



## Agenda Submittal

**Agenda #:** 26 **Status:** Regular Calendar  
**Type:** Report **Department:** County Administrator  
**File #:** 19-157 **Contact:** Ian Goldberg, 784-6116  
**Agenda date:** 2/26/2019 **Final action:** 2/26/2019  
**Title:** Receive the FY2018/19 Midyear Financial Report and consider taking action on the recommendations contained in the Report

**Governing body:** Board of Supervisors

**District:** All

**Attachments:** 1. A - FY2018/19 MY Financial Report, 2. B - FY2018/19 MY Projections - General Fund, 3. C - FY2018/19 MY Projections - Other Funds, 4. D - FY2018/19 MY Projections - ISF, 5. E - GF Year-End Fund Balance MY Projection, 6. F - FY2018/19 MY Appropriation Transfer Requests (ATR), 7. G - Position Resolution, 8. H - Budget Preparation Assumptions, 9. Presentation, 10. Adopted Resolution, 11. Minute Order

Date	Ver.	Action By	Action	Result
2/26/2019	1	Board of Supervisors	Adopted	

Published Notice Required? Yes ☐ No ☒  
Public Hearing Required? Yes ☐ No ☒

### DEPARTMENTAL RECOMMENDATION:

The County Administrator's Office recommends that the Board of Supervisors:

1. Receive and accept the FY2018/19 Midyear Financial Report. (Attachments A, B, C, D,)
2. Approve the attached Appropriation Transfer Requests (ATRs) (Attachment F) recognizing revenues and transfers in various departments requiring 4/5 vote and Approve adjustments to existing appropriations in various departments requiring majority vote.
3. Adopt a resolution amending the List of Numbers and Classifications of Positions within Solano County for a net increase of 6.9 positions. (Attachment G)
4. Approve fixed asset purchases in the amount of \$30,000 for a commercial mixer, and \$17,000 for a search and rescue drone in the Sheriff's Office of Emergency Services, \$39,044 for x-ray sensors in the dental clinics in Health & Social Services and \$21,115 for a ballot counter and server rack in Registrar of Voters.
5. Affirm initial budget assumptions for FY2019/20. (Attachment H)
6. Confirm the FY2019/20 Budget Hearings from Tuesday June 18, 2019 through Friday June 21, 2019.

### SUMMARY:

The County Administrator's Office has reviewed and compiled the FY2018/19 Midyear Financial estimates.

At this time, the Board is asked to accept the Midyear Report and variance explanations. Each County department has reviewed their actual 6 months of transactions and has prepared projections for their revenues and expenditures through June 30, 2019 with explanations (Attachment A) for any significant variances between their Working Budget and their projection. Tables comparing total Working Budget to Midyear projection for County departments in the General Fund, Other Funds, and Internal Service and Enterprise

Funds are provided as Attachments B, C, and D. The projection for Year-End Fund Balance for the General Fund is shown in Attachment E.

As a result of the Midyear review, departments have identified and are seeking Board approval of changes to their position allocations at this time. The CAO and HR are recommending Board approval of a resolution (Attachment G) of changes and additions to position allocations. Explanations and department justifications for position allocation changes are discussed in Attachment A. The Sheriff is also requesting approval for fixed asset purchases totaling \$47,000 which include a commercial mixer and a search and rescue drone utilizing new revenues and department savings, Health & Social Services is requesting approval for the fixed asset purchase of x-ray sensors in the dental clinic utilizing \$39,044 in grant revenue and the Registrar of Voters is requesting approval for a ballot counter and server rack utilizing \$21,115 in new revenue. Explanations and justifications are discussed in Attachment A.

The Board is asked to consider and approve Appropriation Transfer Requests (ATRs) listed in Attachment F. The ATRs recommended in this Report are intended to address known budget shortfalls that impact a department's ability to pay other obligations and to recognize unanticipated revenue where expenditure of new revenues is requested.

### **FINANCIAL IMPACT:**

The current projected General Fund ending balance for June 30, 2019 (FY2018/19) is projected to be \$23.9 million (Attachment E). The projection includes \$12 million in unspent General Fund contingencies, and a Net Change of \$10.4 million in additional fund balance above the amount anticipated in the Adopted Budget as a direct result from the Midyear projections. The net change is the result of increased revenues of \$4.2 million, the majority of which is attributed to slightly higher property tax related revenues from the recovering real estate values and a net decrease in projected expenditures of \$6.2 million when compared to the FY2018/19 Working Budget.

The FY2018/19 Adopted Budget reflected a Beginning Fund Balance on June 30, 2018 of \$34.9 million. Of this amount \$12 million was designated as Contingency, \$11 million was used to balance FY2018/19 Adopted Budget (revenues versus expenses) and \$11.9 in net transfers to Reserves reflecting the County's commitment to fund the Unfunded Employee Leave Payoff, Deferred Maintenance and Capital Renewal, and the Employer PERS Rate Increase reserves.

Several proposed ATRs included in the FY2018/19 Midyear recognize unanticipated revenue in various department budgets and funds. Explanations for variances are provided in Attachment A. Attachments B, C, and D are tables showing the comparisons of FY2018/19 Working Budget to projected year end at 6/30/19.

Other County Funds show that all County operating funds are within budgeted and available revenue (Attachment C).

### **DISCUSSION:**

The FY2018/19 Midyear projections for the General Fund anticipated expenditures are \$253.8 million and \$252.7 million in revenues, and will result in a reduced draw on Fund Balance for FY2018/19. This change is due in part to the receipt of additional revenues from property taxes as well as operational savings attributed largely to the timing in filling of vacant positions funded with General Fund contributions throughout the County departments.

Increases in revenue to the General Fund include: \$1.5 million increase in Secured Property Tax revenues attributed to an increase in assessed values as verified by the County Assessor, \$960,000 in ABX1 26 Redevelopment Taxes and Pass Through, \$917,000 in Property Tax-In Lieu of VLF, and \$430,000 in Sales & Use Tax and \$1 million in Interest Income.

## **Midyear Forecast Overview:**

### **General Fund - Fund 001**

The Midyear figures for the County General Fund Departments are projecting Operating Revenues of \$252.7 million and Operating Expenditures of \$253.8 million, resulting in an operational deficit of \$1.1 million, which is covered by available fund balance from 6/30/2018. This is a reduction in dependence on carryover fund balance used in FY2018/19 Working Budget. The forecast for yearend for FY2018/19 and out years beyond 2018/19, reflect predictable revenues and existing patterns of expenditures for the General Fund and all other Funds including Public Safety, Health and Social Services, Library and Child Support Services.

### **Public Safety Fund - Fund 900**

The Public Safety Fund, Fund 900, consists of the departments of the Sheriff, District Attorney, Public Defender, Conflict Defender, Probation, and Other Public Defense. The FY2018/19 Midyear projection reflects a net decrease of \$3.6 million in revenues and expenditures compared to the Working Budget. The decrease in revenue is a net between increased Prop 172 revenues and a reduction in General Fund Transfers necessary to offset decreases in Salary and Employee Benefits expenditures due to the timing in filling vacancies in Public Safety departments.

Based on Department projections, it is anticipated that there will be a net decrease in General Fund support of approximately \$3.6 million at FY2018/19 year-end closing compared to the Working Budget to the Public Safety Fund Departments. Please refer to Attachment A for additional detail by department.

### **Health and Social Services Fund - Fund 902**

The FY2018/19 Midyear projection for Fund 902 reflects decreases of \$8.69 million in revenues and \$6.71 million in expenditures, resulting in a projected increase in Net Cost of \$1.98 million representing expenditures funded by Public Health Intergovernmental Transfer (IGT) and the mental health reserve. This is a net of changes in several divisions included in Fund 902 detailed in Attachment A and summarized as follows:

In the Administration Division, a projected net increase of \$270,245 in revenues reflects increases in interest income and net adjustments in the Medi-Cal Administrative Activities program offset by the transfer of \$100,000 in previously budgeted County General Fund to First 5 Solano which will allocate the funds to the family resource centers as directed by the Board of Supervisors.

In the Social Services Division, a projected net decrease of \$6.4 million in revenues reflects reduced State and federal revenues for Child Welfare Services and Employment and Eligibility Services programs and decreases in 2011 Realignment and 1991 Realignment due to a reduction in expenditures, the expiration of a housing grant, and reduced federal participation projections in foster care cases. The revenue decreases are partially offset by prior year revenues and increases in State allocations for Medi-Cal and IHSS administration costs.

In the Behavioral Health Division, a projected net decrease of \$2.4 million in revenues primarily reflects a reduction in the use of 1991 Realignment, 2011 Realignment and Mental Health Services Act (MHSA) due to a combination of changes in: inpatient placements, reduced children's outpatient expenditures, changes in MHSA programs, and a delay in the expansion of Crisis Residential Treatment beds, and implementation of sober living beds under the Prop 47 grant award, partially offset by the receipt on one time funds for Homeless Mentally Ill Outreach and Treatment.

In the Health Services Division, a projected net decrease in revenues of \$2.7 million primarily reflects decreases of \$2.8 in Public Health revenues due to the timing of claim reimbursements, a reduction in revenues for the Solano Emergency Medical Services Cooperative, and the Tobacco Prevention Education

Program and reduced revenue receipt due to staff vacancies and underutilization of contracts. The revenue decreases are offset by increases in Medical Services 1991 Realignment revenue to cover increased administrative costs and increases in Family Health Services revenues.

There is an increase in the Family Health Services revenue as a result of one-time funding from the final rate setting of the Vacaville dental site, a decrease in the estimated payback to DHCS for Medi-Cal reconciliation, and an increase in 1991 Realignment to offset Federally Qualified Health Center revenue decreases.

In the Public Assistance Division, a projected net increase of \$2.6 million in revenues is anticipated and reflect increases in 1991 Realignment, 2011 Realignment and federal aid due to an increase in estimated expenditures for certain categories of foster care, adoptions, and CalWORKs.

Health and Social Services will present a proposed organizational structure change, including changes to position allocations, to the Board at a later date. The proposed changes are not included in the Midyear report.

### **In-Home Supportive Service Public Authority - Fund 152**

In the In-Home Supportive Services (IHSS) - Public Authority, a projected decrease of \$513,120 in revenues reflects a reduction in federal and State revenues from projected lower provider benefit costs.

## **State and Federal Budget Update**

### **State Budget**

On January 10, the new Governor released the proposed budget only three days after assuming office. The initial budget proposes spending of \$209 billion consisting of \$144.2 billion from the General Fund, \$59.5 billion from Special Funds and \$2.3 billion from Bond Funds.

The Legislative Budget Committees will soon begin their hearings on the specific provisions of the proposed budget. Since the release of the January budget, the monthly cash receipts reports from December 2018 and January 2019 from the State Controller's Office were released; revenues were under-collected by a total of approximately \$4 billion, so if this trend continues, the Governor's expenditure plan could be substantially revised in the May Revise. His proposed budget is approximately \$8 billion larger than the State's FY2018/19 budget.

While County staff are continuing to evaluate the impacts of the Governor's proposed FY2019/20 budget there are several key areas which have been identified that could have impact on the County budget going forward. These areas included but are not limited to the following:

- **IHSS** - The Governor is proposing changes to the MOE that would increase state funding for IHSS by an estimated \$241.7 million in 2019-20, growing to \$547.3 million in 2022-23 and includes changes to funding sources and cost sharing formulas in the out years. The proposed increases in State participation are intended to reduce county funding requirements for IHSS in FY2019/20 and likely FY2020/21, with unknown impacts in the out years.
- **CMSP** - The Governor's budget proposes to eliminate realignment growth funding to the CMSP board until the Board only has three months of operating expenses. The CMSP Board has expressed its serious concerns about this proposal. The County of Solano is a member of CMSP along with 34 other counties. The funding received by CMSP has historically be used to assist member counties to satisfy their Government Code 7000 requirements. This proposal is of serious concern since to the CMSP Board has just launched in January "Path to Health" to expand healthcare to undocumented adults age 18-64, which is estimated to cost around \$10,000,000 initially for the pilot that will serve 25,000 and will likely be expanded in the 3<sup>rd</sup> year.

The Department of Finance will be making some adjustments to the proposal through Spring Finance letters to the Legislative Budget Committees, requesting changes. And then in early May, the Governor will release his revised budget, which will set up final negotiations between the Governor and the Legislature on the 2019-2020 budget, which must be approved by June 15.

In general, the Governor characterized the January 10th proposed budget document as “a fiscal blueprint that builds a strong financial foundation by investing an unprecedented \$13.6 billion in budget resiliency and paying down unfunded pension liabilities.”

### Federal Budget

Last fall Congress approved and the President signed into law legislation that provided full-year funding for a number of major Federal departments and sub-agencies of the federal government. However, the spending bills of nine major Federal Departments remained in negotiation and unresolved in December 2018 resulting in the longest partial Federal government shutdown in history.

On February 15, 2019, congressional leaders had approved parameters of a bipartisan border security deal and spending bills for the nine departments that were accepted by President. The impending congressional action - and subsequent approval by the president - would avoid the prospect of another partial government shutdown and ultimately bring closure to the debate over the fiscal year 2019 budget.

Congress approved an omnibus appropriations package that funds the following departments through September 30, 2019.

Department of Agriculture	Department of the Interior
Department of Justice	Department of Transportation
Department of Housing & Urban Development	Department of Commerce
Department of Homeland Security	Department of State
Department of the Treasury	

The County's Midyear projections have not identified direct impacts from the federal budget changes. Looking ahead to fiscal year 2020, the White House Administration is not expected to have its budget proposal to Congress until sometime in March. The White House has indicated, however, that it intends to seek a three-percent across-the-board reduction in spending for non-defense discretionary programs. Congressional appropriators are *not* expected to use the president's budget as a baseline in developing their fiscal year 2020 appropriations bills.

Staff continues to monitor the progress at both Capitols and will report back to the Board when there is more certainty on spending at both the state and federal levels.

Additionally, please refer to the separate Legislative Update provided to the Board of Supervisors at the February 26, 2019 Board Meeting for further detail on State and Federal Budgets.

### **Initial FY2019/20 Budget Assumptions**

Based on Midyear Projections for Fiscal Year 2018/19, the County Administrator is recommending a set of initial budget assumptions and affirmation of standing Board budget policies and guidelines to be incorporated in the preparation of the Recommended Budget for FY2019/20 Budget. Please refer to Attachment I for detail.

### **Set Budget Hearing Dates for FY2019/20**

The Board is asked to set Budget Hearings to consider the Recommended Budget for FY2019/20 to commence on Tuesday June 18, 2019, at 9am.

**ALTERNATIVES:**

There are a number of recommendations included in the FY2018/19 Midyear Financial Report for Board consideration at this time. The Board may choose to adopt none, some, or all of those listed. The Board may also choose to delay action on the recommended appropriation transfers or position allocation changes.

**OTHER AGENCY INVOLVEMENT:**

All county departments were involved in developing the information included in the Report.

**CAO RECOMMENDATION:**

APPROVE DEPARTMENTAL RECOMMENDATION