vacancies. Several positions that were budgeted, but have been vacant for over half the year include three Assistant in Civil Engineering positions, two Sr. Engineering Technician positions and three Equipment Mechanic positions. Administrative costs, which are allocated to each department based on salaries, will also be decreased due to salary savings.

Fund Type 12 – (Special Revenue Fund – Special District) Zones of Benefit – No Changes

The Special Districts – Zones of Benefit are projected to end the year within budget. Each Zone of Benefit operates within its available funding and there is no General Fund impact.

Fund Type 32 (Internal Service Fund) - Fleet Operations – No Change to Net County Cost
Revenues and expenditures for the Fleet program are projected to decrease by $407,455.

Development Services - Net County Cost savings of $463,000

Development Services – Fund Type 10 (General Fund) – Decrease in Net County Cost of $463,000.

It is projected that, overall, Building and Planning Orgs will be under budget for FY 2017-18. It is projected that revenues will decrease by $698,000 from budgeted amounts and that expenditures will decrease by $1.1 million and, for an overall decrease in net County cost of $463,000.

The decreases in revenues are primarily due to Charges for Services and Environmental Impact Review revenues are anticipated to be less than budget. Building Permit revenues are anticipated to be at budget. The decreases in expenditures are primarily from salary savings due to various vacancies including an Associate Planner, a Principal Planner and Sr. Planner, which were vacant over half the year. Administrative costs, which are allocated to each department based on salaries, will also be decreased due to salary savings. Additionally, there are some savings anticipated in services and supplies.

Fund Type 11 (Special Revenue Fund) - Housing, Community Economic Development – No Changes

CDA Administration – Net County Cost increase of $392,000

It is projected that the CDS Administration Org will be over budget for FY 2017-18. It is projected that revenues will decrease $1.2 million and expenditures will decrease $858,000 for a projected overall increase to net County cost of $392,000. Revenue generation in this budget unit is in direct correlation to the salary dollars in the CDS departments. This shortfall will be included in the rates as carryover in the subsequent year. The departments supported by CDS Administration and Finance are projected to have significant salary savings due to multiple vacancies. Therefore, it is anticipated that CDS Administration and Finance will receive less revenue than was budgeted. Additionally, costs and revenue associated with TRAKiT, the new permitting system, will be transferred to the ACO fund for capitalization purposes.

Environmental Management – No change to Net County Cost

Fund Type 10 (General Fund) – No change to Net County Cost

Fund Type 12 – (Special Revenue Fund – Special District) – No Changes

Health and Human Services

Health and Human Services Agency (HHSA)

HHSA is projecting to have approximately $95,000 in General Fund/Net County Cost savings. In FY 2017-18, HHSA plans to absorb a one-time payout to all regular employees of Local 1, OE3, and Managers Association due to a change in negotiated labor agreements. HHSA is planning to use this General Fund savings of $95K to administer the 2-1-1 program, which has not been included in expense projections. Other budgetary challenges include reduced revenue and legislative changes, as described in the programmatic details outlined below.

Division	FY 17/18 GF-NCC Budget	FY 17/18 GF-NCC Projection	Under/(Over) Budget
HHSA Administration	1,369,315	1,612,089	(242,774)
Social Services	2,299,932	2,129,358	170,574
Community Services	2,511,824	2,389,127	122,697
Public Guardian	1,731,524	1,808,708	(77,184)
Behavioral Health	16,510	16,510	-
Public Health	4,049,871	4,026,900	22,971
Animal Services	2,132,291	2,033,892	98,399
Totals	$ 14,111,267	$ 14,016,584	$ 94,683

HHSA Administration - Fund Type 10 – General Fund increase of $242,774

The HHSA Administrative Division is projected to have total revenues of $3.5 million and expenditures of $5.1 million resulting in a projected Net County Cost of $1.6 million. With a projected use of prior fiscal years' over collections, the Net County Cost is estimated to be over budget by $243,000. A reduction in revenue is due to the large number of vacancies in the programmatic divisions. The ICRP revenue is generated as a percent of divisional program salaries; since the salaries are lower than budgeted, the revenue generated from the ICRP is reduced. Any under collection of revenue will be recovered in future years ICRP calculations.

- **Recent Labor Negotiations:** The Local 1 and Managers Association labor negotiations resulted in an unanticipated estimated Net County Cost expense of $142,000 for this division.

The HHSA Administration Division provides efficiencies in administrative and fiscal support to all of the programs in the agency. The Agency's administrative and fiscal expenditures are allocated equitably to all HHSA programs through an approved Indirect Cost Rate Plan (ICRP) based on actual program salaries. The functional design of the ICRP is to correct for current over and under collections from the programmatic divisions in future years. The FY 2017-18 Net County Cost budget of $1.4 million is actually prior fiscal years' over collections that are being redistributed to programs via the annual calculation process.

Social Services Division – Fund Types 10 and 11 – General Fund savings of $170,574

The Social Services Division (SSD) projects revenues of $53.9 million and expenditures of $56 million, with an estimated Net County Cost of $2.1 million. This is a projected savings of $171,000 from the budgeted Net County Cost of $2.3 million.

Social Services (Fund Type 10):

- **AB403, the Continuum of Care Reform Act (CCR):** One component of CCR is to reduce the use of Foster Care Group Homes and increase foster care in lower level family settings, which the State predicted would create overall savings. In reality, the first phase of the cash assistance increases for foster care implemented on January 1st of 2017 is projected to increase assistance costs by $1.2 million (16%) over the prior fiscal year. The full impact of the increases will not be known until the State implements the full "level of care" rate structure. Due to Prop 30, any legislative changes that increase service levels and costs above what was realigned in 1991 and 2011 is proposed to trigger additional State General Fund support. The State is planning a CCR "true up" once the total savings or cost increases have been calculated; but, the methodology and time frame for this to happen is still undetermined. The State acknowledged that the fully burdened cost of CCR should be considered when developing the Governor's State Budget, but so far State General Fund allocations for CCR administrative programs have remained unchanged and insufficient. Assistance savings in prior years has allowed more Realignment revenue to fund other mandated programs with capped funding allocations. The higher costs have reduced potential General Fund savings.

- **In Home Support Services (IHSS):** 1991 Social Services Realignment has traditionally been insufficient to fund the County's share of reported expenditures and this revenue source funds the IHSS Maintenance of Effort (MOE). The State recently finalized the new IHSS MOE structure which increased costs by $1.6 million. After the redirection of 1991 Realignment Growth from the Public Health (PH) and Mental Health (MH) subaccounts and the additional State General Fund (SGF) offset, HHSA was still left to absorb an increase of about $500,000. To cover this increase, HHSA used the 10% Realignment transfer authority from the PH subaccount. With the redirection of PH and MH Growth revenues, this solution will most likely not be sustainable. Additionally, over the next couple of years the SGF offset will be phased out in addition to an annual inflation factor. Looking forward, as costs which are funded with Realignment increase at a faster rate than revenues are realized, more General Fund will be required to fund other mandated services with capped State and Federal funding sources. Staffing levels for mandated programs with capped funding have been reduced to stay within budgeted General Fund allocations.

- **Recent Labor Negotiations:** The recent Local 1 and Managers Association labor negotiations that resulted in a one-time payout to all regular employees increased expenses for Social Services by an estimated $599,000, of which $281,000 is estimated to be Net County Cost.

Social Services (Fund Type 11):
Social Services projects $173,000 in revenues and $173,000 in expenditures. Social Services accepted a grant from the California Governor's Office of Emergency Services (OES) for County Victim Services Program (VOCA), to be passed through to Court Appointed Special Advocates (CASA), a community based organization.

Community Services Division - Fund Types 11, and 12 – General Fund savings of $122,697

The Community Services Division (CSD) consists of two fund types: Fund Type 11 – Community Service programs, and Fund Type 12 - Public Housing Authority (PHA) and In-Home Supportive Services Public Authority (IHSS PA). Public Guardian (FT 10) was part of Community Services in FAMIS, and has now been assigned its own department through the FENIX conversion and is addressed in this memo separately. Total revenues for CSD are projected at $10.9 million and expenditures are projected at $10.9 million, with a General Fund contribution of $2.4 million primarily to support Area Agency on Aging (AAA) programs. This represents a projected General Fund savings of $123,000 as compared to budgeted use of General Fund.

Community Services Division (CSD) Programs (Fund Type 11):
CSD Fund Type 11 programs are projected to have a General Fund savings of $162,000. The programs include Low Income Heating and Energy Assistance Programs (LIHEAP) and the Area Agency on Aging programs, such as the Senior Center, Senior Nutrition, Senior Legal, and Senior Day Care (SDC).

- **Area Agency on Aging (AAA):** AAA programs are projecting General Fund savings of $59,000.

- **Senior Day Care**: Due to an increase in client participation, SDC is projecting General Fund savings of $45,000.

- **Workforce Innovation and Opportunity Act (WIOA)**: program is projected to have $48,000 in General Fund savings.

- **Labor Negotiations**: The recent Local 1, Managers Association, and the OE3 labor negotiations which resulted in a one-time payout to all regular employees is projected to cost CSD fund-type 11 programs $111,000, of which $84,000 will be paid with General Fund.

Public Housing Authority and In Home Supportive Services-Public Authority (Fund Type 12):

CSD Fund Type 12 programs consist of Public Housing Authority (PHA) and In-Home Supportive Services Public Authority (IHSS PA). These programs are projected to be over budget by $40,000.

- **PHA Family Self Sufficiency (FSS):** HHSA has just received word from Housing and Urban Development (HUD), that the funding for the FSS program will not continue due to a lack of client participation. The total annual funding is $60,000. The program is funded based on a calendar year, which results in a current year loss of revenue of about $30,000.

- **PHA Fund Balance Use**: PHA operations have been using Fund Balance over the past few years, and it is projected to be exhausted by the end of this fiscal year. For the program to continue, it is estimated that PHA will require future General Fund contributions.

- **Labor Negotiations**: The recent Local 1, Managers Association and OE3 labor negotiations are estimated to increase expenditures in PHA requiring an additional $10,000 in General Fund.

Public Guardian Division - Fund Type 10 – General Fund increase of $77,184

Public Guardian (PG) is projecting revenues at $258,000 and expenditures at $2.1 million, with the projected Net County Cost to be over budget $77,000.

- **Prior Year Cost Report Settlements**: PG receives interim payments from the Targeted Case Management (TCM) program through an invoicing process with the Department of Health Care Services (DHCS). After the fiscal year closes, the cost report process settles the interim revenue to the cost of doing business. The settlement is then realized two years after the close of the fiscal year for which the services were provided. This fiscal year, PG will be required to return the overpayment from FY 2015-16, resulting in a shortage of Federal revenue. Due to increased audit risk and increased cost settlements, HHSA is reviewing continued participation in the TCM program and determining the feasibility of participating in the County Medi-Cal Administrative Activities (CMAA) program. Utilizing CMAA as a funding source would potentially eliminate the cyclical revenue and settlement process and drastically reduce the audit risk to the County. The transition would reduce Federal revenue for one fiscal year, as the CMAA invoicing process is reconciled after the fiscal year end.

- **Labor Negotiations**: The recent Local 1 and Managers Association labor negotiations that resulted in a one-time payment to all regular employees is projected to add $30,000 to PG Net County Cost.

Behavioral Health Division (Dept. 41) – Fund Type 11 – No Change to General Fund

The Behavioral Health Division (BHD) consists of three primary sub-funds within Fund Type 11 consisting of Traditional, Mental Health Services Act (MHSA), and Alcohol and Drug (ADP) programs. Total projected revenues for the BHD are $26.7 million and expenses are projected at $26.7 million, with a General Fund contribution of $16,000. The Behavioral Health division is projected to operate within the General Fund budget.

- **Drug Medi-Cal Organized Delivery System (DMC-ODS)** – HHSA has received State approval for the implementation plan for the DMC-ODS waiver program. HHSA is currently working with the State to review the submitted rate structure that would be approved as part of the State contract process. HHSA has started working with community providers to determine client capacity and we are also working with internal staff to establish a Medi-Cal certified service delivery model. The impact of the implementation of the DMC-ODS services has many variables such as the volume of clients that would be eligible to participate and the capacity of community providers. At this time, an estimate of the revenue and expenditure impact is unknown.

- **Labor Negotiations**: The recent Local 1 and Managers Association labor negotiations that resulted in a one-time payment to all regular employees is projected to cost Behavioral Health $234,000. All of which will be funded with Federal, State and Realignment dollars.

Public Health Division – Fund Type 11, and 12 – General Fund savings of $22,971

The Public Health Division (PHD) consists of two fund types: Fund Type 11 – Public Health Programs, and Fund Type 12 – County Service Areas (CSA3 and CSA7) Ambulance Services. Animal Services (Fund Type 10) was a division of Public Health, but was assigned its own department number through the FENIX conversion and will be addressed separately. Total revenues for the Division are projected at $31.3 million and total expenditures are projected at $31.3 million, with a projected use of General Fund at $4 million, which is a savings of $23,000 compared to budget.

Public Health Programs (Fund Type 11):
Public Health programs have total projected revenue of $16.4 million, expenses of $16.8 million, and a General Fund savings of $23,000.

Fund 11 includes a number of Public Health Division (PHD) service programs, as well as the Emergency Medical Services (EMS) program. PHD programs are funded primarily by grants, realignment revenues and other State and Federal revenues.

- **Unpredictable Funding**: The EMS program, historically supported by County General Fund contributions, in recent years has been funded with Ground Emergency Medical Transportation (GEMT) funding. Payments being received retroactively for prior years have resulted in a fund balance. This funding is unpredictable and is subject to cost report settlement. The cost report settlement process indicates that there may be a potential payback of $300,000, with the timeline and actual amount being currently unknown. This, in combination with the slowing of GEMT revenues, indicates that beginning next fiscal year EMS will most likely require General Fund support, absent any changes to the program.

- **Labor Negotiations:** The recent Local 1 and Managers Association labor negotiations that resulted in a one-time payment to all regular employees is projected to cost to FT 11 of $171,000, with a General Fund impact projected at $15,000 for the Nursing Programs.

County Service Areas - CSA 3 and CSA 7 (Fund Type 12):
PHD Fund Type 12 includes budgets for pre-hospital medical services provided within CSA 7 for the West Slope and CSA 3 for South Lake Tahoe. This fund also includes Ambulance Billing. Revenues in this fund consist primarily of taxes, state funding, and ambulance fees. Total revenues are projected at an estimated $14.9 million, and expenditures at $14.5 million, with no General Fund support.

- **Labor Negotiations:** The recent Local 1 and Managers Association labor negotiations that resulted in a one-time payment to all regular employees is projected to cost the CSAs $4,000, with no General Fund impact.

Animal Services - Fund Type 10 – General Fund savings of $98,399

Animal Services (AS) has total projected revenues of $1.5 million and expenses of $3.6 million, resulting in a Net County Cost of $2 million. This is a projected $98,000 savings in Net County Cost (NCC).

- **Hot Topic - City of South Lake Tahoe**: The City of SLT is currently disputing the contractual charges being billed for Animal Services. Charges to the City comply with the contracted agreement, but the City is disputing the reasonableness of the costs, and has not submitted payment to the County for services this year. If the City continues to decline to pay for services, this could result in additional $500,000 in Net County Cost for AS. This is not part of the

Mid-Year projection estimates; HHSA is assuming that the dispute will be resolved prior to the end of the fiscal year.

- **Labor Negotiations**: The recent Local 1, Managers Association, and the OE3 labor negotiations that resulted in a one-time payment to all regular employees is projected to cost AS $26,000, all of which impacts the Net County Cost.

Veteran Affairs – No change to Net County Cost

The Veteran Affairs department projects to be on budget. Salary savings from vacancies are projected to be offset with spending on temporary extra help.

Library – No change to Net County Cost

Child Support Services – No Net County Cost