



# County of Monterey

Board of Supervisors  
Chambers  
168 W. Alisal St., 1st Floor  
Salinas, CA 93901

## Legislation Details (With Board Report)

<b>File #:</b>	RES 17-181	<b>Name:</b>	Resolution to Amend Depts Budgets for FY 2017-18
<b>Type:</b>	BoS Resolution	<b>Status:</b>	Passed
<b>File created:</b>	11/6/2017	<b>In control:</b>	Board of Supervisors
<b>On agenda:</b>	11/14/2017	<b>Final action:</b>	11/14/2017
<b>Title:</b>	<p>a. Adopt a resolution authorizing the Auditor-Controller to execute an operating transfer of \$1,358,801 from the Social Services (realignment) Subaccount (025-0255-5010-SOC012-CMS) to the Health (realignment) Subaccount (025-0254-4000-HEA013-PH) to help support the Nurse Family Partnership and Maternal, Child, and Adolescent Health programs (4/5ths vote required); and</p> <p>b. Adopt a resolution authorizing the Auditor-Controller to amend the Health Department's Fiscal Year (FY) 2017-18 operating budget (025-0254-4000-HEA013) by reducing appropriations and estimated revenue by \$450,000 to reflect a reduction in realignment revenue supporting the Health Department's Clinic Services Bureau (4/5th vote required); and</p> <p>c. Adopt a resolution authorizing the Auditor-Controller to amend the Health Department's FY 2017-18 operating budget (025-0254-4000-HEA013) by reducing appropriations and estimated revenue by \$51,516 to reflect a reduction in realignment revenue available for community flu clinics (4/5th vote required); and</p> <p>d. Adopt a resolution authorizing the Auditor-Controller to amend the Health Department's FY 2017-18 operating budget (025-0254-4000-HEA013) by reducing appropriations and estimated revenue in the amount of \$239,700 to reflect reduced realignment revenue supporting administrative positions that are currently vacant (4/5th vote required); and</p> <p>e. Adopt a resolution authorizing the Auditor-Controller to amend the Health Department's FY 2017-18 operating budget (025-0254-4000-HEA013) by reducing appropriations and estimated revenue in the amount of \$1,122,530 to reflect decreased operating transfers of realignment funding to the Sheriff's Office for inmate medical care (4/5th vote required); and</p> <p>f. Adopt a resolution authorizing the Auditor-Controller to amend the Health Department's FY 2017-18 operating budget (025-0254-4000-HEA013) by increasing appropriations by \$1,238,518, financed by unassigned health realignment fund balance (4/5th vote required).</p>		

### Sponsors:

### Indexes:

### Code sections:

**Attachments:** 1. Board Report, 2. Q1\_1718\_Update\_092617, 3. Resolution, 4. Resolution, 5. Completed Board Order & Resolution

Date	Ver.	Action By	Action	Result
11/14/2017	1	Board of Supervisors		

- a. Adopt a resolution authorizing the Auditor-Controller to execute an operating transfer of \$1,358,801 from the Social Services (realignment) Subaccount (025-0255-5010-SOC012-CMS) to the Health (realignment) Subaccount (025-0254-4000-HEA013-PH) to help support the Nurse Family Partnership and Maternal, Child, and Adolescent Health programs (4/5ths vote required); and
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**RECOMMENDATION:**

It is recommended that the Board of Supervisors:

- a. Adopt a resolution authorizing the Auditor-Controller to execute an operating transfer of \$1,358,801 from the Social Services (realignment) Subaccount (025-0255-5010-SOC012-CMS) to the Health (realignment) Subaccount (025-0254-4000-HEA013-PH) to help support the Nurse Family Partnership and Maternal, Child, and Adolescent Health programs (4/5<sup>th</sup> vote required); and
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- e. Adopt a resolution authorizing the Auditor-Controller to amend the Health Department's FY 2017-18 operating budget (025-0254-4000-HEA013) by reducing appropriations and estimated revenue in the amount of \$1,122,530 to reflect decreased operating transfers of realignment funding to the Sheriff's Office for inmate medical care (4/5<sup>th</sup> vote required); and
- f. Adopt a resolution authorizing the Auditor-Controller to amend the Health Department's FY 2017-18 operating budget (025-0254-4000-HEA013) by increasing appropriations by \$1,238,518, financed by unassigned health realignment fund balance (4/5<sup>th</sup> vote required).

**SUMMARY:**

At the October 10<sup>th</sup> meeting of the Board of Supervisors (Board), staff presented options to "re-balance" the adopted budget in response to various fiscal events and emerging community needs. One of the more significant fiscal events is the State's redirection of \$5.9 million of health realignment funds. This report recommends budgetary actions to adjust County operations in response to the \$5.9 million redirection consistent with feedback provided at the October 10<sup>th</sup> Board meeting, and provides informational updates on other unfunded needs.

**DISCUSSION:**

At the October 10, 2017 Board meeting, staff presented options for solving approximately \$13.7 million in unfunded needs. Other than cannabis revenue, the County's discretionary revenue has been fully leveraged helping departments to keep up with rising costs and minimize impacts to services and employees. In a fully leveraged resource environment such as this, local governments generally have two financing strategies to meet emerging needs: reprioritization of existing resources or drawing down reserves. The County has already utilized much of its strategic reserve in responding to local disasters and legal events. Further use of reserves is ill-advised as it could weaken the County's financial

sustainability and credit rating. Therefore, staff focused funding strategies on redirections of existing resources, which organizationally is a more difficult but necessary conversation.

The largest unfunded current year need discussed in the October 10<sup>th</sup> report was the State's redirection of AB 85 monies supporting indigent medical care. With the implementation of the Affordable Care Act, the State expanded Medicaid and anticipated that counties' costs for indigent healthcare would decrease as much of that population would become eligible for healthcare coverage. In 2013, the Governor signed AB 85 (Chapter 24, Statutes of 2013) to capture the indigent medical care savings in *1991 Health Realignment* and redirect it to social services programs. As prescribed by AB 85, the State released its *May Revision* redirecting approximately \$9 million from the County's health program for FY 2017-18, compared to a redirection of **\$2.3** million last fiscal year.

Following the May Revision, the County Administrative Office's budget office worked with the Health Department to understand programmatic impacts of the State's redirection and to develop options to minimize impacts where possible. These options were presented in the October 10<sup>th</sup> report. The Board supported staff's suggestions and directed staff to return with a report formalizing the recommendations. This report provides these recommendations, as summarized below.

- **Transfer \$1,358,801 in 1991 Social Services Realignment reserves to support the Nurse Family Partnership and Maternal, Child, and Adolescent Health programs.** Welfare and Institution Code Section 17600.20(a) allows counties to transfer up to 10% of realignment funds between sub-accounts that were realigned in 1991 to give counties flexibility to make use of realignment funds in a manner that best serves the needs of the community. The County has \$3.8 million in 1991 Social Services Realignment fund balance. Staff recommends transferring \$1,358,801 of these funds to the health realignment account to support the Nurse Family Partnership (NFP) and Maternal, Child, and Adolescent (MCAH) programs. The transfer averts the reduction of **10** positions (five filled) and associated impacts in services due to the AB 85 redirection. Without these staff, the Department reports families and children would face greater challenges accessing primary care services and reduced linkages to community programs.
- **Purchase the Seaside Clinic.** The Health Department leases a new facility from Community Health Properties to provide primary and specialty care services in Seaside. Staff estimates the purchase price of this facility to be about \$13 million. The Board supported staff's recommendation during the October 10<sup>th</sup> meeting to exercise the contractual option to purchase the Seaside clinic. The Health Department would no longer have to make lease payments, saving approximately \$729,405 annually. Additionally, this action would relieve \$6.8 million in health realignment fund balance earmarked for purchasing the facility. Natividad Medical Center's cash reserves are available to finance the purchase. The matter was discussed at the hospital's last Board of Trustees meeting and there was positive feedback. Assistant County Administrative Officer (CAO) Manny González is overseeing the renegotiation and will return to the Board at a later date with an update on the purchase.
- **Reduce health realignment funding for primary care clinics by \$450,000.** The Health Department states that primary care clinics will no longer be able to treat referrals of non-indigent residents for TB/LTBI communicable disease cases and vaccine visits. Patients would be redirected to their own primary care providers for these services.
- **Reassignment of a public health nurse from the Health Department's communicable disease unit to the whole person care unit for a reduction in expenditures of \$158,481.** Staffing for this unit decreases from six to five positions, increasing workload for the remaining staff who screen and perform follow-up care related to tuberculosis, sexually transmitted diseases, Zika virus, and rabies. The position was reassigned effective October 23, 2017.
- **Reduction to the Targeted Case Management program and reassignment of staff.** This action redirects four staff from the Targeted Case Management program to the Whole Person Care program. The staffing reduction would reduce services such as home visitation nutrition assessment and education to families struggling with weight and obesity-related issues. Affected employees have received letters of reassignment and transfers will occur once appropriate human resources processes are completed.

- **Discontinue realignment funding of \$51,516 for community flu clinics.** The County currently contracts with the Visiting Nurse Association and Hospice (VNA) to provide these services. The contract has since been reduced to eliminate funding for the community flu clinics. Residents can still seek flu shots from their primary care providers, pharmacies, or other community providers.
- **Reduction of \$239,700 in funding for the Health Department's administrative support.** The Department is leaving six positions vacant in areas such as facilities, information technology, and general administrative support and reassigning a part-time filled position to another program area. Workload has been distributed among remaining staff. Permanent disposition of these vacancies will be determined in the upcoming FY 2018-19 budget process.
- **Use of \$1,122, 530 in AB 109 Public Safety Realignment funding for inmate medical care.** The two departments that rely on health realignment funds are the Health Department and the Sheriff's Office. The Sheriff's Office uses its share of health realignment funding to support inmate medical care. As inmate medical expenditures are non-discretionary, the October 10<sup>th</sup> report included budget-balancing options to reduce five professional staff vacancies and five sworn officer vacancies within the Sheriff's Office for a total reduction of \$1,122,530 in response to AB 85 redirection. To avert the position reductions, the October 10<sup>th</sup> report suggested that the Sheriff's Office request an augmentation of AB 109 funding at the November 13<sup>th</sup> meeting of the Community Corrections Partnership. This report assumes approval of the request. The Sheriff's Office is encouraged to also submit a request for permanent funding as part of the annual AB 109 budget development process. If the current year or ongoing funding requests are not approved, staff will need to return to the Board with recommendations to discontinue the 10 vacancies.
- **Use \$1,238,518 in Health Realignment fund balance to close the remaining gap caused by the AB 85 redirection.** The County's last official tally of health realignment fund balance was \$9.5 million. Although County policy requires staff to maintain structural balance and avoid drawing down one-time fund balance to support ongoing programs, staff recommends using the \$1.2 million as a temporary measure to cushion the impacts of the AB 85 redirection and allow time to explore thoughtful options for closing the remaining gap. These options will be brought to the Board for consideration as part of the next annual budget process

#### Update on Other Unfunded Needs

Beyond AB 85, staff presented various other fiscal issues during the October 10<sup>th</sup> meeting. These issues include community needs (e.g., homeless shelter, safe parking initiative, and general assistance grant enhancements), additional staffing to support the reorganization of the Office for Employment Training (OET), cost increases associated with renegotiating the California Forensic Medical Group contract, unbudgeted costs in the Public Defender's Office for defending capital cases, re-authorization of reimbursement authority for the inter-lake tunnel project, a budget shortfall in the County Library, and costs to continue positions whose funding expires at the end of the calendar year. Updates to these issues, including direction provided at the October 10<sup>th</sup> meeting, are summarized below.

- **California Forensic Medical Group (CFMG) Contract.** The Board directed staff to return to the Budget Committee with an update on the contract renegotiation, including more analysis on staffing/cost increases and strategies. Assistant County Administrative Officer Manny González has scheduled a special Budget Committee meeting for November 15<sup>th</sup> in response to the Board's direction.
- **Community Needs.** The Board elected to defer consideration of staff's option to redirect \$1.4 million in general fund contributions to the road fund in excess of the maintenance of effort requirement as a solution to fund various community needs including the homeless shelter, safe parking initiative, general assistance grant enhancements, and additional staffing to support the OET reorganization. Instead, the Board requested a report on impacts to the road fund under the redirection scenario. Assistant County Administrative Officer Nick Chiulos and the Resource Management Agency will be presenting this report in November, while ACAO Manny González will be reporting back on alternatives to the road fund financing strategy.
- **Public Defender Capital Cases.** Staff will re-assess defense costs associated with capital cases after December 2017, when information will become available to more accurately project expenditures.

- **Interlake Tunnel Reimbursement Authority.** The Water Resources Agency stated that the additional reimbursement authority will not be needed until next fiscal year. Assistant County Administrative Officer Nick Chiulos will work with the WRA to submit an augmentation request in the upcoming budget process.
- **Library Budget Shortfall.** The Library will be submitting a staff report in November 2017 to realign appropriations with expected revenues. The report will recommend a \$51,299 increase to the current general fund contribution of \$179,622 to the Library to conform to legal requirements to pay the County Librarian's salary from the general fund. During its October 25<sup>th</sup> meeting, the Budget Committee directed staff to add a second option increasing the general fund contribution to the Library by \$230,921 (instead of the \$51,299), so that the contribution for the Librarian's salary is in addition to the existing subsidy of \$179,622.
- **Expiration of Four Health Department Positions.** The Health Department is returning to the Board in November 2017 with a report including recommendations with plans for supporting these positions for the remainder of the fiscal year.
- **Expiration of Three RMA Positions.** The RMA clarified during the October 10<sup>th</sup> meeting that it has the resources to continue support for these positions.

The needs identified above are in addition to the many requests that were not funded in the last budget process due to resource constraints. In addition, the October 10<sup>th</sup> report discussed significant new costs arriving in next year's budget. These costs include an estimated \$10 million in required pension contributions to CalPERS, \$12.7 million for scheduled pay raises, and \$1.6 million in budget modifications approved during the budget hearing that will require permanent funding sources beginning next fiscal year. In total, the October 10<sup>th</sup> report identified \$35 million in unfunded needs beginning next fiscal year, indicating another challenging budget process with more difficult choices to keep the budget structurally balanced.

#### OTHER AGENCY INVOLVEMENT:

The County Administrative Office and impacted departments continue to work together to analyze unfunded needs and develop funding strategies for consideration by the Board.

#### FINANCING:

This report presents recommendations for closing a funding gap of \$5,876,091 caused by the State's redirection of AB 85 funding for indigent medical care, thereby maintaining budgetary balance.

#### BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

This financial update supports the Board's strategic initiative to promote an organization that practices efficient and effective resource management. An important objective of this strategic initiative is achieving a structurally balanced budget that sustains core services and efficiently allocates resources.

☐ Economic Development  
☒ Administration  
☐ Health & Human Services  
☐ Infrastructure  
☐ Public Safety

Prepared by: Paul Lewis, County Budget Director, x3078

Approved by: Dewayne Woods, Assistant CAO, x5309

Attachment: Resolution & First Quarter Update to the FY 2017-18 Adopted Budget  
(Copies are on file with the Clerk of the Board)