

# Request for FY 2015-16 Budget Direction

February 24, 2015

## Current picture

- ▶ Current spending model results in a structural deficit of approximately \$19M
- ▶ Board directed the Chief Administrative Officer to return with a structurally balanced budget for FY 2015-16
- ▶ A structurally balanced budget balances operating expenses with operating revenues and does not rely on carry-forward fund balance for on-going expenses

## Department Feedback

- › Departments have requested bottom line Net County Cost targets which allows them the discretion to balance their budgets with the goal of the least impact to services
- › The Chief Administrative Office developed 5 different scenarios resulting in variable Net County Cost departments

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## Assumptions in all Scenarios

- › Use of FY 2014–15 fund balance in FY 2015–16 only includes the prior year carry forward contingency amount of \$3.8M
- › General Fund discretionary revenues are defined as those countywide revenues (primarily property and sales tax) available to fund any services that the Board chooses to fund; commonly referred to as the Net County Cost of departments

## Scenario A

### ▶ Assumptions

- All costs for General Fund vacant positions as of January were deleted out of the projection
- Operating costs and revenues were scaled back to FY 2013-14 actuals

### ▶ Results

- A \$7.4M deficit - Does not meet the Board goal for a structurally balanced budget
- Inequity to departments that have vacancies at a point in time
- Does not meet the department requested goal of a target number with the latitude to balance department budgets at department head's discretion

## Scenario B

### ▶ Assumptions

- Net County Cost targets were arrived at by taking a 5 year average of the total % of Discretionary revenue that departments used to fund operations
- Discretionary revenue projection equals the FY 2014-15 projected revenue with no growth

### ▶ Results

- Structurally balanced budget
- Cuts to departments were not equitable due to fluctuations in NCC over the last 5 years created by reorganizations and changes in department service delivery levels

## Scenario C

### ▸ Assumptions

- Net County Cost targets were arrived at by taking an across the Board 10% cut from departments FY 2014–15 projected NCC
- Discretionary revenue projection equals the FY 2014–15 projected revenue with no growth

### ▸ Results

- Slight deficit of \$86,397 – essentially meets the Board goal of a structurally balanced budget
- Meets the department requested goal of NCC target with department head discretion to balance
- Will have significant service impacts on departments

## Scenario D

### ▸ Assumptions

- Net County Cost targets were arrived at by taking an across the Board 6.25% cut from departments FY 2014–15 projected NCC
- Discretionary revenue projection equals the FY 2014–15 projected revenue with 4% growth

### ▸ Results

- Slight deficit of \$97,835 – essentially meets the Board goal of a structurally balanced budget
- Meets the department requested goal of NCC target with department head discretion to balance
- Will have the least amount of service impacts on departments



## Scenario E

- ▶ Assumptions
  - Net County Cost targets were arrived at by taking an across the Board 13.5% cut from departments FY 2014–15 projected NCC
  - Discretionary revenue projection equals the FY 2014–15 projected revenue with 4% growth
  - \$7M annual funding included for debt service and unfunded liabilities
- ▶ Results
  - Slight deficit of \$350,608 – essentially meets the Board goal of a structurally balanced budget
  - Meets the department requested goal of NCC target with department head discretion to balance
  - Will have the most service impacts on departments and may result in reductions in force

## Use of Fund Balance

- ▶ FY 2014–15 Mid–Year projection estimates a year–end fund balance of \$11M
- ▶ \$3.8M has been included as revenue in FY 2015–16 to help fund contingency
- ▶ Remaining balance of \$7.1M is currently not programmed
  
- ▶ Recommendation would be to fund:
  - Currently unfunded commitments for public infrastructure (ie. Courthouse costs \$4M, Public Safety Facility \$3M, vacation and sick leave payouts of a projected \$4.3M in the coming years)

| Unbudgeted GF Liabilities             | Estimated Cost     |
|---------------------------------------|--------------------|
| Water                                 | \$2,000,000        |
| Fire                                  | \$800,000 annually |
| General Plan Implementation           | TBD                |
| Roads                                 | TBD                |
| Parks                                 | TBD                |
| Property Tax System                   | \$2,000,000        |
| Public Safety Facility                | \$50,000,000       |
| A/B Renovation & Deferred Maint.      | \$15,000,000       |
| Courthouse Road Improvements          | \$4,000,000        |
| Camino Interchange                    | TBD                |
| Juvenile Hall                         | \$10,000,000       |
| Employee payment of accruals          | \$4,300,000        |
| Retiree Health                        | Variable           |
| Classification and Compensation Study | \$200,000          |

## 5 Year Forecasts

- Included with scenarios C–E were 5 year forecasts for each
- Each forecast projects surplus revenues in FY 2016–17 and beyond that could be used to fund unbudgeted liabilities
- Each forecast only includes the carry forward contingency in fund balance resulting in a structurally balanced budget
- Only Scenario E includes any ongoing funding for debt service and unfunded liabilities (\$7M annually)

## Next Steps

- ▶ The Chief Administrative Office would like conceptual agreement from the Board of the Recommended Budget Calendar
- ▶ The Chief Administrative Office is requesting policy direction from the Board so that Net County Cost targets can be provided to departments immediately
- ▶ The Chief Administrative Office is recommending that the Board set a special meeting at the end of March or first week in April to allow department heads to communicate on service impacts related to NCC targets

## Scenario F

### ▶ Assumptions

- Net County Cost targets were arrived at by taking an across the Board 3.5% cut from departments FY 2014-15 projected NCC
- Discretionary revenue projection equals the FY 2014-15 projected revenue with 4% growth
- Contingency underfunded at \$4M which is 2% of total appropriations vs. 3% best practice

### ▶ Results

- Slight deficit of \$339,632 - essentially meets the Board goal of a structurally balanced budget
- Meets the department requested goal of NCC target with department head discretion to balance
- Will have the least amount of service impacts on departments



| Scenario F - Across the Board 3.5% cut off 14-15 Projected NCC w/ 4% increased revenues |                     |                        |                       |                               |                            |
|---|---------------------|------------------------|-----------------------|-------------------------------|----------------------------|
| Department  | FY 13-14 Actual NCC | FY 14-15 Projected NCC | Proposed FY 15-16 NCC | Variance from 14/15 Projected | Variance from 13/14 Actual |
| Board of Supervisors  | 1,356,495           | 1,409,395              | 1,360,066             | (49,329)                      | 3,571                      |
| Chief Administrative Office   | 6,067,230           | 7,352,168              | 7,094,842             | (257,326)                     | 1,027,612                  |
| Auditor-Controller  | 2,127,085           | 2,656,894              | 2,563,903             | (92,991)                      | 436,818                    |
| Treasurer-Tax Collector   | 617,494             | 1,125,658              | 1,086,260             | (39,398)                      | 468,766                    |
| Assessor  | 2,597,698           | 3,113,056              | 3,004,099             | (108,957)                     | 406,401                    |
| County Counsel  | 2,404,756           | 2,809,269              | 2,710,945             | (98,324)                      | 306,189                    |
| Human Resources   | 1,336,620           | 1,913,041              | 1,846,085             | (66,956)                      | 509,465                    |
| Information Technologies  | 6,750,373           | 7,323,104              | 7,066,795             | (256,309)                     | 316,422                    |
| Economic Dev / Parks & Trails *   | 1,508,451           | 2,573,177              | 1,654,701             | (918,476)                     | 146,250                    |
| Surveyor  | 1,352,103           | 1,567,568              | 1,512,703             | (54,865)                      | 160,600                    |
| Grand Jury  | 50,950              | 80,147                 | 77,342                | (2,805)                       | 26,392                     |
| Superior Court MOE  | 1,486,378           | 1,265,067              | 1,220,790             | (44,277)                      | (265,588)                  |
| District Attorney   | 5,554,171           | 5,647,031              | 5,449,385             | (197,646)                     | (104,786)                  |
| Public Defender   | 2,689,434           | 3,443,079              | 3,322,571             | (120,508)                     | 633,137                    |
| Sheriff   | 36,646,207          | 43,485,600             | 41,963,604            | (1,521,996)                   | 5,317,397                  |
| Probation   | 8,200,224           | 10,607,075             | 10,235,827            | (371,248)                     | 2,035,603                  |
| Ag Commissioner   | 373,596             | 487,612                | 470,546               | (17,066)                      | 96,950                     |
| Recorder-Clerk/Registrar of Voters  | 635,346             | 863,510                | 833,287               | (30,223)                      | 197,941                    |
| Transportation  | 697,032             | 558,114                | 538,580               | (19,534)                      | (158,452)                  |
| Development Services  | 1,685,010           | 3,562,704              | 3,438,009             | (124,695)                     | 1,752,999                  |
| Public Health (Animal Services)   | 905,706             | 1,291,252              | 1,246,058             | (45,194)                      | 340,352                    |
| Environmental Management  | 0                   | 0                      | 0                     | 0                             | 0                          |
| Veterans Services   | 334,312             | 449,983                | 434,234               | (15,749)                      | 99,922                     |
| Human Services  | 2,014,660           | 1,714,557              | 1,654,548             | (60,009)                      | (360,112)                  |
| Library   | 1,515,581           | 1,732,117              | 1,671,493             | (60,624)                      | 155,912                    |

Sub-total 102,456,672 NCC

\* Set at 51% TOT + Parks NCC of \$251,890 (13.5% cut)

Total Available 102,034,603 (\$121,257,648 - \$19,223,045 GF Contributions)

Variance (422,069) Shortfall

|                          |           |
|--------------------------|-----------|
| Health                   | 3,973,086 |
| RCD's                    | 147,638   |
| Misc.                    | 139,055   |
| CSS A87 Offset           | (290,979) |
| Community Services       | 2,032,614 |
| Airports                 | 253,961   |
| LAFCO                    | 120,454   |
| HCED                     | 62,741    |
| UCCE                     | 260,000   |
| TRPA                     | 40,000    |
| EDWPA                    | 300,000   |
| Mental Health SLPR match | 16,510    |
| Health SLPR match        | 704,192   |
| Contingency              | 4,000,000 |
| Increase to Reserve      | 20,941    |
| Miwok (pass thru)        | 2,600,000 |
| VLF - MH (pass thru)     | 66,131    |
| VLF - Health (pass thru) | 3,743,505 |
| VLF - SS (pass thru)     | 1,033,196 |

13.5% Cut to GF Discretionary Contributions 82,437

Revised Variance (339,632) Shortfall

**Scenario G - Across the Board 4.5% cut off 14-15 Projected NCC w/ 4% increased revenues**

| Department                         | FY 13-14 Actual NCC | FY 14-15 Projected NCC | Proposed FY 15-16 NCC | Variance from 14/15 Projected | Variance from 13/14 Actual |
|------------------------------------|---------------------|------------------------|-----------------------|-------------------------------|----------------------------|
| Board of Supervisors               | 1,356,495           | 1,409,395              | 1,345,972             | (63,423)                      | (10,523)                   |
| Chief Administrative Office        | 6,067,230           | 7,352,168              | 7,021,320             | (330,848)                     | 954,090                    |
| Auditor-Controller                 | 2,127,085           | 2,656,894              | 2,537,334             | (119,560)                     | 410,249                    |
| Treasurer-Tax Collector            | 617,494             | 1,125,658              | 1,075,003             | (50,655)                      | 457,509                    |
| Assessor                           | 2,597,698           | 3,113,056              | 2,972,968             | (140,088)                     | 375,270                    |
| County Counsel                     | 2,404,756           | 2,809,269              | 2,682,852             | (126,417)                     | 278,096                    |
| Human Resources                    | 1,336,620           | 1,913,041              | 1,826,954             | (86,087)                      | 490,334                    |
| Information Technologies           | 6,750,373           | 7,323,104              | 6,993,564             | (329,540)                     | 243,191                    |
| Economic Dev / Parks & Trails *    | 1,508,451           | 2,573,177              | 1,654,701             | (918,476)                     | 146,250                    |
| Surveyor                           | 1,352,103           | 1,567,568              | 1,497,027             | (70,541)                      | 144,924                    |
| Grand Jury                         | 50,950              | 80,147                 | 76,540                | (3,607)                       | 25,590                     |
| Superior Court MOE                 | 1,486,378           | 1,265,067              | 1,208,139             | (56,928)                      | (278,239)                  |
| District Attorney                  | 5,554,171           | 5,647,031              | 5,392,915             | (254,116)                     | (161,256)                  |
| Public Defender                    | 2,689,434           | 3,443,079              | 3,288,140             | (154,939)                     | 598,706                    |
| Sheriff                            | 36,646,207          | 43,485,600             | 41,528,748            | (1,956,852)                   | 4,882,541                  |
| Probation                          | 8,200,224           | 10,607,075             | 10,129,757            | (477,318)                     | 1,929,533                  |
| Ag Commissioner                    | 373,596             | 487,612                | 465,669               | (21,943)                      | 92,073                     |
| Recorder-Clerk/Registrar of Voters | 635,346             | 863,510                | 824,652               | (38,858)                      | 189,306                    |
| Transportation                     | 697,032             | 558,114                | 532,999               | (25,115)                      | (164,033)                  |
| Development Services               | 1,685,010           | 3,562,704              | 3,402,382             | (160,322)                     | 1,717,372                  |
| Public Health (Animal Services)    | 905,706             | 1,291,252              | 1,233,146             | (58,106)                      | 327,440                    |
| Environmental Management           | 0                   | 0                      | 0                     | 0                             | 0                          |
| Veterans Services                  | 334,312             | 449,983                | 429,734               | (20,249)                      | 95,422                     |
| Human Services                     | 2,014,660           | 1,714,557              | 1,637,402             | (77,155)                      | (377,258)                  |
| Library                            | 1,515,581           | 1,732,117              | 1,654,172             | (77,945)                      | 138,591                    |

Sub-total 101,412,092 NCC

\* Set at 51% TOT + Parks NCC of \$251,890 (13.5% cut)

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