



Board Agenda Item 8

DATE: September 27, 2016

TO: Board of Supervisors

SUBMITTED BY: Jean M. Rousseau, County Administrative Officer

SUBJECT: Net County Cost Savings Carryover and Other Allocations

RECOMMENDED ACTIONS:

1. **Adopt a Budget Resolution to reflect Net County Cost savings carryover from FY 2015-16 into FY 2016-17 in the amount of \$10,715,765 (4/5 vote):**
 - (a) increasing the FY 2016-17 appropriations by \$4,025,334 for various General Fund Departments for one-time expenditures; and
 - (b) committing unassigned fund balance in the General Fund for the West Annex Jail in downtown Fresno (\$6,190,431), the Sheriff-Patrol Vehicle Replacement Fund (\$300,000), and the Sheriff-Eagle 2 Replacement Fund (\$200,000).
2. **Adopt a Budget Resolution:**
 - (a) decreasing appropriations for Fund 0400 Capital Projects-District Attorney Building Org 8854 in the amount of \$2,177,556.13 from proceeds of Tobacco Settlement Asset-Backed Bonds, Subordinate Series 2006 (2006 Tobacco Securitization Bonds), currently on deposit in the County's Endowment Fund, that were originally committed for a portion of the District Attorney Building, and cancelling such amount originally committed for the District Attorney Building;
 - (b) decreasing appropriations for Fund 0400 Capital Projects-District Attorney Building Org 8854 in the amount of \$32,012.87 from proceeds of Tobacco Settlement Asset-Backed Bonds, Series 2002 (2002 Tobacco Securitization Bonds), currently on deposit in Fund 0400, Subclass 10200, that were originally committed for a portion of the District Attorney Building, and cancelling such amount originally committed for the District Attorney Building;
 - (c) preliminarily earmarking proceeds of 2006 Tobacco Securitization Bonds currently on deposit in the County's Endowment Fund in the amount of \$2,177,556.13 for a portion of the costs of the West Annex Jail Project; and
 - (d) preliminarily earmarking proceeds of 2002 Tobacco Securitization Bonds currently on deposit in the Fund 0400, Subclass 10200, in the amount of \$32,012.87 for a portion of the costs of the West Annex Jail Project.
3. **Adopt a Budget Resolution increasing FY 2016-17 appropriations and estimated revenues in the Capital Projects Fund 0400, District Attorney Building Org 8854 by \$2,530,353 (4/5 vote).**

- 4. Provide direction to staff regarding allocation of additional funding of \$800,000 to the Animal Control Facility to increase the County's requested match for a proposed donation in order to provide for a larger facility than the Board has allocated or to allocate the funds for other capital projects.**

ALTERNATIVE ACTION(S):

The Board can approve a different amount of Net County Cost carryover or not approve any carryover. Also, the Board can choose not to commit unassigned fund balance to the West Annex Jail project and not to approve the proposed change in use of 2002 Tobacco Securitization Bond proceeds and/or 2006 Tobacco Securitization Bond proceeds (from the District Attorney Building to the preliminarily earmarking of such proceeds for the West Annex Jail project). However, the Board would need to identify an alternative funding source to address the potential West Annex Jail shortfall and direct staff return with the necessary actions.

FISCAL IMPACT:

Net County Cost savings are reflected in available fund balance. Approval of the first recommended action would increase Net County Cost by the amount of the allowed carryover recommended at \$10,715,765. Approval of the first recommended action will increase the FY 2016-17 appropriations by \$4,025,334 for one-time expenditures in various General Fund Orgs. \$2,530,353 of that is an increase to the Operating Transfer Out account in the Interest and Miscellaneous Expenditures Org 2540 to set up the appropriations to be transferred to the Capital Projects Fund for the District Attorney Building project (i.e., the third recommended action, below). The recommended items for committing unassigned fund balance in the General Fund would be for the West Annex Jail in the amount of \$6,190,431; the Sheriff-Patrol Vehicle Replacement Fund in the amount of \$300,000; and the Sheriff-Eagle 2 Replacement Fund in the amount of \$200,000.

Approval of the second recommended action will decrease FY 2016-17 appropriations for Fund 0400 Capital Projects District Attorney Building Org 8854 in the amount of \$2,209,569 (of which, \$2,177,556.13 is from 2006 Tobacco Securitization Bond Proceeds and \$32,012.87 is from 2002 Tobacco Securitization Bond Proceeds).

Approval of the second recommended action will also identify two potential funding sources to address potential budget shortfalls for the West Annex Jail Project: \$2,177,556.13 of 2006 Tobacco Securitization Bond proceeds; and \$32,012.87 of 2002 Tobacco Securitization Bond proceeds. Those recommended actions make such funds available, if and when needed, for future appropriations by the Board for the West Annex Jail Project.

Approval of the third recommended action will increase the FY 2016-17 appropriations and estimated revenues in Fund 0400 Capital Projects, District Attorney Building Org 8854 by \$2,530,353 as an Operating Transfer In from the Interest and Miscellaneous Expenditures Org 2540 (consisting of the Net County Cost and Net County Cost departmental carryover savings from the District Attorney Org, i.e., from the first recommend action, above).

DISCUSSION:

Net County Cost Savings Allocation

In prior years, estimated departmental Net County Cost savings were budgeted within the departments' budget during budget hearings. For FY 2016-17 departments were instructed to wait until after the end of the last Fiscal Year to better determine the amount of their Net County Cost savings.

During the budget hearings in June 2016, structural ongoing costs were appropriated within each departmental budget. With the close of last Fiscal Year, Net County Cost savings were identified within each budget unit including discretionary revenues. It is being recommended that a portion of these savings be allocated to the eligible departments for one-time use purposes.

The total Net County Cost savings determined after last Fiscal Year-end of \$11,515,765 is comprised of additional excess countywide revenues in the amount of \$6,061,008 and additional budget unit savings of \$5,454,757.

The following is a recommended list of departmental Net County Cost saving to be allocated:

- Board of Supervisors (Org 0110) \$60,000
- District Attorney-District Attorney Building (Fund 0400, Subclass 10054, Org 8854) \$320,784 (departmental savings)
- District Attorney-District Attorney Building (Fund 0400, Subclass 10054, Org 8854) \$2,209,569 (substituting for the use of Tobacco Bond proceeds)
- Grand Jury (Org 2870) \$1,789
- Human Resources (Org 1010) \$100,000
- Interest and Miscellaneous (Org 2540) (Homeless-offset of cost associated with homelessness departmental cleanup activities) \$100,000
- Public Defender (Org 2880) \$200,000
- Probation (Org 3430) \$233,192
- Sheriff-Coroner (Org 3111) \$800,000
- Sheriff-Patrol Vehicle Replacement Fund \$300,000
- Sheriff-Eagle 2 Replacement Fund \$200,000
- Sheriff West Annex Jail Set Aside \$6,190,431.

Since these savings are one-time in nature, they are budgeted for one-time expenditures and are not part of ongoing operational expenditures.

All of the departments are using their carryover appropriations for one time purposes including the District Attorney who requesting their one-time money savings of \$320,784 be allocated to their new building project, Probation who is requesting to use their recommended one-time money savings of \$233,192 for moving expenditures associated with their impending move from 10th street and the Sheriff who is using \$800,000 of their recommended one-time money for security and staffing related to the Adult Detention Facilities.

West Annex Jail Funding - \$8.4 Million of Available Funds

The West Annex Jail (WAJ) total project budget is \$87,993,000, consisting of Senate Bill (SB) 1022 funds of \$79,194,000 and Fresno County's 10% matching funds and in-kind contributions of \$8,799,000.

In late May 2016, the Project team received updated construction estimates from the County's Construction Manager and Project Architect indicating the construction estimate was \$12 - \$15 million over budget. In June 2016, additional collaborative value engineering processes ensued consisting of multiple meetings and follow up analysis yielding a reduction in the project budget shortfall to \$8.4 million.

The California State Board of Community Corrections (BSCC) requires that counties demonstrate sufficient funding is available to cover construction estimates/costs. Therefore, a total of an additional \$8.4 million is recommended to be made available to address potential budget shortfalls for the WAJ project from the following sources:

Net County Cost savings carryover set aside:	\$6,190,431.00
2006 Tobacco Securitization Bonds:	\$2,177,556.13
2002 Tobacco Securitization Bonds:	\$ <u>32,012.87</u>
Total:	<u>\$8,400,000.00</u>

If the first recommended action is approved by the Board, the Net County Cost savings carryover will be set

aside for the foregoing purposes, if and when needed, as committed unassigned fund balance in the General Fund.

If the second recommended action is approved by the Board, the proceeds from the 2002 Tobacco Securitization Bonds and the 2006 Tobacco Securitization Bonds will be preliminarily earmarked for the foregoing purposes so that such proceeds can be made available, if and when needed, for the West Annex Jail Project.

If and when such funds are needed to be used for the West Annex Jail, staff will return with the necessary recommended budget resolution(s) for such use.

Once bids are received, and the contract awarded by the County and approved by the State, any of this \$8.4 million of available funding not necessary for the WAJ project would be available to the Board for allocation to other projects.

Tobacco Bond Proceeds Reallocation

On June 7, 2016, the Board authorized \$2,177,556.13 of 2006 Tobacco Securitization Bond proceeds and \$32,012.87 of 2002 Tobacco Securitization Bond proceeds to fund a portion of the District Attorney Building project. It has since been determined that Tobacco Securitization Bond proceeds may not be best suited for this project.

Recommended action one will instead provide Net County Cost savings carryover, which is a source of funding that may be used for the District Attorney building.

Recommended action two changes this proposed use of Tobacco Securitization Bond proceeds from appropriations for the District Attorney Building Project budget to amounts available, if and when needed, for the West Annex Jail Project, as discussed above. All such funds shall remain in their respective Fund (i.e., Endowment Fund for the 2006 Tobacco Securitization Bonds) or Account (i.e., 0400, Subclass 10200 for the 2002 Tobacco Securitization Bonds) unless and until such funds are appropriated by the Board, subject to approval of the BSCC and the California State Department of Finance, and spent on qualifying expenditures for the West Annex Jail Project. In addition, before such Tobacco Securitization Bond proceeds are used, the Auditor-Controller/Treasurer-Tax Collector determines the portion of the costs for the West Annex Jail Project that is eligible for the use of those amounts.

Animal Shelter \$800,000 Allocation

Following direction from the Board on April 12, 2016, the Department of Public Health and the Department of Public Works and Planning met with the donor and representatives of animal rescues concerning the Animal Control Facility. Because the donor did not have an architect, Department of Public Health and the Department of Public Works and Planning, developed a Request for Proposals to select an architect to develop a project master plan, design concept, and project budget for the new Animal Control Facility. An advisory team including County staff, local animal rescues, and the current animal control vendor provided input on the project scope. The RFP was not released following concerns raised by the donor regarding the size and quality of the proposed project and requested the County reconsider its contribution to the facility. The donor remains concerned that the project budget of \$6 million dollars (\$3 million from the County and a donation of \$3 million plus land) is inadequate to construct the size and quality of facility that the donor believes is needed to serve this community. The donor is only willing to donate an amount equal to the County's contribution. Consequently, staff is requesting the Board provide direction regarding the use of the remaining \$800,000 in fiscal year end savings.

The Board can consider an additional appropriation of \$800,000 to bring the total County contribution to \$4 million (\$3 million allocated by the Board on January 26, 2016 and \$200,000 from a prior appropriation for land and development costs). This will bring the total project budget to \$8 million.

ATTACHMENTS INCLUDED AND/OR ON FILE:

On file with Clerk - Res to Increase Various Gen Fund Orgs
On file with Clerk - DA Jail Tobacco Proceeds Reso
On file with Clerk - District Attorney Building Budget Res

CAO ANALYST:

Debbie Paolinelli