



COUNTY OF HUMBOLDT

AGENDA ITEM NO.
M-1

For the meeting of: May 5, 2015

Date: April 20, 2015
To: Board of Supervisors
From: Phillip Smith-Hanes, County Administrative Officer *PSH*
Subject: Third Quarter Budget Review for Fiscal Year 2014-15, Updated Outlook for Fiscal Year 2015-16, and Recommendations for Budget Adjustments (4/5 Vote Required)

RECOMMENDATION(S):

That the Board of Supervisors:

1. Receives and files a review of the third quarter budget results for fiscal year (FY) 2014-15 and outlook for the FY 2015-16 budget;
2. Directs staff as follows regarding the policy considerations listed beginning on page 8 of this report:
 - a. Approves Additional General Fund Appropriation Requests (additional funding requests) in the FY 2015-16 budget that are one-time funding requests and/or prevent the discontinuation of public safety services;
 - b. Approves setting Contingencies and the General Reserve below policy levels;
 - c. Approves allocating the \$430,851 County Medical Services Program participation fee to the Deferred Maintenance trust should the CMSP Governing Board waive the fee in FY 2015-16;

Prepared by Amy S. Nilsen CAO Approval *Cheryl D. Myrberg*
 REVIEW: Auditor *AL* County Counsel _____ Human Resources _____ Other _____

TYPE OF ITEM:
 Consent
 Departmental
 Public Hearing
 Other _____

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT
 Upon motion of Supervisor *Bass*
 Seconded by Supervisor *Lovelace*
 And unanimously carried by those members present,
 The Board hereby adopts the recommended action
 contained in this report.

PREVIOUS ACTION/REFERRAL:
 Board Order No. _____
 Meeting of: _____

Dated: *May 5, 2015*
 Kathy Hayes, Clerk of the Board
 By: *Ann Huntwell*

- d. Approves a loan from the Motor Pool Fund in the amount of \$500,000 to the Aviation Enterprise Fund and directs staff from Public Works and the County Administrative Office to effectuate this loan;
 - e. Approves a loan from the General Fund in the amount of \$50,000 for the McKay Community Forest; and
 - f. Discontinues the voluntary unpaid furloughs for all departments in FY 2015-16;
3. Approves the budget adjustments shown on Attachment 2, and authorizes County Administrative Office (CAO) staff to make any technical corrections necessary to effectuate the Board's direction (4/5 vote required);
 4. Increases the position allocation of Mental Health Clinician I/II (position number 4240909B-46) from a 0.80 full-time equivalent (FTE) to a 1.0 FTE in budget unit 424; and
 5. Takes other action as appropriate.

SOURCE OF FUNDING: All County Funds

DISCUSSION:

The CAO provides quarterly budget reviews to your Board. The purpose of these budget reports is to provide information to, and seek guidance from, the Board as the county's budget evolves throughout the year. The CAO has provided your Board with first quarter and mid-year reviews of the county's budget performance. Before your Board today is the third quarter budget review for FY 2014-15 and projection for FY 2015-16.

This report has been divided into three sections: review of the County financial condition as of March 31, 2015; a brief overview of factors which may impact FY 2015-16; and a list of policy items staff recommends that your Board consider in light of the County's current or projected financial condition.

Section 1: Review of Third Quarter for Fiscal Year 2014-15

This review covers the General Fund and funds with negative balances. Other funds not mentioned have had no significant changes since the report to your Board at mid-year and appear to be on track, as of March 31, 2015, to end this fiscal year substantially as budgeted.

1100 – General Fund

The General Fund contains the majority of county programs. This fund receives discretionary money derived from local revenue sources such as property tax and available to be spent on local needs. The mid-year budget review presented to the Board on February 10, 2015, reported that expenditures and revenues were primarily on track for FY 2014-15. Reports from departments for the third quarter indicate that this trend has continued.

The General Fund began FY 2014-15 with a positive fund balance of \$6.8 million. The FY 2014-15 budget was adopted with a \$2.7 million planned spend-down of this balance. Contained in the first quarter and mid-year budget reports were \$1.87 million in additional expenditures, of which \$1.3 million were funded from fund balance and \$579,309 were offset by revenue in the General Fund. This increased spend down of the General Fund's fund balance to \$4 million. These additional costs were primarily for an investment in a paperless case management system for criminal justice departments,

an increase to contingencies for one-time employee equipment and education allowance, staffing costs for Coroner/Sheriff transition, Economic Development contribution from redevelopment dissolution, the Community Corrections Center and Weights and Measures Buildings and a contribution to the General Reserve for FY 2015-16.

In the mid-year report, General Fund net costs through June 30, 2014 showed expenditures exceeding revenues

by an estimated \$1.37 million instead of \$4 million due to decreased contingencies usage and increased revenue.

1100- General Fund	
FY 2013-14 Year End Fund Balance	6,899,987
FY 2014-15 Adopted Revenue	106,544,182
Property Tax Current - Secured	627,780
Supplemental Property Tax - Secured	19,780
Redevelopment Dissolution	455,505
Federal PILT	123,607
Property Tax in Lieu of VLF	213,866
Timber Yield Tax	72,000
	<u>1,512,538</u>
FY 2014-15 Adopted Expenditures	(109,298,533)
Board approved expenditure adjustments	(1,879,309)
Unused Contingencies	1,998,807
Expenditures Over Budget	(186,530)
	<u>(67,032)</u>
Net Costs	(1,308,845)
Estimated FY 2014-15 Year End Fund Balance	<u>5,591,142</u>

As identified by departmental third-quarter reviews, General Fund net costs through June 30, 2015 show expenditures exceeding revenues by an estimated \$1.30 million instead of \$1.37 million as identified at mid-year, due to decreased contingencies usage and increased revenue. This will potentially leave the General Fund with an estimated year-end fund balance of \$5.59 million, as shown in the chart. This fund balance estimate is primarily due to an estimated \$1.9 million in unspent contingencies and \$1.5 million in increased revenue such as property tax.

The CAO 2015 Five Year Financial Forecast (Forecast) estimated a year end fund balance for FY 2014-15 of \$6.22 million. The difference in estimated fund balance between the Forecast and third quarter report is \$629,494. This difference is attributable to the fact that the Forecast did not account for the \$579,309 that was allocated to departments during the mid-year budget report.

The county's contribution to the courts (1100-250) and indigent defense funds the county's trial court payment, appointed counsel for indigent defense and expert witness expenses. In fiscal year 2013-14 this budget unit exceeded its General Fund allocation by \$210,538 for a total cost to the General Fund of \$516,311. It is anticipated that in fiscal year 2014-15 the allocation will exceed its appropriation by approximately \$100,000 for a total cost to the General Fund of \$405,648.

The county's General Relief (1100-525) program, which provides cash assistance and in-kind subsistence needs to the county's poorest residents, is experiencing reduced revenue collection, increased need for assistance payments and transportation assistance. The Department of Health and

Human Services, which administers the General Relief program, estimates that this budget unit will exceed appropriations by \$224,021 for FY 2014-15 for an estimated contribution from the General Fund of \$2,558,920.

The Probation department continues to experience a significant revenue reduction in federal Title IV-E dollars. The Probation department has budgeted \$731,656 in trust fund monies to back fill lost revenues. This is not a long-term solution, as these revenues will be depleted at the end of this fiscal year. The Probation department in anticipation of this continuing revenue shortfall did freeze six probation officer positions in FY 2014-15.

Health & Human Services Funds

The Department of Health and Human Services (DHHS) administers six budgeted funds. DHHS began this fiscal year with an overall departmental fund balance of \$5.27 million. As identified by the department of the six budgeted funds, one fund - the Mental Health Fund - anticipates expenditures exceeding revenues by \$2.8 million. The \$2.8 million shortfall is due to the electronic health record conversion which has caused a decrease and delay of Medi-Cal reimbursement claims. DHHS is working to improve the electronic health record functionality and reduce delays and increase productivity and claims for reimbursement. DHHS anticipates providing an inter-agency transfer of 2011 realignment funds for the shortfall in mental health revenue. Other funds including Public Health and Social Services estimate that expenditures will be lower than budgeted creating an overall estimated fund balance of \$7,672,000 in DHHS funds.

1120 – Economic Development Fund

The Economic Development Fund (EDF) began FY 2014-15 with a negative fund balance of (\$164,048). This negative fund balance is likely to remain constant, as estimates currently show that revenues equal expenditures. This negative fund balance is due to prior years' expenditures that have not been reimbursed and will most likely need to come from Economic Set-Aside funds. Your Board's decision to transfer 10% of redevelopment dissolution proceeds to this fund will assist this. As a result of this decision Economic Development Set-Aside will receive \$39,500 in FY 2014-15.

1200 – Roads Fund

The Roads Fund began the fiscal year with a fund balance of \$5.4 million. Projections for FY 2014-15 year end show that there is a likelihood that the fund will use approximately \$890,000 of the \$3.5 million in fund balance that was originally budgeted. This leaves an estimated \$4.53 million fund balance at the end of the current fiscal year.

1500 – Library Fund

The Library anticipates that revenues will exceed expenditures by \$6,189 for the current fiscal year. This is better than the estimated expenses exceeding revenues by \$155,234 that was included in the adopted Library budget. This positive financial news is the result of one-time unanticipated revenue: \$37,136 in redevelopment dissolution, \$41,552 in an insurance rebate and \$68,000 in an AT&T E-rate refund. In addition, the Library is seeing salary savings due to a delay in hiring.

3530 – Aviation Enterprise Fund

The Aviation Enterprise Fund began this fiscal year with a negative fund balance of (\$525,519). In the first quarter budget report the department was estimating that the negative fund balance would be reduced by \$22,139, leaving a fund balance of (\$503,780). In the Mid-Year budget report the department estimated a year end negative fund balance of (\$953,493). This change was primarily due to reductions in fuel sales. As of the third quarter estimates the department anticipates that expenses will exceed revenues by \$375,442, leaving a negative fund balance of (\$826,468).

Based on the Forecast that was before your Board on January 27th the Aviation Fund has a projected ongoing annual structural deficit of over \$350,000.

While the County has a practice of allowing individual funds within its governmental fund series to remain in a negative balance position for short periods of time, the continued negative cash balance and structural deficit in the Aviation Enterprise Fund raises concern. This is because enterprise funds are classified by accounting standards as “business-type activities” and are supposed to stand on their own without the sort of short-term borrowing typical of the County’s governmental funds. Currently there are sufficient monies in Aviation trust funds, which are considered part of the Aviation Enterprise system, to cover the short term cash needs. If these funds were not available proper procedure would call for another fund to loan money to Aviation pursuant to a written repayment schedule.

As this fund continues to decline, the need for a loan is more pressing. The CAO recommends that staff from Public Works and the CAO work to identify loan options from the Motor Pool fund for the Aviation Enterprise fund.

Internal Service Funds

The County has 13 Internal Service funds that provide for services to other county departments including: Motor Pool; Heavy Equipment; Risk Management; Communication; Purchasing; and Information Technology. These funds began FY 2014-15 with a combined fund balance of \$15.3 million.

The Liability Fund began the fiscal year with a negative fund balance of (\$1.15 million). Human Resources estimates that revenues will exceed expenditures by \$172,608. This will reduce the negative fund balance. As approved by your Board in the Mid-Year Budget report on February 10, 2015, the Liability Fund will receive a contribution from the General Fund in the amount of \$352,587 due to insurance reimbursements. This will further reduce the negative fund balance.

The Medical Fund began the fiscal year with a negative fund balance of (\$411,103) and the department estimates that revenues will exceed expenditures by \$34,000 thereby reducing the negative fund balance. In FY 2015-16 charges to departments were increased to further reduce this negative fund balance.

As reported by the remaining internal service fund departments, there are no significant variances from budget amounts.

Section 2: Budget Outlook for Fiscal Year 2015-16

As your Board directs County staff to prepare the proposed budget for next fiscal year, consideration will be paid both to the financial position of the County and the potential effects of other factors.

The County Budget

On February 10, 2015, your Board directed General Fund departments to receive General Fund allocations distributing 98% of revenue growth to departments based on current year General Fund allocations. Therefore, General Fund departments received 4% growth in their General Fund allocations. This allowed the General Fund to set aside \$257,895 to fund Additional General Fund Appropriations Requests (additional funding requests) and set the stage for a balanced budget.

The estimate to fund General Fund departments with a 4% increase in FY 2015-16 is \$108,470,399 including \$53,151,521 for discretionary expenses.

Estimated year end fund balance for FY 2014-15	5,591,142
Estimated Discretionary Revenue for FY 2015-16	51,499,960
Estimated Expenditures for FY 2015-16	(53,151,521)
Estimated year end fund balance for FY 2015-16	<u>3,939,581</u>

Revenue estimates for FY 2015-16 are \$106,818,838, including \$51,499,960 in discretionary revenue. Therefore, expenditures exceed revenues by approximately \$1,651,561. This is significantly better than the FY 2014-15 adopted budget and better than projected in the Forecast. However, this contains a structural deficit of \$151,561 as \$1,500,000 is allocated for contingencies. This leaves an estimated \$3.94 million available for financing in FY 2016-17. These numbers will likely be adjusted as staff continue to work on the proposed budget for FY 2015-16.

These expenditure and revenue estimates for FY 2015-16 do not include Measure Z's half-cent sales tax. The Measure Z Advisory Committee will provide recommendations to the CAO which will be included in the proposed budget. These expenditure recommendations and the accompanying revenue will be included in the proposed FY 2015-16 budget that will be presented to your Board on Tuesday, June 2.

On February 10th, your Board directed the CAO to accept and consider additional General Fund appropriation requests that demonstrate a potential to generate future savings in the General Fund. Departments have submitted a total of \$8.14 million in additional funding requests, \$4.46 million in one-time requests and \$3.68 million for on-going funding requests.

The estimated budget for FY 2015-16 contains a \$151,561 structural deficit which is significantly better than FY 2014-15. However, keeping this deficit at this level would require service reductions. In order to maintain current service levels the County Administrative Officer recommends expanding staff's ability to fund requests to recommend expenditures preservation of public safety services, which would be on-going costs. The CAO further recommends using a portion of the General Fund's fund balance to fund such requests. In addition, a portion of fund balance will need to be used to fund mandated program cost increases such as:

- Elections (1100-140) is requesting an additional \$325,868 from the General Fund for two Elections in FY 2015-16 with one being the Presidential Partisan Primary. The Presidential Partisan Primary is anticipated to increase ballot costs as the department will need to print ballots for each qualified party and a required amount of ballots on hand for provisional, walk-in, and newly or re-registered voters.
- General Relief (1100-525) program provides cash assistance and in-kind subsistence needs to the county's poorest residents and anticipates a continued and increased need for assistance payments and transportation assistance. This increased need is likely attributable to Assembly Bill 109 which returned state prisoners to their county of origin. The Department of Health and Human Services administers this budget on behalf of the General Fund and is recommending a General Fund increase in the amount of \$159,699 for fiscal year 2015-16, bringing the county's contribution to the General Relief program to \$2.49 million.

- The county's contribution to the courts and indigent defense (1100-250) funds the county's trial court payment, appointed counsel for indigent defense and expert witness expenses. In fiscal year 2013-14 this budget unit exceeded its General Fund allocation by \$210,538 for a total cost to the General Fund of \$516,311 and it is anticipated that in fiscal year 2014-15 the allocation will be exceed by approximately \$100,000 for a total cost to the General Fund of \$405,648. Therefore it is anticipated that these state mandated expenditures will require an ongoing General Fund increase in the amount of \$100,000.

Funding these mandated services and programs will increase the structural deficit from \$151,561 to \$737,128, for a total deficit of \$2,237,128.

This number includes \$1,500,000 for contingencies and \$325,868 for Elections. As mentioned previously, the estimated year-end fund balance for FY 2015-16 is estimated at \$3.94 million. However, with these additional expenses in Elections,

Estimated year end fund balance for FY 2014-15	5,591,142
Estimated Discretionary Revenue for FY 2015-16	51,499,960
Estimated Expenditures for FY 2015-16	(53,151,521)
Elections	(325,868)
General Relief	(159,699)
Courts - County Contribution	(100,000)
Estimated year end fund balance for FY 2015-16	<u>3,354,014</u>

General Relief and Courts the year-end fund balance for FY 2015-16 would be \$3.35 million. The 2015 Financial Forecast estimated a fund balance of \$4.03 million for FY 2015-16 for a difference of \$676,369. The Financial Forecast takes into consideration conditions that were known at the time. The forecast would not have included cost increases in Elections, General Relief or court costs.

In addition, your Board, as recommended by the CAO, may wish to fund public safety services that may need to be reduced due to loss of federal funding:

- As mentioned in the fiscal year 2014-15 Mid-Year Budget Report, possible expenditure increases for FY 2015-16 include an increased General Fund contribution to the Probation department due to significant reduction in the ability to claim Title IV-E dollars. The Probation department has budgeted \$731,656 in trust fund monies to back fill lost revenues. This is not a long-term solution, as these revenues will be depleted at the end of this fiscal year. As reported by the Probation Department, in order to maintain a status quo budget in fiscal year 2015-16, the department has requested an additional General Fund contribution in the amount of \$705,005. If no additional funding is provided the Probation department will need to make service cuts, such as closing the Regional Center. It should be noted the Probation department in anticipation of this continuing revenue shortfall did freeze six probation officer positions in FY 2014-15. While the CAO believes it is unwise – in view of the other cost increases which are driving down the General Fund's fund balance – to fund this request in full, if your Board approves staff would likely return with some combination of additional revenue, lower fund balance and reduced contingencies that funds a large portion of this request.

Community Budget Meeting

On February 26, 2015 the CAO and your Board held the annual award-winning interactive community budget meeting. This meeting focused primarily on Measure Z. The community provided feedback on

their priorities for the use of Measure Z funding. These priorities and responses can be found on the county's website at <http://humboldt.gov/DocumentCenter/View/51293>. In addition, the community was able to provide feedback via Open Humboldt, an online forum that gives citizens an opportunity to provide additional recommendations and insights into the prioritization of Measure Z funding. Several members of the Measure Z Advisory Committee attended the community budget meeting and the results of the meeting were presented to the full advisory committee.

The Economy

Humboldt State University's Economic Index for March 2015 reports the county's median home price is \$244,500. However, January's median price was \$260,000, while the median price in February 2014 was \$210,500. Mortgage rates continue to be affordable with the average 30-year fixed rate mortgage remaining at 3.75 percent and the average 15-year fixed rate mortgage down to 2.97.

According to the Spring 2015 Economic Forecast released by Beacon Economics, California's housing market will keep builders building. At least 100,000 new home building permits are forecast to be filed in the state this year, the highest level of permitting since before the recession. A noteworthy economic indicator, California is a venture capital haven. California hit a record level of venture capital investment in 2014 and the state accounted for 60% of all venture capital investment nationwide and employment growth in California is forecast to reach into the high 2% range in 2015 and the unemployment rate will dip to below 6% by late 2016.

State and Federal Budgets

State Controller Betty T. Yee's March 2015 report covering California's cash balance, receipts and disbursements shows the state's General Fund is strengthening, coming in \$547 million higher than anticipated in the Governor's proposed budget. Leading the way was personal income tax, which beat projections by \$498 million. This included \$400 million more than expected in the amount withheld from workers' paychecks and estimated tax payments \$42 million higher than estimated in the Governor's proposed budget.

On the federal level, at the end of March, 100 members of Congress sent a letter to Speaker John Boehner and Minority Leader Nancy Pelosi urging House leaders to work in a bipartisan, bicameral fashion to secure full funding for Payments In Lieu of Taxes (PILT) in FY 2016. Congressman Huffman was one of the 100 signatories. In federal fiscal year 2014, the county received \$719,202 in federal PILT funding for fiscal year 2014-15. Congress has approved \$442 million in fiscal year 2015 discretionary spending for PILT program. The funding was included in two separate measures - the *Buck McKeon National Defense Authorization Act* and the year-end omnibus appropriations law. Should Congress not include PILT in a spending bill the county's General Fund will lose this discretionary source of revenue in fiscal year 2016-17.

Section 3: Policy Considerations

Additional Funding Requests for FY 2015-16

Now that budget submittals and revised year-end estimates have been received from departments, the CAO recommends using a portion of the General Fund's fund balance for one-time funding requests and to prevent the discontinuation of public safety services for FY 2015-16. The recommendation to utilize fund balance and increase the structural deficit, as mentioned on page 7, is necessary in order to maintain service levels. A list of all submitted additional funding requests can be found in Attachment 1.

Reserves

The county General Fund utilized \$2,750,000 in General Reserves from July 1, 2009 through June 30, 2011. Per Board adopted policy the county's General Reserve should be between 8 and 10 percent of total General Fund revenues, or roughly \$8.7 million. The County's current General Reserve balance is \$1,172,737. Rebuilding reserve accounts is one of your Board's Six Key Goals for 2015-16. Your Board in the first quarter and mid-year budget reports of fiscal year 2014-15 set aside \$400,000 in Contingencies for a contribution to the General Reserve in FY 2015-16. Ongoing revenues are insufficient to meet ongoing expenditures, and therefore staff recommends that the Board does not make an additional contribution to the General Reserve above the \$400,000 previously set-aside.

The adopted budget included a General Fund Contingency Reserve of \$1,500,000 which is also much lower than the policy level of \$6.5 million. At this time staff does not anticipate that there will be sufficient funding available next fiscal year to increase Contingencies and in fact may need to be reduced to fund a portion of Probation's additional funding request.

County Medical Services Program (CMSP)

CMSP provides limited-term health coverage for uninsured low-income, indigent adults that are not otherwise eligible for other publicly funded health programs. Thirty-five, primarily rural California counties participate in CMSP. The CMSP Governing Board, established by California law in 1995, is charged with overall program and fiscal responsibility for the program. Humboldt County pays an annual participation fee in the amount of \$430,851 as determined by Welfare and Institutions Code 16809.3 to CMSP. Since the establishment of CMSP in 1995, the Affordable Care Act has become law. As a result, California has expanded its eligibility into the Medi-Cal program. This means there is a reduction in the CMSP caseload. Humboldt County's current CMSP caseload is one individual.

In December of 2014 the CMSP Governing Board approved a one-time waiver of the CMSP participation fee for FY 2014-15. There is a possibility the CMSP Governing Board will again choose to waive the CMSP participation fee. Should this occur the CAO recommends that these funds, \$430,851, be made available for a contribution to the Deferred Maintenance Trust for Americans with Disabilities Act projects.

Aviation Enterprise Fund

The requested budget submitted for Aviation for FY 2015-16 has a structural deficit of over \$500,000. The deficit combined with a negative fund balance causes the financing sources to exceed financing uses which is not allowed per the state County Budget Act. The recommended budget for the Aviation Enterprise fund is required to be balanced. In order for a balanced budget to be developed, either substantial spending reductions need to be made or another source of financing needs to be identified. The CAO recommends that staff from Public Works and the CAO work to identify loan options from the Motor Pool fund for the Aviation Enterprise fund.

Loan for McKay Community Forest

When the McKay Community Forest was established Public Works was directed by your Board to work with the County Administrative Office and County Treasurer to evaluate loan options. Preliminary estimates are that a loan would be needed for approximately 30 years to finance cash flow until site improvements are completed and timber revenues increase to a sufficient level to cover costs. The maximum amount needed is projected to be \$751,000 around 10 to 15 years after start-up. The budget for the McKay Community Forest starts to go negative in FY 2015-16 resulting in the need for a loan prior to or as part of the adoption of the budget. The CAO recommends that a loan in the amount of \$50,000 be made from the General Fund, to the Forest Resources and Recreation fund to cover the costs of the McKay Community Forest.

Discontinuation of Voluntary Furloughs

Twenty-six county employees have continued to voluntarily furlough during FY 2014-15. The CAO again recommends that your Board recognize and thank the employees who have committed to taking voluntary furloughs. This program provided an opportunity for budget savings in difficult budget years. Last year's third quarter budget report continued the furlough program as long as participation in the program led to permanent savings. At this time the CAO is recommending the discontinuation of the voluntary furlough program for all departments due to this only being intended as a temporary solution. For departments that utilize this program reduction in full-time equivalent status should be reviewed as a way to accommodate staff wishing to continue to work a reduced schedule.

Budget Adjustments

The CAO during quarterly budget reports frequently brings forward budget adjustments on behalf of departments. There are budget adjustments before your Board today which can be offset by increased revenues.

- \$3,500 (County Administrative Office 1100-103) – The CAO conducts an annual regional training with Mendocino County. Due to an accounting error, last year's regional training costs were posted to the current fiscal year, leaving no appropriation for this year's training. Funding is available through one-time dissolution of redevelopment agency and PILT revenue. This supplemental funding request supports your Board's Strategic Framework, Priorities for New Initiatives by investing in county employees and building regional cooperation.
- \$50,000 (County Counsel 1100-121) – On January 24, 2015, the county's County Counsel retired from county service. Due to the vacancy created by this retirement, on January 27 the Purchasing Agent executed a professional services agreement with the law firm of Hanson Bridgett LLP to supply the services of Frank J. DeMarco. The vacancy in the County Counsel position is generating salary and benefit savings of approximately \$19,460 monthly. A rough approximation of the experience since January 27 is that services under the agreement with Hanson Bridgett are costing \$25,000 monthly. Funding is available through one-time dissolution of redevelopment agency and PILT revenue. The proposed supplemental budget conforms to the Board's strategic framework, priorities for new initiatives, by providing core services in ways that match service availability with residents' needs through providing community-appropriate levels of service.
- \$8,800 (Personnel 1100-130) – Human Resources is experiencing an increase in specialized recruitments for key personnel positions, particularly for the recruitment of County Counsel. Specialized recruitments are costly yet beneficial as they typically yield an excellent candidate pool. Therefore a supplemental budget in the amount of \$8,800 is recommended. Funding is available through one-time dissolution of redevelopment agency and PILT revenue. This supplemental budget supports the Board's Strategic Framework Priorities for New Initiatives by providing community-appropriate levels of service and investing in county employees.
- \$100,000 (Courts County Contribution 1100-250) – The county is mandated to pay for indigent defense costs. For the last several years indigent defense costs have been underfunded in adopted budget as typically these costs can be cyclical. It appears this is not the case any longer and therefore a supplemental budget in the amount of \$100,000 is recommended. Funding is available through one-time dissolution of redevelopment agency and PILT revenue. This supplemental budget supports the Board's Strategic Framework by enforcing laws and protecting vulnerable populations.
- \$1,100 (Parks and Recreation 1100-713) – The county received an award from the Alliance for Innovation's Transforming Local Government conference in April for a device that effectively

picks up metal objects, such as nails, off of county beaches. Funding for this request will allow the department the ability to travel to a conference and accept the award as well as learn of other local governments engaged in innovation. Funding is available through one-time dissolution of redevelopment agency and PILT revenue. This supplemental budget supports the Board's Strategic Framework, Priorities for New Initiatives by providing community appropriate levels of service and investing in county employees. In addition, your Board's Six Key Goals for FY 2015-16 supports travel and training for staff.

Approve Position Allocation Adjustments

Similar to budget adjustments, the CAO during the Mid-Year budget report will also bring forward position allocation adjustments on behalf of departments in order to decrease the number of individual items coming to the Board. There is one position allocation adjustment.

- In the Mental Health budget unit (1170-424) the department is requesting to increase the allocation of a Mental Health Clinician I/II (position number 4240909B-46) from a 0.80 FTE to a 1.0 FTE due to the need for increased flexibility for children's mental health services, particularly for foster children.

FINANCIAL IMPACT:

The acceptance of today's report has no net financial impact, as the budget adjustments recommended for approval are offset by additional revenues.

Today's recommendations support the Strategic Framework, Priorities for New Initiatives by providing community-appropriate levels of service and managing resources to ensure sustainability of services.

OTHER AGENCY INVOLVEMENT: None.

ALTERNATIVES TO STAFF RECOMMENDATIONS:

As for the development of the FY 2015-16 Budget, the Board could choose to:

- a. Either increase or decrease the contribution to the General Reserve in order to grow reserves;
- b. Redirect the CMSP participation fee to contingencies; and/or
- c. Approve the voluntary furlough program.

These alternatives are not recommended because maintaining a fund balance, and restoring reserves are consistent with county policy and support the Board's Strategic Framework, Core Roles, Priorities for New Initiatives by managing resources to ensure sustainability of services.

ATTACHMENTS:

1. Recommended Budget Adjustments
2. Additional General Fund Appropriations Requests

ATTACHMENT 1

RECOMMENDED BUDGET ADJUSTMENTS

Fund	Budget	Acct #	Budget Name	Account Name	Adjustment
Budget Adjustments					
1100	888	101101	General Purpose Revenue	RDA Dissolution Increment	\$ 141,937 Adjust for actual revenue.
1100	888	56100	General Purpose Revenue	Federal In Lieu - Park Land	\$ 21,463 Adjust for actual revenue.
Total General Fund \$					163,400
Total Revenue \$					163,400
Expenditures					
1100	103	2164	County Administrative Office	Staff Development and Training	\$ 3,500 Correction of an accounting error.
1100	121	2118	County Counsel	Professional and Special Services	\$ 50,000 Professional service agreement for the services of County Counsel.
1100	130	2118	Personnel	Professional and Special Services	\$ 8,800 Recruitment services for specialized recruitments.
1100	250	2571	Courts County Contribution	Criminal Expert - Homicide	\$ 50,000 Indigent defense costs.
1100	250	2575	Courts County Contribution	Investigator - Non Homicide	\$ 50,000 Indigent defense costs.
1100	713	2225	Parks and Recreation	Transportation Out of County	\$ 1,100 Training and travel costs.
Total General Fund \$					163,400
Total Expenditures \$					163,400

**Master List of Departmental Additional General Fund Appropriation Requests
for FY 2015-16**

Item #	Department	Priority	Description	ONE TIME		ONGOING		Detail
				Net County Cost Requested	Net County Cost Requested	SAVINGS/Year	Recommended	
1	County Administrative Office	1	Cell phones and subsequent bills.		\$7,500	unknown		
		2	Board member travel.		\$20,000	unknown		
		3	Extra-help for records management and archiving.		\$20,412	unknown		
			Total for BOS	\$47,912		\$0		
1100	County Administrative Office	1	Multi-site interactive community budget meeting.		\$3,500	unknown		
			Total for CAO	\$3,500				
1100	Auditor Controller	1	Fiscal Assistant I/II due to increased workload as a result of Measure Z.		\$52,414	unknown		
		2	Office improvements such new flooring, paint and work stations.	\$30,000		unknown		
			Total Auditor Controller	\$82,414		\$0		
1100	Assessor	1	Appraisal Technician to discover new and unpermitted construction. New construction would be added to the assessment rolls thereby increasing General Fund revenues.	\$54,000		unknown		
			Total Assessor	\$54,000				
1100	County Counsel	1	Code Compliance Officer, a Code Enforcement Attorney, and a Legal Office Assistant I/II to increase service to county residents between the time of referral of a code violation and its resolution and to provide additional avenues for effective and lasting enforcement.		\$230,273	unknown		
			Total Auditor Controller	\$230,273		\$0		
1100	Elections	1	Elections is requesting an additional \$325,868 for two Elections in FY 2015-16 with one being the Presidential Partisan Primary. The Presidential Partisan Primary is anticipated to increase ballot costs as the department will need to print ballots for each qualified party and a required amount of ballots on hand for provisional, walk-in, and newly or re-registered voters.	\$325,868		N/A		
			Total for Elections	\$325,868				
1100	Planning and Building	1	Due to a number of additions and amendments to land use code, the code requires maintenance to include existing and amended ordinances in one standardized system of codification. This request will accomplish enlist a professional codifier to accomplish this task.	\$15,000		unknown		
1101	Planning and Building	2	Wiring to upgrade the outdated and failing phone system in the Planning and Building department.	\$41,222		unknown		
			Total Planning and Building	\$56,222		\$0		
1100	Aviation	1	Funding to cover structural deficit in Aviation budget for FY 2015-16.		\$440,000	unknown		
1100	Aviation	2	Improvements to jet fuel truck to meet California Air Resource Board regulations to reduce diesel particulates required by December 2016.	\$125,000		unknown		Sales of fuel generates revenue for the airport.
1100	Parks	3	Restore funding for transportation, due to increased insurance costs beyond the growth in the Parks General Fund allocation transportation was cut. The proposed budget is not sufficient to cover actual required driving to support park maintenance.	\$37,629		unknown		
1100	Aviation	4	The Aviation Division is mandated by the Transportation Security Administration to provide security services at ACV. The Aviation budget currently does not have sufficient resources to provide the local match for this service.		\$85,000	unknown		Long-term savings will be achieved by limiting the County's liability for accessibility issues.
1100	Capital Projects	5	Review, enhance, and consolidate existing ADA lists into one master list encompassing all county owned buildings and provide a strategic framework for planning and building all necessary remaining accessibility upgrades.	\$250,000		unknown		
1100	Capital Projects	6	The county owns five Veteran's buildings that are in need of repairs and renovation to meet current health, safety and ADA standards. Improvements to the kitchens are especially needed because they are an important feature used extensively by the Veterans and community and are not built to current code requirements.	\$250,000		unknown		

**Master List of Departmental Additional General Fund Appropriation Requests
for FY 2015-16**

Fund	Budget #	Department	Priority	Description	ONE TIME		ONGOING		Detail
					Net County Cost Requested	Net County Cost Requested	SAVINGS/Year	Recommended	
1100	199	Aviation	7	The airport aircraft rescue and fire fighting facility is in need of improvements. The Federal Aviation Administration recognizes and supports this project and will provide 90% of the funds needed. This request is for the local match required for this project.	\$37,292		unknown		
1100	199	Aviation	8	Removal of airport obstructions is needed to insure that no hazards exist that could impact navigable air space. This project is eligible for federal funding and only the local match is needed.	\$84,060		unknown		Leverages funding
1100	170	Capital Projects	9	The weights and measures facility at the Ag Center is in need of replacement due to age and weather damage. Funds have already been allocated for design and now funding is needed for construction of the replacement building. This building houses sensitive and expensive equipment used by Sealer staff in the performance of State mandated weights & measures functions.	\$1,250,000		unknown		Savings from not needing to lease space
1100	170	Capital Projects	10	Currently only one of the two cooling units on the IT building is functional. If this unit were to fail there could be serious damage to equipment and the county's technology infrastructure. The request is to replace the failed cooling unit with a new unit.	\$96,000				Savings from increased energy efficiency.
1100	170	Capital Projects	11	Replacement of the heating, ventilation and air conditioning system at the Regional Facility. Age and corrosion are impacting the reliability of the equipment and resulting in failures of the equipment.	\$160,000		unknown		Savings from increased energy efficiency.
1100	170	Capital Projects	12	Replacement of the heating, ventilation and air conditioning system at the at the Courthouse that serves the Office of Emergency Services. The existing system is old and not fully functional a new system is needed to provide heating and cooling and improved air quality to this space which functions as the command center in the event of a disaster.	\$39,500				Reduced staffing to maintain and increased energy efficiency.
1100	170	Capital Projects	13	Courthouse building management system (BMS) upgrade to include floors 3, 4 & 5. Currently mechanical controls for these floors are monitored and adjusted manually. This request would automate the equipment and tie into the existing upgraded BMS.	\$56,000		unknown		This could result in savings from reduced maintenance and relocating county offices and programs to the new facility.
1100	170	Capital Projects	14	Design of the building currently occupied by the Public Defender. The estimate is for \$1.2 million for design and \$8.5 million for construction. This building has extensive maintenance issues and is not in compliance with current accessibility codes. An initial review indicates that it is not cost effective to make improvements to this building and that replacement is the best option. The location is close to Courthouse and the site is underutilized a new larger facility could be built on this site.	\$1,200,000		unknown		Long term savings from making decisions regarding facilities in a strategic manner.
1100	170	Capital Projects	15	Update the 2008 Facilities Master Plan for the County and examine opportunities to take strategic action on various recommendations. The existing Plan is somewhat outdated, with changes in leased and owned facilities having happened since the report was released.	\$100,000		unknown		Allow the airport to qualify for funding for capital improvements.
1100	199	Aviation	16	Update the Aviation Airport Layout Plan for ACV. This plan is required for the airport to qualify for funding from the Federal Aviation Administration. The request is for the local match required.	\$7,783		unknown		
1100	199	Aviation	17	Purchase required aircraft rescue and fire fighting equipment. Existing equipment will exceed its useful life in FY 2015-16.	\$23,200				
1100	199	Aviation	18	Update the Aviation Airport Layout Plan for Murray Field. This plan is required for the airport to qualify for funding from the Federal Aviation Administration. The request is for the local match required.	\$8,333				Allow the airport to qualify for funding for capital improvements.
1100	162	Facilities	19	Additional extra-help maintenance mechanic to help back-fill when staff is out on vacation or sick leave.		\$51,850	unknown		Saving from not needing to utilize outside vendor for off hours emergency repairs at 24 hour facilities.
1100	162	Facilities	20	On-Call Mechanic for off hours Monday-Friday. Equipment failures, leaks, broken windows and doors, electrical outages and other emergencies occur at all hours of the day and night currently there is no staff on-call to respond to these issues.		\$25,000	unknown		

**Master List of Departmental Additional General Fund Appropriation Requests
for FY 2015-16**

Fund	Budget #	Department	Priority	Description	ONE TIME Net County Cost Requested	ON GOING Net County Cost Requested	SAVINGS/Year	Recommended	Detail
1100	162	Facilities	21	Two additional facility maintenance mechanic positions to maintain and service the county's facilities. Due to budget cuts there are currently only four mechanics for over 100 buildings which is not sufficient to perform required preventative maintenance resulting in most work being done in an immediate need or emergency basis. This is not efficient or sustainable in the long run.	\$142,000		unknown		Maintain integrity of county buildings resulting in reduced maintenance costs.
Total for Public Works					\$4,468,647				\$0
1100	278	Animal Shelter		This request is for one animal shelter care attendant. The shelter is not able to keep up with the demand. Animal control officers, and on occasion office assistants, are often called upon to perform attendant duties and are pulled away from the services they should be providing.	\$52,289		unknown		Potential to reduce extra-help and overtime costs
Total for Sheriff					\$52,289				\$0
1100	205	District Attorney		This application seeks only funding which would: restore the office to an adequate staffing level, and provide funds to cover the increased costs of experts/witness travel expenses which will be incurred in prosecuting the large number of homicides cases currently in the office waiting to go to trial. The funds would be used for: (2) two Deputy District Attorneys I/II/III/IV; (1) one new Deputy District Attorney I/II/III/IV; (2) two District Attorney Investigators; (1) one current Victim Witness Program Coordinator; (1) one Senior Legal Office Assistant; (3) three Legal Office Assistants I/II; (1) one Office Assistant I/II and funding for expert witnesses and essential travel by witnesses that will enhance the prosecution of violent crimes.	\$1,507,934		unknown		
Total for District Attorney					\$1,507,934				\$0
1100	170	Capital Projects		This request would provide funding for additional unanticipated costs related to the Juvenile Hall replacement project. The original cost estimates did not include funding for structural improvements needed for the existing Probation building resulting from the demolition of the current Juvenile Hall. These additional costs will result in reductions to the scope of the new Juvenile Hall if they are not funded. The Probation Department is seeking funding to replace state and federal revenues lost in fiscal year 2014-15 in order to simply maintain its existing level of community supervision services. The sum needed to backfill this loss is \$705,005, and is based on the average receipts of Title IV-E over the last few years as well as current year cuts in state funding under SB678, which has been used to retain 4 positions up to the present (avoiding even deeper cuts). After multiple years of leaving vacant positions unfilled and unfunded (23 currently), the Department has reached a point where the only positions left to cut that are not mandated functions are those currently providing community supervision or other Department administrative services (not mandates) that are funded by County General Funds. This request is an equivalent of 8 positions.	\$325,000		unknown		
Total for Probation					\$705,005				\$0
1100	525	General Relief		The General Relief program is mandated by California Welfare and Institutions Code Section 17000 to provide cash and in-kind assistance to the county's indigent population.	\$159,699				
Total for General Relief					\$159,699				
1100	199	Library	1	Restore General Fund contribution to the Library to pre-recession level.	\$47,000		unknown		
1100	199	Library	2	Increase General Fund contribution to cover increases in fixed costs. Without additional funding Library fund balance will continue to decline.	\$21,682		unknown		

**Master List of Departmental Additional General Fund Appropriation Requests
for FY 2015-16**

Fund	Budget #	Department	Priority	Description	ONE TIME Net County Cost Requested	ON GOING Net County Cost Requested	SAVINGS/Year	Recommended	Detail
1100	199	Library	3	The Library was constructed in 1995 and will be celebrating its 20th anniversary this November. Resurfacing and striping of public parking lot has been identified as a priority project by the Library to demonstrate visible support of the facility.		\$58,500	unknown	\$0	
Total for Library					\$127,182			\$0	
1100	632	Cooperative Extension		This request is to restore funding for travel and increased copier costs. The base General Fund allocation was not sufficient to cover actual increases in health insurance costs which went up 33%.		\$2,818	unknown	\$0	
Total for Cooperative Extension					\$2,818			\$0	
COUNTYWIDE TOTALS:					\$8,148,763	\$4,461,887		\$0	