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Third District

PETER ADAM

Fourth District



COUNTY OF SANTA BARBARA

BOARD OF SUPERVISORS

County Administration Building

105 East Anapamu Street

Santa Barbara, CA 93101

Telephone: (805) 568-2190

www.countyofsb.org

August 26, 2014

RECEIVED

The Honorable Arthur Garcia
Presiding Judge
Santa Maria Juvenile Court
4263 California Blvd.
Santa Maria, CA 93455

SEP 8 2014

BY: _____

Re: Board of Supervisors Response to the Civil Grand Jury report titled: North Branch Jail Operating Cost – When They Build It You Will Pay (Published June 9, 2014 Grand Jury Website)

Honorable Judge Garcia,

The Santa Barbara County Board of Supervisors (Board) is providing response to the above referenced Grand Jury Report. The Grand Jury requested that the Board of Supervisors respond to Findings 1A, 1B, 1C, 2, 3, 4 and 5; and Recommendations 1, 2A, 2B, 3, 4, and 5. The Board thanks the Grand Jury for its work at reviewing the funding plan and notifying the Board of their concerns.

The County Supervisors have carefully reviewed the findings and recommendations presented in the Grand Jury Report and provide the following responses:

Please note: As directed by the Grand Jury, all responses are provided in accordance with Section 933.05 of the California Penal Code.

Finding 1A

The current plan to fund Northern Branch Jail (NBJ) operating cost is based on estimates of property tax increases of no less than 3.5 percent per year.

Response: The Board of Supervisors disagrees wholly with the finding that the funding plan is based on estimates of no less than 3.5 percent increase in property tax per year. Significant property taxes, after reduction for the Fire District tax shift, are projected to grow year over year for the next five years in a range of 2.7% to 3.5% (FY 2014-15 Budget Book; pg. B-21). The Jail funding plan requires less than 1.0% growth in Discretionary General Fund revenue per year from FY 2014-15 to FY 2022-23, not 3.5%.
(eg. FY 2014-15 Jail Operating increase is \$1.3M / total Discretionary General Fund Revenue of \$217.7 = 0.6%)

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Finding 1B

The plan is based on the Board of Supervisors exercise of discipline necessary to allocate roughly 28 percent of the property tax increases to the reserve fund through FY 2022-23.

Response: The Board of Supervisors disagrees partially with the finding. The Board agrees that discipline will be needed, but does not agree with the 28% figure.

Regarding discipline; the Board has adopted a Fiscal Strategy within the FY 2014-15 Budget Development Policies that will build the jail operations fund with annual increases, see Budget Development Policy #4a. This policy states "a General Fund contribution of \$4.6 million will be recommended for future jail operations in the FY 2014-15 budget. Additionally, an ongoing request to increase this allocation each fiscal year will be recommended, until such time as the annual jail operations funding equals the incremental annual operating cost of the new facility." The FY 2014-15 Adopted Budget includes the \$4.6 million contribution to the Jail Operations Fund. A similar policy will be included in the FY 2015-16 Budget Policies.

The incremental growth of property taxes over the projected years is expected to range from \$5.8 million (FY 2015-16) to \$7.0 million (FY 2018-19). The incremental growth in Jail funding for these Fiscal Years are \$1.5 million and \$1.8 million. The percent utilized for the Jail Operations Fund for these two periods are 25.9% to 25.7%, respectively. The above revenue projections are after deducting the Fire Tax Shift amounts. If the revenue dedicated to Fire were included in the five year projection, then the percentage of growth needed for the Jail Operations Fund for these same periods is estimated to be 20.8% in FY 2015-16 and 16.7% in FY 2018-19.

Finding 1C

According to the results in Figure 2 and Table A-1, the probability of the success of the Northern Branch Jail operating plan is most likely to be in the range of 50 to 70 percent.

Response: The Board of Supervisors disagrees wholly with the finding as the Grand Jury's assumption of success for the funding plan is based on a minimum of 3.5% growth in property tax; however, the amount needed to annually fund the jail operations will be less than 1.0% of the growth (as discussed in the response to Finding 1A.)

Finding 2

The County Fire Department is allocated 25 percent of property tax increases; for property tax increases of 3.5 percent, the current plan allocates 28 percent of property tax increases for NBJ, leaving the County with 47 percent of property tax increases for all other departments.

Response: The Board of Supervisors disagrees partially with the finding. The Fire Department will receive 25 percent of property tax increases as established by County ordinance, but the Fire transfer amounts have been removed from the projections before calculating the property tax growth. Based on the response in Finding 1B, more than 74% (100% - 26%) of the projected property tax growth will remain for all other County programs.

Finding 3

The public may not be informed concerning the potential impact that Northern Branch Jail operating cost may have on staffing and services provided by other departments.

Response: The Board of Supervisors disagrees partially with the finding that the public is not informed of the potential impact of the NBJ funding on County staffing and services. The County's General Fund Allocations to departments in FY 2014-15 increased so direct reductions as a result of funding the NBJ have not been necessary. The NBJ has and continues to be reviewed and discussed at length by the Board of Supervisors in public meetings. The required funding for the Jail Operations Fund was identified in the FY 2014-15 Budget Book (pages: B28-29), during budget workshops, and in the Fiscal Outlook Report presented last fall.

Finding 4

The Office of the County Assessor appears not to have the expertise to take full advantage of the potential for additional property tax revenue based on higher assessments of specialized industries such as oil and gas, wineries, and upscale hotels.

Response: The Board of Supervisors agrees with the finding. The County Assessor has also responded directly to the Grand Jury (Attachment B). In the Assessor's response, a need for 3 additional assessors and 1 GIS position were indicated. During the June 2014 Budget Hearings, the following positions were requested by the County Assessor in order of priority:

- a) 1.5 Administrative Office Professionals in the Elections Division
- b) 1.0 property appraiser, Assessor Division
- c) 1.0 GIS analyst were requested, Assessor Division
- d) \$100,000 for oil & gas litigation support , Assessor Division

While no appraisers were added in the FY 2014-15 Recommended Budget, 1 appraiser was added in FY 2013-14 and \$600,000 of additional ongoing General Fund Contribution was added to the Assessor Division's budget to assist in funding their ongoing needs. Additionally, \$380,000 of one-time funding was available to the Department but was not needed based on salary savings from vacant positions. These vacancies have now been filled and assessment expertise is being developed; however additional funding and staffing may be necessary in future periods. The number of appraisers and assessment supervisors is down from pre-recession levels but has been growing in the past few years. Now that the Assessor's vacancies have been filled, a better assessment of the remaining needs can be completed during the upcoming budget cycle.

Finding 5

The Santa Barbara County Jail Northern Branch Fiscal Analysis, Facts & Figures published in November 2008 is outdated.

Response: The Board of Supervisors agrees with the finding. The comprehensive published report is outdated as it was a one-time report that was not continually produced. However, many of the facts and figures have been updated and communicated in different formats including public meetings, budget discussions and in published documents such as the Budget Book. See responses in Recommendations #2 and #5 for recent updates of information previously included in this 2008 report.

Recommendation 1

That the County prominently display data graphically on the County website and distribute to news media the reserve fund balance superimposed on the planned balance as shown in Figure 5 below, to disclose annually whether funding goals are being met.

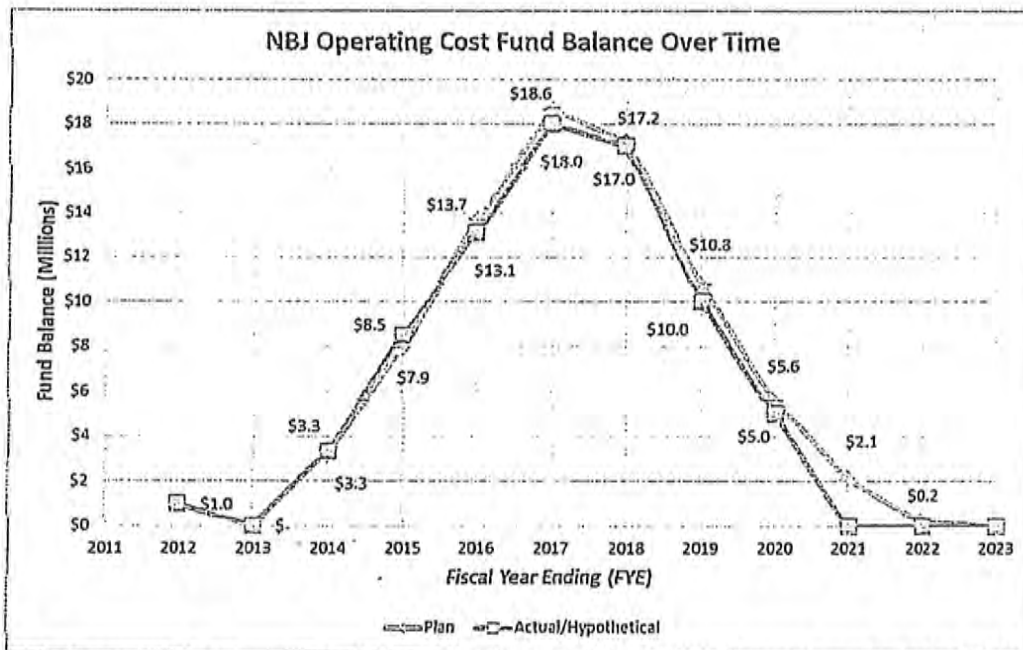


Figure 5. Recommended format for displaying reserve fund Plan versus Actual (hypothetical for 2015 and later)

Response: The recommendation to display the NBJ Fund Balance has been implemented with Figure 23 on page B-29 of the FY 2014-15 Budget Book. The target and actual fund balance amounts (last column of table) are the same as we have funded to targeted amounts; however, we will consider adding a column next year to show the original plan and the actual amounts. The information will most likely be displayed in the current table format used in the Budget Book instead of the graph suggested by the Grand Jury.

Recommendation 2A

That the County show both the annual property tax increases values and percentage increase over prior year on the County website and distribute to news media in a format similar to Table 3 below.

FYE	County Property Tax Revenue (\$M)	Property Tax Increase (PTI) (\$M)	Percentage Increase	Ratio of FD Allot to Total PTI	Ratio of NBJ Allot to Total PTI	PTI Available to All Other Depts	Plan Funding Increase Over Prior Year (\$M)	Year's Contribution to NBJ (\$M)	Reserve Fund Balance (\$M)
2012	174.4	2.4	1.40%	0%	42%	58%	1.0	1.0	1.0
2013	176.2	1.7	1.00%	338%	57%	-296%	1.0	2.0	0.0
2014	183.4	7.2	4.10%	25%	18%	57%	1.3	3.3	3.3
2015	190.2	6.9	3.74%	25%	19%	56%	1.3	4.6	7.9
2016	195.2	5.0	2.61%	25%	30%	45%	1.5	6.1	13.7
2017	205.0	9.8	5.04%	25%	15%	60%	1.5	7.6	18.6
2018	210.0	4.9	2.40%	25%	30%	45%	1.5	9.1	17.2
2019	212.2	2.2	1.06%	25%	81%	-6%	1.8	10.9	10.8
2020	226.9	14.7	6.92%	25%	12%	63%	1.8	12.7	5.6
2021	240.5	13.6	5.99%	25%	16%	59%	2.2	14.9	2.1
2022	251.1	10.6	4.42%	25%	21%	54%	2.2	17.1	0.2
2023	261.3	10.2	4.06%	25%	22%	53%	2.2	19.3	0.0

Table 3. Displays property tax increases and allocation. Data for 2014 are estimated; data is hypothetical for 2015 and later and are not intended to be predictions but are intended for format only.

Response: The recommendation to display the growth in Property Taxes has been implemented. The format is not identical to the suggested recommendation, but the information is available in the FY 2014-15 Budget Book. The Budget Book is displayed on our website and communicated to the media.

The FY 2014-15 Budget Book displays a breakdown of current and projected property taxes including the percentage of year over year growth (page B-21); this information is associated with columns 1-4 of the table above. As previously stated, the Fire tax shift revenues are excluded from the County revenue figures above, so columns 5-7 would not be applicable to this table. Additionally, the Fire Tax Shift amounts are part of the overall property tax calculation and are not identifiable in the County's Financial Information Network (FIN).

The requested information on the right-hand side of the above table (columns 8-10) represent the incremental funding progression of the jail funding plan and is currently displayed in the Budget Book on page B-29.

As mentioned in the response to Finding 3, appropriations are made countywide during the budget process and are taken into consideration as an entire budget. Property Tax is a component of available funding sources, and is not directly allocated to single items. Nevertheless, the incremental amount being allocated to the jail in relation to the rest of the County is depicted in the Budget Book on page B-22.

Recommendation 2B

That the County prominently display a graph similar to Figure 5 below, on the County website and distribute to news media that contains the annual percentages of property tax increases allocated to Public Safety (Probation, Fire and Sheriff's Office), (2) Northern Branch Jail, and (3) all other departments.

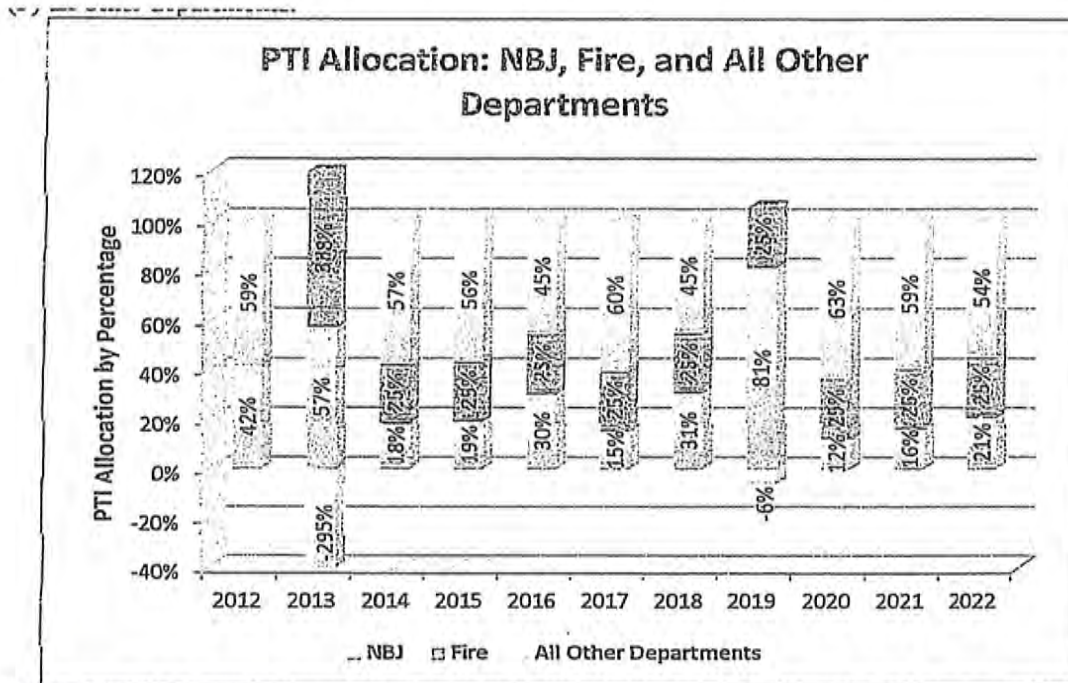


Figure 5. Example displaying percentage of PTI allocated to Northern Branch Jail, Fire and All Other Departments. Data for 2014 are estimated; data are hypothetical for 2015 and later and are not intended to be predictions but are intended for format only.

Response: The recommendation to display property tax increases allocated to Public Safety, the NBJ and all other entities will not be implemented because it is not warranted. As already established, revenue associated with the Fire Tax Shift is not separately reported, and is netted out of revenues.

The request to show funds associated with the Northern Branch Jail is already disclosed (Budget Book, page B-22). This schedule shows anticipated expenditure growth by type.

Finally, the request to demonstrate changes in General Fund Contributions between Safety and other Functional Groups is already disclosed in the Budget Book, on page C-34. This schedule displays three years of General Fund Contributions by Department and Functional Group.

Recommendation 3

That the Board of Supervisors communicate with their constituents, at least annually, concerning staffing and service cuts, revenue enhancements, or other options that may be necessary to fund Northern Branch Jail operating cost.

Response: The need to report actual staffing, service cuts and revenue enhancements to fund the NBJ has been implemented. This is part of the normal budget process and public meetings. Items such as jail operations funding, maintenance funding needs, salary and benefit issues, revenue enhancements and overall projections are presented to the Board and public several times during the year. These updates include the Fiscal Outlook Report, Budget Workshops (including Service Level Reductions) and Budget Hearings. In prior budgets, we have displayed projected future out of balance conditions (when they appear probable) which may require departmental service level reductions. In these instances we did not attempt to indicate potential future cuts do to the uncertainty but would present them as they became known.

Regarding service reductions, recent property tax assessed values have exceeded projections and are expected to result in surplus revenues in FY 2014-15; thus, service level reductions due to lack of general revenues are not anticipated. If budget reductions were necessary, they would be communicated in the normal budget process, specifically within the Service Level Reduction statements in the spring. Proposed revenue enhancements are a matter of public record and are regularly reported to the Board and Public through the Quarterly Budget and Financial Reviews.

Recommendation 4

That the Board of Supervisors collaborate with the County Assessor to assure the Office of the County Assessor has adequate capacity and expertise to optimize property tax receipts from specialized industries.

Response: The recommendation that the Board of Supervisors collaborate with the County Assessor has been implemented. The County Assessor has the opportunity every quarter to discuss with the County Executive the needs of the department and to make requests directly to the Board of Supervisors within the annual Budget process. Recently, the Assessor has filled a significant number of vacancies and expertise is being developed within the department.

The County Assessor has also responded directly to the Grand Jury (Attachment B).

Grand Jury Response Letter
August 26, 2014

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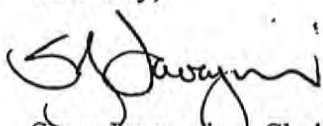
Recommendation 5

That the Board of Supervisors update and publish the referenced report to revisit options that could mitigate any shortfall in operating cost if and when that shortfall becomes apparent.

Response: The Recommendation to update the 2008 NBJ Fiscal Analysis has not yet been implemented, but will be implemented in the future. Below is a brief summary of the Operating Funding Options identified in the 2008 report and a brief status update. The level of detail in such an update will be evaluated and appropriately included in the FY 2015-16 Budget

Funding Option	Decision	Update
Countywide General Fund Reductions of approx. 7%	Proportional Cuts to fund Jail were considered and identified in 2008 but not implemented as revenue growth appeared to be adequate.	This option was to immediately create necessary funding. The current funding plan calls for incremental funding over several years which does not require reductions to existing Dept. funding. Additionally, in the 2008 report, the 5 year forecast projected Discretionary GF <u>deficit</u> of \$47M. In 2014, the 5 year forecast projects a \$12.0M <u>surplus</u> .
Redirect Prop 172	Use is per BOS Direction	After construction, Prop 172 funds are available for ongoing funding. The Sheriff has committed Prop 172 growth to partially fund the County's match for the new jail construction costs. An element of the Fire District tax shift was to redirect Fire's portion of Prop 172 (\$3.2M) to the other Safety Departments. These funds could be directed to the Jail Operations Fund at the Board of Supervisors direction. This would account for about 22% of the remaining ongoing funding required.
Diversion of Revenue Growth	Being used	Revenue Projections are continually being updated and monitored in the Fiscal Outlook Reports and the Budget process.
Oil Development	Potential Countywide Revenue Enhancement	BOS policy decision on new revenue; was recently proposed but not supported.
Parcel Tax	Requires Voter Approval	Not a recent ballot measure
Utility User's Tax	Requires Voter Approval	Not a recent ballot measure
Sales Tax	Requires Voter Approval	Went to public vote and was rejected
TOT	Requires Voter Approval, Potential Countywide Revenue Enhancement	BOS considering as a potential Countywide Revenue Enhancement; a proposed increase from 10% to 12.5% will be on the ballot in November 2014.
Economic Development	Potential Countywide Revenue Enhancement	Continually considered by BOS
Benefit Assessment District	Not allowable for Public Safety Purposes	Not allowable for Public Safety

Sincerely,



Steve Lavagnine, Chair
County of Santa Barbara Board of Supervisors

cc: Santa Barbara County Board of Supervisors
Ted Sten, Foreman, 2013-14 Santa Barbara Civil Grand Jury