



Budget Message

Curtis R. Coad
Interim County Administrative Officer

Winter provided an abundance of water for the first time in several years, but the County remains in drought conditions. Roads in the Sutter Bypass were closed for two weeks as runoff from the Sacramento River flooded the bypass.



County of Sutter

Office of the County Administrator

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TO: The Honorable Sutter County Board of Supervisors

RE: **Recommended Budget for Fiscal Year 2016-17**

I am submitting herein my Recommended Sutter County Budget for FY 2016-17. In the following, I will summarize the key features of the Recommended Budget, discuss some of the significant issues the County is likely to face in the coming fiscal year, and set forth my specific recommendations with respect to the Recommended Budget, including the scheduling of the requisite public hearings.

As the Board knows, the preparation of the Recommended Budget is a challenging and arduous endeavor. While I am responsible for its preparation and contents, I want to acknowledge that most of the work in developing the Budget has been performed by three members of my staff: Interim Assistant County Administrator Steve Smith, who functions as our de facto budget manager; Principal Analyst Tami Lukens; and Management Assistant to the CAO Lisa Bush. They have labored long and well, and I greatly appreciate their efforts and professionalism.

I also want to thank our Department Heads, who play an important role in the budget process. They uniformly submitted well-prepared budget requests and worked with us to analyze and resolve budgetary issues.

Summary of the Recommended Budget

As required by law, the Recommended Budget we are recommending to the Board of Supervisors is balanced, which means that the recommended expenditures (which are technically called "appropriations") are equal to the total estimated revenue. While the Budget certainly has some positive features, it would probably be accurate to characterize it as "status quo" in nature.

The Recommended Budget for FY 2016-17 totals \$276.6 million, which is an increase of \$13.5 million (5.1%) compared to the FY 2015-16 Final Budget. The General Fund is recommended at \$63.35 million, which is a decrease of approximately \$1.05 million (1.6%) compared to the prior year.

Overall, we are recommending the approval of 19 new positions, the reinstatement of seven positions which are currently frozen, and the elimination of ten positions. This represents a net increase of 15.4 FTEs. The specific positions involved, and their respective costs, are depicted on

the “Changed Positions List.” Two of the reinstated positions (Deputy Sheriff positions) and one of the new positions (Information Technology Security Analyst) resolve issues discussed during the FY 2015-16 Budget Hearings. One of the positions recommended for deletion (a Programming Analyst II position in the IT Division) is currently filled, and will require the issuance of a layoff notice. Most of the recommended new positions/reinstatements are either funded by sources other than the General Fund or have their cost offset by deleted positions.

The following chart summarizes the relative change in the County’s major operating funds.

Source: Schedule 1	2015-16 ADOPTED	2016-17 RECOMMENDED	CHANGE	
			DOLLARS	PERCENT
General	\$64,411,902	\$63,356,102	(\$1,055,800)	-1.6%
Road	\$9,463,263	\$9,905,864	\$442,601	4.7%
Bi-County Mental Health	\$24,613,867	\$26,313,210	\$1,699,343	6.9%
Mental Health Services Act	\$10,171,275	\$10,406,385	\$235,110	2.3%
Health Services	\$10,242,676	\$10,396,475	\$153,799	1.5%
Welfare/Social Services	\$44,724,364	\$45,971,298	\$1,246,934	2.8%
Trial Courts	\$9,014,704	\$9,605,584	\$590,880	6.6%
Public Safety	\$26,982,337	\$29,626,450	\$2,644,113	9.8%

The following chart summarizes the position recommendations.

DEPARTMENT	CHANGED POSITIONS	CHANGE MADE	POSITION CHANGES	
			GENERAL FUND IMPACT	FTE
Assessor 1-203	Chief Appraiser	Reinstated	\$118,495	1.0
	Assessment Technician I (V)	Eliminated	(\$57,182)	(1.0)
	Assessment Supervisor (V)	Eliminated	(\$82,326)	(1.0)
Sheriff - Communications 1-600	Public Safety Dispatcher (V)	Defunded	(\$64,360)	(1.0)
	Supervising Public Safety Dispatcher	Reinstated	\$88,593	1.0
	Criminal Records Technician	Reinstated	\$60,620	1.0
Building Maintenance 1-700	Sr. Building Maintenance Worker (V)	Eliminated	(\$71,517)	(1.0)
	Building Maintenance Worker	Added	\$65,707	1.0
District Attorney 2-125	Deputy DA I/II/III	Added	\$112,989	1.0
	Deputy DA I/II/III	Reinstated	\$0	1.0
	Sr. Criminal Investigator	Reinstated	\$0	1.0
	Victim Advocate	Added	\$0	1.0
	Victim Advocate	Added	\$0	1.0
Sheriff – Coroner 2-201	Deputy Sheriff	Reinstated	\$90,810	1.0
	Deputy Sheriff	Reinstated	\$90,810	1.0
Recorder 2-706 / Clerk 2-710	Office Assistant I	Added	\$53,200	1.0
Mental Health 4-102	Psychiatric Tech/LVN	Added	\$0	1.0
	Medical Clerk I/II	Added	\$0	1.0
Mental Health 4-102 / Mental Health Services Act 4-104	Rehabilitation Clinician	Added	\$0	1.0
	Crisis Counselor	Added	\$0	1.0
Health Services 4-103	Accountant I/II	Added	\$75,571	1.0
	Account Clerk III (V)	Eliminated	(\$66,540)	(1.0)
	Account Clerk I/II (FROZEN)	Eliminated	\$0	(1.0)
	Program Health Specialist –LT(V)	Eliminated	(\$39,497)	(0.5)
	Director PH Lab (FROZEN)	Eliminated	\$0	(0.5)
	PH Microbiologist (FROZEN)	Eliminated	\$0	(0.5)
Jail Medical 4-134	Physician – Cont	Added	\$158,519	0.5
	Nurse Practitioner II (V)	Eliminated	(\$131,945)	(1.0)
Fleet 4-580	Equipment Mechanic Heavy/Light	Added	\$75,439	1.0
	Equipment Mechanic II	Eliminated	(\$72,057)	(1.0)
Welfare Administration 5-101	Staff Services Analyst I/II	Added	\$0	2.0
	Program Manager	Added	\$0	1.0
	Social Worker Child Services III	Added	\$0	1.0
	Office Assistant II	Added	\$0	1.0
Community Memorial Museum 7-201	Museum Director-Curator	Increase	\$18,699	0.2
	Assistant Museum Curator	Increase	\$12,508	0.2
Information Technology 8-145	Information Technology Security Analyst	Added	\$74,709	1.0
	Network Administrator I	Added	\$93,614	1.0
	Programming Analyst II (FILLED)	Eliminated	(\$123,046)	(1.0)
TOTAL			\$481,813	15.4

Major Budget Impacts

This section includes discussion of a number of issues which have had a significant impact on the Recommended County budget for FY 2016-17.

<p>Health Insurance</p>	<p>The County joined the San Joaquin Valley Insurance Authority, on July 1, 2015, for the provision of health, dental, and vision insurances. The proposed rates were guaranteed for the 18-month period from July 1, 2015 through December 31, 2016. It is anticipated that there will be an increase in rates effective January 1, 2016. However those costs are unknown at this time; therefore, \$250,000 has been put into Contingency to help offset anticipated increases.</p>
<p>CalPERS Retirement</p>	<p>Sutter County, like most public agencies under contract with the California Public Employees’ Retirement System (CalPERS) for employee retirement benefits, has experienced continued increases in its employer costs. While significant cost increases resulted from market losses in prior years, the County’s plans had started on a road to improvement. However, in recent years, the CalPERS Board has taken several actions that have effectively taken back any of the plan’s funding improvements.</p> <p>In March 2012, the pension fund lowered its discount rate from 7.75 percent to 7.5 percent citing economic conditions. A year later, CalPERS changed its policies to recognize gains and losses over a shorter period and to use a 30-year fixed amortization period instead of a rolling 30-year period. In February 2014, the CalPERS Board of Administration approved new demographic assumptions, assuming that public employees will be living longer. The Board also adopted an asset allocation mix that lowers the CalPERS investment risk but largely keeps its investment strategy unchanged, holding the fund’s long-term assumed rate of return at 7.5 percent.</p> <p>While the actions of the CalPERS Board will help to stabilize pension costs over time and ensure that CalPERS will continue to meet its current and future pension obligation, the actions also result in higher employer pension costs for local agencies, now and in the future.</p> <p>CalPERS estimated that local government costs could rise from 5 percent of payroll to 9 percent of payroll over the five year phase in. This is in addition to cost increases experienced thus far. For local agencies, such as Sutter County, CalPERS implemented the additional cost increases this Fiscal Year with the cost spread over 20 years and annual rate increases phased in over five years. The future impact to Sutter County’s budget will need to be considered and monitored closely.</p>

<p>PARS - Pension Benefits Trust Fund and an Other Post-Employment Benefits (OPEB) Trust Fund</p>	<p>On April 26, 2016 the Board of Supervisors adopted a Resolution authorizing participation in the Public Agencies Post-Employment Benefits Trust Program to prefund Pension and Other Post-Employment Benefits obligations, to be administered by Public Agency Retirement Services (PARS). For FY 2016-17 staff has budgeted \$1,000,000 in Non-Departmental Expenses (1-103) with the anticipation to invest with PARS. Investment in PARS as a Section 115 Trust is enabled by Government Code 53216.1.</p>
<p>Tri-County Regional Juvenile Rehabilitation Facility and JPA</p>	<p>The Tri-County Regional Juvenile Rehabilitation Facility is jointly owned by Sutter, Yuba, and Colusa counties with operational costs split in a 44/44/12 ratio respectively, pursuant to a Joint Powers Agreement (JPA) amendment during FY 2015-16. Previously, operational costs were split in a 40/40/20 ratio. Planning and construction costs for the Tri-County Juvenile Rehabilitation Facility Construction Project remain split at the 40/40/20 ratio.</p> <p>For FY 2016-17, Sutter County’s share of cost is budgeted to increase by \$301,880 for operational costs. Part of the increase in the Juvenile Hall budget is due to the addition of a Supervising Probation Officer position that is responsible for conducting Internal Affairs investigations, applicant background checks, and training, and to assist Intervention Counselors with case planning. This is a new position that is needed to provide support and to carry out the aforementioned administrative duties.</p> <p>Through the SB81 Local Youthful Offender Rehabilitation Facilities Construction Grant process, the counties have been awarded just over \$15 million towards the construction of a new facility. The FY 2016-17 Recommended Budget includes \$310,000 to pay for Sutter County’s expected share of cost during the FY. The project is officially established with the State. It is expected that design will continue throughout FY 2016-17 with a projected ground-breaking during the summer of 2017. Occupancy is projected to begin during the spring or summer of 2019.</p>
<p>Plant Acquisition Projects & Jail Expansion Project</p>	<p>Major structural improvements (generally those over \$15,000) are classified as Plant Acquisition projects. Because of the size and complexity of these projects, they tend to span two or more fiscal years before they are completed. This year’s recommended projects include \$32,035 for on-going ADA Improvements at various County facilities, a re-budget of \$93,469 for a Fleet Oil-Water Separator for the vehicle washing facility, \$58,000 for replacement of the roof at 1130 Civic Center Blvd, \$50,000 to repair the floor and foundation at the Main Library, \$225,000 to construct and pave a parking lot at the Sheriff’s Office/Jail related to the Jail Expansion Project, \$25,000 to construct an awning at the Fleet Building, \$60,000 for Soil/Groundwater testing and Analysis at the Airport, \$124,113 for a remodel of the Health Laboratory, and three smaller projects which</p>

<p>Plant Acquisition Projects & Jail Expansion Project – Cont.</p>	<p>have been included in Plant Acquisition this fiscal year as they are either related to larger projects or have fund balance available to offset costs.</p> <p>The expansion of the Main Jail continues, and is anticipated to be a multi-year project. The project will remodel and expand the Medical Services and Kitchen Areas, and will expand the capacity of the Maximum Security facility by 42 beds.</p> <p>The project is benefitting from \$9,741,000 in State financing. The overall total project costs are currently estimated at \$13,334,832, of which \$9,741,000 will be reimbursed from State Grant Funding, approximately \$1.5 million will come from County Criminal Justice Development Impact Fee Fund (0-102) and the remaining estimated \$2.1 million will be covered by County General Funds. As the project evolves and construction starts the project costs are subject to vary. Future revenue received in Fund 0-102, beyond the current \$1.5 million fund balance, may also be used to offset General Fund costs. The FY 2016-17 Recommended Budget includes \$4.7 million for this project.</p>
<p>Information Technology ISF</p>	<p>Countywide Information Technology Interfund charges are increasing by \$69,082 for FY 2016-17. Major County IT initiatives include:</p> <ol style="list-style-type: none"> 1) The management of the Library’s IT systems. Supported systems cover a full range of technologies from security appliances, servers, and clients to the CENIC, public, and internal networks. 2) The migration from legacy enterprise applications to modern solutions. A joint effort with the Assessor, Auditor-Controller and Treasurer/Tax Collector to replace the County’s obsolete property tax application with Thomson Reuters Aumentum is planned. Also, a migration from the outdated justice system to a new case management system for the District Attorney is proposed. Funds for these projects are currently not included in the budget. 3) Three capital asset purchases, totaling \$193,000, are recommended this year to address the demand for Wi-Fi access in some County facilities (\$100,000), improve data backup and recovery capabilities (\$40,000), and replace two vehicles (\$53,000).
<p>Replacement Vehicles</p>	<p>This year, it is recommended that ten passenger vehicles be replaced -- a sedan for the Probation Department, three sedans for the Welfare Department, three sedans and a small SUV for Mental Health, a small SUV for Environmental Health, a small SUV for Building Inspection,</p>

<p>Replacement Vehicles – Cont.</p>	<p>and two hybrid sedans for the General Services Department – Information Technology Division. The Probation Department is replacing two patrol vehicles. The Agriculture Department will be replacing two pickup trucks and the Bi-County Farm Advisor will be replacing one ¾ ton pickup. The Road Division of Development Services will be replacing two Transfer Truck/Trailers with one Transfer Truck/Trailer.</p> <p>In an effort to reduce the deferred costs for replacement of Sheriff’s patrol vehicles, the County Administrative Office is recommending the replacement of three patrol vehicles in the Sheriff’s Department.</p> <p>As with the prior year, it is recommended that the purchases be funded with one-time monies.</p> <p>The County deferred most vehicle replacement purchases during the economic downturn. Although the County has in concept “saved” the money required to purchase new vehicles during that time period, deferring replacement of an aging fleet inevitably leads to increasing maintenance costs in the short-term and a ballooning financial burden to provide County departments with suitable transportation in the long-term. It is currently estimated by the County’s Fleet Management division that the deferred 5-year total cost for replacing vehicles exceeds \$3.6 million for the total County, and \$2.4 million for just General Fund departments and the Sheriff’s Office. Using the County’s current fleet statistics and replacement policies, the average annual replacement expenses would be \$738,600 for the total County and \$495,720 for General Fund departments and the Sheriff’s Office</p>
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Other Significant FY 2016-17 Issues

Like many counties, Sutter faces a wide variety of issues. While many of the issues are addressed in the Recommended Budget, some have not evolved to the point at which a budget can be recommended to address them. These include:

County Facilities

The County has several acute facility issues. In addition to the project listed in the Recommended Plant Acquisition Budget, the County needs to complete the installation of sprinklers in a portion of the Mental Health Building; relocate some Welfare and Social Services functions to leased space at the former Sunridge Hospital Facility; complete the Jail Expansion/Remodel Project; remodel the portion of the Health Facility now occupied by Peachtree Clinic to accommodate the District Attorney's Office; and remodel 1130 Civic Center Boulevard for use by the Victim-Witness Program and the Development Services Department's Code Enforcement Program.

Sutter County is also in the early stages of evaluating the construction of a new Human Services Building adjacent to the Mental Health Facility, and of developing a new County Government Center. A possible remodel of 463 Second Street may also be considered when the State returns control of the building to the County.

As mentioned, the District Attorney's Office has not yet been moved to a location near the new courthouse. This is causing inefficiency as staff are now required to commute across town to attend court. Previously they could walk to court. A secondary impact is increased expense due to the requirement for additional vehicles. Currently, additional vehicles are being rented, however, plans are being made to either lease or purchase additional vehicles so the rental vehicles can be returned. This plan will need to be brought to the Board of Supervisors for consideration once a decision has been made.

I am concerned the County may not have the staff resources or the organizational structure sufficient to address these facility issues. I intend to discuss these issues with some of the Department Heads, and will, as necessary, return to the Board of Supervisors with appropriate recommendations.

Human Resources

Approximately two years ago the former CAO was, on his recommendation, also appointed as the Human Resources Director. Since being appointed in February, 2016, I have also been performing both the CAO and Human Resources Director functions.

In my opinion, this model does not work particularly well. The biggest issue is the amount of time spent on Human Resources issues. I intend to work with the CAO and Human Resources Departments to develop a better way of meeting the County's HR needs and responsibilities. I envision returning to the Board with some potential solutions for this issue before your new County Administrative Officer is hired.

Homelessness

The Board of Supervisors has had two study sessions on the issue of homelessness in our community, and has adopted a policy which will guide how the issue is addressed. I am currently

working with the Yuba City and Marysville City Managers, and the Yuba County CAO, to develop a regional plan for ameliorating this vexing problem. Whatever plan is developed may require the commitment of further resources later in the fiscal year.

Jail Operations

The Public Safety Realignment legislation enacted by the State of California in 2011 has significantly affected the County Jail and its operations. This is particularly true with respect to jail medical care, which the County is obligated to provide. The staff, including the Sheriff, is now studying the desirability of contracting with a private vendor for jail medical services. This may result in additional budgetary action being necessary later in the fiscal year.

Recommendations:

I recommend that the Board of Supervisors:

1. Approve the Sutter County Recommended Budget for FY 2016-17;
2. Set the Budget Hearings on the FY 2016-17 Budget to commence June 21, 2016, at 9:30 am, and continuing for up to 14 consecutive days; and order the publication of the required notices by the Clerk of the Board of Supervisors;
3. Effective June 8, 2016, authorize the Human Resources Director to issue an official layoff notice for a Programmer Analyst II position as described in this budget message;
4. Authorize the General Services and Development Services Departments to:
 - a) Continue work for the Plant Acquisition projects which were approved in FY 2015-16 and which are being re-budgeted in the FY 2016-17 Recommended Budget. Those projects are identified in the Plant Acquisition budget; and
 - b) Proceed with road projects that were approved by the Board in FY 2015-16;
5. Direct the Auditor-Controller, after all other accounting entries are made for FY 2015-16, and prior to closing the books on the fiscal year, to bring the fund balance of Funds 12, 14 and 15 to zero by returning any excess General Fund contributions to the General Fund.

Respectfully Submitted,



CURTIS R. COAD
INTERIM COUNTY ADMINISTRATIVE OFFICER