Budget Message

The budget message provides an overview of the County's budget. The message sets a context for budget decisions by describing the economic conditions and changes to financing and revenue sources which help to shape the budget. It provides a summary of expenditures for the current year in comparison to expenditure levels in the previous year to demonstrate the impact that economic conditions have on County financing. Changes to staffing levels and service level program impacts are also discussed to provide the reader with a link between how financing decisions impact County operations and service provision.

County of San Luis Obispo

COUNTY GOVERNMENT CENTER, RM. D430 • SAN LUIS OBISPO, CALIFORNIA 93408 • (805) 781-5011

DAN BUCKSHI
COUNTY ADMINISTRATOR

October 1, 2013

Honorable Board,

During June 10-12, 2013, the Board held a public hearing to discuss the County's proposed spending plan for Fiscal Year 2013-14. The Board adopted the Proposed Budget on June 18, 2013 and subsequently made adjustments to fund balances available, reserves, designations, and contingencies (based upon the year-end fund balances) on September 17, 2013 (agenda item #4 from the Auditor-Controller's Office).

The Fiscal Year 2013-14 Final Budget (General Fund and all other funds) authorizes a spending level of $505,432,864. The General Fund is budgeted at $414,840,696.

The May 14, 2013 budget message provides an overview of the key components of the County's proposed spending plan. The following is a summary of the changes made to the Proposed Budget during and after the June budget hearings.

Changes to the Proposed Budget:
The following changes were made via the supplemental budget document. Note that a copy of the supplemental budget document is available at:
http://www.slocounty.ca.gov/Assets/AD/2013-14+Supplemental+Budget.pdf

- Assessor: Deleted a Limited Term Appraiser I/II and added a Limited Term Assessment Analyst I/II to support various assessment functions during the Property Tax System Modernization Project. No changes were made to salary and benefit accounts as the impact was minimal.

- Sheriff-Coroner: Added 1.00 FTE Sheriff's Forensic Lab Specialist and 0.50 FTE Lab Assistant II to reflect changes authorized by the Board on April 16, 2013. No changes were made to salary and benefit accounts as the impact was minimal.

- Probation: Deleted 1.00 FTE Deputy Probation Officer II and added 1.00 FTE Deputy Probation Officer III; and deleted 1.00 FTE Probation Assistant and added a 1.00 FTE Supervising Administrative Clerk II for background review administration and office workload efficiencies. No changes were made to salary and benefit accounts as the impact was minimal.

- Planning and Building: Deleted a 0.75 FTE Senior Planner and added a 1.00 FTE Planner I/I/III. Decreased salary and benefit accounts by $149.

- Health Agency-Behavioral Health division: Amend the Position Allocation List by:
    - Converted a budgeted 1.00 FTE Psychologist to 0.75 FTE Mental Health Therapist IV to provide case management services to Conditional Release Program (CONREP) client to ensure their safety and stability in the community. Decreased salary and benefit accounts by $46,911.
    - Converted budgeted temporary help staff pool hours (approximately 4,500) at the Psychiatric Health Facility (PHF) into the following permanent positions to provide continuity of coverage in a 24/7 facility. Added $46,911 to salary and benefit accounts.
        - 0.50 FTE Mental Health Nurse II;
        - 0.50 FTE Mental Health Worker Aide;
        - Three 0.50 FTE Mental Health Therapist IIs to ensure continuity of staffing coverage in a 24/7 facility.
    - Decreased expenditures in services and supplies accounts by $77,512 to correct an error made in the proposed budget and eliminate a duplicated budget amount for Information Technology Department (ITD) departmental services.
- Health Agency-Law Enforcement Medical Care division: Increased expenditures associated with AB 109 implementation to be consistent with the Board-approved AB 109 plan and adjusted countywide overhead by $55,153.
- Parks: Approved the recommendations of the Parks Commission in the total amount of $90,675 for six projects using Off Highway Vehicle In-Lieu Funds.
- Public Works: Amended the Fixed Asset List for FC 405 - Public Works ISF in the amount of $100,000 for a replacement water truck.

The following changes to the Proposed Budget were made by your Board during the budget hearings (changes other than the supplemental budget):

- The following changes were made to Contributions to Other Agencies (Fund Center 106). Note that these changes were funded by previously unallocated appropriations ($38,311) and General Fund Contingencies ($22,289):
    - Increased the allocation to Atascadero Loaves & Fishes by $3,100 for a total of $15,500,
    - Increased the allocation to the Children's Resource Network of the Central Coast by $7,500 for a total of $12,500.
    - Increased the allocation to the SLO Noor Foundation by $50,000 for a total of $150,000.

<u>Position Allocation Changes</u>

The total number of positions approved during budget hearings is 2,448.25, which is a net 2.0 more positions than the FY 2012-13 Current Allocation. All of the eliminated positions approved in the FY 2013-14 budget are vacant.

<u>Changes Made after Budget Hearings</u>

Once the fiscal year ended on June 30, 2013, the Auditor's Office began the "year-end" closing process, which includes the calculation of the actual Fund Balance (compared to what was projected as part of the budget preparation process). On September 17, 2013 (agenda item #4), the Board approved an agenda item from the Auditor-Controller, which adopted the final appropriations, reserves, designations, and contingencies. Actual Fund Balance Available (FBA) for all funds was $8 million

higher than in the Proposed Budget. The General Fund FBA was $4.1 million higher than the $26 million used in calculating the FY 2013-14 proposed General Fund budget. As part of the Board's approval of the Auditor-Controller's Final Budget recommendations, the additional FBA is recommended to be allocated as follows:

- A total of 2,563,652 to Fund Center 230 – Capital Projects:
  - $400,000 to the Facilities Planning designation for potential cost increases associated with the juvenile hall expansion project.
  - $2,163,652 to the Facilities Planning designation for expected cost increases associated with the new women's jail capital project.
- $50,000 to FC 290 - Community Development to help fund the Countywide Economic Strategy.
- $500,000 to be placed in the Liability Trust account for Behavioral Health to help pay back amounts owed to the State for Medi-Cal reimbursements as noted in the third and fourth quarter financial reports.
- $1,000,000 to the Pension Obligation Bond (POB) repayment designation to help pay down pension debt.

The allocation of the additional FBA is intended to be one-time and not a commitment to ongoing, additional allocations due to the one-time nature of FBA. The spreadsheet immediately following this page summarizes the year-end Fund Balances Available.

Sincerely,

Daniel F. Buckshi

Dan Buckshi
County Administrative Officer

17-Sep-13

EXHIBIT 1

COUNTY OF SAN LUIS OBISPO
June 30, 2013
Proposed versus Actual Fund Balance Available

COUNTY FUNDS	Fund #	Estimated Fund Balance Unreserved/ Undesignated June 20, 2013	Actual Fund Balance Unreserved/ Undesignated June 30, 2013	Difference Over (Under)	Appropriation to Contingencies	Designation	General Reserve	Revenue Adjustment Incr/(Decr)	Object Level Appropriation Adjustment
General Fund	10000	26,000,000	30,113,652	4,113,652		1,000,000			3,113,652
Capital Projects	11000	0	430,934	430,934		430,934			
Road Fund	12000	0	416,539	416,539		416,539			
Community Development	12005	0	37,167	37,167	37,167				
Parks	12015	275,000	1,360,819	1,085,819	264,000	821,819			
Co-Wide Automation Repl	12020	0	943,013	943,013		943,013			
Road Impact Fees	12035	0	358,418	358,418		358,418			
Wildlife & Grazing	12040	9	3,381	3,372		3,372			
Driving Under Influence	12045	157,698	123,502	(34,196)	(34,196)				
Library	12050	541,060	945,357	404,297	304,297	85,000	15,000		
Fish & Game	12055	0	8,241	8,241		8,241			
Organization Development	12060	151,701	175,350	23,649			23,649		
Co Med Services Prog	12065	70,000	70,000	0					
Pension Obligation Bonds	18010	0	215,077	215,077		215,077			
TOTAL		27,195,468	35,201,450	8,005,982	571,268	4,282,413	38,649	0	3,113,652

FBA board item attachments Exhibit 1 and 2.xlsx

County of San Luis Obispo

COUNTY GOVERNMENT CENTER, RM. D430 • SAN LUIS OBISPO, CALIFORNIA 93408 • (805) 781-5011

DAN BUCKSHI
COUNTY ADMINISTRATOR

May 14, 2013

Honorable Board of Supervisors,

The Fiscal Year (FY) 2013-14 Proposed County budget is submitted for your review and consideration. Your Board will review the budget in detail at public budget hearings, scheduled for June 10 – 12, 2013, during which time you may add, delete, or modify the proposal as you deem appropriate.

Introduction

This budget, as proposed by staff to your Board, is an effort to allocate scarce resources in an effective and efficient manner in order to achieve the County's vision of a safe, healthy, livable, prosperous, and well governed community. This budget proposal complies with all aspects of the State Budget Act (Government Code 29000 – 29144), Board adopted Budget Goals and Policies, Budget Balancing Strategies and Approaches, and the Board's priorities. All of these guiding principles and strategies were utilized in an attempt to strike a balance between sound fiscal management and the continued provision of programs and services to the public. Striking this balance is as difficult as ever given the continued fiscal challenges facing the nation, state, and our local communities.

This budget represents year six of the County's seven year plan (commonly referred to as the Seven Year Pain Plan). The intent of the plan is to incrementally and methodically close the structural budget gap over a seven year period and maintain a high level of service to the public. Your Board and County employees at all levels of the organization continue to do a commendable job of implementing this plan as the structural gap is shrinking as envisioned.

FY 2013-14 represents year six of the Seven Year Pain Plan, which began in FY 2008-09. The budget gap for FY 2008-09 was $18 million, $30 million for FY 2009-10, $17 million for FY 2010-11, $11.4 million for FY 2011-12, $2 million for FY 2012-13 and $2.2 million for FY 2013-14. It was previously anticipated that FY 2009-10 would be the most difficult year from a numbers perspective and this is holding true today. The structural gap is shrinking due to the many actions taken by your Board and staff over the past five years. As you will note, the gap for FY 2013-14 is slightly higher than the gap for FY 2012-13 but is within the range contained in the forecast presented to your Board in October 2012.

The good news is that key economic indicators are showing signs of improvement. The indicators include property, sales, and Transient Occupancy Taxes (TOT) as well as building permits and planning revenue. In fact, the slight increase in projected property tax revenue (2%) indicates a brighter outlook for the recovery of the local real estate market.

The Budget Gap

The budget gap for a Status Quo budget for the General Fund in FY 2013-14 is $2.2 million. Generally speaking, a Status Quo budget is defined as one that takes current year staffing and program expenditures and costs them out for the next year with no material changes (i.e. inflationary increases only and no increases or decreases to staffing or program levels). It also includes the reduction of grant funded programs and positions in instances where the grants are no longer available.

This proposed budget includes the 2011 Public Safety Realignment (AB 109), whereby responsibility for oversight of some prisoners and parolees transferred from the State to counties. As a result, 28 positions were added mid-year to the FY 2011-12 budget (October 25, 2011) as was $4 million (annually) of associated revenues and costs. The transfer of responsibility continues to have a significant impact upon the operations of the Sheriff-Coroner, Probation, Health Agency, Public Defender, and District Attorney Departments. As reported last year, the revenues appear to be generally approximate to the associated costs, however, County staff will continue to keep a close eye on this balance for if revenues do not keep pace with expenditures, this realignment could significantly increase the size of our budget gap.

In addition, there has been some discussion statewide as to whether the shifting of prisoners and parolees to the counties has resulted in an increase in serious crime. There is some anecdotal evidence to that effect, but others suggest it is too soon to arrive at a definitive conclusion. The Public Policy Institute of California (PPIC) is proposing to perform a study to assess the impact to counties as a result of Realignment. The suggestion is to examine 10 counties representing a cross-section of large and small, urban and rural. We made it known to the PPIC that San Luis Obispo County would be willing to be one of the 10 test counties.

One of the primary reasons for the shrinking gap is the progress that continues to be made in containing and reducing salary and pension costs. It's been approximately three years since your Board approved the "Three-Point Plan," which includes a Tier 2 pension plan for new employees, pension cost sharing for new and existing employees, and an updated approach to setting salaries. As a result of the implementation of this plan, the County is saving over $26 million annually in labor costs.

In addition, the Public Employee Pension Reform Act (PEPRA) of 2013 became effective January 1, 2013. The changes to public pension plans are applicable to all public employers and the changes resulting from PEPRA, and approved by the Board of Supervisors, have been incorporated into the San Luis Obispo County Pension Trust Plan, which is an independent retirement system administered through the Pension Trust.

PEPRA is significant legislation for San Luis Obispo County as it imposes a new tier (Tier 3) for employees entering service with San Luis Obispo County on or after January 1, 2013. There are many facets to the PEPRA legislation, but for San Luis Obispo County it essentially reduces retirement benefits below that of the existing Tiers 1 and 2 and increases the cost sharing for employees who begin employment with the County on or after January 1, 2013. By

implementing Tier 3 and increasing the amount each employee contributes toward their pension costs, the future fiscal liabilities for the County are progressively reduced as more new employees enter into the system as Tier 3 employees.

Closing the Gap

The $2.2 million gap is closed by implementing the approaches contained in the Seven Year Pain Plan referenced above. Consistent with the Board adopted budget polices, a combination of short-term solutions and long term expenditure reductions are proposed to close the FY 2013-14 gap. The budget balancing strategies specify that as the Pain Plan progresses over the years, an ever smaller portion of short-term funding is used to close the gap. The final goal is to not rely on short-term resources at the conclusion of the Seven Year Pain Plan in FY 2014-15.

The target for FY 2013-14 is generally to use 10% of short-term funding and approximately 90% of long term solutions. The Proposed Budget for FY 2013-14 closes the gap consistent with that target, although the short-term funding is slightly higher than 10%.

The $2.2 million of recommended expenditure reductions are in accordance with the priorities provided by your Board. Meeting legal mandates, paying debt service, and public safety are your Board's highest priorities (in order). Also, this recommended budget allocates sufficient funding in order to meet our legal mandates and to keep our creditors whole. Additionally, the public safety departments are recommended for a higher level of funding as compared to most other non-public safety departments.

It is important to note that while the budget gap continues to shrink, in order to close the gap there will be reductions to programs and services, but the impacts are considerably less compared to prior years. Latter portions of this budget message contain a summary of the impacts and the departmental budget sections contain more detailed explanations.

The State Budget

In contrast to prior years, there is better financial news from the State. On January 10, 2013, the Governor released his 2013-14 budget package and it reflects a significant improvement in the state's finances due to several reasons, as follows: 1.) The beginning of an economic recovery; 2.) Prior budgetary restraint; and 3.) The voters' approval of temporary tax increases with the passage of Proposition 30. Passed in November 2012, Proposition 30 increases taxes and, equally important to counties, constitutionally protects revenues associated with AB109 Realignment.

The Governor's budget package projects General Fund revenues of $98.5 billion in 2013-14. The budget also assumes $97.7 billion in General Fund expenditures, producing an $851 million operating surplus in 2013-14. Specifically, the Governor proposes $138.6 billion in General Fund and special fund spending in 2013-14, up 4.5 percent from 2012-13. The budget package estimates that the General Fund will end 2013-14 with a $1 billion reserve.

Generally speaking, a brighter fiscal outlook for the State is good news for counties. There is a significant unknown related to the implementation of the Affordable Care Act (ACA), scheduled for January 2014. At the time of this writing, it is still unknown how the ACA will procedurally be implemented for California as it relates to the expansion of Medi-Cal. There are two options

under discussion at this time. The first option is one in which the counties take the lead in implementation. In the second option, the State would be the lead. At this time it is speculated that the State will take the lead role in implementation, but the details are unknown. In the event the State is the lead in Medi-Cal expansion implementation, the prevailing belief amongst counties is the State would look to reduce funding to the counties. The proposed FY 2013-14 budget for our county is structured as status quo until such time a decision is made and details are forthcoming. Regardless of who takes the lead in implementation of ACA, it more than likely will trigger a budget adjustment mid-year for FY 2013-14.

Summary of Expenditures

- The proposed FY 2013-14 budget for Total Government Funds is approximately $494.8 million, which is about a $4 million increase over the current year's adopted budget (reference the following chart for more detail). The primary reason for the increase is the continued transfer of public safety responsibility and the associated costs and revenues from the State to counties (commonly referred to as AB 109 public safety realignment).

- The proposed General Fund budget is approximately $410.7 million, which is a $7.7 million increase compared to the current year's adopted budget. Again, the primary reason for the increase is the public safety realignment.

- Detailed information about budget changes can be found in the narrative information provided for each fund center (please refer to the index for a listing of all fund centers). The detailed information for each fund center includes a Department narrative as well as a County Administrative Office (CAO) narrative. The former provides an overview of key issues facing each department and the latter provides context to the numbers. The approach in the CAO narratives is to convey what is changing from one year to the next and the corresponding impacts to programs and services

All Funds Expenditure Comparison			
Fund	**FY 2012-13 Adopted**	**FY 2013-14 Proposed**	**% Increase /Decrease**
General Fund	$ 403,014,000	$ 410,727,044	+2%
Automation Replacement	$ 5,252,677	$ 2,402,980	-54%
Building Replacement	$ 2,732,613	$ 5,300,724	+94%
Capital Projects	$ 6,234,746	$ 1,574,203	-75%
Community Development	$ 4,098,988	$ 3,879,855	-5%
County Medical Services Program	$ 5,095,977	$ 5,172,096	+1%
Debt Service	$ 2,256,488	$ 2,079,022	-8%
Driving Under the Influence	$ 1,530,088	$ 1,565,761	+2%
Emergency Medical Services	$ 801,000	$ 801,000	-
Fish and Game	$ 39,163	$ 20,000	-49%
Library	$ 8,434,871	$ 8,665,045	+3%
Organizational Development	$ 712,558	$ 609,701	-14%
Parks	$ 9,318,886	$ 8,318,360	-11%
Pension Obligation Bonds	$ 8,446,800	$ 10,014,626	+19%
Public Facilities Fees	$ 1,058,942	$ 1,897,000	+79%
Road Fund	$ 29,231,035	$ 27,400,493	-6%
Tax Reduction Reserves	$ 0	$ 1,399,033	-
Traffic Impact Fees	$ 2,594,908	$ 2,982,778	+15%
Wildlife and Grazing	$ 9,446	$ 3,509	-63%
Total	**$ 490,863,186**	**$ 494,813,230**	+1%

SUMMARY OF GENERAL FUND DOLLARS ALLOCATED TO DEPARTMENTS

Fund Center	Department Name	FY 2012-13 Adopted	FY 2013-14 Proposed	Percent Change
104	Administrative Office	$1,667,963	$1,687,809	1%
141	Ag Commissioner	$2,092,150	$2,064,096	-1%
137	Animal Services	$490,629	$487,722	-<1%
109	Assessor	$8,536,641	$8,550,579	<1%
107	Auditor-Controller	$3,796,645	$3,891,320	2%
166	Behavioral Health	$6,448,961	$6,795,861	5%
100	Board of Supervisors	$1,656,006	$1,662,044	<1%
182	CalWORKS	$348,526	$360,369	3%
134	Child Support Services	$0	$0	0%
110	Clerk-Recorder	$417,767	$757,322	81%
290	Community Development	$326,436	$341,436	4%
143	Contributions to Court Operations	-$112,488	-$471,586	319%
106	Contributions to Other Agencies	$1,486,069	$1,446,069	-2%
111	County Counsel	$3,301,264	$3,242,662	-1%
140	County Fire	$12,160,384	$13,254,030	8%
132	District Attorney (includes Victim Witness)	$8,672,834	$8,605,873	-<1%
138	Emergency Services	$194,690	$155,462	-20%
215	Farm Advisor	$470,657	$470,256	-<1%
181	Foster Care	$811,402	$558,758	-31%
185	General Assistance	$637,993	$700,290	9%
113	General Services	$5,904,978	$6,129,744	3%
131	Grand Jury	$138,425	$138,049	-<1%
112	Human Resources	$2,079,560	$2,117,969	1%
114	Information Technology	$8,016,277	$8,239,017	2%
184	Law Enforcement Medical Care	$1,607,842	$1,561,047	-2%
377	Library	$516,121	$607,139	17%
200	Maintenance Projects	$1,983,700	$1,983,700	<1%
183	Medical Assistance Program	$4,152,558	$4,130,479	-<1%
275	Organizational Development	$450,000	$450,000	<1%
305	Parks	$4,020,055	$3,540,677	-11%
142	Planning and Building	$5,910,847	$5,785,443	-2%
139	Probation Department	$8,894,286	$8,942,340	<1%
135	Public Defender	$4,884,029	$5,011,696	2%
160	Public Health	$3,977,380	$3,789,568	-4%
201	Public Works Special Services	$1,400,297	$1,401,988	<1%
105	Risk Management	$552,504	$494,623	-10%
245	Roads	$7,431,000	$5,831,000	-21%
136	Sheriff-Coroner	$37,741,323	$37,923,571	<1%
180	Social Services	$5,271,897	$5,100,934	-3%
108	Treasurer/Tax Collector	$1,631,379	$1,681,494	3%
186	Veterans Services	$340,571	$402,611	18%
130	Waste Management	$599,916	$880,265	46%
	TOTAL	**$160,909,474**	**$160,703,726**	**-0.1%**

Note 1: This chart is intended to provide a summary of the amount of General Fund dollars allocated to departments (not expenditures). The chart does not include the Non-Departmental Revenue fund center nor other fund centers that do not provide programs and services (e.g. debt service, building replacement, etc).

Note 2: The details for each fund center included in this summary chart are available in the departmental sections of the budget.

Recommended Staffing

The Proposed Budget recommends 2,444.25 full time equivalent (FTE) permanent and limited term positions. This represents a net decrease of two positions (-0.1%) as compared to the FY 2012-13 current year budget. All of these positions are vacant. It is worth noting that 24.00 positions were added mid-year FY 2012-13. The primary reason for the mid-year increase is as a result of the 2011 Public Safety Realignment or grant funded positions.

It is also important to note that 13.5 FTE (87%) of the 15.5 FTE increase in positions are off-set by funding from the State and Federal government. The balance (2.0 FTE) are funded via local funds for Veteran Services and for Code Enforcement (Planning & Building). Equally important to note is the deleted 17.5 FTE are positions primarily funded through local discretionary funds. This dynamic highlights the juxtaposition in which counties find themselves. Counties are growing in the areas realigned by the State (i.e. transfer of responsibilities from the State to the counties) and are still shrinking in the areas in which we have local control.

POSITIONS SUMMARY		
2012-13 Adopted Budget	2,422.25	
2012-13 Current Allocation	2,446.25	
2013-14 Recommended	2,444.25	
Net Change (from Adopted)	22.00	
Net Change (from Current)	-2.00	
Percent Change (from Current)	-0.1%	
Department	**Additions**	**Deletions**
Emergency Services	0.50	
Auditor-Controller		-1.50
District Attorney		-0.50
General Services		-2.00
Information Technology		-1.00
Reprographics		-2.00
Planning & Building	1.00	-0.50
Probation	4.00	-3.00
Public Health		-1.00
Public Works ISF	1.00	-6.00
Sheriff / Coroner	1.00	
Social Services	7.00	
Veteran Services	1.00	
TOTAL	**15.50**	**17.50**

Land Based Budgets – Net Decrease of 4.50 FTE positions:

The Land Based budgets are comprised of the Agricultural Commissioner, Planning and Building, Community Development, Public Works Internal Service Fund (ISF), Public Works Special Services, Roads, and Road Impact Fees.

Overall, General Fund support to the budgets within the Land Based functional area is decreasing slightly, $236,767 or 1.5%, when compared to FY 2012-13 adopted levels. Revenues, overall, are expected to increase by $1.5 million or 16.90% from FY 2012-13 adopted amounts for Land Based fund centers. This is primarily due to the $1.6 million, or 32%, increase in revenue budgeted for the Planning and Building Department.

Agricultural Commissioner

General Fund support for the Agricultural Commissioner is recommended to decrease $28,054 or 1%. Expenditures are recommended to increase $113,024 or 2%, primarily due to 2% increase in salary and benefits expense. Revenues are recommended to increase by $141,078 or 4%, mainly due to a $99,777 or 12% increase in Federal revenue for the detection of detrimental pests, especially the Asian Citrus Psyllid, based on a recent detection in Santa Barbara County. Unclaimed Gas Tax revenue from the State is expected to increase $19,044 or 1%. In each of the past three fiscal years, San Luis Obispo County has submitted documentation of economic hardship and obtained a waiver of this requirement, and has continued receiving Unclaimed Gas Tax revenue. Based on the General Fund support provided to the Agricultural Commissioner budget over the past five years, it is expected that a waiver request will again be necessary in FY 2013-14.

Planning and Building

The level of General Fund support for Planning and Building is recommended to decrease $125,404 or 2% compared to the FY 2012-13 adopted budget. Overall, recommended revenues are increasing more than $1.6 million or 32% primarily due to the two large solar plants under construction in the Carrizo Plain. An uptick in permit application activity is also being seen as the County emerges from the recession. This increase in activity has also influenced the increase in revenue, though to a much smaller extent than the large projects noted above.

Recommended expenditures are increasing approximately $1.48 million or 13% compared to the FY 2012-13 adopted budget primarily due to a more than $1.13 million increase in services and supplies accounts. This increase is almost entirely in the professional services account, and more than half of this increase ($750,000), is related to a contract with a firm to conduct site inspections on the two large solar plants. Salary and benefit expenditures are increasing $341,349 or 3% as compared to the FY 2012-13 adopted budget. Almost half of this increase is due to the addition of two full-time Limited Term Land Use Technicians funded with EnergyWatch grant funds in December 2012. In addition, the recommended budget includes the conversion of 0.50 FTE Limited Term Resource Protection Specialist to a 1.0 FTE Permanent Resource Protection Specialist to enable the department to meet its code enforcement goals.

Roads

The recommended FY 2013-14 budget for Roads provides for a decrease of General Fund support of $100,000 or less than 2% as compared to FY 2012-13 adopted amounts. Any future reduction in funding for the pavement management program could have a negative impact on the condition of County roads over the next 10 years. Projects for FY 2013-14 include the Tefft Street/Highway 101 interchange and Buckley Road improvement projects, the River Road and the La Panza Road widening projects. A complete listing of projects to be carried out by the Roads division can be found in Fund Center 245 – Roads.

Public Protection – Net increase of 2.00 FTE positions:

The Public Protection Functional Area includes the Sheriff-Coroner, District Attorney (which includes Victim-Witness), Child Support Services, Public Defender, Probation, County Fire, Emergency Services, Animal Services, Waste Management, Grand Jury and the County's contribution to Court Operations. In keeping with the Board's priorities, General Fund reductions recommended for the Sheriff-Coroner, District Attorney, Probation and County Fire are less than those recommended for most other departments. As in past years, the Board's intent is to give these four departments priority in the allocation of resources to ensure the County continues to effectively protect public safety despite the financial hardships facing the County in recent years.

The recommended General Fund contribution to Public Protection in FY 2013-14 is $74.9 million, an increase of $1.2 million dollars or 1.6% compared to the FY 2012-13 adopted budget. Most of this increase is due to a $1 million increase in General Fund support in FC 140 – County Fire, the result of an increase in planned expenditures for the replacement of fire vehicles. The other significant contribution to the increase in General Fund support for Public Protection is a $280,349 increase in FC 130 – Waste Management. This increase is primarily due to a one-time revenue increase from the Los Osos Landfill designation to offset projects budgeted in FY 2012-13. These projects are now funded with General Fund dollars.

Recommended revenues for the public protection budgets, totaling $57.8 million, are budgeted to increase $4.6 million or 8% compared to FY 2012-13 adopted budget. Revenue from Proposition 172, the half-cent sales tax dedicated to public safety, is on track to exceed the FY 2012-13 budgeted amount and is budgeted to increase in FY 2013-14 as well, by almost $1.8 million or 9%, compared to the FY 2012-13 adopted amount. Prop 172 revenue is allocated to the Sheriff-Coroner, Probation, District Attorney and County Fire department and accounts for $21.5 million or 46% of all revenue budgeted for these four departments.

A net addition of 2.00 FTE is recommended to be added to the Position Allocation List (PAL) for Public Protection in FY 2013-14:

- -0.50 FTE Economic Crimes Officer position to reduce General Fund support in FC 132 – District Attorney
- +1.00 FTE Correctional Technician position in FC 136 – Sheriff-Coroner supported by State SLESF/COPS revenue
- +0.50 FTE Emergency Services Coordinator position FC 138 – Emergency Services to help meet new Federal requirements for nuclear power plant emergency planning

- +1.00 FTE limited-term Deputy Probation Officer III position FC 139 – Probation funded by State funding received by the San Luis Obispo County Chiefs of Police to serve as a liaison between Probation and city law enforcement for three years.

County Fire

General Fund support is budgeted to increase $1,093,646 or 8% for County Fire. The increase is the result of an increase in planned expenditures for the replacement of fire vehicles of $1,256,312 over the amount for similar expenses in the FY 2012-13 adopted budget. The replacement of County Fire vehicles is funded from a budget designation set up for this purpose. If these expenses were removed from the budget, the amount of General Fund support recommended for FY 2013-14 would decrease $114,040 or 1% compared to the prior year adopted budget. No service level impacts are expected to result from the decrease in General Fund support.

District Attorney

General Fund support for the District Attorney's Office in FY 2013-14 decreases $66,961 or less than 1% from FY 2012-13. Revenues increase $263,145 or 4%. The biggest contributor to the increase in revenue is Prop 172 (the ½ cent State sales tax for public safety). This revenue source is budgeted to increase $239,624 or 9% over the FY 2012-13 adopted level and mitigates declining revenues in other accounts. Expenditures increase $196,184 or 1% compared to the FY 2012-13 adopted budget as a result of increases in salary and benefit expenditures. General Fund salary and benefits expense of $212,987 is offset by budgeted reductions including salary savings of approximately 1.25% and the elimination of a vacant half-time Economic Crimes Officer position. No service level impacts are expected from these expenditure reductions. Three positions were added to the DA's Position Allocation List in mid-year FY 2012-13: a 0.50 FTE Deputy District Attorney II position and a 0.50 FTE Victim/Witness Assistance Coordinator position, both supported by AB 109 – Public Safety Realignment funding; and a 1.00 FTE District Attorney Investigator position offset by an increase in expected revenue from the DA's Real Estate Fraud fee.

Probation Department

General Fund support for the Probation Department is recommended to increase $48,054 or less than 1% over the FY 2012-13 adopted level. Revenues are recommended to increase only $36,430 or less than 1% and total expenditures are recommended to increase $84,787. Salary and benefits expense increase $595,353 or 3%. Nearly half of this is due to an increase of $258,538 in workers compensation charges for FY 2013-14. Services and supplies expenses decline $516,756 or 12%, mainly due to the elimination of $400,000 of expense budgeted in the prior year for contract expenses associated with the Day Reporting Center. This item was planned for FY 2012-13 but was not implemented. The offsetting funding from AB 109 Public Safety Realignment revenue was redistributed by the Board of Supervisor in mid-year FY 2012-13 to support priorities in other departments. The impact of the loss of this revenue on the overall budget for Probation in FY 2012-13 is offset by increases in other State funding sources, including a $281,478 or 9% in Prop 172 revenue, the ½ cent sales tax for public safety, resulting in a small net increase in overall revenue.

Three positions were added to Probation's Position Allocation List in mid-year FY 2012-13: a 1.00 FTE Program Manager position to supported by SB 678 community corrections incentive funding from the State; and a 1.00 FTE limited-term Deputy Probation Officer III position funded by State funding received by the San Luis Obispo County Chiefs of Police to serve as a liaison between Probation and city law enforcement for three years.

Sheriff-Coroner

General Fund support is budgeted to increase $182,248 or less than 1%. Total expenditures are recommended to increase $2,296,272 or 3% compared to the FY 2012-13 adopted level. Salary and benefits expenditures increase $1,829,940 or 3%. Approximately 40% of the increase is due to an increase in workers compensation charges of $729,273. An additional $313,941 is the result of four positions added in mid-year FY 2012-13: a 1.00 FTE Correctional Technician position, a 1.00 FTE Department Automation specialist position, and a 1.00 FTE Program Manager position to support AB 109 - 2011 Public Safety Realignment; and a 1.00 FTE Correctional Technician position supported by State SLESF/COPS revenue.

Services and supplies expense is recommended to increase $589,5041or 6% compared to the FY 2012-13 budget. A substantial portion of the increase is $220,481 of increased expenses for clothing and personal, food, household expense, and medical supplies resulting from the growth in the jail population spurred by AB 109 Public Safety Realignment. Maintenance contract expenditure increases, most of which are offset by State revenue, contribute another $123,052 to the overall increase. Most of the remainder is a $177,527 increase in expenditures for equipment replacement, including $47,160 for cell door replacements funded from the Countywide Maintenance Fund.

Revenues are budgeted to increase $2,114,024 or 9% in FY 2013-14. The increase is due to two main factors. The first is a projected increase in Prop 172 revenue (the State's ½ cent sales tax for public safety), which is budgeted to increase $1,080,284 or 9% over the FY 2012-13 budgeted level. The second is an increase in State Public Safety Realignment revenues, which are budgeted to increase $1,157,960 or 9% overall.

Court Operations

The contribution from this budget to the General Fund is recommended to increase $359,098 or 319% compared to the FY 2012-13 adopted budget. The increase is due to rising revenues, primarily those received from County Motor Vehicle/Criminal Fines, State Penalty Assessments, Traffic School fees, and City Motor Vehicle Fines. This budget funds the continuing County obligations to the California Superior Court. In the late 1990s, the State passed the Trial Court Funding Act. This legislation revised the financial and operational relationships between counties and courts by shifting the overall responsibility for court operations to the California State Judicial Council. The financial arrangement that resulted from the Trial Court Funding Act established a Maintenance of Effort (MOE) expense that requires the County to pay a specified amount to the State of California, based on a formula, to support Court Operations. Revenues received in excess of these budgeted expenses contribute to the County General Fund.

Child Support Services

Child Support Services operates almost entirely on revenue from State and Federal sources. For several years, a minimal amount ($14,620) of General Fund support has been recommended for this budget to offset some of the charges from the Sheriff's department for providing "service of process" –i.e., delivery of summons and complaints. However, in FY 2013-14, it is again recommended that the department not receive any General Fund support. State and Federal revenue levels are consistent with FY 2012-13 adopted levels. Expenditure levels continue to be down due to the reorganization of staff that occurred in FY 2012-13. To date, it does not appear that the department's reduced budget and the reorganization has posed any service level impacts. To ensure that its performance isn't impacted, the department will continue to place a large focus on training and providing support to staff who recently moved into new positions.

Health and Human Services – Net Increase of 7.0 FTE

The Health and Human Services (HHS) category includes Social Services, Public Health, Behavioral Health, Law Enforcement Medical Care, Driving Under the Influence and Veterans Services. Funding for community based organizations, indigent medical care and the County's contribution to the Community Health Centers for operation of outpatient health clinics is also included in this area.

HHS programs are largely administered by counties on behalf of the State or Federal governments. Historically, the State and Federal governments have not provided sufficient funds to keep up with growing expenses. In doing so, they have put local governments in the position of either cutting these programs or reducing other local services to pay for them. During the recent economic crisis, the County has reduced expenditure levels in many of the HHS budgets as our ability to make up the difference between rising costs and shrinking State and Federal revenue with General Fund support has declined. It appears that the worst may be behind us and this trend is beginning to reverse itself. This is in part a result of the 2011 realignment of funding sources and program responsibility of several health and human services programs. The FY 2011-12 State budget and accompanying legislation included a major realignment of public safety programs from the State to local governments. Several HHS programs were realigned including mental health and substance abuse treatment programs, Foster Care, Child Welfare Services and Adult Protective Services.

In the November 6, 2012 election, Proposition 30 was passed by the voters. Not only did this initiative increase personal income tax rates on very-high-income Californians for a seven-year period and increase the state's sales tax rate by one quarter cent for four years, this measure also put key provisions of the 2011 realignment of public safety, health and human services programs into the State Constitution. These constitutional provisions ensure that counties will receive on-going funding to support the programs that were realigned

In FY 2013-14, revenues of HHS programs increase approximately $6.3 million or 4% while total expenditures increase more than $6.1 million or 4% compared to the FY 2012-13 adopted budget. This results in a reduction in General Fund support of approximately $197,000 or 1%. The most significant increase in General Fund support is in Behavioral Health largely due to an increase in workers compensation charges and other variable benefit costs. The most significant decrease in General Fund support is in the Foster Care budget, due to an increase in Social Services Realignment revenue.

It is important to note that there are important changes that are expected to occur in the coming year that have not been factored into the recommended budget. First, implementation of the Affordable Care Act (ACA) is expected to occur during FY 2013-14 and is likely to have significant implications for indigent medical care. The County should see a significant decrease in expenditures for indigent health care once the majority of low income patients obtain health insurance coverage, as early as January 1, 2014. However the exact amount is unknown and potential reductions to State funding for indigent health care through the 1991 Realignment is also unknown. Therefore the recommended budget assumes the status quo. Second, there are two programs that will likely result in significant changes to the Behavioral Health budget and potentially to the Department of Social Services budget. The first is the transition of Health Families clients to Medi-Cal and the potential expansion of mental health services required to serve this population. The second is a settlement of the Katie A. law suit which sought to improve the provision of mental health and supportive services for children and youth in, or at imminent risk of placement in, foster care in California. This may expand the mental health services these youth are entitled to but the details of the settlement implementation are still being worked out. Behavioral Health and the Department of Social Services are working together to determine the potential costs and resource needs to address these two programs. Staff will be bringing an item to the Board mid-year FY 2013-14 to provide more details on the impacts of these new initiatives and request approval of needed position allocation changes as well as budget adjustments to amend revenue and appropriation, as required.

Social Services

The overall level of General Fund support for the Department of Social Services is recommended to decrease $349,467 or 5% compared to FY 2012-13 adopted levels. The recommended budget for Social Services sets General Fund support at the minimum contribution to leverage State and Federal programs that require matching funds from the County.

The substantial decrease in General Fund support is due largely to changes in the way that the In-Home Supportive Services (IHSS) program, which provides domestic and personal care services to elderly, blind and disabled persons is funded. In FY 2013-14, the County's share of IHSS costs will be paid through a Maintenance of Effort (MOE) rather than being based on caseload and authorized hours of care for elderly and disabled individuals. With the new MOE, the County's share of costs is capped and not impacted by an aging population. In addition to the MOE, the implementation of a "Community First Choice Option" changed cost sharing ratios and decreased the County's share of IHSS costs from 17.5% to 15.4%. The resultant savings from these changes have contributed significantly to the balancing of the overall County budget.

In FY 2013-14, 7.0 FTE new positions are recommended to be added to the department's Position Allocation List. The new positions include 3.0 FTE Social Workers, 1.0 FTE Social Services Investigator, 2.0 FTE Program Review Specialists and 1.0 FTE Administrative Assistant which will be distributed among the department's various programs to address increases in workload. The addition of these new positions will not have any impact on the department's level of General Fund support, as the incremental costs can be covered with the department's existing allocations.

Health Agency

The Health Agency encompasses Public Health, Behavioral Health, the Medical Assistance Program and the County Medical Services Program (both of which are indigent health care budgets), Driving Under the Influence and Emergency Medical Services. In addition, Animal Services is a division of the Health Agency, but is included in the Public Protection functional group. The overall budget information that follows excludes the Animal Services budget. Overall, total revenues for the Health Agency are increasing by approximately $3.2 million or 5% compared to the FY 2012-13 adopted levels. Total expenditures are increasing by approximately $3.3 million or almost 4%. The recommended level of General Fund support for the Health Agency is more than $16.27 million which is essentially flat compared to the FY 2012-13 Adopted Budget.

Behavioral Health

The recommended budget reflects an increase in revenues of approximately $1.7 million or 4%, an increase in total expenditures of more than $2.7 million or 5% and in increase in General Fund support of $346,900 or 5% compared to the FY 2012-13 Adopted Budget. Several mid-year adjustments were approved by the Board in FY 2012-13, resulting in an increase of more than $2.56 million in revenue and expenditures. These changes included an update to the Mental Health Services Act and AB 109 plans, increases to the agreements with the Kinship Center and Family Care Network, and other smaller adjustments. Compared to this adjusted FY 2012-13 budget, revenues are decreasing by $817,945 (2%) and expenditures are decreasing $471,050 (less than 1%).

Included in the mid-year adjustments mentioned above was the addition of 10.00 FTE associated with the MHSA and AB 109 plan updates, new mental health services for Paso Robles School District and the conversion of temporary help to permanent staff at the Psychiatric Health Facility.

One budget augmentation is recommended for Behavioral Health to increase one part-time Mental Health Therapist IV to a full time position to increase outreach and mental health services to veterans. This augmentation of staff and services was requested by the Veterans Services Officer and will be funded with Mental Health Services Act revenue.

Public Health

The recommended budget reflects a $999,225 or 5% increase in revenues, a $811,413 or 3% increase in total expenditures and a decrease in General Fund support of $187,812 or 4% compared to the FY 2012-13 Adopted Budget. A portion of these increases are due to Board-approved mid-year adjustments to the FY 2012-13 Adopted Budget which added a total of $264,804 in revenue and expenditures and 3.0 FTE. These mid-year budget adjustments were associated with increases in grant funding from various sources such as the Nutrition Education Obesity grant, Office of Traffic Safety grant and Public Health Emergency Preparedness grant.

Revenues are increasing primarily due to a net increase in Federal funding, a transfer of Realignment Growth revenue from Department of Social Services trust, an increase in Environmental Health fee revenue, and an increase in the California Children's Services allocation for FY 2013-14. Details are provided in the narrative for this fund center.

Total expenditures for this fund center are recommended at more than $21.7 million. This reflects a reduction of $237,596 or 1% compared to the Health Agency's requested budget due a recommended reduction in General Fund support in the salary and benefit accounts. The recommended reductions include the elimination of one vacant full-time Public Health Nurse, which is expected to reduce service levels to low-income high-risk pregnant women, first-time mothers and their infants. In addition, approximately $162,000 in salary savings has been built into the recommended budget to reflect a typical vacancy rate and Voluntary Time Off taken by Public Health department staff.

Law Enforcement Medical Care

Revenue is recommended to increase $359,185 or 61% and expenditures are recommended to increase $312,390 or 14% compared to the FY 2012-13 Adopted Budget primarily due to the AB 109 Public Safety Realignment revenue that was added to the budget mid-year in FY 2012-13. Given the increase in the inmate population at the jail and an increase in actual medical expenses, the Board approved an addition of approximately $351,000 in AB 109 revenue to cover an increase of 1.5 FTE in permanent staff and additional temp help as well as higher costs for pharmaceuticals, medical supplies and contract physician hours.

A majority of the expenditure increase is in the salary and benefits accounts, recommended to increase by $259,481 or 14%, reflecting the mid-year addition of the 1.5 FTE and additional temp help funded by AB 109 Realignment funds. Recommended salary and benefit expenditures compared to the adjusted FY 2012-13 budget reflect a decrease of approximately $32,800 reflecting an assumption that the law Enforcement Medical Care unit will realize a salary savings from vacant positions of approximately 2%.

The level of General Fund support for Law Enforcement Medical Care (LEMC) is recommended to decrease by $46,795 or 2% compared to the FY 2012-13 Adopted Budget.

Indigent Medical Care

Funding for indigent medical care is included in two fund centers: the Medical Assistance Program and the County Medical Services Program (CMSP). Costs for indigent medical care appear to have leveled off after increasing significantly during the recent economic recession.

As noted above, implementation of the Affordable Care Act is expected to have significant implications for the indigent medical care budgets. The County could see a significant decrease in expenditures for indigent health care once the majority of CMSP patients obtain health insurance coverage, beginning January 1, 2014. The County may continue to be legally responsible to provide health care for a residual indigent population that cannot obtain coverage under Medi-Cal or Health Benefits Exchange. Our current estimate is that this residual population may range from 500 – 650, significantly less than the more than 3,200 clients currently served.

These changes have not been built in to the recommended budget due to the many details regarding implementation approach, related expenditures and funding that have yet to be worked out between the Governor, legislature and counties.

Veterans Services

The position allocation list includes an increase of 1.0 FTE for an additional Assistant Veteran Services Officer (AVSO), noted above. This addition raises the total number of AVSOs to three and the total number of departmental staff to five. The additional AVSO will help to decrease the time between the filing of claims and the receipt of benefits. This addition represents $60,766 of the $62,040 or 18% increase in General Fund support from FY 2012-13.

Community Services - Net Change of 0.0 FTE

Fund Centers represented in the Community Services functional area include Airports, Farm Advisor, Golf Courses, Library, Parks, Fish and Game, and Wildlife and Grazing.

Airports

The Airport Services budget is an Enterprise Fund and as such is supported by revenues generated through user fees. Excluding depreciation, the operating expense for FY 2013-14 is $3,391,628, an increase of $52.185 or 2% from the estimated amount or FY 2012-13. Operating revenue in the FY 2013-14 budget is $3,398,415, a very slight increase of $8,739 or less than 1%. Again this year, the Airport's recommended FY 2013-14 budget identifies expenditures exceeding revenues. The recommended budget identifies that the Airport plans to use $268,000 of the $750,000 in Airport's unrestricted cash balance to cover the gap between expenditures and revenues. Although the Airport's fiscal situation is more stable than it was at the height of the economic downturn, the Airport's long term fiscal stability will likely depend upon the Airport's ability to increase its revenues. Increasing passenger enplanements and the ability to maintain and expand commercial air service at the San Luis Obispo Airport is the key to revenue growth. There is a strong community demand for airport services and Airport Management continues to work to increase commercial air service at the San Luis Obispo Airport. The recommended budget maintains the current staffing and service levels.

Parks

The total expense and total revenues for the FY 2013-14 Parks budget are recommended to decrease by $1,000,526, or 10% as compared to the FY 2012-13 adopted budget. The level of General Fund support is recommended to decrease by $479,378 or 11% as compared to the FY 2012-13 adopted level. $600,000 of the revenue and expenditure decrease and all of the General Fund support decrease are related to the one-time addition of $600,000 in General Fund approved as part of the final adopted budget for FY 2012-13. This one time addition was made to assist Parks address deferred maintenance as well as support improvements at County park and recreational facilities. Adjusting for the one time addition, the General Fund support for this budget is increasing $120,622, a 3% increase. $80,000 of this increase is a shift of General Fund from the Fund Center 113 General Services to Parks. The shift in General Fund supports the grounds maintenance function that was transferred from General Services to Parks during FY 2012-13. $27,500 in General Fund is being added to this fund center to assist with marketing Parks campgrounds and facilities. $12,500 of these funds is earmarked to assist with marketing County Golf Courses, Fund Center 427. Parks revenues from fees are showing a slight improvement and the overall fiscal situation for the

Parks budget shows improvement as compared to the past several years. All existing staff positions are funded and current service levels are maintained.

Golf Courses

The Golf Course budget is an Enterprise Fund and as such does not receive General Fund support. Enterprise funds charge user fees for their services. During FY 2012-3, the number of rounds played is showing a slight improvement and revenues are projected to be higher than budgeted for the year. Golf operating revenues for FY 2013-14 are recommended for a $66,720 or 3% increase over the projected revenues for FY 2012-13. Expenditure levels are slightly less than revenues, and for the first time in several years, Golf will not have to use any of its unallocated cash to cover its budgeted expense. A reduction in expense related to countywide overhead charges is main reason for the improvement. The reduction in countywide overhead expense is related to one-time adjustments and the relief created by the reduction in this category of expense may not continue in future years. Maintaining a positive fiscal balance will likely require continued improvement in the revenues derived from green fees and other sources. The management for Golf is focusing on expanding the number of golfers who use County courses. Management continues to use of promotions and marketing activities to attract new clients. The recommended budget maintains current staffing and service levels.

Library

The FY 2013-14 recommended budget for the Library reflects financing sources and expenditures that are increasing $230,174 or 2%. General Fund support for the Library budget is recommended at $607,139. This is an increase $91,018 or 17% over the FY 2012-13 adopted amount of $516,121 and represents 7% of the Library's total budget of $8,665,045. The Library is primarily dependent on revenue from property taxes to fund its operation. Although the housing market remains sluggish, property tax revenues are budgeted to increase approximately $200,000 in FY 2013-14, the first increase in five years. To achieve a balanced budget, staff recommends cancellation of $100,000 in reserves, leaving a balance of $932,331 in reserves. The recommended budget adds $100,695 to the materials budget, an increase of 24% compared to the FY 2012-13 adopted budget. The recommended budget will allow the Library to sustain current open branch hours.

<u>Fiscal and Administrative – Net decrease of 1.50 FTE positions</u>

This functional area consists of the Administrative Office, Organizational Development, Assessor's Office, Auditor-Controller's Office, Board of Supervisors, Clerk-Recorder's Office, and Treasurer-Tax Collector-Public Administrator.

Administrative Office

The level of General Fund support for this budget is recommended to increase $19,846 or 1% compared to the FY 2012-13 adopted level. The increase in General Fund support is due solely to a recommended one-time budget augmentation of $50,000 to cover the costs of hiring a consultant to conduct an economic impact analysis of the Diablo Canyon Power Plant on San Luis Obispo County. This recommended augmentation is included in response to direction provided by the Board of Supervisors during a strategic planning session on February 19, 2013. If this augmentation had not been included, the recommended level of General

Fund support for the Administrative Office would be decreasing by $33,359 or 2% compared to FY 2012-13 adopted levels.

Auditor-Controller

The level of General Fund support for this budget is recommended to increase $94,675 or 2% compared to the FY 2012-13 adopted level. The increase in General Fund is due largely to various salary and benefit adjustments resulting from the department filling positions at higher levels in their career series' than had previously been budgeted. These increases are partially offset by the proposed elimination of 1.5 FTE positions. The FY 2012-13 adopted budget included the addition of 2.0 FTE limited term positions to backfill for existing staff who will be working on the Property Tax System Modernization project. In FY 2013-14, it is recommended that 1.0 FTE limited term Accounting Technician position be eliminated, as the department has determined that it does not need the position. In addition, it is recommended that a permanent Auditor-Analyst III position be reduced from 1.0 FTE to 0.5 FTE as a budget reduction strategy. It is not expected that the reductions to staffing levels will pose major service level impacts to the community.

Support to County Departments – Net decrease of 5.0 FTE positions

This functional area consists of the Office of the County Counsel, General Services Agency, including Fleet Services and Information Technology, Human Resources, Risk Management, and the County's Self Insurance programs.

General Services

The level of General Fund support for this budget is recommended to increase by $224,766 or 3% compared to the FY 2012-13 adopted level. In FY 2012-13, the department shifted to a full cost recovery method to determine charges to departments for services. This increased departmental revenues by approximately $1.3 million, allowing for a concurrent reduction of $1.3 million in General Fund support to the departments FY 2012-13 budget. However, the department identified a calculation error in the methodology used to determine full cost recovery resulting in the overstatement of revenues by $177,878, which impacted the change in General Fund support in FY 2012-13 by the same amount. The recommended increase to General Fund support in FY 2013-14 is due largely to this error.

The recommended budget includes reductions that decrease departmental expense by $195,058. These reductions include the elimination of 2.0 FTE vacant Maintenance Mechanic positions. The reduction of these positions may result in slightly longer response time to emerging maintenance issues and some shifting of maintenance activities away from preventative maintenance. The department identified the service level impact as minimal. Other services will remain at current levels.

Information Technology

The level of General Fund support for this budget is recommended to increase $220,740 or 2% compared to the FY 2012-13 adopted level. This increase is due largely to a decrease in revenue received from the Superior Court for hosting the Court's Criminal Justice Information System on the County mainframe. Due to State budget challenges, the Court approached the County with a request for relief from the approximate $440,000 in annual charges for use of the mainframe. The County agreed to defer these costs in FY 2012-13 and FY 2013-14.

The decrease in revenue is partially offset by the recommended elimination of 1.0 FTE vacant Senior Systems Administrator. The responsibilities of this position will be shifted to other existing staff and as a result, it is not expected that this reduction will pose major service level impacts.

Reprographics

In FY 2010-11 an independent consultant conducted a study and determined that the County could reduce its print and copy costs by outsourcing those functions to a private vendor. Based on this study, it was decided to eliminate Reprographics through a phased approach. In FY 2012-13, a 1.0 FTE vacant Reprographics Technician was reduced from the department's PAL. In FY 2013-14, it is recommended that the remaining 2.0 FTE positions in Reprographics be eliminated.

Overview of Financing/Revenues

State and Federal Revenue

State and Federal revenue at approximately $216 million, represent about 44% of the County's total financing. The recommended level is about $8.6 million more than FY 2012-13 adopted budget, which is largely a result of the 2011 Health and Human Services Realignment funding.

State and Federal revenue is the single largest County revenue source. The majority of these revenues are used to support statutory programs, such as health and welfare services and some criminal justice programs. Generally speaking, these funds are restricted in use and are not available for discretionary purposes.

Taxes

Property taxes, sales taxes, transient occupancy, and other taxes at approximately $150 million, represent about 30% of the County's total financing. The recommended level is up about $1 million as compared to the FY 2012-13 adopted budget.

Other Revenues and Financing

Other revenues at approximately $52 million represent about 11% of the County's total financing. The recommended level is approximately the same as the FY 2012-13 adopted budget.

License/Permit Fees/Charges for Services

Licenses, permits, and charges for services at approximately $37.8 million, represent 8% of the County's total financing. The recommended level is $1.2 million or 3% higher than the FY 2012-13 adopted budget.

Fines, Forfeitures and Penalties

At approximately $5 million, this funding source represents about 1% of the County's total financing. The recommended level is approximately the same as the FY 2012-13 budgeted amount.

Interest Earnings

At approximately $770,000 interest earning represents about 0.2% of the County's total financing. The recommended amount is roughly the same as the FY 2012-13 budgeted amount.

Fund Balance Available (FBA) and Use of Reserves

Fund Balance Available and the use of reserves represent the last two significant funding sources for the total County budget. FBA is budgeted at $27.2 million (for all County funds not just the General Fund) and represents approximately 6% of the County's total financing and the use of reserves at $4.3 million represents about 0.9% of the County's total financing.

Reserves

The County has two types of reserves: general reserves and designations. General reserves are not designated for a specific purpose. They serve to stabilize the County's cash position prior to the receipt of property tax revenues and more importantly provide protection against downturns in the economy or against a major catastrophe if one were to occur within the County. Designations are reserves that are set aside for specific purposes. These designations help provide for the County's long term financial needs.

In total, at the end of FY 2012-13, it is estimated that the County will have about $96 million in total reserves and designations. Most of this amount is in designations for restricted and specific purposes (i.e. not discretionary). For FY 2013-14, it is proposed that $4.3 million be used to help fund the budget and that $11.1 million be added to the balances. The projected balance at the end of FY 2013-14 is $102.7 million (a net increase of $6.8 million). Only reserves and designations that are changing are included in the summaries below.

General Fund Reserves and Designations

The General Fund general reserve is recommended to increase $1 million to $9 million for FY 2013-14. It was last increased from $7.6 million to $8 million in FY 2002-03.

Per the comprehensive depreciation and equipment replacement schedule, it is recommended that $853,157 of the Fire Equipment Replacement designation be used in order to help fund the replacement of Fire equipment. The new balance in the designation is projected to be $113,765.

FB-2020 POB, a designation established in FY 2012-13 in order to help pre-pay some of the County's Pension Obligation Bond debt is proposed to be increased by $1.5 million. The new balance in this designation is projected to be $6,188,657.

It is recommended that the Internal Financing designation be increased by $250,000 to $3.9 million.

Other (Non-General Fund) Reserves and Designations

Capital Projects: It is recommended that $50,004 of the Facilities Planning designation be used to help fund capital projects recommended in the FY 2013-14 budget (reference capital projects budget for the details). The balance in the designation is projected to be $6.2 million. Additionally, $152,732 of the Los Osos Landfill designation is recommended to be used to help fund work at the landfill. This will use all the remaining funds in the designation.

Roads: It is recommended that $944,564 be used to help fund the Roads budget. The balance in the designation is projected to be $2.9 million.

Public Facility Fees (PFF): It is recommended that $616,700 of the County Fire PFF be used to fund an expansion at the Meridian Fire Station and design work for a co-located dispatch center, $380,000 of General Government PFF be utilized to help pay for debt service for the New County Government Center and that $35,800 of Law Enforcement PFF also be utilized for the co-located dispatch center. $326,500 is recommended to be added to the designations for future use. This would result in a net decrease of $706,000. There are five different categories of PFFs, which include general government, fire, public protection, library, and parks. Please reference the PFF fund center (fund center 247) for more details.

County-wide Automation Designation: It is recommended that $569,875 be used to help fund automation projects. The balance in the designation is projected to be $10.8 million.

Tax Reduction Reserves: It is recommended that $1,399,033 be added to this designation. The balance in the designation is projected to be $13.5 million.

Traffic Impact Fees: It is recommended that $366,466 be used to fund Roads projects in areas of new development. The balance in the designation is projected to be $4.5 million.

Driving Under the Influence: It is recommended that $5,600 of the General Reserve be used to fund programs in this budget. Reference the Driving Under the Influence fund center (fund center 375) for more details.

Library: It is recommended that $15,000 of the General Reserve and $85,000 of the Facilities Planning reserve be used to help balance the Library's operating budget. The use of these funds would result in remaining balances of $34,690 and $692,510 respectively. Reference the Library fund center (fund center 377) for more details.

Organizational Development: It is recommended that $95,787 be added to the General Reserve, which would result in a balance of approximately $1.5 million.

Pension Obligation Bond (POB): It is recommended that $1,251,965 be added to this designation in order to help pay for future pension debt service payments and for cash flow purposes. The new balance will be $8 million.

Acknowledgements

Similar to prior years, I would like to thank all County employees for their hard work this past year. There are several indicators that lead us to believe that general economic conditions are improving. We are nearing the end of the Seven Year Pain Plan and the gap is being closed in

accordance with the Plan. The improvement in the budget is a direct result of the many policies and plans that have been created and implemented as well as the many sacrifices made by all over the past five years. The entire organization deserves credit for the successful progress towards the end goal of a sustainable budget.

I look forward to this next year as we continue to pursue our vision of a safe, healthy, livable, prosperous, and well-governed community.

Sincerely,

Dan Buckshi
County Administrative Officer