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

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Memo To: The Honorable Board of Supervisors

Subject: FY 2018-19 Mid-Year Budget Report and FY 2019-20 Outlook

The Chief Administrative Office has regularly provided the Board of Supervisors with a mid-year budget report in order to identify 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 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 A 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 2018-19 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 $9.8 million. This is $700,000 less than was projected at this time last year ($10.5 million), and $3.8 million less than what was incorporated into the FY 2018-19 Recommended Budget ($13.6 million).

This estimated year-end fund balance is predominantly comprised of the anticipated unspent General Fund Contingency 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, 2018, Non-departmental revenues (Department 15), or the discretionary General Fund revenues received to fund Net County Cost, are projected to be $1.9 million higher budgeted.

The projected increase in non-departmental revenues through the end of FY 2018-19 is primarily attributed to the following:

- $160,000 increase in Sales and Use Tax revenue
- $500,000 increase in Transient Occupancy Tax funds
- $600,000 increase in Interest Earnings

Year-to-date Sales and Use Tax receipts (five months received this year), show an increase over the prior year's actual receipts. With seven months left in the year, the projection for year-end remains conservative, however, with the current estimate at a 2% increase over FY 2017-18 actual receipts.

Transient Occupancy Tax revenue continues to grow year-over-year, although changes to ordinances which regulate the Vacation Home Rental industry may impact this revenue at some point in the future.

As the County's earned rate of return has rebounded over the past three years, Interest Earnings for the General Fund have in essence doubled year-over year, increasing from 1.11% in December of 2017 to 2.08% in December of 2018 (as reported by the Treasurer's office).

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, and are reported as part of the General Fund fund balance. Any fund balance related to Capital Projects will have a corresponding Capital Project appropriation, therefore would not be recommended as available for discretionary General Fund operations.

FY 2019-20 General Fund Outlook & County Priorities

Revenues and Funding Sources

As discussed above, we are currently projecting a conservative fund balance carryover estimate of $9.8 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 2019-20 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 will assume another 5% growth in property taxes for FY 2019-20. The State Board of Equalization is advising county Assessors to use 2 percent as Proposition 13's inflation factor for 2019-20. With input from the County Assessor, we believe that 5% is a reasonable 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 2019-20, as with the prior year. This estimate may change with further analysis, especially considering continued reports of lower consumer confidence levels, and may be adjusted as we approach the end of the fiscal year.

Expenditures and Priorities

As with the prior two budget years, departments have been provided with general direction to submit FY 2019-20 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 2018-19 include those negotiated salary and benefit adjustments which have been completed and implemented as well as any impacts from recommendations related to the class and compensation study.

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 2019-20 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, while also providing a competitive compensation structure consistent with the Board's compensation philosophy, and the FY 2019-20 budget recommendations will reflect these priorities.

The County continues to move forward with completion of the new Public Safety Facility. For FY 2019-20 and FY 2020-21, interest-only payments will need to be included in the budget, estimated at $1.2 million for each year. Funds were set aside in the ACO Fund in FY 2018-19 to cover these two payments, therefore there will be no immediate impact to the General Fund. 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 2021-22. Additionally, as discussed in prior years, 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.

Several new technology infrastructure systems have been implemented in the past year, or are close to full implementation. This includes the FENIX ERP system, with all modules currently running live, the new Megabyte property tax system, and the TRAKiT land use and permit processing system. Implementation of new systems, with an aggressive timeframe, meets the County's goal of transitioning its information technology infrastructure off of the aged mainframe. Over time, the implementation of these modern systems is expected to not only produce some efficiency in use of personnel and related costs, but possibly more importantly will improve customer service.

With voter approval of five cannabis-related measures in November of 2018, the County will be developing and implementing its commercial cannabis program. It is anticipated that this program include staffing increases for code enforcement and public safety efforts. 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 mentioned in previous reports, it is essential that we continue to seek strategies to contain costs and implement efficiencies, to 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 Board and County priorities into the 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 2019-20 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 2019-20 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 2019-20 proposed budget assumes increased revenues, with several new proposals for addressing the major public policy issues of housing, homelessness, In-Home Supportive Services, and emergency preparedness and response. The budget relies on an estimated $24.1 billion surplus, with a reported 86 percent of that surplus going to fund one-time spending, including paying down CalPERS debt and setting aside funds in reserves.

The Governor's budget proposes to aggressively address regional housing goals, and provides funding for counties and cities for planning as well as incentives for local agencies that meet related goals. The Governor has also proposed withholding transportation funding from local agencies in areas where housing production has not met planning targets; however, it is not clear whether this facet of the proposal will be implemented or not.

The budget proposal provides increased funding for homelessness, primarily for siting emergency shelters, navigation centers, and supportive housing. The Governor also proposes to expand the ability to lease unused state property for emergency shelters and to expedite other funding to build permanent supportive housing for those living with severe mental illness.

Regarding In-Home Supportive Services (IHSS) and the cost shift that counties have anticipated for two years, the Governor is proposing changes to the MOE that would increase state funding for IHSS, reducing county funding requirements for IHSS. Should this proposal remain in the State budget, it will provide some financial relief for counties.

For emergency preparedness and response, the Governor proposes to fund improvements to the 9-1-1 system, earthquake early warning, mutual aid, public safety radios, and, importantly for El Dorado County, fuels reduction, prescribed burns, and other wildfire prevention programs. Also included is a proposed property tax backfill and other measures to assist those counties already impacted by the effects of wildfires.

As we move through the budget development process, staff will be watching closely for relevant developments that would affect the County's FY 2019-20 Recommended Budget.

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 due to the County deferring action in prior years. However, those pressures having to do with infrastructure have been well managed by the Board in the prior three years, allowing attention to now be directed toward maintaining existing infrastructure and planning for future improvements. Additionally, decisions will need to be made regarding the appropriate uses of existing County facilities, as services and program levels evolve. This will require an outlook based on proactive future planning. Consideration of a countywide capital improvement plan will help manage these needs into the future.

The County has made progress toward addressing compensation levels in county employment over the past two years, by adopting a County-wide compensation philosophy and working with its employee groups to reach agreement on appropriate steps to fulfill that philosophy. To that end, the goal of bringing all classifications to the median point of comparator agency compensation levels will create additional budget pressures in future years. It can be expected that in order to reach this goal, and at the same time maintain the County's obligations toward employee retirement benefits (CalPERS), some programs that currently operate with minimal County funding will begin to draw from the General Fund in order to maintain existing service levels.

Related to this, separate attention is being paid to large County programs that have traditionally been funded heavily by state and federal funding sources - - specifically the Health and Human Services Agency programs, Behavior Health and Social Services, and the Department of Transportation / Road Fund. Current projections show these programs reaching a point where state and federal funds will not sustain current operating levels, and additional General Fund dollars may need to be dedicated to the programs to maintain current service levels. This concern will be evaluated further during the budget development process, and any recommended short- and/or long-term solutions will be brought to the Board for consideration.

On-going solutions to funding challenges will 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 future fiscal challenges.

Respectfully Submitted,

DON ASHTON
CHIEF ADMINISTRATIVE OFFICER

Shawne M. Corley
Assistant Chief Administrative Officer

Exhibits: A: General Fund Mid-Year Projection Worksheet
B: FY 2018-19 Summary of Department Mid-Year Projections

Exhibit A to Staff Report - General Fund Mid-Year Projection as of 2/20/19			
	N E T		
Department	Budgeted Net County Cost	Projected Net County Cost	Savings from Net County Cost
Board of Supervisors	1,521,413	1,521,413	0
Chief Administrative Office/Econ. Dev.	3,494,614	3,494,614	0
Auditor-Controller	3,417,908	3,255,014	162,894
Treasurer-Tax Collector	915,384	995,384	-80,000
Assessor	3,602,208	3,202,208	400,000
CAO Fiscal	6,980,522	6,980,522	0
County Counsel	2,930,940	2,930,940	0
Human Resources	2,041,553	1,841,553	200,000
Risk Management	0	0	0
Information Technologies	10,455,834	10,255,834	200,000
Non-Departmental G.F. (incl conting)	-127,263,908	-134,278,604	7,014,696
Recorder-Clerk	-20,792	-51,663	30,871
Elections	928,144	928,144	0
Superior Court MOE	1,472,928	1,322,928	-150,000
Grand Jury	83,086	65,000	18,086
District Attorney	7,353,713	7,353,713	0
Public Defender	3,347,471	3,147,471	200,000
Sheriff	54,394,481	52,194,481	2,200,000
Probation	12,491,617	12,276,771	214,846
Surveyor	1,438,552	1,438,552	0
Ag Commissioner	557,869	557,869	0
Fish and Game			
CDA - Admin	559,957	559,957	0
Transportation	249,589	249,589	0
Planning and Building	2,998,459	4,298,459	-1,300,000
Environmental Management	0	0	0
Child Support Services	0	0	0
Veterans Affairs	512,672	490,586	22,086
Library	1,619,467	1,619,467	0
HHSA Agency Admin	-417,164	-295,651	-121,513
HHSA Social Services	2,527,696	2,527,696	0
HHSA Community Services	2,670,276	2,393,983	276,293
HHSA Behavioral Health	16,510	16,510	0
HHSA Public Health	4,556,842	4,224,090	332,752
HHSA Animal Services	2,123,039	1,957,885	165,154
HHSA Public Guardian	1,686,664	1,670,438	16,226
GENERAL FUND TOTAL	**9,247,544**	**-854,847**	**9,802,391**
Departmental	136,511,452	133,423,757	2,787,695
Non-Departmental	(127,263,908)	(134,278,604)	7,014,696

Exhibit B to Staff Report

FY 2018-19 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 – No change to Net County Cost

The Chief Administrative Office is not projecting material changes from the Central Services division's budget. The current projection includes the division absorbing unanticipated large retirement payouts in the amount of $51,000. Central Services will monitor this to ensure this projection is accurate.

The Chief Administrative Office Administration division is not projecting any change to net county cost at year end. Due to current re-organizations affecting the office, it is anticipated that any cost savings will be used to offset anticipated staffing changes.

Auditor-Controller – Net County Cost savings of $163,000

The Auditor-Controller is projecting expenditure savings of approximately $52,000 and a revenue surplus of $111,000, resulting in a Net County Cost savings of $163,000. The revenue surplus is due mainly to transfers in from the Accumulative Capital Outlay fund to cover Salaries and Benefits for staff time on the implementation of the new Enterprise Resource Program and Property Tax Administration Program exceeding budget. Savings are mainly in Salary and Benefits, related to delays in filling position allocations transferred to the department from Human Resources. In addition, intrafund abatements for audit services rendered to the Health and Human Services Agency will exceed budget.

Treasurer-Tax Collector – Net County Cost increase of $80,000

The Treasurer Tax Collector is expecting revenues to meet budget, but expenditures to exceed budget by $80,000. At the end of FY 2017-18, two position allocations were transferred from the department to the Information Technologies Department as part of the centralization effort. The department has required the services of the centralized IT Department on projects including the new property tax administration system, the business license system, data gathering for the vacation home rental program, and the transition of other functions off the mainframe. This overage in general fund expenditures in this department will be offset by a reduction in general fund expense in the IT Department.

Assessor – Net County Cost savings of $400,000

The department will likely experience savings in Salaries and Benefits of approximately $300,000 due to vacancies in the first half of the fiscal year. Revenues are expected to exceed budget by $100,000, due to increased revenue from applications for property tax relief provided through Proposition 90.

<u>County Counsel</u> – No change to Net County Cost

Revenues overall are projected to fall short by approximately $95,000 at year end. Inter-fund revenues are projected to fall short by approximately $60,000 at year end due to less attorney time billed to other departments than anticipated. An additional $35,000 shortfall is predicted in Legal Services due to Public Guardian due to the courts paying for work based on hours worked rather than "advance fees" for new cases. County Counsel also anticipates billing approximately $10,000 more than anticipated for Charges for Services to an outside entity in Fiscal Year 18-19. Due to staff turnover, 41% of budgeted salary and benefits have been expended, which will result in salary savings at year end.

<u>Information Technologies</u> – Net County Cost savings of $200,000

Information Technologies is projecting to have savings of approximately $200,000 for the year. This can be attributed to salary savings from vacancies and position underfills.

<u>Recorder Clerk</u> – Incremental Net County Cost savings of $30,871

Incremental Net County Cost savings of $30,871 resulting from department vacancies partially offset by costs related to additional monitors required to implement paperless features and increase productivity as a result of the new Recorder-Clerk management system. Recording fees are trending down, however this is offset by SB 2 administrative fees.

<u>Elections</u> – No change in Net County Cost

Elections budgeted approximately $848,000 to help pay for the County match of a State-approved voting system in FY 2018-19. Since it is still undetermined when the new system will be purchased and implemented, it is likely that most or all of this appropriation and corresponding revenue will be transferred to the next fiscal year.

<u>Human Resources-Risk Management</u> – Net County Cost savings of $200,000

The Human Resources department is projecting Net County Cost savings of approximately $200,000. Salary and Benefit savings of approximately $91,000 are expected due to ongoing vacancies in the departments. Services and Supplies costs are also under budget due to the purchase of GovInvest software that will be amortized over a five-year period ($109,000).

<u>Law & Justice</u>

<u>Grand Jury</u> – Net County Cost savings of $18,000

It is anticipated that expenditures in the Grand Jury budget will equal approximately $18,000, due to mileage and juror per diem costs coming in lower than budgeted. There are no revenues attributable to this budget unit.

Superior Court MOE – Net County Cost increase of $150,000

Expenditures are expected to exceed budget by $150,000, due to costs for transcription services related to a multiple defendant serious felony case that is being defended by the County's conflict panel.

District Attorney – No anticipated change to Net County Cost

Public Defender – Net County Cost savings of $200,000

The Public Defender anticipates revenues from the public safety sales tax to exceed budget by approximately $30,000. Savings in Salaries and Benefits due to turnover is estimated at $170,000.

Sheriff – Net County Cost savings of $2,200,000

The Sheriff expects revenues to fall short of budget by approximately $8,000,000, mainly in state and federal revenue. Revenues related to the expansion of the Placerville Jail were budgeted at $7,500,000, but the very little of this revenue will be realized this fiscal year. This shortfall is entirely offset by a reduction in expenditures. Federal revenues from the Department of Homeland Security will also be lower than budgeted due to under-expenditures. These grants are on a reimbursement basis, and when the County or outside agencies do not complete anticipated purchases, the revenues are not received. The grants can be rolled over to subsequent fiscal years.

The Sheriff expects approximately $10,200,000 in expenditure savings. As noted above, much of this anticipated savings is related to the Jail expansion project. The remainder of anticipated savings is in Services and Supplies, Fixed Assets, and Salaries and Benefits. Based on departmental vacancies at mid-year and historical spending trends, the Chief Administrative Office believes this savings estimate is conservative; however, for purposes of projecting carryover fund balance available for appropriation in FY 2019-20, we generally favor such an approach this early in the process.

Probation – Net County Cost savings of $215,000

The Probation department is projecting expenditure savings of $274,000 and a revenue shortfall of $59,000, resulting in a Net County Cost savings of $215,000.

The shortfall in revenue is the net result of increases in some sources and reductions in others, and a small portion of the reduction is offset by reductions in expenditures.

The Department anticipates savings in Salary and Benefits of $345,000. This number is based on the assumption that the Department will fill 16.5 positions that were vacant at mid-year. Additional savings may be realized if these positions are not filled as anticipated.

The Department is projecting expenditures in Services and Supplies to exceed budget by approximately $80,000, primarily comprised of increased cost for software licensing fees and staff development related to the implementation of evidence-based practices, Arbinger training methods, and Integrated Behavioral Intervention Strategies.

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

Revenue for the Surveyor's Office is projected at $63,000 below budget. This will be offset by savings in salary and benefits of approximately $63,000 due to vacancies in the department, and the budget overall will maintain the budgeted net county cost.

Agriculture – No change to Net County Cost

Community Development Services Administration and Finance – No Change to Net County Cost

It is projected that the CDS Administration Org will be within budget for FY 2018-19. There are no changes to the Special Aviation or Special District budgets. The only significant change is the 3530300 Cemetery Org is projected to come in $30,000 less than budgeted, due to a delay in the Ground Penetrating Radar project. An increase in salaries in Airports is expected, primarily due to extra help hire (approximately $6,000).

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.

It is projected that Capital Improvement and Environmental Improvement projects, as well as Road District Tax will end the year within budget with no impact to the general fund.

Fund Type 32 (Internal Service Fund) - Fleet Operations – It is projected that there will be no significant changes to this budget and no change to net County cost.

Planning and Building - Net County Cost increase of $1.3 million.

Development Services – Fund Type 10 (General Fund) – Increase in Net County Cost of $1.3 million.

It is projected that, overall, Building and Planning Orgs will be over budget for FY 2018-19. It is projected that revenues will decrease by a conservative estimate of $1.7M from budgeted amounts and that expenditures will decrease by $390,000, for an overall increase in net County cost of $1.3M. The increase in net county cost is primarily due to a three-month lag in collection of permit revenues due to TRAKiT software implementation. Staff is double-checking permit cost totals and valuation to decrease error on all permit deposits, thus the deposits are being collected at issuance instead intake. Staff is looking into processes to recover these fees prior to year-end, which could lessen the total decrease in revenues by the end of the fiscal year. The full shortfall in revenues for FY 2018-19 is expected to be recovered in FY 2019-20.

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

Environmental Management – No change to Net County Cost.

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

It is projected that, overall, Environmental Management Orgs in this fund type will be within budget for FY 2018-19. The net County cost for the Environmental Management – General Fund budget units remains at zero.

Fund Type 13 – (Special Revenue Fund – Special Districts, Snow Removal, Vector Control) – No Changes

It is projected that, overall, Environmental Management Orgs in this fund type will be within budget for FY 2018-19.

Health and Human Services

Health and Human Services Agency (HHSA)

HHSA is projecting to have $691K in General Fund/Net County Cost savings. A summary by division is provided below:

Division	FY 18/19 GF-NCC Budget	FY 18/19 GF-NCC Projection	Under/(Over) Budget
HHSA Administration	(417,164)	(295,651)	(121,513)
Social Services	2,527,696	2,527,696	-
Community Services	2,670,276	2,393,983	276,293
Public Guardian	1,686,664	1,670,438	16,226
Behavioral Health	16,510	16,510	-
Public Health	4,556,842	4,224,090	332,752
Animal Services	2,123,039	1,957,885	165,154
Veteran Affairs	512,672	490,586	22,086
Totals	**$ 13,676,535**	**$ 12,985,537**	**$ 690,998**

HHSA Administration – Fund Type 10

Based on mid-year projections, the HHSA Administrative Division is projected to have total revenues of $4.1M and expenditures of $3.8M resulting in a projected return to Net County Cost of $296K. This is less than the budget amount of collections in the amount of $122K which could result in an increased use of general fund. An increase in net county cost is due to the large number of vacancies in the programmatic divisions which impacts the revenue earned in the Administration Division. The HHSA Admin Indirect Cost Rate Proposal (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 is projected to be recovered in future years ICR calculations.

Social Services Division – Fund Types 10 and 11

The Social Services Division (SSD) projects revenues of $57.7M and expenditures of $60.2M, with an estimated Net County Cost of $2.5M. This is a projected increase to costs of $252K with an offsetting increase to revenues. The increase to costs is largely due to the recent Local 1 labor negotiations which provided significant wage increases to a large percent of Social Services staff. The cost increase related to Local 1 negotiations is approximately $800,000 for the first half of the year, however this is offset by cost savings and revenue increases in other areas, including unemployment insurance, which was overbudgeted in FY 2018-19. Overall the Social Services division is projecting no change to Net County Cost for the year, however this is a concern for FY 2019-20, which will reflect an entire year of wage increases with capped revenue allocations and insufficient reserves of 1991 and 2011 Realignment.

Community Services Division - Fund Types 11, and 13

Total revenues for Community Services Division (CSD) are projected at $11.1M and expenditures are projected at $11.1M, with a General Fund contribution of $2.4M. This represents a projected General Fund savings of $276K as compared to the budgeted General Fund use.

Community Services Division (CSD) Programs (Fund 11):

CSD Fund 11 programs are projected to have a General Fund savings of $345K. This savings is attributed to the following:

- **Area Agency on Aging (AAA):** Due to staff vacancies, AAA programs are projecting a General Fund savings of $221K.

- **Adult Day Care**: Due to staff vacancies and a slight increase in projected revenue, SDC is projecting General Fund savings of $113K. However, some of the savings is offset by increasing appropriations for the Client Management software contract and increasing revenues in client fees is included with this mid-year update.

<u>Public Housing Authority (PHA) and In Home Supportive Services-Public Authority (IHSS PA) – (Fund 13):</u>
These programs are projected to use $177K in General Fund contributions which is over the General Fund budget by approximately $69K. HHSA will be submitting a budget transfer to redistribute General Fund savings from other CSD programs to PHA.

- **PHA Family Self Sufficiency (FSS):** The funding for the FSS program is projected to be insufficient to cover costs of the program during this fiscal year due to HHSA not receiving approval for the full calendar year of funding for 2018. HHSA has been working closely with Federal Housing and Urban Development Department (HUD) and it is anticipating approval of the calendar year 2019 funding which causes a six month gap for FY 2018-19.
- **PHA Fund Balance Use**: PHA had been using the programs Admin Fund Balance over the past few years to support the program. The fund balance was exhausted in FY 2017-18. For the program to continue at current service levels, it is estimated that PHA will require ongoing County General Fund contributions as the current level of federal administrative support is insufficient to completely fund program operations.

<u>Public Guardian Program - Fund Type 10:</u>
Public Guardian (PG) is projecting revenues at approximately $337K and expenditures at $2.0M, with the projected Net County Cost to be $1.67M which is $16K under budget.

- **Targeted Case Management (TCM) and Medi-Cal Administrative Activities (MAA):** PG recently discontinued participation in the TCM program and began participating in the MAA program. Due to the transition, the annual DHCS revenues are expected to decrease overall, but the risk of returning General Fund to DHCS in future years due to changing requirements and audits will also decrease. PG is a Fund 10 program which does not maintain a fund balance to support program activities, therefore the past return of TCM funds due to cost report settlements and audits has been especially challenging. In prior years, HHSA established an audit reserve to mitigate impact of prior year audit settlements. In the future, the MAA program should provide a more stable cash flow.

<u>Behavioral Health Division (Dept. 41) – Fund Type 11</u>
The Behavioral Health Division (BHD) consists of three primary sub-funds within Fund 11 consisting of Traditional, Mental Health Services Act (MHSA), and Substance Use Disorder (SUD) programs. Total projected revenues for the BHD are $28.4M and expenses are projected at $28.4M, with a General Fund contribution of $16K. The Behavioral Health division is projected to operate within current budget appropriations with no impact to the General Fund.

- **Drug Medi-Cal Organized Delivery System Waiver (DMC-ODS):** HHSA has been communicating with Department of Health Care Services (DHCS) planning for the implementation of the DMC-ODS waiver program with an estimated start date as early as April 1, 2019. HHSA is currently working with the DHCS to review the service readiness plan as part of the State contract process. HHSA has started working with community providers to develop a service infrastructure to meet the program expectations. The BHD management team has applied and is awaiting state approval for 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 number of clients that would become eligible to participate and the capacity of community providers. At this time, an estimate of the revenue and expenditure impact is unknown.

Public Health Division – Fund Type 11

Total revenues for the Division are projected at $35.8M and total expenditures are projected at $35.8M, with a projected use of General Fund of $4.2M which is a savings of $333K compared to the budget.

Public Health Programs (Fund 11):

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. The majority of the savings are attributed to the following:

- **Ground Emergency Medical Transport (GEMT)**: The EMS program, historically supported by County General Fund contributions, in recent years has been funded with (GEMT) funding. Due to receiving unanticipated GEMT reimbursements in FY 2017-18, GEMT fund balance is expected to support EMS through the end of the current fiscal year, creating a general fund savings of $161K compared to budget.
- **County Medical Services Program County Participation Fee** – The CMSP Board voted to rescind the FY 2018-19 county participation fees. El Dorado County's share is $233K resulting in County General Fund savings.

Animal Services - Fund Type 10:

Animal Services (AS) has total projected revenues of $1.6M and expenses of $3.6M, resulting in a Net County Cost of $2M. This is a projected Net County Cost savings of approximately $165K. The projected savings is directly related to staff vacancies.

Veteran Affairs - Fund Type 10:

Veterans Affairs is projecting revenues at $146K and expenditures at $637K, with the projected Net County Cost to be $491K which is a decrease of $22K compared to budget. Savings are primarily attributed to staff vacancies.

Library – No change to Net County Cost

Child Support Services – No Net County Cost