

County of Santa Cruz Budget Presentation

Fiscal Year 2016-17

SUSAN A. MAURIELLO
COUNTY ADMINISTRATIVE OFFICER



Budget Objectives

- Maintain operations and address expenditure increases
- Respond to statutory changes
- Increase reserves
- Restore Public Safety, Parks and critical services
- Expand economic development opportunities
- Reduce the ongoing structural deficit
- Continue funding deferred maintenance projects



Overview

- Economy is positive, but growth is slowing
 - Property tax, sales tax and transient occupancy tax trending upward
 - Median home sales prices are increasing
 - Unemployment rate continues to decline, but are higher than State
- Continue to increase reserves in accordance with new policy
- Progress continues to be made on structural budget shortfall
 - From \$12.6 million budgeted in FY 2015-16 to \$8.1 million recommended in FY 2016-17
 - Continued restraint is critical
- Personnel issues
 - PERS rates are increasing
 - Most labor contracts expire in 2016
 - Minor position changes recommended



Economic Highlights and Revenue Trends



Per Capita Income

	2010	2011	2012	2013	2014
Santa Cruz County	\$42,808	\$45,770	\$49,195	\$49,942	\$52,280
State of California	42,411	44,852	47,614	48,125	49,985
United States	40,277	42,453	44,266	44,438	46,049

Santa Cruz County As a Percent Of:

State of California	101%	102%	103%	104%	105%
United States	106%	108%	111%	112%	114%

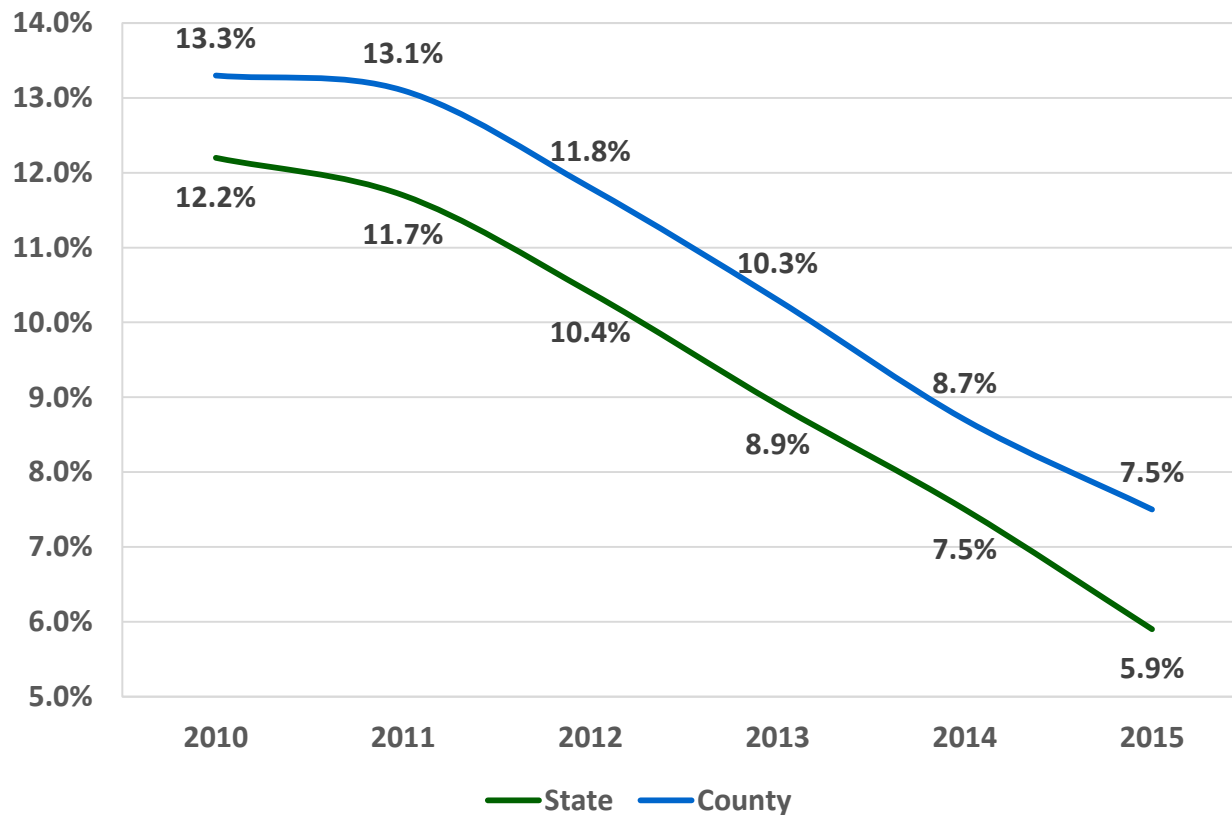


Employment Data by Industry (in '000's)

Industry	2012	2013	2014	2015	2016	
Government	20.7	20.9	21.2	21.8	22.6	
Other Services	3.6	3.9	4.2	4.4	4.7	
Leisure and Hospitality	10.5	11.2	11.9	12.6	13.2	26% Increase Since 2012
Educational and Health Services	15.8	16.4	17.0	17.2	17.6	Includes UC Santa Cruz
Professional and Business Services	9.3	9.5	9.4	9.5	10.1	
Financial Activities	3.0	3.3	3.4	3.5	3.6	
Information	0.8	0.8	0.8	0.8	0.8	
Transportation, Warehousing and Utilities	1.4	1.3	1.3	1.4	1.4	
Retail/Wholesale Trade	14.3	14.6	14.9	15.0	15.0	5% Increase Since 2012
Manufacturing	5.3	5.7	5.9	6.5	6.4	21% Increase Since 2012
Mining, Logging and Construction	2.7	3.0	3.3	3.4	3.5	
Farm	<u>3.7</u>	<u>4.1</u>	<u>4.2</u>	<u>4.3</u>	<u>4.2</u>	
Total	91.1	94.7	97.5	100.4	103.1	



Unemployment Rates

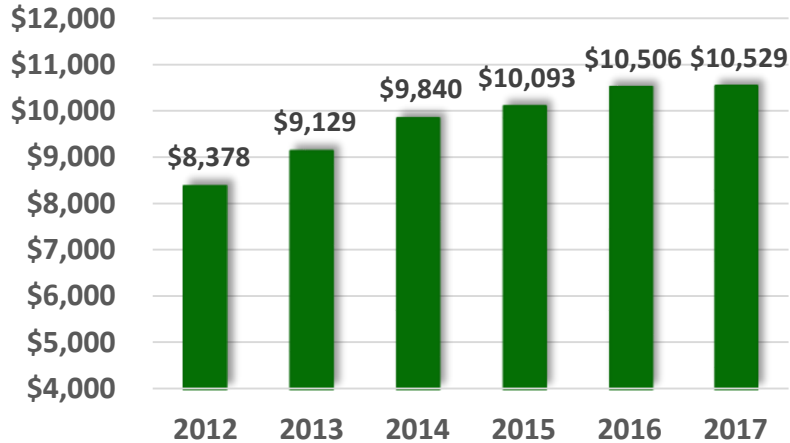


Source: California Employment Development Department.

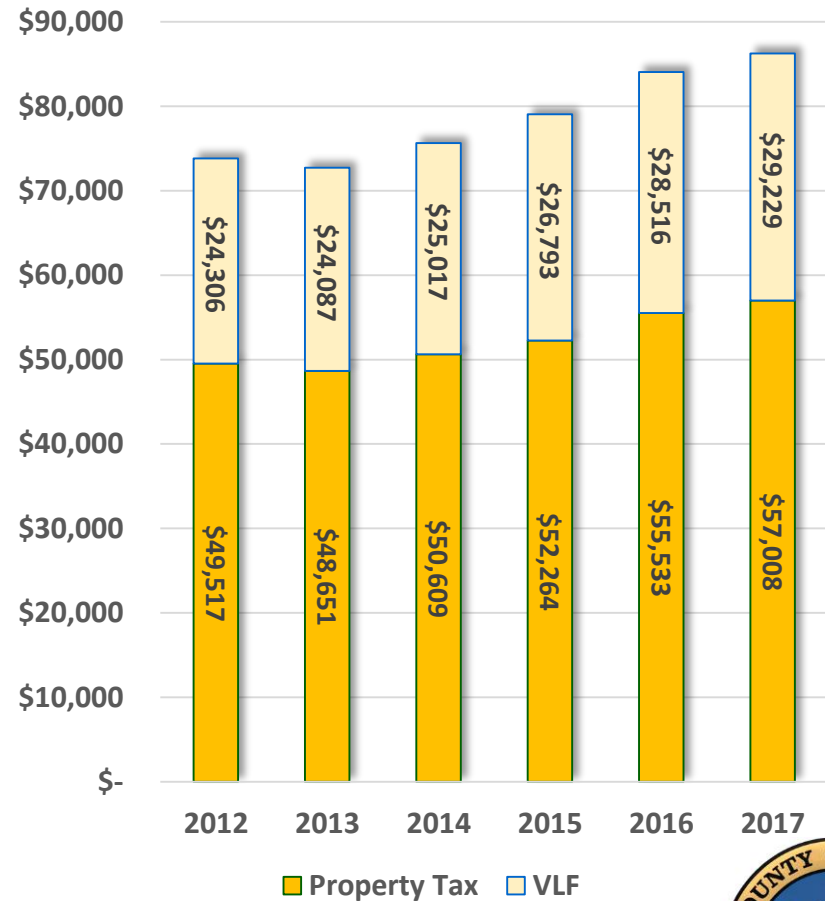
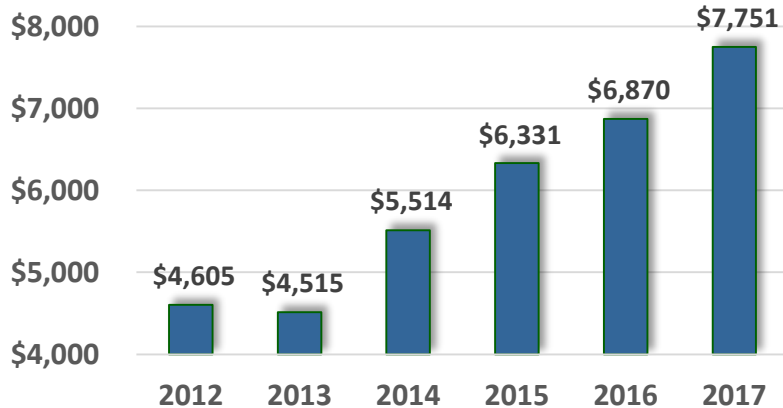


Tax Revenue Trends (in \$'000's)

Sales Tax



TOT



Current Tax Revenue Assumptions

	2016-17 Budget
AV for Prop Tax & VLF	3%
Delinquency Rates for Penalties/Interest	3.1%
Transient Occupancy Tax (Including AirBnB growth)	13%
Cannabis Business Tax	10%
Sales Tax – Unincorporated Area*	3%
Prop 172 Sales Tax*	3%

* Under Review



BUDGET HIGHLIGHTS

The Need for Fiscal Restraint Continues



How the Budget was Balanced

- Departments absorbed cost increases
- Increases to fees and charges
- Increases in revenues
- Fund balance



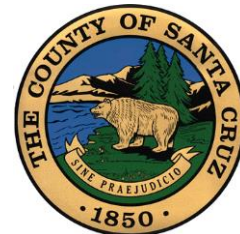
Budget Highlights

- Status quo budget
- Banner year for grant implementation
 - BSCC grant for Rountree (\$24.6 million)
 - BSCC grant for Juvenile Hall Seed to Table project (\$9.5 million)
 - Grant for Juvenile Hall gym (\$1.4 million)
 - Health Services Federal Grants (\$2.2 million)
 - Housing Programs from HUD (\$2.6 million)
- Cannabis industry in a regulatory environment
- Law Enforcement: 21st Century Policing, 21st Century Technology and Services to make our community safe



Budget Highlights (continued)

- Economic Development
 - Hotel: 7th Ave & Brommer
 - Live Oak commercial center: 17th Ave & Capitola Rd
 - CEMEX Reuse Plan
 - Small business support
 - Business assistance
 - 2nd Annual Small Business Summit
- Code Modernization: Streamlining regulations – responding to issues of community character



Budget Highlights (continued)

- Healthy Communities Initiatives
 - Mental Health Strategic Plan
 - Substance Use Disorder Plan
 - Drug Medical/Waiver
 - Affordable Care Act (ACA) reforms
- Homeless Services
 - Ending Veteran Homelessness HUD-VASH permanent supportive housing
 - All-In Toward a Home for every County Resident
 - Increasing access to permanent housing
 - Integrating community support



Budget Highlights (continued)

- Criminal Justice Initiatives: Model Programs
 - California Forward Jail Utilization Study
 - Pew/MacArthur Results First Initiatives
 - Justice Reinvestment Initiative
 - Annie Casey Juvenile Detention Alternatives
 - Public Safety Assessment Initiative
- Technology Initiatives
 - Citizen Connect - EGovernment
 - Electronic plan submission
 - Paperless initiatives



Budget Highlights (continued)

- Technology Initiatives (continued)
 - Digital County award applicant
 - Radio upgrades
 - Online property sales
 - Online financial system
 - Online document signing
- Deferred maintenance progress



Budget Highlights (continued)

- Technology Initiatives (continued)
 - Digital County award applicant
 - Radio upgrades
 - Online property sales
 - Online financial system
 - Online document signing
- Deferred maintenance progress



Budget Highlights (continued)

- Library Bond – Measure S
 - \$62 million net for the City/County Library JPA*

Jurisdiction	Percent	Amount (\$)
Scotts Valley	4.84%	\$ 3 million
Capitola	12.90%	8 million
City of Santa Cruz	40.32%	25 million
County of Santa Cruz	41.94%	26 million
- Felton		\$ 10 million
- Aptos		10 million
- Live Oak		5 million
- Boulder Creek		500,000
- La Selva Beach		500,000

* JPA Agreement: BOS 12/15/2015 Item #20

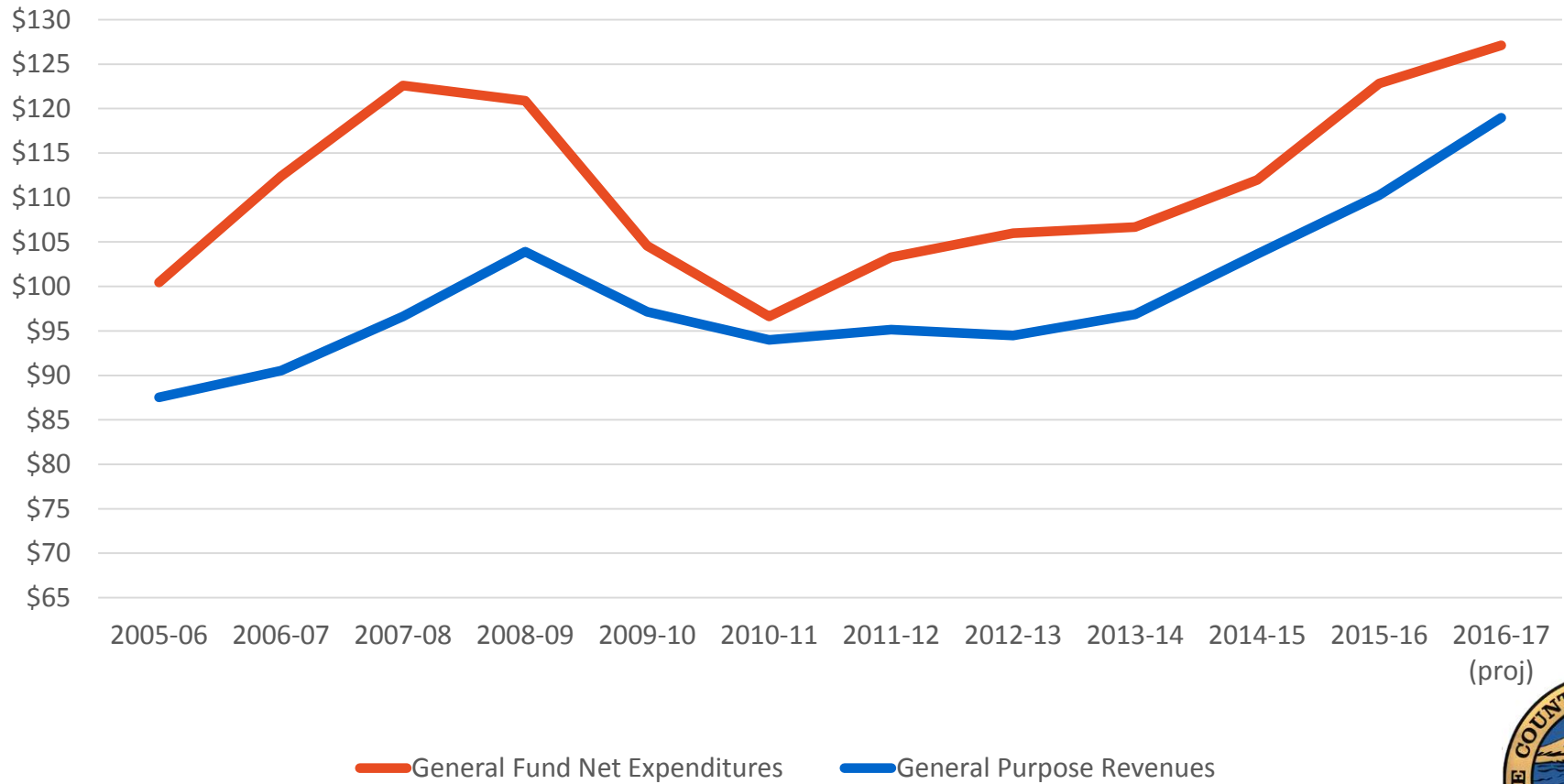


General Fund Budget Gap Reduced

General Fund	Adopted 2015-16	Proposed 2016-17
Revenues	\$ 452,738,328	\$461,504,976
Expenditures	<u>465,307,745</u>	<u>469,654,702</u>
Net County Cost	(\$ 12,569,417)	(\$ 8,149,726)
Avail. Fund Balance	<u>12,569,417</u>	<u>8,149,726</u>
Excess Funds	\$ 0	\$ 0



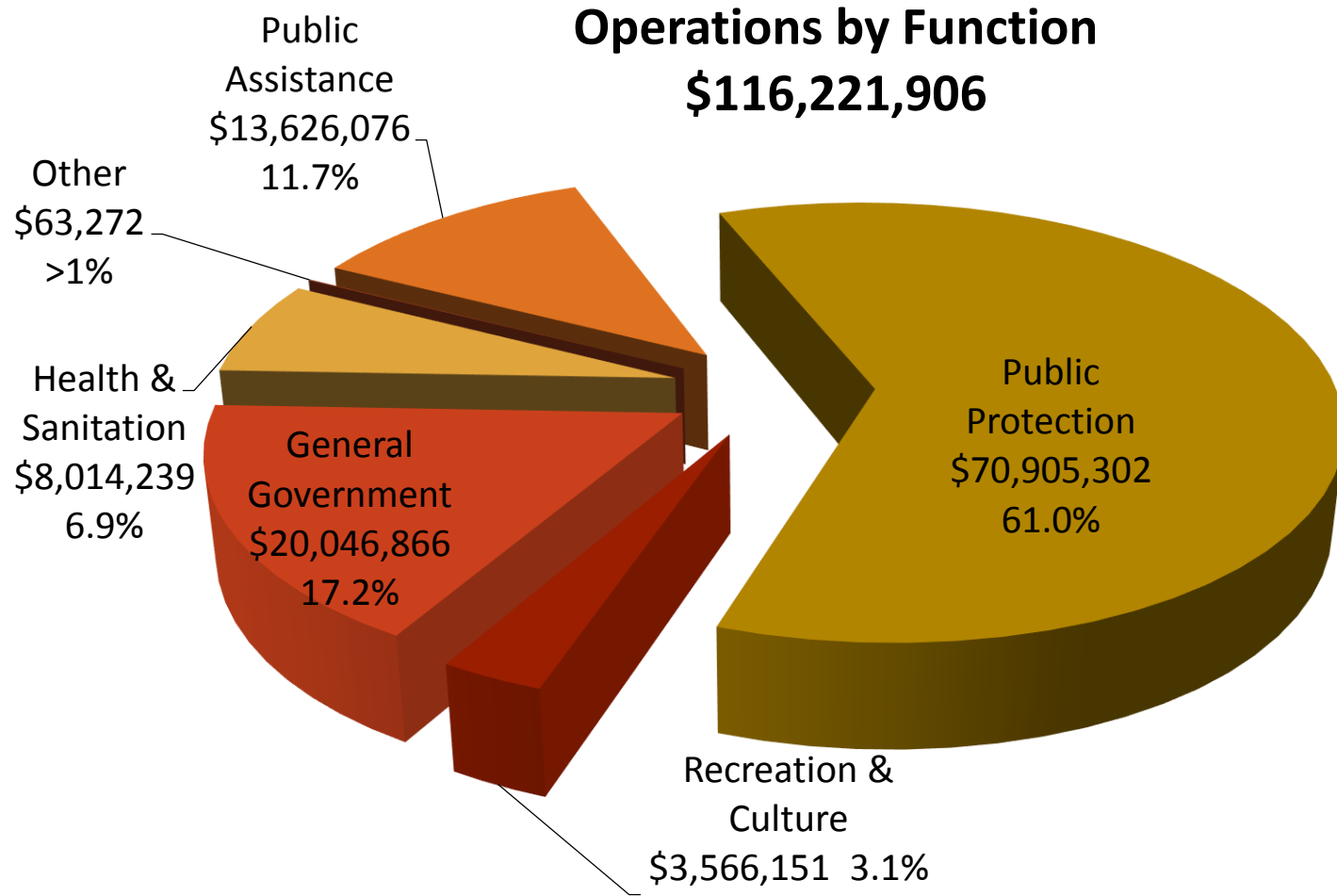
General Fund Net Expenditures and General Purpose Revenues



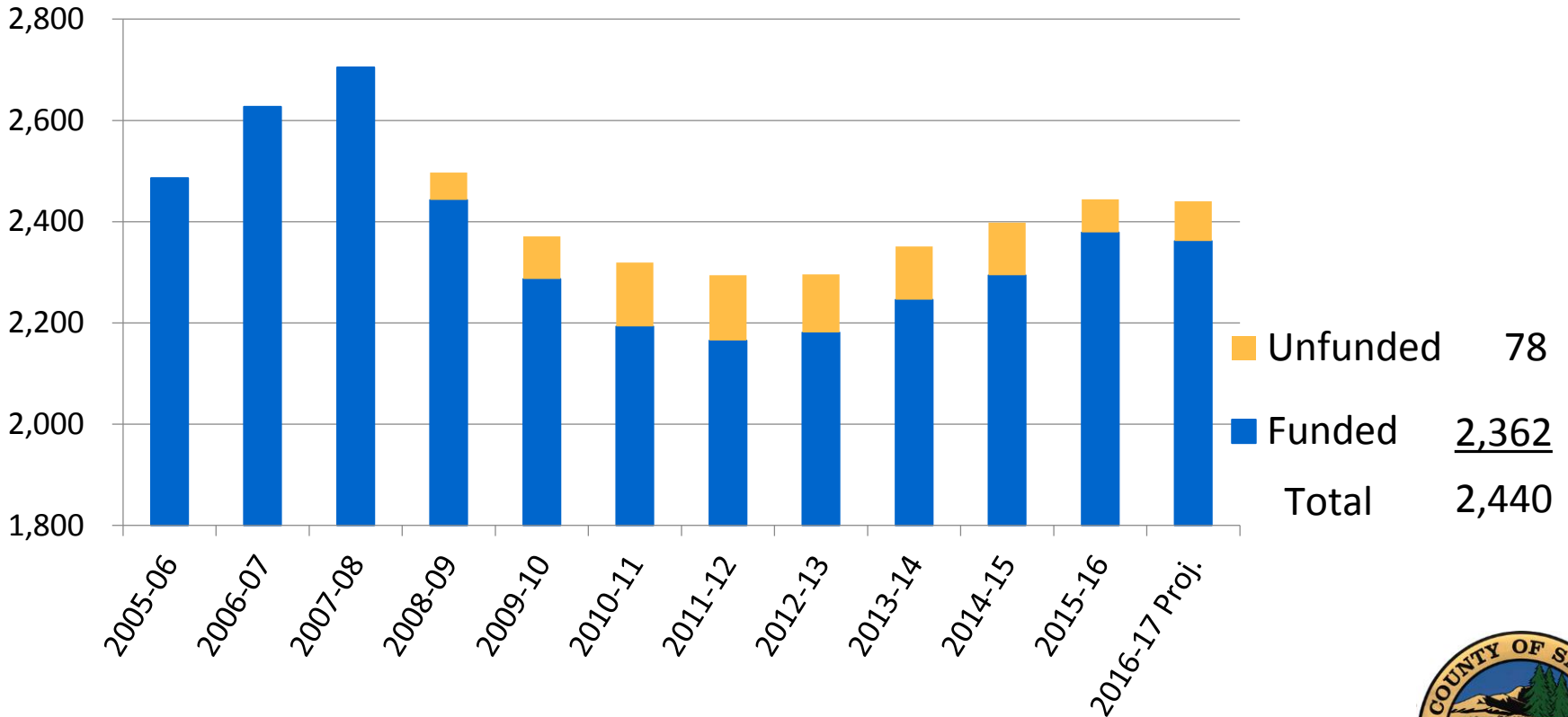
Revised June 2016



2016-17 Net County Cost of Operations



Countywide Budgeted Positions



General Fund Reserves

- In November 2014: Goal to increase of reserves from 7% to 10% over next seven years
 - Currently 8%
 - Goal to 10% of revenues is \$46 million or an increase of \$9 million by 2021-22
- Standard & Poor's rating upgrade from "AA-" to "AA" in part because of strong management and progress toward the adopted 10% fund balance policy



Conclusion

- Progress toward
 - Attaining financial stability
 - Structural balance
 - Increased reserves
 - Addressing deferred maintenance

- CAUTION- slowing economy
 - During Great Recession, General Purpose Revenues declined \$10 million compared to budget
 - County is in the 7th year of recovery since Great Recession
 - Expecting next recession within 1.5 to 3 years

