Section B

Executive Summary

COUNTY OF SANTA BARBARA
CALIFORNIA

Executive Summary

Foundations for the Future

Chair Wolf and Board Members,

In the coming year, the County organization continues to rebuild itself to better serve our community, while still living in the shadows of the Great Recession which had resulted in six years of budget shortfalls and reductions in service and staff. The current year (FY 2014-15) marked the first time since the recession that the County's immediate outlook was positive and stabilizing, primarily due to growing property values, stabilization of pension costs, and an improved State and Federal fiscal environment.

This next year, the County's financial position continues to improve. With this improvement, the activities comprising the FY 2015-16 and FY 2016-17 Recommended Operational Plan (Plan), which includes the Recommended Budget, continue to move the organization on a stable path with foundational investments that will benefit the County now and in the future. Some of these investments include fulfilling existing commitments which will reduce our flexibility for other significant expansions in the near term. We also continue to face challenges and funding needs that we cannot fully address in one year. Still, the Recommended Budget includes initiatives that move us forward and fulfill the following objectives:

- As we experience moderate revenue growth, rebuild the organization and our financial reserves
- Create efficiencies through process improvements, technology, and innovation to better serve the public
- Minimize service reductions and impacts to the public
- Create a thriving and engaged workforce
- Adapt and strategically plan for the future
- Advance the Board's highest priorities and fulfill prior commitments

The FY 2015-17 Recommended Operational Plan continues rebuilding the organization to improve service to the public and strengthens our reserves. The Strategic Reserve in the General Fund is recommended to be fully funded ($29.8 million or 8% of operating revenues), and a revised plan for addressing retiree health liabilities will be developed in the next year. The County's contribution toward employee pensions has stabilized, and the unfunded liability is expected to be amortized and paid off by FY 2028-29, assuming investment returns meet expectations.

The Recommended Budget includes proposed increases in staff and services (from non-General Fund sources). These proposals will allow the following expanded services:

- Fire Department will restore the Fire Crew, to assist with fuel reduction efforts, and add other fire prevention, firefighting, and training positions.
- Public Health Department will increase clinic hours at the Santa Barbara Health Care Center to meet the needs of clients, newly-insured through the Affordable Care Act.
- Alcohol, Drug and Mental Health Services Department is using State and Federal funding to provide more services for clients in crisis and increase outpatient services.
- Anticipating additional State funding, the Treasurer-Tax Collector, who administers Veterans Services, can increase Veterans Services staff to assist in filing more benefit claims on behalf of our local veterans.

- General Services will reduce the risk of security threats to our information technology infrastructure, charged to the technology internal service fund, and improve accounting and clerical support to Fleet Operations, charged to the fleet internal service fund.
- Social Services Department will be using Federal and State funding to assist CalWORKS/Welfare to Work families in crisis and provide administrative support to address new mandates associated with changes to the Workforce Innovation and Opportunity Act.

The Recommended Budget also includes ongoing funding to stabilize services in departments (County Counsel, Planning & Development, Community Services, and Clerk-Recorder-Assessor) with long-standing, structural imbalances to ensure continuity of services and to avoid layoffs.

The CEO is also recommending enhancing services in select areas using available, discretionary General Fund revenue. (See table – CEO Recommended Budget Expansions.)

Departments continue to be efficient through process improvements, technology, and innovation to better serve the public. A sampling of the improvements include the following:

- Social Services will be implementing additional telephone technology to improve the customer experience for an estimated 150,000 annual calls to the Benefit Center, which will allow automated call backs and provide estimated wait times to callers on hold.
- Adapting to lower levels of juvenile crime and a reduction in the population at the Los Prietos Boys Camp, the Probation Department is reducing staff at the Camp and also eliminating a Probation Officer position assigned to supervise AB 109 caseloads, due to anticipated reductions in AB 109 offenders.
- Child Support Services continues its “virtual files” project, for which it won a State award for best technology project, which allows attorneys to make “paperless” court appearances with an encrypted laptop.
- The District Attorney and Public Defender each will be initiating new case management systems to more efficiently and effectively manage workload that will integrate with the courts system; they also continue to both recruit interns and volunteer attorneys to assist with cases and gain experience.
- Public Health will be implementing new technology in the Public Health Laboratory for expanded automation efficiencies.
- Agriculture, Weights and Measures continues to assist, and advocate for, customers to utilize online tools to report pesticide use and inspection data information, which saves the department staff time in inputting reports themselves.
- Community Services will be streamlining its reservation cancellation process to enhance customer service and continues to reduce energy and water use at parks through lighting retrofits and converting to waterless urinals.
- Public Works will be implementing business systems that automate financial operations and include the use of credit cards.

Recommended Service Level Reductions necessary to balance select departments’ budgets minimize impacts to the public. Service Level Reductions are proposed in the budgets for the Sheriff, Probation, Child Support, and Community Services.

- The Sheriff is proposing to eliminate housing of longer-term inmates at the Santa Maria Branch Jail (and have them transferred to the Main Jail in South County); this would entail transfer of two Custody Deputies from the Santa Maria Branch Jail to the Main Jail to reduce overtime costs at the Main Jail.
- Probation is reducing a vacant position for the narcotics enforcement team due to loss of grant funding.
- Child Support Services is reducing positions through attrition as retirements occur to meet increased expenses but fixed State funding.

- Due to a portion of FY 2014-15 Shelter Funding being appropriated as one-time funding, there is not adequate ongoing funding in the FY 2015-16 base budget to support the prior contribution level at three homeless shelters. This funding had been ongoing, but was reduced and backfilled with one-time funding as a result of budget cuts after the recession. As part of the CEO's Recommended Expansions, this funding would be restored to the previous, Board-authorized level, with ongoing funding.

While not Service Level Reductions pursuant to our budgeting policy, other issues in the coming year will be affecting two departments and the public, which are partially addressed in the CEO's Recommended Expansions:

- Alcohol, Drug and Mental Health Services does not face a reduction of its ongoing, Board-approved service level (adopted FY 2014-15 budget); however, service demand for inpatient beds far exceeds budgeted levels. The department is requesting $2.3 million in FY 2015-16 to meeting current year usage of short and long-term bends including Institutions of Mental Disease (IMD) beds. The department is also requesting $1.0 million to purchase additional in-county, contracted board and care beds to increase the availability of necessary, step-down beds.

- The statewide loss of gas tax creates a reduction to Public Works of funding used for corrective maintenance and operation support related to roads. The loss is $2.9 million in the coming year. While the department has fund balance to assist next year, this is not sustainable and would deplete the fund.

Figure 1: FY 2015-16 Service Level Reduction Summary

Service Level Reduction Summary			
Department	**Amount**	**FTE**	**Description**
Probation	$ 370,752	1.00	Reduce Deputy Probation Officer Sr. assigned to the Santa Barbara Narcotics Enforcement Team due to loss of grant funding.
Sheriff	202,572		Reallocates 2.0 FTE Custody Deputy from SM Branch Jail to Main Jail to reduce overtime costs. Results in SMBJ operating without inmates assigned permanently, reducing bed count by 28.
Child Support Services	346,000	3.60	Reduce Child Support caseworkers (2.6 FTE) and administrative positions (1.0 FTE) from retirements, increasing caseload among fewer caseworkers and support staff.
Community Services	165,000		Reduce Shelter Services General Fund Contribution due to the loss of one-time funding allocated in the previous fiscal year. This would result in the reduction of bed nights available and supportive service for clients in emergency shelters. However, the CEO Recommended Expansions, if approved, will restore this funding and make it ongoing.
Total	**$1,084,324**	**4.60**	

Efforts continue to create a thriving and engaged workforce in the coming year. Human Resources launched the Employee Voice survey in FY 2014-15 and will be implementing actions in FY 2015-16 in response to the survey's findings to improve employee engagement and retention. Departments are also focusing on workforce planning and knowledge transfer, given that about one-quarter of our employees are likely to retire in the next three to five years. With the improvement of the economy, and increase in positions (most funded by Federal and State revenues), Human Resources has been challenged in meeting this increase in demand for recruitments and other demands associated with new positions. The CEO's Recommended Expansions address this need.

The organization continues to adapt to a changing environment and strategically plan for the future. In FY 2015-16 and beyond, some departments will be engaging in strategic planning for their organizations as they adjust to new State and Federal mandates, increasing demands, employee turnover, but also new opportunities. The County Executive Office will be evaluating strategic planning models to assist the organization align the Board's priorities, department goals and our fiscal forecast with a multi-year process. The Board has also asked for other tools, such as information on General Fund allocations compared to our comparable counties, to assist in evaluating how we align our spending and priorities.

The Recommended Budget advances the Board's priorities and fulfills existing funding commitments.
In the coming year, several significant initiatives are underway that advance the Board's priorities. A few examples include the following:

- Systems change and improvements in Alcohol, Drug and Mental Health Services continues to improve client service and systems of delivery and provide a more balanced system of care and new facilities. The department is also witnessing increased inpatient demand and costs, requiring significant resources. The CEO's Recommended Expansions address some of these increased costs and expansion requests.

- Sustainability efforts continue through several departmental efforts. Planning and Development will be bringing forward the Climate Action Plan. The Resource Recovery Project at Tajiguas Landfill to provide a sustainable alternative to burying the community's solid waste is continuing, with a Joint Powers Agreement (JPA) intended to be formed in the coming year.

- Water issues and drought response activities continue to be addressed by several departments. Public Works will be bringing forward a water supply study and will be addressing requirements of the Sustainable Groundwater Management Act.

- Major capital projects continue during the FY 2015-17 Plan, such as the Cuyama Pool reconstruction, with an anticipated completion date in late 2016 or early 2017; other projects, including the Northern Branch Jail (NBJ) and Goleta Beach, are discussed further in this section and in detail within Section E.

- The evaluation of our Animal Services division of the Public Health Department is being finalized and will likely result in funding needs. The CEO Recommendations address part of this need.

- As in past years, community requests will be great for many important needs. Staff will provide funding options to the Board on increased funding for libraries. We cannot fund all requests, given our resources; however, some unallocated discretionary revenue is available for the Board's allocation.

Existing commitments will be fulfilled in the next year:

- The Fire Tax Shift, which shifts ¼ of General Fund discretionary revenue each year to the Fire District until the District attains the equivalent of 17.0% of total property taxes, is in effect and has allowed the Fire Department to enhance and expand critical services. The original plan assumed the full 17.0% would be achieved in FY 2021-22; currently, taxes are on track to achieve this one year earlier.
- Maintenance funding will increase pursuant to the "18% funding policy" by $1.2 million. The Board approved a plan to allocate 18% of unallocated, discretionary General Fund revenue each year, allowing it

to incrementally grow over time. It is estimated to reach $21.0 million annually by FY 2022-23. This is in addition to $2.8 million of discretionary General Fund revenue that is already allocated to maintenance, pursuant to another Board policy. The County's maintenance need for roads, buildings, and park structures continue to be a significant challenge, and staff continues to effectively prioritize the use of these funds. In the coming year, staff will be evaluating issuance of debt to accelerate funding for some projects where applicable.

- The operations funding plan for the Northern Branch Jail is in effect, with a projected year-end fund balance of $7.9 million as of June 2015, which includes an ongoing allocation of $4.6 million. For FY 2015-16 the ongoing allocation increases to $6.1 million, with a fund balance of $13.7 million as of June 2016.
- Employee agreements are being satisfied. The Recommended Budget for FY 2015-16 includes increases for employee salary and benefits, pursuant to negotiated labor agreements approved to date and expected costs.

The FY 2015-16 and FY 2016-17 Operational Plan continues to represent financially prudent choices while addressing critical needs, mitigating risks, and delivering on the Board's highest priorities. We are in better financial shape than in the most recent years and continue to face funding challenges and greater expectations, requiring diligence in managing expectation and prioritizing the most critical needs. As we look to FY 2015-16 and FY 2016-17, the County remains optimistic but realistic about what we can achieve and dedicated to providing high-quality services through an engaged and accountable workforce.

The Plan was prepared in accordance with the Board's adopted Budget and General Fund Allocation Policies with consideration of the Board's six goals adopted on April 21, 1998, and revised on November 21, 2006. These adopted organizational goals help to unify, focus, and align the wide variety of services provided by the County of Santa Barbara and identifies how the organization should operate. The goals are:

- Goal 1: EFFICIENT AND RESPONSIVE GOVERNMENT: An efficient professionally managed government able to anticipate and to effectively respond to the needs of the community;
- Goal 2: HEALTH AND SAFETY: Safe and healthy communities in which to live, work, and visit;
- Goal 3: ECONOMIC VITALITY: A community that is economically vital & sustainable;
- Goal 4: QUALITY OF LIFE: A high quality of life for all residents;
- Goal 5: CITIZEN INVOLVEMENT: A County government that is accessible, open, and citizen-friendly; and
- Goal 6: FAMILIES AND CHILDREN: A community that fosters the safety and well-being of families and children.

Figure 2: CEO FY 2015-16 Recommended Expansions

Department	Description	FTE	GFC Ongoing	GFC One-time	Non-GFC
General Fund Expansions					
ADMHS	**Inpatient beds** - This expansion will help meet current, increased demand for inpatient contracted acute and long term beds. These funds will be set-aside for use, as needed, throughout the year. Funded by the Mental Health Inpatient Beds set aside ($1 Million) per Budget Policy, $500,000 in one-time Tobacco Settlement Funds and $500,000 in discretionary General Funds.			$ 1,500,000	$ 500,000
	Step-down placements - This expansion will provide ongoing step down placement options to relieve the impact of Incompetent to Stand Trial and Administrative stay patients at the Psychiatric Health Facility (PHF).		1,020,000		
Auditor - Controller	**Accountant Auditor** - This adjustment provides ongoing funding to replace one-time funding that was added in FY14-15 for an Accountant Auditor position, which will be partially recovered through cost allocation in future years. The position was added last year and therefore the FTE count does not need to be adjusted.		92,000		
CEO	**Public Information and Communications** - Expansion allows for continued contracted services to support the Public Information function, given there is no Countywide Public Information Officer. This would continue services funded by one-time funds in FY 14-15.		50,000		
	Board historical records - This adjustment provides funding for scanning of Board of Supervisors' annual records dating back to 2000, and continues the scanning, preservation, and permanent storage of Board records dating back to 1850.			80,000	
	Employee retention/mentoring/succession - This adjustment provides initial funding of pilot programs to improve employee engagement. The programs were proposed by committees of managers, following the fall Managers Training Offsite, for Stay Interviews and a Mentoring Program.			70,000	
Community Services	**Libraries** - Expansion would increase Library per capita contributions to the Board-approved FY 2012-13 level of $6.90. This represents a $42,000 increase to Library funding. In FY 15-16, staff will evaluate further options for sustainable revenue with the Library Advisory Committee.		42,000		
	***Homeless Shelters** - This adjustment will restore $165,000 ongoing funding for homeless shelter operations and services, for a total budget of $345,000.		165,000		
	Information Technology Support -This adjustment provides dedicated, full time Information Technology support throughout the entire Department, helping manage 32,000 annual online reservations and providing up-to-date information to over 557,000 website visitors. CSD is the only department without dedicated IT support, and has been utilizing a portion (50%) of another departments IT staff that will no longer be available.	1.00	71,000		

*Service Level Reduction Restoration

Figure 2: CEO FY 2015-16 Recommended Expansions (Continued)

Department	Description	FTE	GFC Ongoing	GFC One-time	Non-GFC
General Fund Expansions					
General Services	**General Services Projects** - This adjustment adds an Assistant Director position to the General Services Department and is necessary due to the increased workload and high priority, short turnaround projects. Additional leadership is also needed for the NBJ facilities, Countywide strategic planning, and execution of Capital improvement and maintenance efforts in facilities and parks. The cost of this position will be partially offset through cost allocation and direct departmental billings.	1.00	196,445		
Human Resources	**HR Director** - Restores funding for the Human Resources Director's position. Total gross cost of position is $277,000, partially offset by ongoing departmental Services & Supplies savings of approximately $213,000. This will be partially recovered through cost allocation revenues in future years.	1.00	63,880		
	HR Recruiter - Restores funding for a Recruiter position that was unfunded due to budget reductions; will help meet the 400% increased demand by departments. Total gross cost of position is $131,000, partially offset by ongoing Services & Supplies savings of approximately $20,000. This will be partially recovered through cost allocation revenues in future years.	1.00	110,790		
Public Health	**Animal Services** - This adjustment will fund improvements to Animal Services, pending recommendations of a consultant study. The department has also identified potential one-time funding from its SB 90 mandate reimbursement funds to augment this allocation with one-time funds for possible capital expenditures or other non-recurring charges in the amount of $100K.		300,000		100,000
Public Works - Roads	**Maintenance for Roads** - One-time funding to partially offset State gas tax losses. (This is in addition to the $500k GF received annually for Roads, per adopted BOS policy).			1,400,000	
	Maintenance for Roads 18% funding - It is recommended that Roads receives half the portion of the Board-adopted 18% Maintenance Funding Policy.		600,000		
General Services and Parks Maintenance	**Maintenance for General Services & Parks 18% funding** - It is recommended that GS and Parks receive half of the Board-adopted 18% Maintenance Funding Policy. Allocation to Departments will be based on highest priority needs.		600,000		
	Maintenance for General Services & Parks- One-time allocation to increase funding for maintenance projects. (This allocation is in addition to the annual $1.3 Million GF received by General Services and $500k GF received by Parks for maintenance, per adopted BOS policy). Allocation to Departments will be based on highest priority needs.			800,000	
Emerging Issues	**Unforeseen and emerging needs** - This funding will be utilized for unanticipated or unavoidable costs that arise throughout the year for health insurance, workers compensation insurance, or other employee costs.			700,000	
General Fund Subtotals		**4.00**	**$ 3,311,115**	**$ 4,550,000**	**$ 600,000**

Figure 2: CEO FY 2015-16 Recommended Expansions (Continued)

Department	Description	FTE	GFC Ongoing	GFC One-time	Non-GFC
Non-General Fund Expansions					
ADMHS	**Crisis System of Care** - This adjustment will fill critical gaps in the County's Crisis System of Care, in both the Crisis Stabilization and Crisis Residential facilities. The source of funds are and Medi-Cal funds.	11.36			1,444,523
	Quality Assurance Coordinators - This adjustment will add 2 Quality Assurance Coordinators to implement new policies and procedures for quality assurance compliance of the Alcohol Drug Program (ADP) plan.	2.00			258,821
	MHSA Innovations Project - This adjustment will implement a new Mental Health Services Act Innovations project providing support and community outreach in regards to human sex trafficking.	8.36			769,079
	Southern California Regional Partnership - This adjustment will implement the Southern California Regional Partnership projects funded by California Office of Statewide Health Planning and Development (OSHPD).	1.76			185,016
	Health Care Coordinator - This adjustment will add 1 Health Care Coordinator in the Psychiatric Health Facility (PHF) for consumer discharge case management and transitioning from the Acute to Outpatient system of care.	1.00			112,854
Fire	**Firefighters for Cuyama Valley** -This adjustment adds a Firefighter post position (3 FTEs) at Station 41 in the Cuyama Valley. This 4th post position is a recommendation from the 2012 Citygate report.	3.00			432,389
	Training Captain - This adjustment adds a staff Captain to the Training section and is necessary due to complex, evolving and growing training curriculum required to ensure firefighters are prepared to safely & competently respond to any type of emergency.	1.00			227,905
	Admin Support - This adjustment restores an Admin Office Professional position to the Fire Prevention Planning & Engineering Section to support increased development activity & administrative needs (including the conversion of paper documents to electronic format).	1.00			77,166
	Fire Crew Restoration - This adjustment completes the restoration of the Fire Crew (started last year) to a pre-recession configuration of 12 Crew members all year and an additional 12 Crew members for 8 months of the year.	5.62			272,398
	Chief Financial Officer - This adjustment adds a Chief Financial Officer to meet the growing needs of the Fire organization. The financial complexities & volume have increased as the organization has evolved, requiring a division of fiscal oversight.	1.00			199,766
	Cost Analyst - This adjustment adds a Cost Analyst position to meet the growing needs within the Fire Department for fiscal analysis and specialized accounting capabilities.	1.00			130,696
Public Health	**Increased Clinic Time** - This adjustment will increase Primary Care and Infectious Disease clinic time in the Santa Barbara Health Care Center. This will add a higher level of case management for patients with infectious disease and create more primary care access.	1.80			228,067
Social Services	**Client Support Services** - This adjustment utilizes Federal and State funding to increase staffing by 6.0 FTEs and responds to the increased demand for client support services in CalWORKs/Welfare to Work, Workforce Innovation and Opportunity Act, and Income & Eligibility Verification.	6.00			507,241
Treasurer-Tax Collector	**Veterans Services Officer** - This adjustment increases the Veterans Services Officer from half time to full time (full time cost is approximately $71,000).	0.50			51,354
Non-General Fund Subtotals		**45.40**	**-**	**-**	**$ 4,897,275**
Total		**49.40**	**$ 3,311,115**	**$ 4,550,000**	**$ 5,497,275**

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Fiscal Year 2015-16 At-A-Glance

The CEO Recommended Operational Plan for Fiscal Years 2015-16 and 2016-17 presents a balanced budget, with FY 2015-16 Operating Revenues of $965.6 million and Operating Expenditures of $965.1 million resulting in an operating surplus of $0.5 million. The Recommended Operating Revenues exceed Recommended Operating Expenditures and is demonstrating a solid foundation for the future. Improving revenues, up $49.2 million (5.3%), and measured expenditure growth, $44.2 million (4.7%), have helped to develop a balanced Recommended Budget.

Total Operating Revenues and Total Operating Expenditures are projected to have a small positive variance of $0.5 million in FY 2015-16, but are projected to improve to a positive $15.0 million in the FY 2016-17 Proposed Budget. The improving Net Operating Impact will be a result of growing revenues and stabilizing costs, predominantly employee benefits.

The FY 2015-16 Recommended Staffing levels will increase by 31.5 Full Time Equivalents (FTEs) from 4,243.3 in the FY 2014-15 Adopted Budget, to 4274.8 FTEs in the FY 2015-16 Plan. The majority of the increases are funded by Federal and State dollars in the Health & Human Services Functional Departments (an increase of 23.5 FTE) as there is continued expansion to support the requirements of the Affordable Care Act, and the System Change Effort within Alcohol, Drug and Mental Health Services. A 10 year history of Countywide FTE's can be found in Section C.

Figure 3: FY 2015-17 Recommended and Proposed Budgets at a Glance
(in millions)

	FY 2013-14 Actual	FY 2014-15 Adopted	FY 2015-16 Recommended	FY 2016-17 Proposed
Total Operating Revenues	933.8	916.4	965.6	1009.6
Total Operating Expenditures	840.6	920.9	965.1	994.6
Net Operating Impact *	$ 93.1	$ (4.6)	$ 0.5	$ 15.0
Staffing FTE's	3,974.3	4,243.3	4,274.8	4,298.8

* Net Operating Impact is funded by Other Financing Sources or use of Fund Balances.

Executive Summary

Fiscal Year 2015-16 Recommended Budget

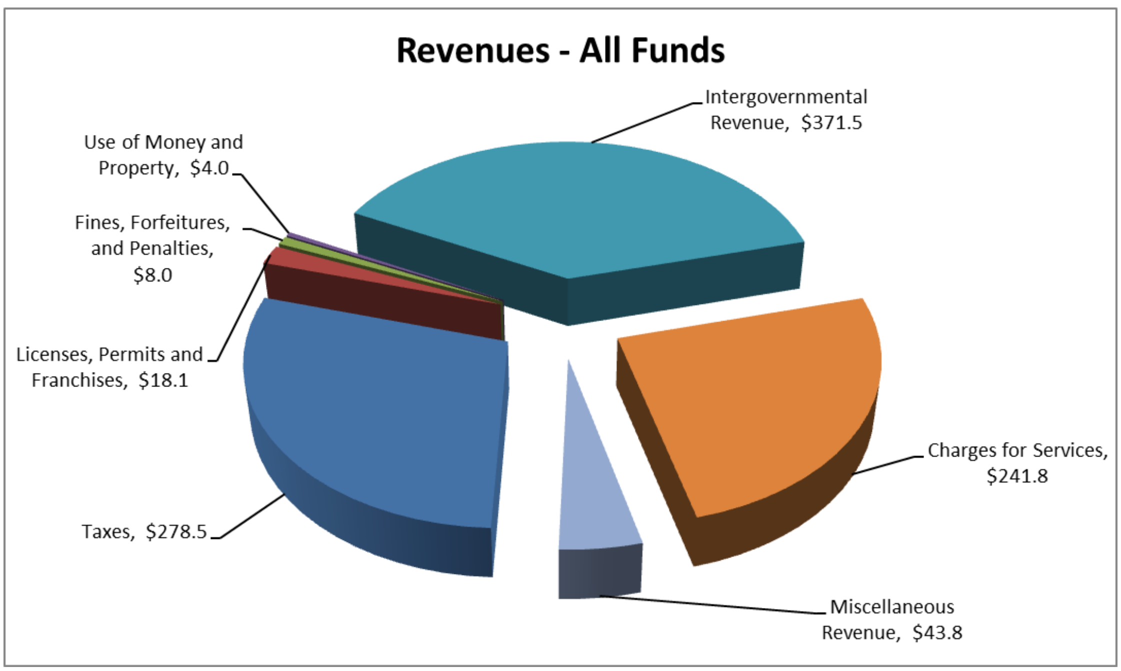
Operating Revenues: All Funds

Figure 4: All Funds – Revenue by Category

Budget By Categories of Revenues	Actual FY 13-14	Adopted FY 14-15	Change from FY14-15 Ado to FY15-16 Rec	Recommended FY 15-16	Proposed FY 16-17
Taxes	$ 254,175,785	$ 261,616,307	$ 16,856,699	$ 278,473,006	$ 289,938,564
Licenses, Permits and Franchises	17,215,891	17,955,738	98,030	18,053,768	18,421,944
Fines, Forfeitures, and Penalties	10,882,602	8,846,948	(886,104)	7,960,844	7,637,684
Use of Money and Property	6,250,657	4,119,278	(103,459)	4,015,819	4,183,361
Intergovernmental Revenue	384,935,253	346,707,453	24,795,082	371,502,535	398,769,927
Charges for Services	206,565,141	230,428,080	11,398,872	241,826,952	246,485,172
Miscellaneous Revenue	53,729,882	46,692,871	(2,907,224)	43,785,647	44,171,785
Total Operating Revenues	**933,755,211**	**916,366,675**	**49,251,896**	**965,618,571**	**1,009,608,437**

The All Funds Operating Revenue total of $965.6 million reflects an increase of $49.3 million or 5.4% from the FY 2014-15 Adopted Budget.

Figure 5: Operating Revenue - All Funds $965.6 million
(Dollars in millions)



Revenues by Category - Significant Areas of Revenue Change

Revenues from Taxes are projected to increase by $16.9 million or 6.4% from FY 2014-15 Adopted for total Recommended revenue of $278.5 million; and as a percent of all revenues is 28.8%. The primary drivers of the increase are Property Taxes from Secured, In-Lieu of Vehicle License Fee (VLF), and Sales Tax. Secured Property Taxes are projected to increase by $8.8 million or 5.3% and is the largest source of the tax category. The growth reflects continued valuation increases in the assessed value of local real estate that has been occurring for the last few years. In-Lieu of VLF is projected to increase by 5.8% or $2.7 million and Sales Tax should increase by $1.5 million or 20.9% from the FY 2014-15 Adopted Budget.

Intergovernmental revenues, which are comprised of State, Federal and other governmental sources, are anticipated to experience the largest growth. Intergovernmental sources are projected to increase by $24.8 million or 7.1% to $371.5 million. The increase is mainly in State Revenue, specifically from the Board of State and Community Corrections (BSCC) Conditional Award for the Northern Branch Jail. The project's one-time funding is anticipated to be $19.6 million in FY 2015-16 and $49.2 million in FY 2016-17.

Charges for Services are expected to grow $11.4 million or 4.9% over FY 2014-15 Adopted. The growth is spread across many different sources. Charges for Services include revenue such as, but not limited to, Medi-Cal and Medicare, Cost Allocation Services, State Federally Qualified Health Centers (FGHC), and Development Fees.

Fines, Forfeitures, and Penalties are projected to decrease by $900 thousand or -10.0% from FY 2014-15 Adopted. The main reason for the decrease is a reduction in Penalties related to Property Taxes. This trend is usual as the real estate market improves and property values increase.

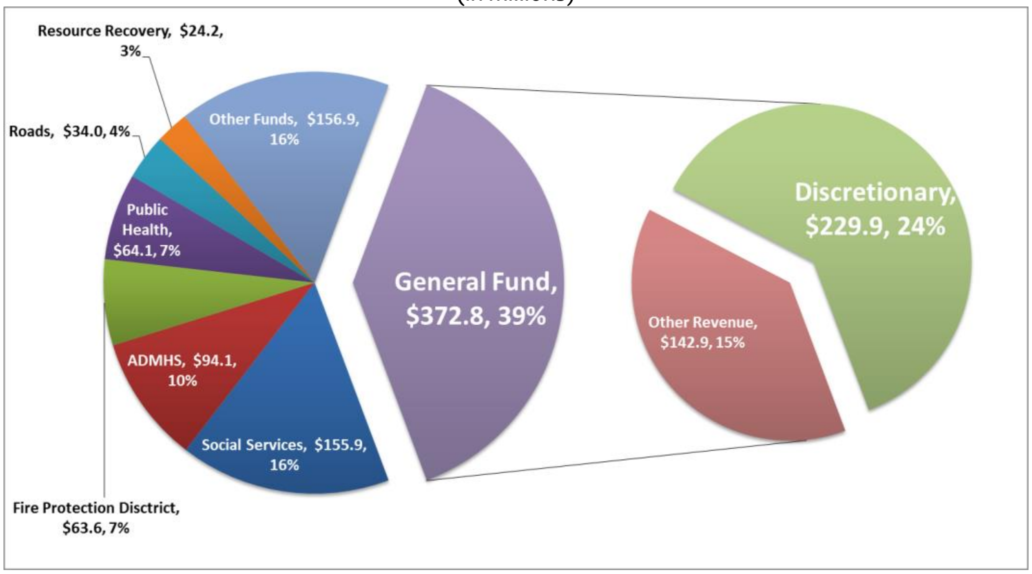
Miscellaneous Revenue is comprised of numerous sources that do not fall into a specific category. It is estimated that Miscellaneous Revenues will decrease by $2.9 million or -6.2% in FY 2015-16. The main drivers are a reduction in one time revenues in the prior year, including Insurance Proceeds & Recovery payments and a reduction in Grant/Audit/Other Settlements.

Revenues by Fund

Countywide revenues can also be viewed by fund. The majority of revenues are derived in the General Fund and Special Revenue Funds. The General Fund is the chief operating fund of the County and Special Revenue Funds are typically used when revenues are provided for a specific purpose, such as gasoline tax for road maintenance or specific funding for food stamp programs. A description of Government Funds can be found in Section F, Annual Budgetary Processes, Policies and Fund Structure.

The table below displays the Recommended Revenues for FY 2015-16 by major funds, the largest of which is the General Fund. The General Fund can be further broken down into Discretionary General Revenues and Other Revenues.

Figure 6: Operating Revenues by Fund
(in millions)



Local Discretionary Revenues

The Fiscal Year 2015-16 Recommended All Funds Operating Revenues are $965.6 million. Of these total revenues, the locally elected Board of Supervisors has some discretion over the allocation of about 24.0% or $229.9 million. This latter revenue figure, predominately from local taxes, is called local discretionary revenue.

The table below summarizes the General Fund discretionary revenues available in FY 2015-16 and compares them with prior fiscal periods. Property taxes, sales taxes, and Transient Occupancy Taxes (TOT) are the three major local sources of revenue generated from the performance of the local economy. Significant property taxes (including secured, unsecured, In-Lieu of Vehicle License Fees, and property transfer taxes) make up 81.6% of total discretionary revenues or 83.9% if RDA proceeds are included.

In the Recommended Fiscal Year 2015-16 budget, local discretionary revenues increased $12.1 million from the Fiscal Year 2014-15 adopted revenues, for a total of $229.9 million. This increase is most notably from property taxes, sales tax, and Transient Occupancy Tax (TOT). Cost Allocation Services are also an important revenue source, but these funds fluctuate considerably from year to year and are being considered one-time to the extent they are projected to decrease in the following year ($800,000 decrease projected in FY 2016-17).

Figure 7: FY 2013-14 through FY 2016-17 Discretionary Revenue
(in millions)

Source (Dollars in Millions)	FY 2013-14 Actual	Adopted FY 2014-15	FY 2015-16 Recommend	FY 2016-17 Proposed
Significant Property Taxes	$ 177.3	$ 180.4	$ 187.5	$ 195.4
RDA Dissolution Proceeds - One time	-	-	-	-
RDA Prop. Tax - Ongoing	5.0	4.9	5.4	5.6
Subtotal Property Taxes	**$ 182.3**	**$ 185.3**	**$ 192.9**	**$ 201.0**
Cost Allocation Services	7.3	9.4	11.9	11.1
Local Sales Tax	6.9	7.3	8.8	10.5
Transient Occupancy Tax	7.5	7.4	8.0	8.3
Payments in Lieu of Tax	1.8	0.0	-	-
All Other (Franchise, interest, misc State)	9.1	8.4	8.3	5.9
Total Discretionary Revenues	**$ 215.0**	**$ 217.8**	**$ 229.9**	**$ 236.8**
Growth Year over Year			**$ 12.1**	**$ 6.9**
Rate of Growth			**5.6%**	**3.0%**

The main drivers of the revenue changes depicted above are as follows:

Property Tax Growth

The local economy has continued to grow with positive indicators for the next fiscal year. Property values are a key component of the economy, and as such there is expected to be continued growth in property tax revenue. Property taxes are the largest source of funds for the County's budget. The FY 2015-16 budget estimates that there will be a 3.9% ($7.1 million) growth over FY 2014-15 Adopted amounts. The FY 2016-17 Proposed Budget is expected to have a 4.2% ($7.9 million) growth over the Recommended year. The cumulative projected growth for the Recommended and Proposed years is $18.1 million or 10.2% since FY 2013-14.

Dissolved Redevelopment Agencies (RDA)

The County General Fund will receive $5.4 million in FY 2015-16 and $5.6 million in FY 2016-17 from ongoing Redevelopment Property Tax Trust Funds that distribute RDA dissolution proceeds from the seven dissolved redevelopment agencies in the County. These ongoing revenues are ultimately expected to grow to approximately $9.0 million dollars in annual taxes for the County's General Fund, once all outstanding RDA debt obligations of the dissolved agencies are paid.

Local Sales Tax

Local or retail sales tax represents the local portion of the retail sales tax collected by the State from sales generated within the unincorporated areas of the County. Retail sales tax is an economically sensitive revenue source that is used to support the general operations of the County.

Sales taxes are expected to have a significant growth in FY 2015-16 over FY 2014-15 Adopted. Sales taxes represent 3.8% of total discretionary revenues with growth of $1.5 million (20.9%) for the Recommended Budget. The growth will continue into the FY 2016-17 Proposed Budget, increasing $1.7M (18.8%) over the Recommended Budget. Included in the growth in Sales Tax for FY 2015-16 and FY 2016-17 is the mid-year restoration of the sales taxes rate from 0.75% to 1.00% as the Triple Flip program comes to an end. The Triple

Flip was a complex series of revenue exchanges to repay $15 billion in state deficit financing bonds or economic recovery bonds (ERBs) from the 2004 Proposition 57. The method reimbursed cities and counties with property tax proceeds "In-Lieu of Local Sales Tax" to compensate for the sales tax revenue being redirected to the State to pay off the ERBs. This increase will be offset in FY 2016-17 by a reduction of In-Lieu of Local Sales Tax revenue as this is where the proceeds of the Triple Flip were recorded.

Transient Occupancy Tax (TOT)

This source of revenue is highly dependent on tourism and the quantity of lodging in the unincorporated County. TOT is taxed at a 10% rate in the unincorporated areas and is related to consumer spending and tourism that should continue to increase if the economy continues to grow and remains stable. Thus, TOT is estimated to increase by $1.4 million (8.2%) in FY 2015-16 over FY 2014-15, and another 3.6% or $300 thousand in FY 2016-17.

Payments In-Lieu of Tax (PILT)

PILT are Federal payments to local governments that help offset losses in property taxes due to non-taxable Federal lands within their boundaries. The Federal Budget during FY 2013-14 did not originally have any PILT funding and was not included in the County's adopted budget. By year-end, the funding was appropriated and thus included in the FY 2013-14 Actual numbers. Due to the uncertainty of PILT funding, it is again not included in the FY 2015-16 Recommended or the FY 2016-17 Proposed budgets. Nevertheless, the County is advocating for full PILT funding through its Legislative Advocates.

All Other Revenues

This category is made up of Franchise Fees, Interest Income, State, and Federal Payments. These revenues will remain relatively flat for FY 2015-16 Recommended, but will decrease in the Proposed Budget as In-Lieu of Local Sales Tax is expected to decrease by $2.5 million with an offsetting increase in Local Sales Tax as mentioned above. In-Lieu of Local Sales Tax represents the Property Taxes given to the County in-lieu of the 0.25% Sales Tax that was given up as part of the "Triple Flip" as discussed above. The decrease is the result of the ending of the program and the restoration of 1.00% County Sales Tax rate.

Significant Property Taxes depicted in Figure 7 include but are not limited to secured and unsecured property taxes, property taxes in-lieu of vehicle license fees, and fines and penalties.

Operating Expenditures: All Funds

Significant Changes from FY 2014-15 Adopted Budget

The County's Recommended FY 2015-16 operating expenditures are $965.1 million, a $44.2 million (4.8%) increase over the FY 2014-15 Adopted Budget of $920.9 million. The rate of expenditure increase is down from the 9.8% that occurred in FY 2014-15, with the majority of the projected increase ($25.3 million) in Contractual and Special Services. Of the $25.3 million increase in Contractual and Special Services, $21.4 million is due to budgeted capital expenditures for the North County Jail. The table below identifies significant categories of these expenditures.

Figure 8: Significant Changes from FY 2014-15 Adopted Budget:

Use (dollars in millions)	FY 2013-14 Actual	FY 2014-15 Adopted	Change from FY 2014-15 to FY 2015-16	FY 2015-16 Recommend	FY 2016-17 Proposed
Salaries and Employee Benefits					
Regular Salaries	$ 280.9	$ 317.7	$ 12.3	$ 330.0	$ 335.5
Budgeted Salary Savings	0.0	(6.8)	$ (7.8)	(14.5)	(12.9)
Retirement Contribution	108.1	120.7	1.1	121.8	120.0
Retiree Medical OPEB	9.0	12.0	0.6	12.6	13.5
Health Insurance Contrib	25.3	30.6	5.3	35.8	40.9
Workers Compensation	14.8	14.8	1.7	16.5	16.9
Other Salaries & Benefits	51.5	47.4	0.8	48.2	49.1
Total Salaries and Benefits	$ 489.7	$ 536.5	$ 14.0	$ 550.5	$ 563.0
% Change			2.6%		
Services and Supplies					
Contractual & Special Services	82.9	94.0	25.3	119.3	138.0
All Other Services & Supplies	150.2	167.6	5.9	173.5	171.3
Total Services and Supplies	$ 233.0	$ 261.5	$ 31.2	$ 292.7	$ 309.3
% Change			11.9%		
Other Charges					
Cash Assistance Payments	47.2	50.2	(0.4)	49.7	52.8
All Other Charges	70.7	72.8	(0.6)	72.2	69.5
Total Other Charges	$ 117.9	$ 122.9	$ (1.0)	$ 121.9	$ 122.3
% Change			-0.9%		
Total Operating Expenditures	**$ 840.6**	**$ 920.9**	**$ 44.2**	**$ 965.1**	**$ 994.6**
% Change			**4.8%**		

Salary Costs in line with Growth in Employees:

Recommended salaries of $330.0 million represent a 3.9% increase over FY 2014-15, mostly comprised of a projected increase in the cost per employee of 2.5% and the impact of adding 32 new employees (0.8% increase) which will be added throughout FY 2015-16. The blended impact of these factors results in the majority of the 3.9% increase.

Figure 9A illustrates the trend in County staff and historic salary costs. Note that salaries were relatively flat from FY 2008-09 ($278.3 million) to FY 2012-13 ($273.1 million).

Figure 9A: Change in FTE (All Funds) FY 2006-07 to 2015-16

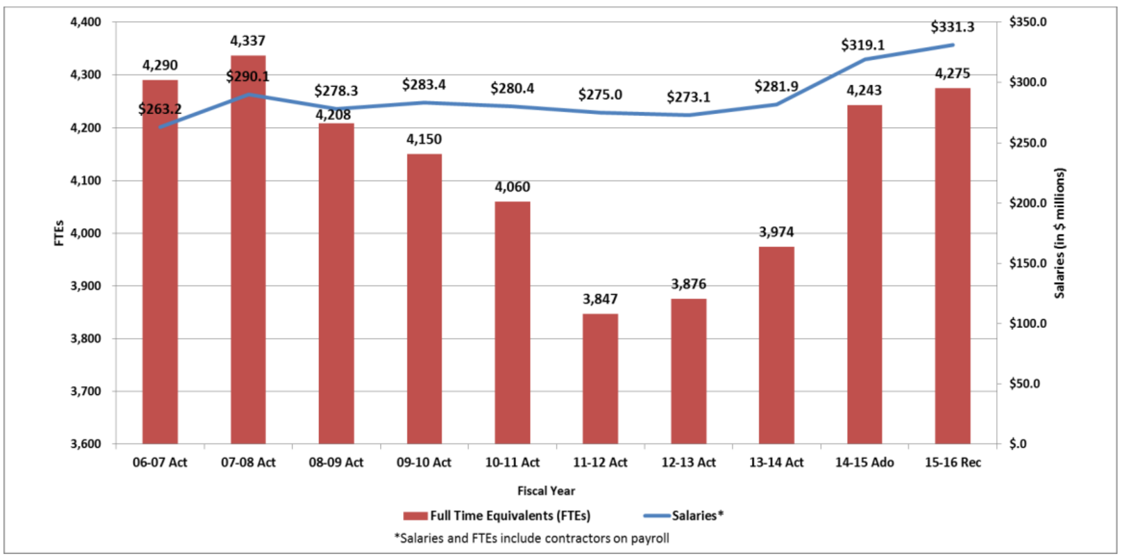
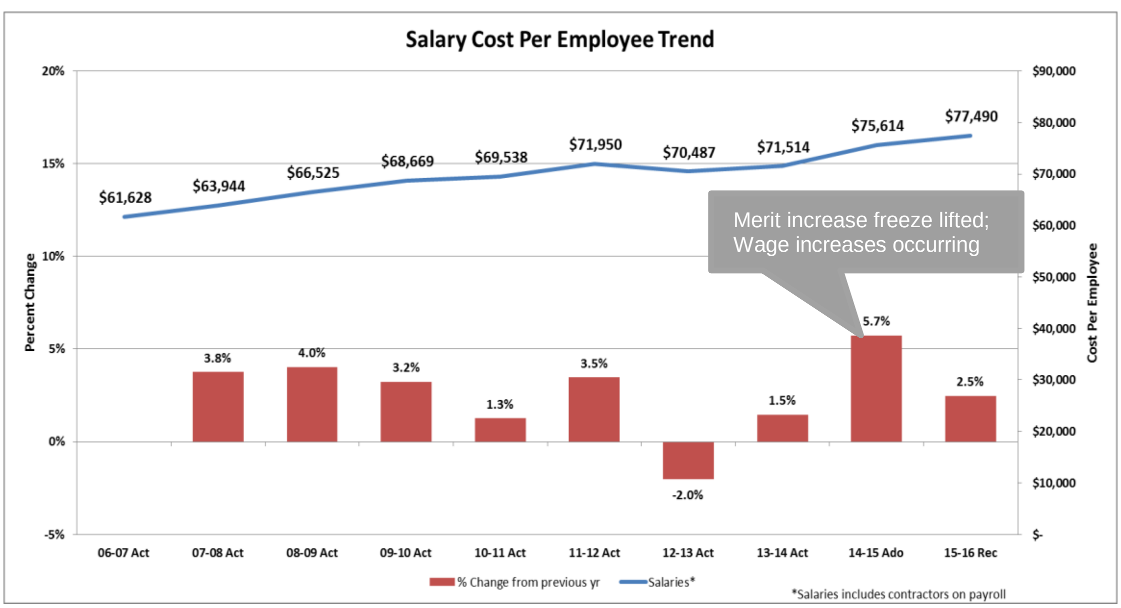


Figure 9B: Change in Salary Cost Per Employee (All Funds) FY 2006-07 to 2015-16

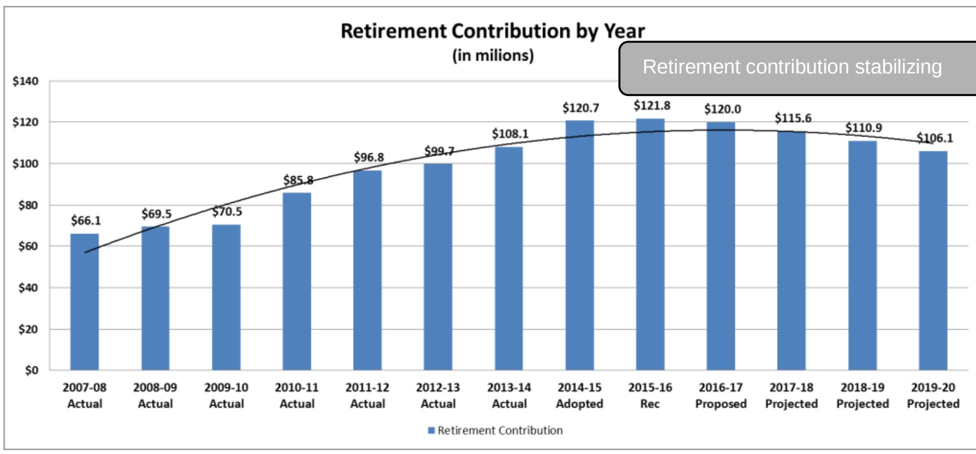


Executive Summary

Retirement - Pension Costs Stabilizing

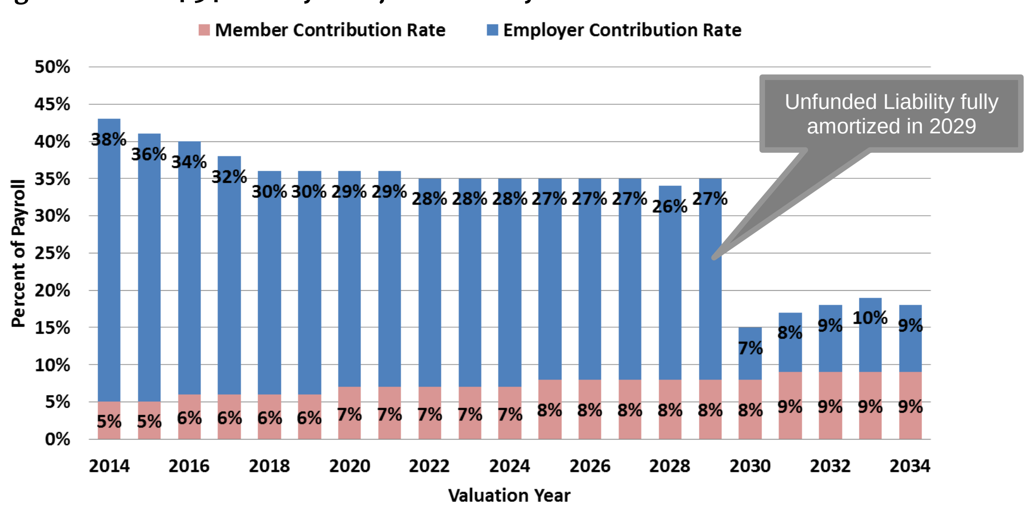
The annual County pension contribution is budgeted to increase by $1.1 million to $121.8 million (0.9%) in the Recommended Budget for Fiscal Year 2015-16 and modestly decrease in FY 2016-17. Like most other public entities, pension costs have been one of the fastest growing cost elements in recent years but have now stabilized at the County, as seen below in the Retirement Contribution by Year graph.

Figure 10: FY 2008-20 Countywide Retirement Contribution



Employer contribution rates are set by the independent Santa Barbara County Employee's Retirement System (SBCERS) Board and paid by the County. The rate of growth in pension contributions accelerated between FY 2009-10 and FY 2014-15 due to investment losses that needed to be absorbed into the ongoing rates. Smoothing formulas have enabled the rates to increase incrementally during these periods. At the same time, the projected rate of return included in the actuarial assumptions was reduced from 8.16% to 7.75% for FY 2011-12 and from 7.75% to 7.50% for FY 2014-15. The overall contribution rates have now stabilized and are projected to modestly decrease in the coming years (see table below) assuming the planned rate of return is achieved and employee wages grow at moderate rates.

Figure 11: FY 2014-34 Actuary's Projected Countywide Retirement Contribution Rate



Other Post-Employment Benefits (Retiree Health Care Costs)

The Santa Barbara County Employees' Retirement System (SBCERS) administers a cost sharing multiple-employer defined benefit post-employment healthcare plan, which the County participates in. This Other Post-Employment Benefit (OPEB) Plan provides medical benefits to eligible retired County employees and their eligible dependents. The County determines the contribution rate to the Retirement System to fund the retiree healthcare program. The County had adopted an employer contribution rate of 3.0% of covered payroll which was intended to cover annual premium costs paid by the plan, also known as the "Pay as you Go" method.

While providing near-term budgetary relief, the policy trade-offs of funding on a "Pay as you Go" basis create the following significant fiscal issues:

- The County is required to disclose and ultimately recognize a liability for the unfunded portion of the retiree medical program in its financial statements.
- The County is not being reimbursed for the full cost of administering State and federally funded programs.
- The County has not been able to take advantage of more favorable actuarial assumptions and longer term interest rates that would lower the expense of the program over time.

In FY 2013-14, OPEB funding was increased by 25 basis points to 3.25% of covered payroll and a Budget Policy was established to recommend an increased contribution of 25 basis points each year in order to gradually increase funding and reduce the liability. This has been implemented and the recommended contribution rate for FY 2015-16 will increase to 3.75% or about $12.0 million. A new actuarial study was completed in February 2015 and the revised unfunded liability is projected to be $175.3 million, which is a modest increase from the previous 2012 study of $173.9 million. The Auditor and CEO are working with SBCERS and their actuary to develop and evaluate various funding options with a goal to adopt a revised funding plan which will eliminate the unfunded liability within a targeted timeframe.

Employee Healthcare Costs - Fastest Growing Cost in Salaries & Benefits Category:

The County's Health insurance costs are budgeted to increase by $5.3 million to $35.8 million (17.2%) in the Recommended Budget for Fiscal Year 2015-16, with continued increases projected for the FY 2016-17 period. This represents the largest percentage increase in the Salaries and Benefits category of expenditures.

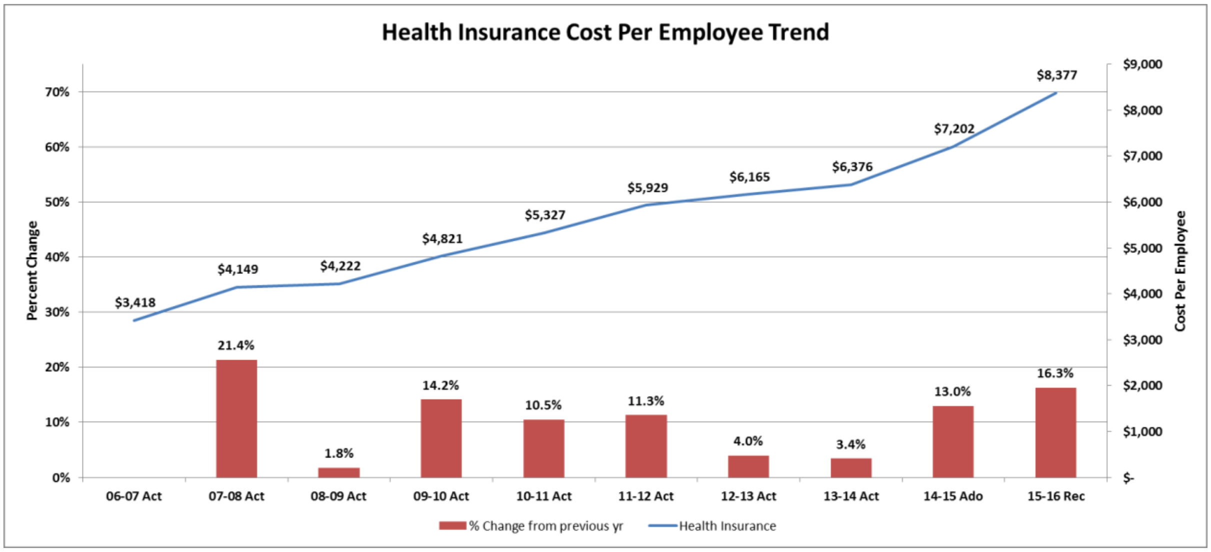
In general, health insurance premiums continue to rise throughout the State. The increases are due in part to new regulatory requirements that increased the eligibility age of children to twenty-six for health coverage through their parent's plan, as well as the requirement for the health plan to cover specific types of care, such as preventative care at no cost.

The County's health plan's loss ratio has improved in recent years and now stands at a five-year average of 96.7% (loss experience slightly below premiums). Although this is an improvement from prior years, it is still 10% above the risk pool's loss ratio of 86.7%. Because the County's loss ratio is above the risk pool's loss ratio, the County received an increase of 15.3%, of which 13.9% is based on claims experience and 1.4% is a result of Affordable Care Act (ACA) related fees and costs. This was the primary contributor to the increased calendar year 2015 renewal rate of 15.3%. The specific reasons for the County's increased costs are:

- Significant number and cost of large medical claims (>$200,000). The average pool cost of large claims compared to total medical costs paid is 77%, while SB County is 84%.
- Average age of SB County employee on health insurance is 52 years of age vs. the pool average of 49.
- Inpatient costs for SB County are $0.375 per dollar spent vs. $0.335 for the pool.

Executive Summary

Figure 12: Ten Year Health Insurance Cost Per Employee Trend



All Funds Operating Expenditures by Functional Area

The County's Recommended FY 2015-16 expenditures can also be viewed by Functional area. The increases described by category above, occur primarily in the functions of Public Safety, Health & Human Services, and Community Resources & Public Facilities. General Government & Support Services illustrates a large increase due to the anticipated first year of construction of the North County Jail. The main drivers of the increase in these functions are summarized below by department. Significant changes are explained more fully in Section D of this book.

Figure 13: Total Operating Expenditures by Functional Group/by Department

	Actual FY 13-14	Adopted FY 14-15	Change from FY14-15 Ado to FY15-16 Rec	Recommended FY 15-16	Proposed FY 16-17
Policy & Executive					
Board of Supervisors	$ 2,590,732	$ 2,873,328	$ 79,972	$ 2,953,300	$ 3,029,600
County Executive Office	35,419,726	42,857,345	(149,633)	42,707,712	42,455,706
County Counsel	6,817,297	7,325,749	112,731	7,438,480	7,692,015
Sub-Total	**44,827,754**	**53,056,422**	**43,070**	**53,099,492**	**53,177,321**
Public Safety					
Court Special Services	15,266,564	15,243,600	135,330	15,378,930	15,320,330
District Attorney	19,875,630	21,039,098	963,437	22,002,535	22,608,421
Fire	52,916,642	57,425,294	2,977,796	60,403,090	60,695,849
Probation	49,086,917	50,857,665	922,541	51,780,206	52,529,992
Public Defender	10,105,523	10,450,501	497,798	10,948,299	11,314,315
Sheriff	122,764,869	122,731,327	1,870,458	124,601,785	125,852,696
Sub-Total	**270,016,145**	**277,747,485**	**7,367,360**	**285,114,845**	**288,321,603**
Health & Human Services					
Alcohol,Drug,&Mental Hlth Svcs	87,666,453	101,343,562	(1,873,450)	99,470,112	108,950,210
Child Support Services	9,452,704	9,445,660	(8,714)	9,436,946	9,542,313
First 5, Children & Families	4,985,727	4,951,156	(293,735)	4,657,421	4,137,934
Public Health	75,314,274	77,400,574	3,966,900	81,367,474	82,389,600
Social Services	147,427,189	166,330,932	5,965,441	172,296,373	175,766,984
Sub-Total	**324,846,347**	**359,471,884**	**7,756,442**	**367,228,326**	**380,787,041**
Community Resources & Public Facilities					
Agricultural Commissioner/W&M	4,312,769	4,717,364	322,734	5,040,098	5,107,476
Community Services	25,921,001	22,424,018	(181,438)	22,242,580	21,711,962
Planning & Development	13,920,321	18,984,533	184,508	19,169,041	18,439,494
Public Works	82,842,336	102,036,510	6,274,212	108,310,722	94,471,265
Sub-Total	**126,996,428**	**148,162,425**	**6,600,016**	**154,762,441**	**139,730,197**
General Government & Support Services					
Auditor-Controller	7,544,540	8,187,577	439,125	8,626,702	8,841,124
Clerk-Recorder-Assessor	13,180,846	15,665,398	877,003	16,542,401	16,617,349
Debt Service	3,379,106	2,486,103	(357,741)	2,128,362	2,018,628
General Services	37,946,457	43,422,198	314,648	43,736,846	45,410,938
North County Jail	4,111,448	2,653,675	21,417,814	24,071,489	49,788,766
Treasurer-Tax Collector-Public	6,290,746	7,132,207	113,228	7,245,435	7,340,668
Sub-Total	**72,453,144**	**79,547,158**	**22,804,077**	**102,351,235**	**130,017,473**
General County Programs					
General County Programs	1,498,693	2,960,055	(412,007)	2,548,048	2,540,904
Sub-Total	**1,498,693**	**2,960,055**	**(412,007)**	**2,548,048**	**2,540,904**
Operating Appropriations Total	**$ 840,638,510**	**$ 920,945,429**	**$ 44,158,958**	**$ 965,104,387**	**$ 994,574,539**

Executive Summary

Policy & Executive

No significant changes in the Departments that are grouped in the Policy & Executive Functional Group.

Public Safety

Fire: The FY 2015-16 Budget increases by $3.0 million (5.2%) to $60.4 million from the FY 2014-15 Adopted Budget of $57.4 million due to increases in negotiated labor agreements and other services and supplies. The increases are more than offset by increases in revenue from property taxes, including the County Property Tax Shift to Fire.

Sheriff: The FY 2015-16 budget increases by $1.9 million (1.5%) to $124.6 million from the FY 2014-15 Adopted budget of $122.7 million due to an increase in budgeted Overtime expenses to more accurately reflect actual anticipated overtime staffing.

Health & Human Services Function

ADMHS: The FY 2015-16 budget decreases by $1.9 million (-1.8%) to $99.5 million from the FY 2014-15 Adopted budget of $101.3 million due to anticipated salary savings as the Departments' "System Change" effort will not be fully implemented for the entire fiscal year.

Public Health: The FY 2015-16 budget increases by $4.0 million (5.1%) to $81.4 million from the FY 2014-15 Adopted Budget of $77.4 million due primarily to increased staffing increases and an increase in pharmaceutical expenditures.

Social Services: The FY 2015-16 budget increases by $6.0 million (3.6%) to $172.3 million from the FY 2014-15 Adopted budget of $166.3 million primarily due to negotiated labor increases as well as consulting and management fees.

Community Resources & Public Assistance Function

Public Works: The FY 2015-16 budget increases by $6.3 million (6.1%) to $108.3 million from the FY 2014-15 Adopted Budget of $102.0 million mostly due to the Tajiguas Landfill phased post closure project.

General Government & Support Services

As previously mentioned, the increases in this functional group are derived from construction beginning on the Northern Branch Jail Project.

General County Programs

General County Programs is made up of programs and projects that are not directly associated with one specific department. There are not significant budgetary changes between FY 2014-15 Adopted and FY 2015-16 Recommended.

Five Year Forecast of Discretionary General Funds

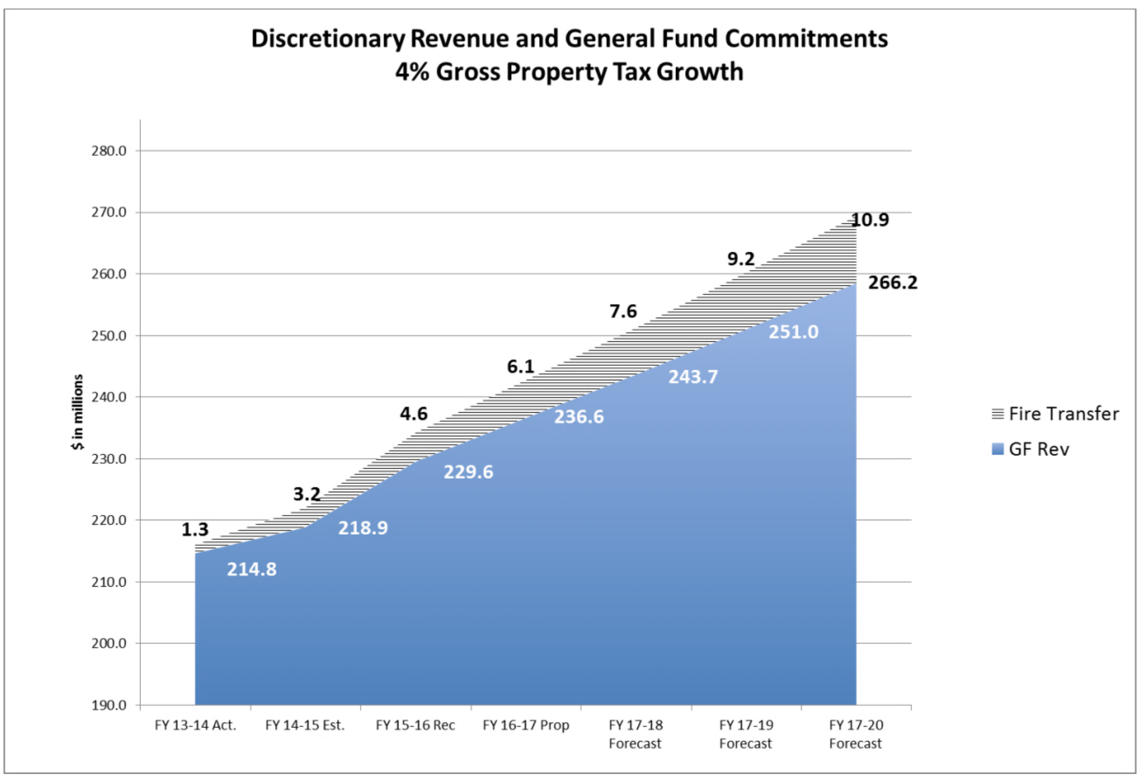
This five year forecast is intended to provide additional information that may be helpful in weighing the financial consequences of current year decisions and understanding commitments that have already been made. The Discretionary General Fund Forecast focuses on Discretionary Revenues, General Fund Allocations or Contributions (GFC's), and additions to Committed Fund Balances; all of which are described below.

Discretionary Revenues

Discretionary Revenues are those revenues which the locally elected Board of Supervisors has some discretion over their ultimate allocation and represent about 24.0% of Countywide revenues or $229.6 million in the Recommended FY 2015-16 budget. These revenues, predominantly from local taxes, are called local discretionary revenue.

The major source of discretionary revenue is taxes on property and property transactions. The growth rate assumed for property and other taxes is 4.0% (before the Fire Tax Shift) and is comparable to current property tax estimates reflecting changes to assessed property values, recent inflationary trends and other market factors. Other revenues include Sales Tax, Transient Occupancy Tax, and cost allocation recovery from non-General Fund entities. Projected local discretionary revenues are displayed in the graph below as the bottom area of the chart. This discretionary revenue is $214.8 million in FY 2013-14, $218.9 million in FY 2014-15, $229.6 million in FY 2015-16 and so on. Above the revenue area is an area shaded in black horizontal lines that represents the amount of discretionary revenues that have been "shifted" to the Fire District per the Fire Tax Shift, described below. These are the two elements of discretionary revenues displayed in the graph below.

Figure 14– Local Discretionary Revenue



Discretionary Expenditures

Discretionary expenditures are those costs not fixed in amount by legal obligation prior to adoption of the annual budget by the Board of Supervisors. The forecast in Figure 16 is comprised of four main categories and are displayed as stacked bars on the graph:

1. General Fund Allocations or Contributions to all departments (shown as base GFC in graph).
2. Incremental Changes to Salaries and Benefits funded with discretionary revenues (i.e. requiring additional General Fund allocations, shown as S&B on the graph), and
3. Board identified funding priorities. These priorities are funded by increases to the Committed Fund balance accounts, shown with separate stacked bars on the graph below and will be discussed in more detail. These include:
   - Fire Tax Shift
   - North Branch Jail Operations Funding
   - Maintenance Funding Plan (18 % of unallocated discretionary revenues)
4. Unallocated discretionary revenues are those remaining funds available for funding Board priorities or other necessary matters.

General Fund Allocations or Contributions (GFCs)

General Fund Contributions (shown as “Base GFC” on the graph) are the most significant revenue source for General Fund departments in the delivery of services to the community. Other funds are allocated GFC based on Federal and State maintenance of effort requirements or payments for specific purposes, such as local match for transportation funding in the Roads Fund. Projected General Fund Contributions in Fiscal Years 2017-18 forward, assume the prior year’s allocation plus incremental changes to salaries and benefits (S&B).

Salary and Benefit Changes

Salary and Employee Benefit changes include anticipated personnel related expenditures. They are primarily determined based on negotiated Memoranda of Understanding (MOU), health insurance, and retirement benefit cost projections, and mandated costs such as Social Security contributions. Additionally, the County is currently funding certain Other Post-Employment Benefits (OPEB) related to providing medical coverage to retirees.

Generally, salaries for FY 2015-16 and 2016-17 are based on detailed positions by department (salary model), existing wages, and any scheduled wage increases per MOU with the various bargaining units or anticipated increases for unrepresented employees.

These wage increases will continue to come into effect in FY 2015-16. Salary cost estimates for FY 2015-16 and FY 2016-17 of this forecast incorporate current terms of negotiated MOU and anticipated increases for unrepresented employees whose wages are not governed by MOU. The chart below lists the expiration dates of MOUs by Employee Organization. Negotiations are in progress for those groups whose MOUs have expired.

Figure 15: Memoranda of Understanding (MOU); Listing by Expiration Date

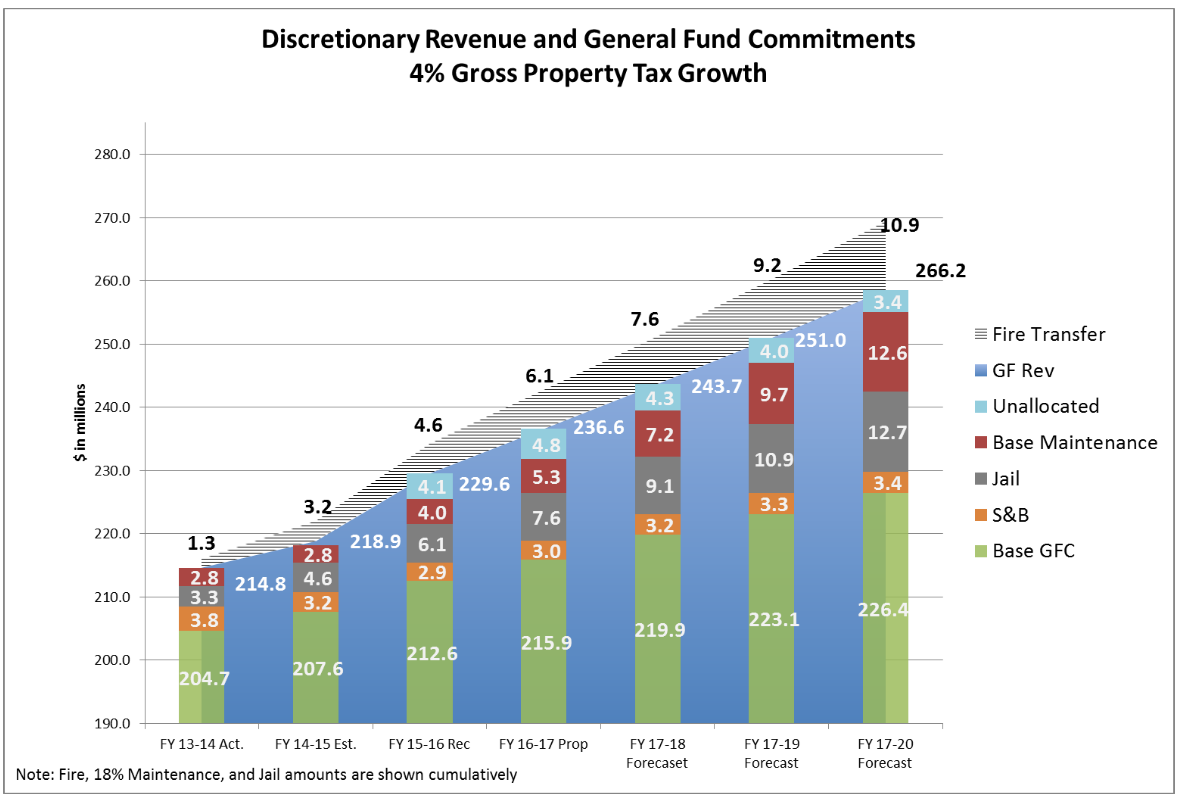
Group	Current MOU Expires
Deputy Sheriffs' Association	Expired 2/15/2015
Sheriff's Managers Association	Expired 4/12/2015
Union of American Physicians and Dentists	11/22/2015
Fire Fighters Local 2046	2/28/2016
Engineers and Technicians Association	7/3/2016
SEIU Local 620	7/3/2016
SEIU Local 721	7/3/2016
Civil Attorneys Association	12/18/2016
Deputy District Attorneys' Association	12/18/2016
Probation Peace Officers' Association	9/24/2017

Committed Fund Balance

Committed fund balances are used to set aside General Funds for Board priorities, such as deferred maintenance, Northern Branch Jail operations funding, building of the strategic reserve, or other funding requirements that arise over time.

The graph below displays the Five Year Forecast of discretionary revenues, General Fund Contributions, and the various increases to committed fund balances.

Figure 16: Five-Year Forecast of Local Discretionary Revenue and Expenditures

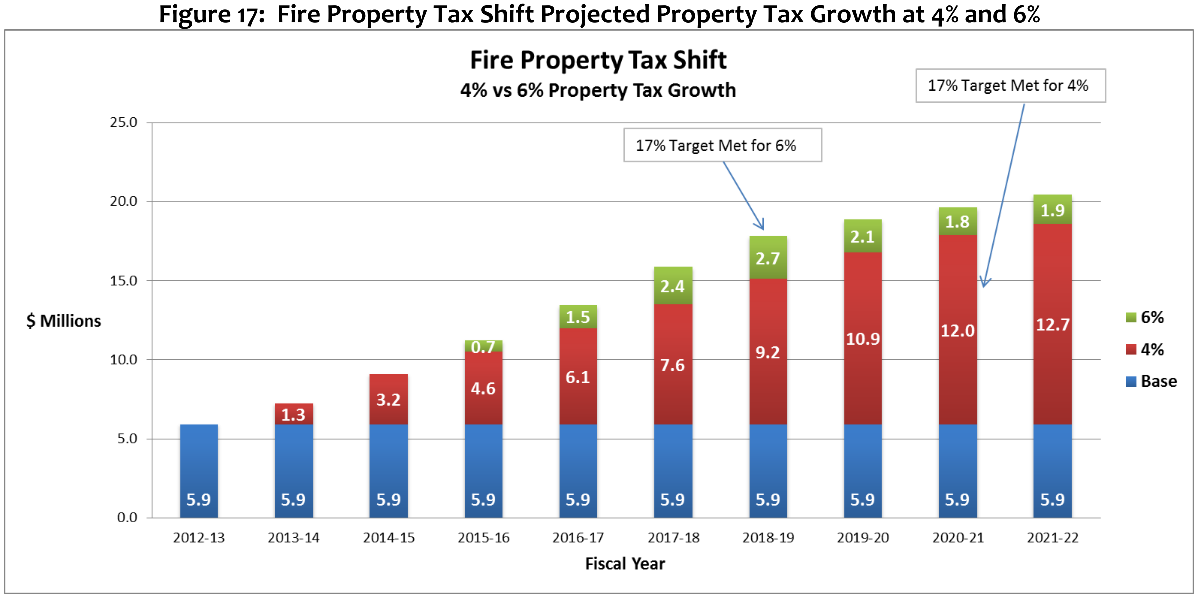


Long Term Funding Commitments Impacting the Five Year Forecast

Fire Tax Shift Allocates 25% of Property Tax Growth to the Fire District

In 2012, the Board of Supervisors approved a plan to transfer property tax revenue from the General Fund to the Fire District. In FY 2012-13, the Fire District received an average of 11% of the property tax collected within the District's boundaries. The tax transfer plan established a gradual phase-in of the transfer by assigning 25% of the County's growth in property tax revenue each year to the Fire District until the District was receiving 17% of the property taxes within its boundaries. It is currently estimated that a 17% Fire District participation level will be achieved in FY 2020-21 with an assumed growth rate of 4% per year and accelerates to FY 2018-19 if a 6% growth rate is assumed. See table below.

Figure 17: Fire Property Tax Shift Projected Property Tax Growth at 4% and 6%



North Branch Jail Operations Funding Increasing Annually

AB-900

The Northern Branch Jail Project is located near the city of Santa Maria, California; when completed, the facility will provide capacity to hold 376 individuals, of which 32 beds are reserved in a separate housing unit for individuals with medical and mental health challenges. The entire jail complex is composed of several buildings estimated to be approximately 139,000 square feet for inmate housing and ancillary support functions. The facility will be built on a ten-acre portion of a 50-acre County-owned property located at Black and Betteravia Roads.

On January 15, 2013, the Board of Supervisors approved a Project Construction and Delivery Agreement with the State of California that stipulated the terms of an $80 million award of funds towards the construction of a new Northern Branch jail near the City of Santa Maria. The cost of the jail is currently anticipated to be $96 million. When fully completed and staffed, the last projected annual operating cost estimate for this facility was $15.9 million (net of existing costs of $5.1 million that will be transferred). The Sheriff's department and the CEO's office are currently reviewing the projected operating costs to assess if these figures require revision. The construction project is estimated to be completed in May 2018.

STAR Complex SB-1022

This project draws on funding from the SB1022 Adult Local Criminal Justice Facilities Construction Financing Program to construct the Sheriff's Treatment and Rehabilitation (STAR) complex. The project will add 228 beds to the previously approved 376-bed detention facility at the Northern Branch Jail. The proposed expansion includes (2) 64-bed pods designated for treatment and programming and (2) 50-bed units to be used for transitional programming housing. The expansion will also include office space for the Sheriff's Alternative Sentencing Bureau. The proposed expansion will add approximately 52,208 square feet to the previously approved portion of the Northern Branch Jail. The projected annual operating costs are estimated to be $2.1 million (net of existing costs of $4.3 million that will be transferred). These projected operating costs are also being reviewed.

The combined annual costs to operate the new 602 bed jail were last projected to be approximately $18 million when they open. In order to establish such a significant annual General Fund allocation, the Board of Supervisors adopted a Budget Policy in FY 2011-12 to establish an incrementally increasing annual General Fund Contribution to this jail operating fund (Funding Plan).

Since adoption of the Funding Plan, the Sheriff's staff has accelerated the estimated transition plan (hiring schedule) to ensure that staff is hired and well-trained in time for the opening of the jail. This acceleration of staff hiring may result in additional one-time costs not anticipated in the existing Funding Plan. Further, the existing Funding Plan was based on anticipated increased net operating costs of $17.3 million, which is $0.7 million less than the most recent estimate of $18.0 million. Operating cost estimates are currently being reviewed by CEO staff and will be revised as necessary. If operating or transitional cost estimates are affirmed and increased, a revised Funding Plan will be prepared and presented to the Board that increases the ongoing General Fund Contribution in the plan to address these costs. The schedule of the existing operational Funding Plan is shown below.

Figure 18: Plan for Future Jail Operations Funding

Fiscal Year	GFC Base	GFC Increase	Total Annual GFC	Construction Match	Annual Operating Costs	Year End Op. Fund Balance
2011-12	$ -	$ 1.0	$ 1.0	$ -	$ -	$ 1.0
2012-13	1.0	1.0	2.0	(3.0)	-	-
2013-14	2.0	1.3	3.3	-	-	3.3
2014-15	3.3	1.3	4.6	-	-	7.9
2015-16	4.6	1.5	6.1	-	(0.3)	13.7
2016-17	6.1	1.5	7.6	-	(2.7)	18.6
2017-18	7.6	1.5	9.1	-	(10.5)	17.2
2018-19	9.1	1.8	10.9	-	(17.3)	10.7
2019-20	10.9	1.8	12.7	-	(17.9)	5.6
2020-21	12.7	2.2	14.9	-	(18.4)	2.1
2021-22	14.9	2.2	17.1	-	(19.0)	0.2
2022-23	$ 17.1	$ 2.2	$ 19.3	$ -	$ (19.5)	$ 0.0

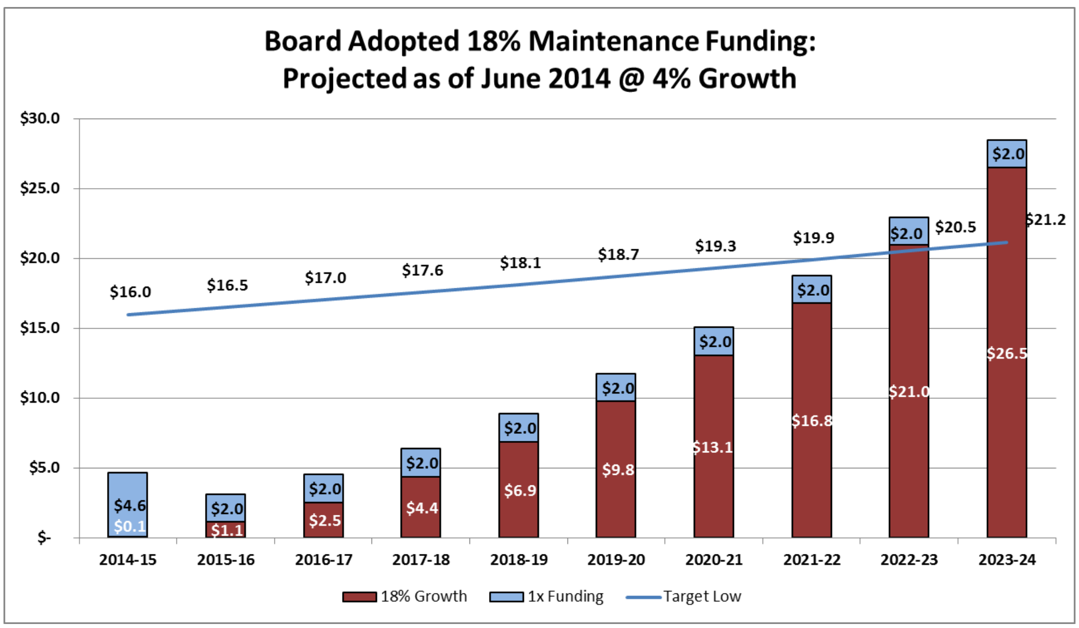
Executive Summary

Maintenance Funding Plan Accumulates Additional Funds Incrementally for Maintenance Needs

The County of Santa Barbara's deferred maintenance has grown over time while funding has remained relatively static. In June 2014, the Board directed staff to implement a maintenance funding plan that would increase ongoing General Fund Contributions (GFC) for maintenance projects by allocating 18% of unallocated Discretionary General Revenues towards maintenance projects. It is envisioned that the ongoing funding will build over time as a new layer of additional GFC is added annually.

In October 2014, the Board approved the Maintenance Funding Plan as part of the FY 2015-16 Budget Development Policies and forecasts $24.7 million in accumulated new funding during the 5 year period ending FY 2019-20 (excluding the estimated $2.0 million per year of one-time funding). These projections were based on projected property tax increases of 4% per year (before the 25% Fire District Tax shift). As described in the Policy, these funds will be calculated annually and allocated to departments based on current needs.

Figure 19: Plan for Maintenance Funding



The currently estimated deferred maintenance projects are estimated to amount to:

- Public Works $252.2 million (Pavement, Hardscape, Bridges, Drainage, and Traffic Devices),
- General Services $45.5 million (observed per Jorgensen Report)
- Parks $26.8 million (per Jorgensen Report)

Executive Summary

Capital Summary

A summary of projects and recommended appropriations for Capital Expenditures can be found in Section E of this document. The following is a summary of the County's Five Year Capital Improvement Program (CIP).

The CIP is a compilation of projects intended to implement various plans including community plans, facilities plans, and the County Comprehensive (General) Plan. Projects in the CIP quantify current and future capital needs. Accordingly, it includes projects for new and improved roads and bridges, County buildings and clinics, parks, and other facilities. Because the CIP includes estimates of all capital needs, it provides the basis for setting priorities, reviewing schedules, developing funding policy for proposed improvements, monitoring and evaluating the progress of capital projects, and informing the public of projected capital improvements and unfunded needs.

Projects included in the CIP are non-recurring, have a long service life, are generally over $100,000, and will usually be underway (or should be underway, but are partially or entirely unfunded) during fiscal year 2015-16 through fiscal year 2019-20. Although the CIP covers a five year planning period, it is updated annually to reflect ongoing changes as new projects are added, existing projects are modified, and completed projects are removed from the program document.

The CIP does not appropriate funds; rather, it serves as a budgeting tool, proposing Capital Budget appropriations to be recommended for adoption within the County's FY 2015-2017 CEO Recommended Operational Plan. Final appropriations for projects are included in the respective departmental budgets and have been submitted in the Recommended FY 2015-16 and the Proposed FY 2016-17 budgets in this document to be acted upon by the Board of Supervisors during the June 2015 Budget Hearings.

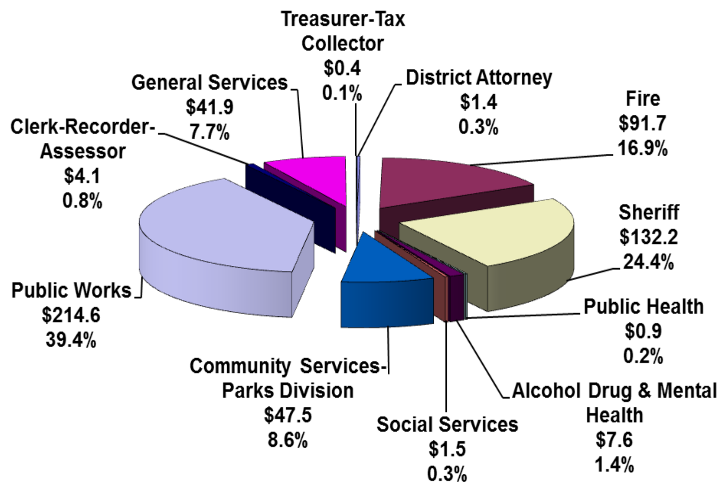
The Fiscal Year 2015-2020 CIP contains 171 capital projects and 24 maintenance projects. This includes 22 projects that are new this year. Of this total, 86 projects are fully funded, 30 are partially funded, and 55 are currently unfunded. A funded project is one that has identified specific funding, including ongoing/existing sources to fully implement the project. A partially funded project has funding to accomplish various portions of the project but lacks sufficient funding to fully complete the project. An unfunded project is one that has been identified in the CIP as a need but has no funding secured to implement the program.

Figure 20: Five Year CIP – Funded/Unfunded Totals by Fiscal Year Ending June 30, 2020
(In thousands of dollars)

Fiscal Year	Funded	Unfunded	Total
2015-16	63,403	1,386	64,789
2017-18	82,519	5,885	88,404
2017-18	88,237	12,368	100,605
2018-19	110,249	24,638	134,887
2019-20	94,717	58,462	153,179
Five Year Total	**$439,125**	**$102,739**	**$541,864**

Executive Summary

Figure 21: Funded Five Year CIP through Fiscal Year Ending June 30, 2020, by Department
(In millions)



Significant Projects Completed In Fiscal Year 2014-2015

Significant projects are detailed in Section E of this book and are summarized below:

- **Cachuma Live Oak Camp and Marina Cafe**
  Total cost of the project: $1.6 million
- **Main Jail Sewer Line & Kitchen Replacement**
  Total cost of the project: $2.1 million
- **Santa Barbara Historic Courthouse Clock-tower Elevator**
  Total cost of the project: $1.1 million.
- **Tajiguas Landfill Liner phase 3B**
  Total cost of the project: $6.2 million
- **Lompoc Children's Clinic**
  Total cost of the project: $0.2 million
- **Community Services Department Office Renovation**
  Total cost of the project: $0.8 million

Fiscal Year 2015-2017 Significant Funded Project Highlights

The proposed CIP continues to address the significant public infrastructure needs identified in various strategies and long-range plans adopted by the County, including funding for the proposed new North County Jail, the maintenance and repair of public buildings, and the transportation infrastructure system maintenance. Significant projects planned for FY 2015-16 are:

- Northern Branch County Jail AB-900
- Northern Branch Jail - STAR Complex SB-1022
- Goleta Beach
- Fire Station 21 Rebuild – Cuyama
- Jalama Beach Affordable Overnight Accommodations
- Lower Mission Creek Flood Control Project
- Roadway Improvements – Clark Avenue at Highway 101

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