



*Greatness grows here.*



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# *2020-2021 Proposed Budget*

## **Office of the County Administrator**

*June 9, 2020*

# 2020-2021 Proposed Budget

## Structurally-Balanced and Increases Reserves

- Appropriations total \$1.91 billion
- \$309.7 million funded by General Purpose Revenues
- Funds 5% additional contribution toward unfunded retirement liability (\$23.4M, \$8.0M NCC)
- **Includes transfer to:**
  - Reserve for Contingencies \$5.0M/\$95.5M
  - Unfunded Pension Liability Reserve \$7.3M/\$40.4M
  - Approved Labor Agreements Reserve \$11.3M/\$16.3M

# 2020-2021 Proposed Budget

## Key Assumptions/Highlights:

- General Fund year-end available fund balance estimated at \$25.9
- Funds not considered ongoing funding stream
- No year-end available fund balance used to balance Proposed Budget

# 2020-2021 Proposed Budget

**Severe economic impacts due to COVID-19 expected in 2020-2021 and future budgets**

**Projected State Budget deficit of \$54.3 billion**

**May Revise includes new projections:**

- 27.2% decrease in sales tax revenue
- 15.6% decrease in consumer spending expected
- 18.8% unemployment rate in California
- 21% drop in housing permits
- 23% decrease in corporate tax
- 25% drop in personal income tax

# Major Challenges/Unknowns (Sales & Use Tax)

## Loss of Realignment funding

- **Proposed Budget includes \$96.6M:**
  - \$39.1M Social Services
  - \$31.4M Public Safety Realignment (losing \$3M in base and no growth)
  - \$26.1M Net Mental Health & Health Realignment

## Decrease in Proposition 172 Revenue

- **Proposed Budget includes \$67.3M for qualifying Public Safety budgets**

# Major Challenges/Unknowns

## Hospital Deficit of \$45.0M in 2019-2020

- During preparation for COVID-19 surge, Hospital experienced 25-30% decline in inpatient admissions and census
- Outpatient volume significantly reduced due to COVID

## Realignment of Division of Juvenile Justice (DJJ) (costs unclear)

- May Revision proposes eliminating DJJ and realigning responsibility to County Probation
- Proposal calls for State DJJ intake to cease 1/1/2021

# Major Challenges/Unknowns

## Department of Child Support Services (DCSS)

- 2019-2020, additional \$56M for 21 underfunded counties (San Joaquin County's share was \$3.1M)
- Additional \$3.1M expected in 2020-21 and 2021-22

## May Revise returns counties to 2018-2019 levels

- State DCSS applied reduction of \$56M to all Local Child Support Agencies (LCSA)
- \$1.0 decrease to SJ County, rather than \$3.1M
- 15 positions eliminated, with 12 employees potentially impacted

# Major Challenges/Unknowns

## Uncertainty due to COVID-19 (State level)

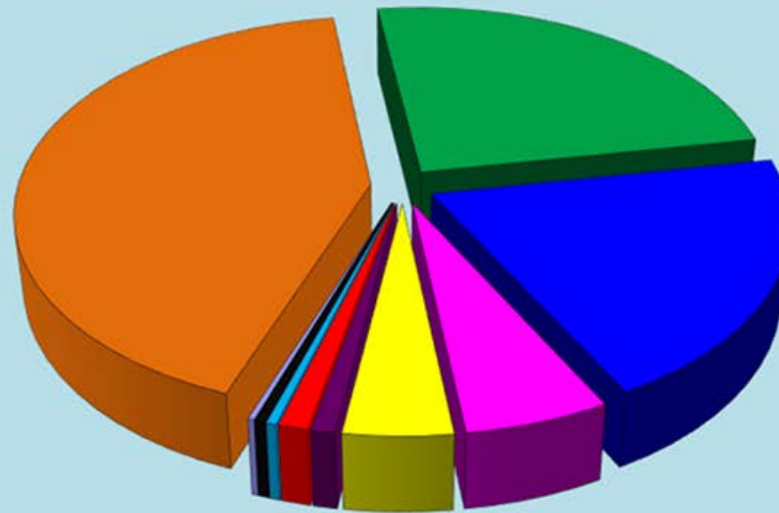
- State budget may be late, which will impact the County
- State discussion includes expectation from State that counties should use county reserves to back-fill funding not received from the State



# 2020-2021 Proposed Budget – All Funds

All Funds	2019-2020 Adjusted	2020-2021 Recommended	Increase/ (Decrease)
<b>Appropriations</b>			
Departmental Appropriations	\$1,845,271,500	\$1,905,352,049	\$60,080,549
Appropriation for Contingencies	4,628,475	5,000,000	371,525
Total Appropriations	\$1,849,899,975	\$1,910,352,049	\$60,452,074
<b>Sources of Funding</b>			
Departmental Revenues	\$1,489,247,205	\$1,590,759,990	\$101,512,785
General Purpose Revenues	297,921,974	309,733,825	11,811,851
Fund Balance			
General Fund	40,595,277	0	(40,595,277)
All Other Funds	22,135,519	9,858,234	(12,277,285)
Total Sources of Funding	\$1,849,899,975	\$1,910,352,049	\$60,452,074

# 2020-2021 Proposed Budget – Appropriations



Health Services (\$807.8M, 42.3%)

Law & Justice (\$384.8M, 20.1%)

General Government (\$82.2M, 4.3%)

Environmental Protection (\$22.6M, 1.2%)

Parks & Recreation (\$8.0M, 0.4%)

Human Services (\$464.3M, 24.3%)

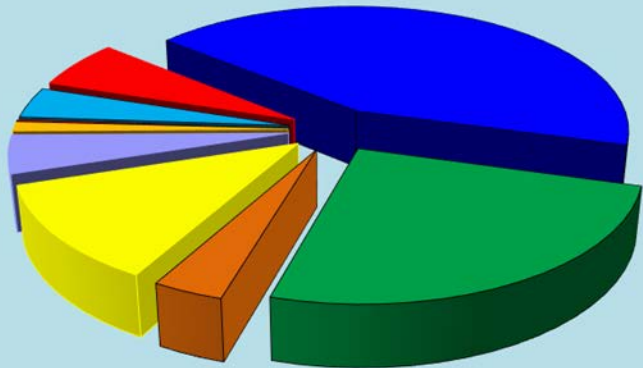
Roads & Facilities (\$109.2M, 5.7%)

Capital Maintenance (\$18.6M, 1.0%)

Education (\$7.9M, 0.4%)

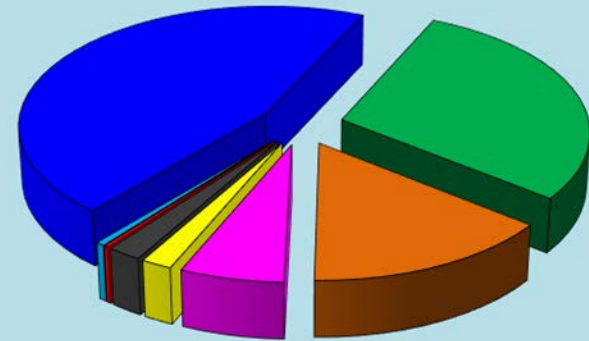
Contingencies (\$5.0M, 0.3%)

# Use of Funds \$1.91 Billion



- Staffing (\$942.0M, 49.3%)
- Services & Supplies (\$546.1M, 28.6%)
- Centrally-Budgeted Exp (\$77.1M, 4.0%)
- Other Charges (\$260.5M, 13.7%)
- Structures & Improvements (\$103.7M, 5.4%)
- Equipment (\$23.5M, 1.2%)
- Contingencies (\$5.0M, 0.3%)
- Operating Transfers (\$85.3M, 4.5%)
- Expense Reimbursements (-\$132.8M, -7.0%)

# Source of Funds \$1.91 Billion



- Gov'tl Aid (\$874.4M, 45.8%)
- Charges for Services (\$550.2M, 28.8%)
- Property Taxes (\$280.8M, 14.7%)
- Operating Transfers In (\$116.4M, 6.1%)
- Sales Taxes (\$34.8M, 1.8%)
- Other Taxes/Revenues (\$38.4M, 2.0%)
- Fines/Forfeitures/Penalties (\$5.5M, 0.3%)
- Fund Balances (\$9.9M, 0.5%)

# 2020-2021 Proposed Budget – Staffing

Staffing				
	2019-2020	2020-2021	Increase/(Decrease)	
	Adjusted*	Recommended	Amount	Percent
General Government	482.4	496.8	14.4	3.0%
Capital Maintenance	50.8	52.9	2.1	4.1%
Environmental Protection	145.5	144.8	(0.7)	-0.5%
Law & Justice	1,903.3	1,886.9	(16.4)	-0.9%
Roads & Facilities	244.3	246.0	1.7	0.7%
Health Services	3,176.8	3,163.6	(13.2)	-0.4%
Human Services	1,394.6	1,406.9	12.3	0.9%
Education	4.0	4.0	0.0	0.0%
Parks & Recreation	45.1	45.1	0.0	0.0%
<b>Total Staffing</b>	<b>7,446.8</b>	<b>7,447.0</b>	<b>0.2</b>	<b>0.0%</b>

*\*Totals include midyear adjustments approved by the Board of Supervisors.*

# 2020-2021 Proposed Budget – Staffing

## Overall increase of only 0.2 full-time equivalent

- Reduction of 11.8 Part-time FTEs
- Net addition of 12 Full-time positions (75 added and 63 deleted)

## Vacant Positions

- April 30, 2020 6,640 allocated Full-Time, 740 vacant, (11.1%)
- If approved, 2020-2021 allocated full-time 6,652 with 752 vacant, (11.3%)

# 2020-2021 Budget Highlights

## Public Improvement Projects (new or multi-year):

- Behavioral Health Services Adult Residential Treatment Modular Building
- County Detention (SB1022 Facility)
- Public Health Services Facility Replacement
- District Attorney's Office Space
- Morgue/Medical Examiner Office Space
- Old Courthouse Demolition

**General Services will re-evaluate timing on some construction/facilities projects**



# 2020-2021 Budget Highlights

## Technology Projects:

- Computer Aided Dispatch and Records Management System (CAD/RMS) for Sheriff's Office
- Begin replacement of District Attorney's Case Management System
- Complete implementation of Juvenile Justice Information System to administer Juvenile Justice cases and manage Juvenile Detention Center

# 2020-2021 Budget Highlights – Senate Bill 384

## Sex Offender Registration Act (SB 384)

- Bill effective 2018 and will be implemented January 2021
- Allows sex offenders now required to register information and location for life, to petition court to be removed from registry
- State mandate requires County resources, with no funding, and impact is unknown
- Supplemental requests of five positions for the District Attorney and one position for the Public Defender, to address SB 384, are not recommended at this time



# 2020-2021 Budget Highlights

## Office of the Medical Examiner

- Transition from Sheriff's Department to Health Care Services during 2019-2020
- Seven Medical Examiner Investigators and an Operations Administrator added in February 2020
- 15 positions, program expenses, and capital items in Proposed Budget (within Health Care Services Agency)
- Sheriff will continue to assist with transition efforts
- Staff will continue to operate from Sheriff's Administration Building/Morgue facility until space available at SJGH/Morgue replacement facility

# Assessing Homelessness Impacts

- June 2019 – Board established homelessness as an operational priority for all County Departments
- Departments directed to gather data pertaining to homeless individuals engaged by County staff/service
- CAO has compiled data on engagements or encounters homeless residents had with 22 different County programs during 2019-2020
- In many cases encounters are with the same homeless individuals, interacting with multiple programs and departments

# Examples from Law and Justice

## The District Attorney found that:

- Over a 20-month period, the Family Justice Center program served 27 homeless families. On an annualized basis, this represents about 1.3 percent of total families served.
- 95 homeless individuals had felony arraignments in the fourth quarter of 2019. This represents 11.5 percent of felony arraignments.
- 143 homeless individuals had misdemeanor arraignments during the same quarter. This represents about 8 percent of misdemeanor arraignments.

# Examples from Law and Justice

## The Sheriff found that:

- For Sheriff patrol, there were 2,412 calls for service regarding homeless individuals. This represents 2.6 percent of the 93,715 citizen-initiated calls for patrol service.

# Examples from San Joaquin General Hospital

- San Joaquin County General Hospital identified 943 distinct homeless individuals who obtained services from the County Clinics.
- Through May 2020, these homeless individuals had approximately 9,000 encounters (visits) with the clinics during 2019-2020.

# Examples from Human Services Agency (HSA)

- HSA tracks the number of individuals whose housing is unstable and elect to use the welfare office as their mailing address.
- During 2019-2020, HSA found that roughly 10,200 Medi-Cal beneficiaries (8.8 percent) were using the HSA facility as their mailing address.
- In comparison, the 2019 point in time count found 1,071 individuals in shelters and 1,558 unsheltered individuals in San Joaquin County.

# Examples from Human Services Agency (HSA)

- HSA's data may reflect the total number of residents facing housing instability in the County.



# Aggregate Service to the Homeless

- In total, staff estimates that homeless (sheltered and unsheltered) individuals will have approximately 35,000 engagements or encounters with County programs and staff in 2019-2020.
- Based upon the data provided, staff estimates that County service costs for the homeless (sheltered and unsheltered) totaled approximately \$34 million in 2019-2020.



# Budget Highlights – Homelessness

Over \$25 million allocated for Homeless Projects in 2019-2020 including HEAP (\$7.1M); MHSA (\$7.1M); CoC (\$5.0M); CESH (\$1.6M); CDBG (\$1.4M)

- **Crossways Residences Project (Planned opening October 2020)**
  - Converts offices to 35 housing units and on-site supportive services for Behavioral Health Services (BHS) clients
- **Homeward Bound - partnership between BHS and Community Medical Centers**
  - Assists homeless with mental health and substance abuse issues through services

# Budget Highlights – Homelessness

## San Joaquin County Unobligated and Available Funds for Homelessness in 2020-2021

Homeless Housing, Assistance and Prevention (HHAP)	\$2,871,309
Permanent Local Housing Allocation (PLHA)*	1,310,193
Community Development Block Grant - CARES Act (CDBG-CV)	935,414
Emergency Solutions Grant - CARES Act (ESG-CV)	818,545
<b>Total</b>	<b>\$5,935,461</b>

*\*These are formula funds. The County has not yet submitted the required application. The Community Development Department will submit the application by the July 27, 2020 deadline.*

# Strategic Plan Priorities – Homelessness

- Establish a coordinated and engaged regional system of care;
- Increase access and reduce barriers to homeless crisis response services;
- Ensure households experiencing homelessness have access to affordable and sustainable permanent housing solutions;
  - Expand low-barrier shelter capacity and reduce barriers in existing shelter;
  - Support the development of new permanent housing, and services to improve access to permanent housing (e.g. landlord incentives/housing navigation);

# HHAP Eligible Uses: \$2,871,309

- Rental assistance and rapid rehousing;
- Operating subsidies/reserves;
- Landlord Incentives;
- Outreach and coordination of services;
- Systems support for regional partnerships;
- Delivery of permanent housing and innovative housing solutions (such as hotel and motel conversions);
- Prevention and shelter diversion to permanent housing;
- New navigation centers and emergency shelters based on demonstrated need;



# HHAP Potential Uses

- Support for existing shelters, e.g. facilities expansion
  - Stockton Shelter for the Homeless
  - Gospel Center Rescue Mission
  - Lodi Salvation Army Hope Harbor
- Support for new shelter, e.g. site acquisition and development costs
  - Manteca, Lodi
- Support for permanent housing underway in San Joaquin County
  - HACSJ/STAND/SSH/CVLIHC (Modular PSH)
  - STAND/DIGNITY HEALTH/WPC (Scattered Site PSH)
  - CVLIHC (Hotel/Motel PSH)
  - Visionary Home Builders (Affordable Housing)
- HACSJ VASH Landlord Incentives Proposal

# PLHA Eligible Uses \$1,310,193

- Predevelopment, development, acquisition, rehabilitation, and preservation of affordable housing, including operating subsidies;
- Matching portions of funds placed into Housing Trust Funds;
- Capitalized reserves for services for permanent supportive housing;
- Providing rapid rehousing, rental assistance, supportive services, operating and capital costs for navigation centers and emergency shelters, and the new construction, rehabilitation, and preservation of permanent and transitional housing;

## Potential uses

- COSR – Additional Operating Capital for Victory Gardens; Crossway Residences
- Hotel/Motel Conversion – CVLIHC
- Affordable Housing – Visionary Home Builders

# CDBG-CV Eligible Uses \$935,414

- New or increased operational costs;
- Housing provision;
- Acquisition of facilities;
- Jobs creation and/or retention;
- Permanent facilities improvements;
- *All uses must demonstrate prevention, preparation, or response to COVID-19*

## Potential uses

- Project Roomkey
- COVID-19 testing
- Hotel/Motel conversion



# ESG-CV Eligible Uses \$818,545

- Street outreach;
- Emergency shelter operations/capacity building;
- Homelessness prevention;
- Rapid re-housing;
- *All uses must demonstrate prevention, preparation, or response to COVID-19*

## Potential uses

- Project Roomkey
- COVID-19 testing



# Supplemental Requests – County Departments

## Initial requests totaled \$14.2M

- Department Heads withdrew \$7.1M
- Funded \$5.9M (\$4.6M State and Federal funds)
  - \$5.2M ongoing and \$700K one-time

## Unfunded Requests

- DA – 5 positions to address SB 384 (\$648,695)
- DA – 5 Senior Office Assistants (\$378,485)
- Public Defender – 1 position to address SB 384 (\$214,473)
- County Counsel – Subscriptions/periodicals (\$2,000)

# Supplemental Requests

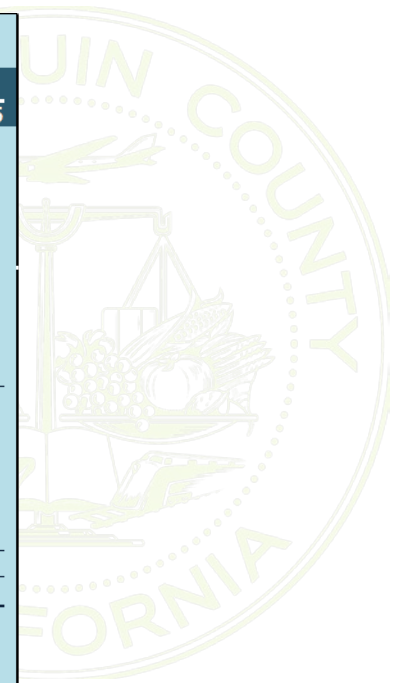
## Non-County Organizations

- Zero-based budgeting approach (except Historical Society- \$384K base)
- 12 requests - \$1.1M
- \$797K Recommended funding
- \$326K Not recommended for funding
- Some requests were partially funded
- One request not recommended for funding: FIX'D Inc. Veterans Treatment Resources (\$161,490)



<b>Organization</b>	<b>Amount Requested</b>	<b>Recommended for Funding</b>	<b>Unfunded</b>	<b>Other County Funding</b>
iHub San Joaquin	20,000	10,000	10,000	0
SJC Economic Development	110,000	55,000	55,000	0
San Joaquin Partnership	60,000	50,000	10,000	0
Bread of Life Ministries	75,000	75,000	0	0
Children's Home of Stockton	158,558	99,891	58,667	1,058,000
Comm. Partnership for Families	158,378	158,378	0	1,686,145
FIX'D Veterans Transition Res.	161,490	0	161,490	
Haven of Peace	29,005	26,104	2,901	12,316
Lord's Gym City Center	130,571	130,571	0	0
* Women's Center-YFS	225,000	202,500	22,500	1,122,426
Micke Grove Zoological Society	100,000	100,000	0	0
SJC Historical Society	16,750	11,250	5,500	216,784
	<b>\$1,244,752</b>	<b>\$918,694</b>	<b>\$326,058</b>	<b>\$4,095,671</b>
SJC Historical Society (base)	384,300	384,300		
	<b>\$1,629,052</b>	<b>\$1,302,994</b>		
<i>* Less Trust Fund Contribution</i>	<b>(122,000)</b>	<b>(122,000)</b>		
<b>TOTAL NET COUNTY COST</b>	<b>\$1,507,052</b>	<b>\$1,180,994</b>		

<b>GENERAL FUND</b>					
<b>(\$ in Millions)</b>					
	Proposed	Projected			
	2020-21	2021-2022	2022-2023	2023-2024	2024-2025
<b>FUNDING SOURCES</b>					
<b>General Purpose Revenue (GPR)</b>					
Current Property Taxes	\$260.5	\$272.9	\$285.8	\$299.4	\$313.7
Sales Taxes	22.2	22.6	23.3	24.2	25.2
Revel Pass Thru/Homeowner Relief	6.6	6.6	6.7	6.8	6.8
Tobacco Settlement Fund	0.0	0.0	0.0	0.0	0.0
Property Transfer Taxes	5.0	5.2	5.3	5.5	5.6
Interest Income	5.6	5.6	5.6	5.6	5.6
Franchise Fees/Fines/Penalties	9.8	10.0	10.8	10.8	11.0
<b>Total General Purpose Revenue</b>	<b>\$309.7</b>	<b>\$322.9</b>	<b>\$337.5</b>	<b>\$352.3</b>	<b>\$367.9</b>
<b>Other Sources</b>					
Departmental Revenues	\$671.3	\$674.0	\$678.7	\$684.8	\$691.0
General Fund Balance	0.0	0.0	0.0	0.0	3.1
Contingency/Reserve Funds	0.0	0.0	0.0	0.0	0.0
Unfunded Pension Reserve	0.0	0.0	3.7	6.6	8.5
<b>Total Other Sources</b>	<b>\$671.3</b>	<b>\$674.0</b>	<b>\$682.4</b>	<b>\$691.4</b>	<b>\$702.6</b>
<b>Total Funding Sources</b>	<b>\$981.0</b>	<b>\$996.9</b>	<b>\$1,019.9</b>	<b>\$1,043.7</b>	<b>\$1,070.5</b>
<b>Total Labor Cost</b>					
Salary	\$479.2	\$490.0	\$496.1	\$502.3	\$508.6
Retirement	221.4	238.6	254.0	269.7	293.5
- Unfunded Pension Liability Paydown	23.4	23.9	24.2	24.5	24.8
Extra-Help/Contract	55.2	55.5	55.8	56.0	56.3
Overtime/Holiday Pay	13.7	13.9	14.0	14.1	14.1
Health/Dental/Vision	92.9	98.5	104.4	110.6	117.3
Payroll Taxes/Other Benefits	56.0	57.2	57.9	58.7	59.4
<b>Total Labor Cost</b>	<b>\$941.9</b>	<b>\$977.6</b>	<b>\$1,006.4</b>	<b>\$1,036.0</b>	<b>\$1,073.8</b>
<b>General Fund-Labor Cost (34.3%)</b>	<b>\$323.1</b>	<b>\$335.3</b>	<b>\$345.2</b>	<b>\$355.3</b>	<b>\$368.3</b>
Other Costs	645.5	658.5	671.6	685.1	698.8
Contributions to Economic Prom. Reserve	0.1	0.2	0.2	0.2	0.2
Contributions to Unfund. Pension Res.	7.3	0.0	0.0	0.0	0.0
Contributions to Reserve for Conting.	5.0	2.9	3.0	3.0	3.1
<b>Total General Fund Cost</b>	<b>\$981.0</b>	<b>\$996.9</b>	<b>\$1,020.0</b>	<b>\$1,043.6</b>	<b>\$1,070.4</b>
<b>BUDGET SURPLUS/(DEFICIT)</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>RESERVES</b>					
CONTINGENCIES	\$95.5	\$98.4	\$101.3	\$104.4	\$107.5
GENERAL	\$10.0	\$10.0	\$10.0	\$10.0	\$10.0
LABOR AGREEMENTS RESERVE	\$16.3	\$16.3	\$16.3	\$16.3	\$16.3
UNFUNDED PENSION LIABILITIES	\$40.4	\$40.4	\$36.7	\$30.1	\$21.6
ECONOMIC DEVELOPMENT	\$1.3	\$1.6	\$1.9	\$2.2	\$2.5
EXCESS TAX LOSS	\$19.3	\$20.2	\$21.2	\$22.2	\$23.2



# Multiyear Outlook

- **Current Property Taxes** – growth projected to decrease from 5.25% to 4.75% through 2024-2025
- **Sales Tax** – projecting to increase from 2019-2020 year-end projections by 2% in 2020-2021 & 2021-2022; 3% in 2022-2023; and 4% in 2023-2024 & 2024-2025
- **Unfunded Pension Liability Reserve** – projected to be utilized:
  - 2022-2023 – \$3.7 million
  - 2023-2024 – \$6.6 million
  - 2024-2025 – \$8.5 million

# Multiyear Outlook

- **Labor** – Projections based on six existing labor contracts, which include wage increases for 3 bargaining units in 2020-2021
- Projections do not include costs for expired contracts or contracts that will expire by June 30, 2020 (85.4% of County workforce)
- **Retirement** – increase 4.5% for General and 3.9% for Safety in 2020-2021
  - 2021-2022 through 2024-2025 - 4% projected annual increase

# Best Practices – Maintain Fiscal Sustainability

In anticipation of severe revenue reductions in 2021-2022 and difficulty of sustaining a structurally-balanced budget, the County will:

- Negotiate only affordable and sustainable labor agreements
- Assess the County's retirement rates and funding ratio in the event there is a significant increase in the retirement rates or reduction in the funding ratio
- Advocate for the county retention of its allotted share of property tax revenues
- Limit the issuance of debt

# Best Practices – Maintain Fiscal Sustainability

- Improve the revenue cycle and reduce operational costs of San Joaquin General Hospital
- Only fill those positions that are necessary in anticipation of revenue shortfalls from the State and Federal governments
- Adhere to the County's No-Backfill Policy when reductions occur

## Consider for future budgets (beginning in 2021-2022):

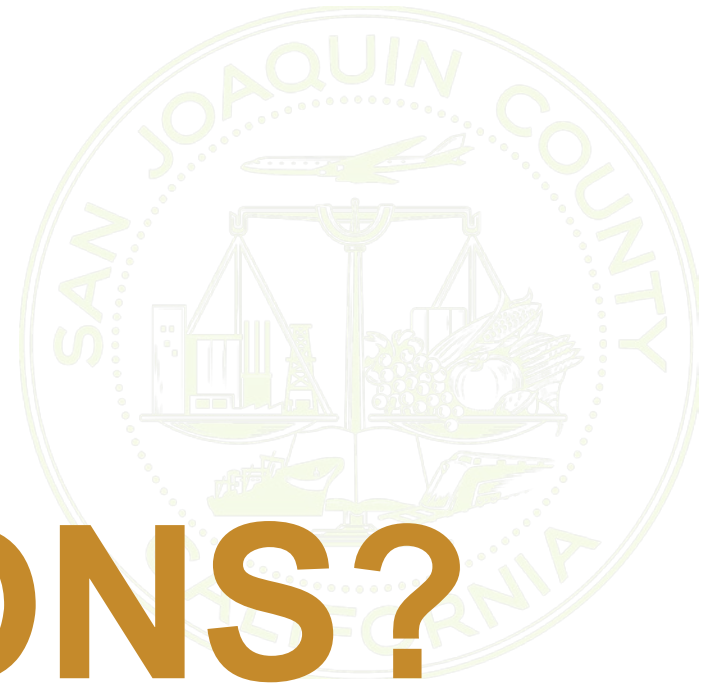
- Possible 10% reduction in NCC Countywide
- Salaries & Benefits is largest expense, but departments can reduce in other areas



# Recommended Actions

**Desire to fund items as part of Final Budget Hearing will come from one-time funds (Contingency Provision)**

- 1. Approve 2020-2021 Proposed Budget for consideration**
- 2. Set Final Budget Hearing to begin June 23<sup>rd</sup> at 9:00 a.m.**



# QUESTIONS?