

..Title

- a. Authorize the Auditor-Controller to amend the FY 2017-18 Health Department's operating budget (025-4000-HEA013-8424-4990) to increase estimated 1991 Health Realignment (Sales Tax) revenue by \$1,529,053 (4/5th vote required); and
- b. Authorize the Auditor-Controller to amend the FY 2017-18 Health Department's operating budget (025-4000-HEA013-8424-4820) to decrease estimated 1991 Health Realignment (Vehicle License Fee) revenue by \$66,896 (4/5th vote required); and
- c. Authorize the Auditor-Controller to amend the FY 2017-18 Health Department's operating budget (025-4000-HEA013-8424-5940) to increase estimated revenue (Operating Transfers In) by \$1,358,801, funded by Resolution No. 17-401 which authorized a transfer from 1991 Social Services Realignment (025-0255-5010-SOC012-CMS) (4/5th vote required); and
- d. Authorize the establishment of a committed fund of \$1,358,801 in the Health Department's Fund (025-4000-HEA013-8424) solely for use by the Health Department programs of Nurse Family Partnership and Maternal, Child, and Adolescent Health, funded by the 1991 Social Services Realignment transfer authorized by Resolution No. 17-401); and
- e. Authorize the Auditor-Controller to execute an operating transfer of \$450,000 from the 1991 Social Services Realignment Subaccount (025-0255-5010-SOC012-CMS) to the 1991 Health Realignment Subaccount (025-0254-4000-HEA013-PH) to fund the Bright Beginnings program; and
- f. Authorize the Auditor-Controller to amend the FY 2017-18 Health Department's operating budget (025-4000-HEA013-8424-7614 and -5940) to increase appropriations and estimated revenue by \$450,000, funded by an operating transfer from 1991 Social Services Realignment (025-0255-5010-SOC012-CMS) (4/5th vote required); and
- g. Approve the allocation of FY 2017-18 1991 Health Realignment appropriations of \$12,098,054, categorized as follows: \$2,450,645 for Sheriff's Office inmate medical care; \$500,000 for health facility debt service; \$242,171 for Sexual Assault Response Team (SART); \$1,181,533 for Policy Evaluation and Planning Unit (PEP); \$13,655 for Medi-Cal Coordination; \$60,000 for indigent medical services to rural clinics; \$5,559,354 for Public Health programs and services; \$450,000 for the Bright Beginnings program; and \$1,640,786 for AB 85 redirection payments; and
- h. Receive a report from the Health Department detailing 1991 Health Realignment FY 2017-18 beginning total fund balance of \$16,137,223, appropriations of \$12,098,054, estimated revenue of \$10,674,309, and estimated ending total fund balance of \$14,713,478.

..Report

RECOMMENDATION:

It is recommended that the Board of Supervisors adopt a resolution to:

- a. Authorize the Auditor-Controller to amend the FY 2017-18 Health Department's operating budget (025-4000-HEA013-8424-4990) to increase estimated 1991 Health Realignment (Sales Tax) revenue by \$1,529,053 (4/5th vote required); and
- b. Authorize the Auditor-Controller to amend the FY 2017-18 Health Department's operating budget (025-4000-HEA013-8424-4820) to decrease estimated 1991 Health Realignment (Vehicle License Fee) revenue by \$66,896 (4/5th vote required); and
- c. Authorize the Auditor-Controller to amend the FY 2017-18 Health Department's operating budget (025-4000-HEA013-8424-5940) to increase estimated revenue (Operating Transfers In) by \$1,358,801, funded by Resolution No. 17-401 which authorized a transfer from 1991 Social

Services Realignment (025-0255-5010-SOC012-CMS) (4/5th vote required); and

d. Authorize the establishment of a committed fund of \$1,358,801 in the Health Department's Fund (025-4000-HEA013-8424) solely for use by the Health Department programs of Nurse Family Partnership and Maternal, Child, and Adolescent Health, funded by the 1991 Social Services Realignment transfer authorized by Resolution No. 17-401); and

e. Authorize the Auditor-Controller to execute an operating transfer of \$450,000 from the 1991 Social Services Realignment Subaccount (025-0255-5010-SOC012-CMS) to the 1991 Health Realignment Subaccount (025-0254-4000-HEA013-PH) to fund the Bright Beginnings program; and

f. Authorize the Auditor-Controller to amend the FY 2017-18 Health Department's operating budget (025-4000-HEA013-8424-7614 and -5940) to increase appropriations and estimated revenue by \$450,000, funded by a transfer from 1991 Social Services Realignment (4/5th vote required); and

g. Approve the allocation of FY 2017-18 1991 Health Realignment appropriations of \$12,098,054, categorized as follows: \$2,450,645 for Sheriff's Office inmate medical care; \$500,000 for health facility debt service; \$242,171 for Sexual Assault Response Team (SART); \$1,181,533 for Policy Evaluation and Planning Unit (PEP); \$13,655 for Medi-Cal Coordination; \$60,000 for indigent medical services to rural clinics; \$5,559,354 for Public Health programs and services; \$450,000 for the Bright Beginnings program; and \$1,640,786 for AB 85 redirection payments; and

h. Receive a report from the Health Department detailing 1991 Health Realignment FY 2017-18 beginning total fund balance of \$16,137,223, appropriations of \$12,098,054, estimated revenue of \$10,674,309, and estimated ending total fund balance of \$14,713,478.

SUMMARY/DISCUSSION:

AB 85 Related Items

This report clarifies actions previously authorized by the Board of Supervisors and provides updated information regarding AB 85 and other items affecting the Health and Welfare Realignment Fund (Fund 25). The Health Department is not requesting additional general fund contribution but is requesting several actions to ensure the budget closely aligns with updated budgetary developments.

The State distributes 1991 Health Realignment (Realignment) to counties. Realignment is utilized for several programs, including inmate medical care, communicable disease prevention, and indigent healthcare. The Affordable Care Act (ACA) increased the amount of federal dollars available to counties for indigent care. This reduced the amount of Realignment used by counties for this program. Accordingly, the State passed AB 85 (Chapter 24, Statutes of 2013) to redirect these Realignment savings from counties to the State.

The Fund 25 FY 2017-18 Recommended Budget included \$12.3 million in appropriations and \$9.3million in estimated revenue for a \$3.0 million use of fund balance. In May 2017, after the Recommended Budget was finalized, the State informed the County that an additional unanticipated \$2.9 million in Realignment was subject to AB 85 redirection during FY 2017-18. The original \$3 million in fund balance utilization plus this new \$2.9 million in additional AB 85 redirection resulted in a budgeted Realignment fund balance use of \$5.9 million for FY 2017-18.

The County Administrative Office (CAO) worked with Health and the Sheriff's Office to minimize the impacts of the shortfall. As part of this work, a resolution was presented and approved by the Board of Supervisors during their November 14, 2017 meeting. The resolution approved, among other things, reductions in targeted case management, communicable disease, and policy and planning service levels in Health. These reductions resulted in various increases and decreases in appropriations and revenue to Fund 25. After the Board's approval of this resolution, new information has been identified requiring additional Board action to reflect estimated financial activity in Fund 25. The following sections clarify prior Board action and provide new information.

The first two action items (a and b) in this report are required to align budgetary and accounting treatment of AB 85 redirection. First, the Fund 25 FY 2017-18 budget accounted for \$2.9 million of AB 85 redirection dollars as a revenue offset. However, based on a letter from the State Department of Finance which was received after the adoption of the budget, the County was directed to transfer these funds to the local 1991 Social Services Realignment Fund. This type of transfer is classified as an operating transfer out, which is an expense.

Second, the County appealed the additional \$2.9 million redirection amount and was successful on a partial reduction of \$1.2 million. Third, since the Board Order approved by the Board in November 2017 did not have enough detail about specific revenue objects which should have been reduced, incorrect revenue objects were reduced in error. The net effect of these transactions results in the recommendation to increase estimated revenue by \$1.5 million in Fund 25.

On November 14, 2017, the Board also approved a transfer of \$1.4 million from Social Services Realignment to Health Realignment to fund the Nurse Family Partnership (NFP) and Maternal, Child, and Adolescent Health (MCAH) programs. However, there was no provision to increase budgeted revenues resulting from this transaction. Action item c addresses this issue by increasing revenue by approximately \$1.4 million.

Since the Board's approval of the \$1.4 million transfer was specifically identified for certain programs, Health also recommends establishing a committed fund in the amount of \$1.4 million so that these monies are only used for NFP and MCAH (action item d.).

Bright Beginnings

Action item e requests the authorization to transfer \$450,000 from the Social Services Realignment fund to the Health Realignment Fund to support the Bright Beginnings Program. The County has historically used Social Services Realignment to fund the Bright Beginnings program coordinated with First Five Monterey County. Health and Social Services agree that this transfer should be specifically approved by the Board of Supervisors.

In conjunction with action e, Health also requests an increase in appropriations and estimated revenue of \$450,000 in the Health Realignment fund to reflect this transfer and allow Health to use these funds for the Bright Beginnings program (action item f). Health and Social Services will include any Bright Beginning requests for Social Services Realignment transfers for FY

2018-19 in the Requested Budget.

Appropriations Allocation

If all action items are approved as recommended, appropriations in Fund 25 would be used as outlined below. These uses are consistent with the previously approved budget and subsequent actions taken by the Board.

Sheriff's Office inmate medical care;	\$2,450,645
Health facility debt service;	500,000
Sexual Assault Response Team (SART);	242,171
Policy Evaluation and Planning Unit (PEP);	1,181,533
Medi-Cal Coordination;	13,655
Indigent medical services to rural clinics;	60,000
Public Health programs and services;	5,559,354
Bright Beginnings; and	450,000
AB 85 redirection payments	1,640,786

Accordingly, if all estimated revenues and expenditures in FY 2017-18 materialize as projected; the 1991 Health Realignment FY 2017-18 estimated ending fund balance will be \$14.7 million.

Of this total, \$8.2 million is committed to two objectives; \$6.8 million is committed for the purchase of the Seaside Health Family Center operated by the Health Department Clinic Services Bureau and \$1.4 million is committed for the Nurse Family Partnership (NFP) and Maternal, Child, and Adolescent Health (MCAH) programs. Please note the commitment of \$6.8 million could be rescinded by the Board in the future as Health and Natividad Medical Center explore the purchase of the Seaside Health Family Center.

This leaves approximately \$6.6 million in available fund balance for FY 2018-19 for Board approved Realignment purposes, such as Sheriff's Office inmate medical care and communicable disease prevention.

Tentative forecasted revenue for FY 2018-19 is \$15.2 million while expenditures are projected at \$10.3 million, a positive variance of \$4.9 million. However, since AB 85 take back is estimated at \$9.0 million, the positive variance is projected to be eliminated resulting in a deficit of \$4.1 million for FY 2018-19. Accordingly, the CAO budget staff, Health, and Sheriff are preparing for additional Realignment funded service reductions as part of the FY 2018-19 Budget Process.

OTHER AGENCY INVOLVEMENT:

County Administrative Office has reviewed this request and concurs with the requested changes. All requested action items were supported by the Budget Committee during their meeting of March 28, 2018.

FINANCING:

This report clarifies actions previously authorized by the Board of Supervisors and provides

updated information. The Health Department is not requesting additional General Fund contribution exceeding levels previously approved by the Board.

The report does ask for authorization to transfer \$450,000 in Social Services Realignment to Health Realignment to fund the Bright Beginnings program, increase Health Realignment appropriations by \$450,000, and increase Health Realignment estimated revenue by \$3.3 million (see attachment A for a summary of requested changes). All requested action items were supported by the Budget Committee during their meeting of March 28, 2018.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

Check the related Board of Supervisors Strategic Initiatives:

☐ Economic Development:

- Through collaboration, strengthen economic development to ensure a diversified and healthy economy.

☐ Administration:

- Promote an organization that practices efficient and effective resource management and is recognized for responsiveness, strong customer orientation, accountability and transparency.

☒ Health & Human Services:

- Improve health and quality of life through County supported policies, programs, and services; promoting access to equitable opportunities for healthy choices and healthy environments in collaboration with communities.

☐ Infrastructure:

- Plan and develop a sustainable, physical infrastructure that improves the quality of life for County residents and supports economic development results.

☒ Public Safety:

- Create a safe environment for people to achieve their potential, leading businesses and communities to thrive and grow by reducing violent crimes as well as crimes in general.

Attachments: Summary of Budgetary Changes (Attachment A)

Prepared by: Joe Ripley, Finance Manager II, x1250

Approved by: Ezequiel Vega, Assistant Director of Health, x4622