COLAB SAN LUIS OBISPO COUNTY
WEEKLY UPDATE
SPECIAL BUDGET EDITION
WEEK OF JUNE 9-15 ,2013

CHANGE THE BUDGET TO CHANGE THE POLICIES

PROPOSED 2013-14 OPERATING AND CAPITAL BUDGETS

PLANNING AND REGULATORY BUDGETS SUSTAINED WHILE ROADS AND SAFETY DECLINE

PUBLIC COMMENT LIMITED TO ONLY 3 MINUTES PER GENERAL SECTION
(NO PROVISION FOR COMMENT ON EACH DEPARTMENT)

DEBT OBFUSCATED

(SEE PAGE 20 FOR DETAILED HEARING SCHEDULE)

Board of Supervisors Meetings of Monday, June 10th and Wednesday, June 12th, 2013, 9AM (Scheduled)

The Board of Supervisors will consider the CAO's Proposed 2013-14 Annual Operating and Capital Improvement Budgets. This is the key policy action of the Board of Supervisors. Those who are concerned with the current policies need to be present and ask for change. Some highlights and related questions are listed below. The full budget document can be accessed at the link:

http://www.slocounty.ca.gov/admin/Budget/2013-14_Proposed_Budget.htm

A - GENERAL ISSUES

1. The County received the Government Finance Officers of America Distinguished Budget Award (GFOA). What recommendations did the reviewers give to the County for steps to take the document to the next level?

a. As a policy document?

b. As a financial plan?

c. As an operations guide?

d. As a communications device?

2. The Board allows only 3 minutes of public comment per functional section of the Budget, which means that the Public only has 3 minutes to comment on huge sections of the budget. For example, the Public Protection section includes Animal Services, Child Support Services, Courts, Fire, District Attorney, Emergency Services, Grand Jury, Probation, Public Defender, Sheriff, and Solid Waste. You get only one 3-minute period to express your opinion on all of those DEPARTMENTS.

3. Section B presents a table, **"Position allocation by Department."**

a. Why aren't the positions presented in the C-section with their departments by division and or/program so that the Board and the public can see the actual number and deployment in the context of the work effort? For example, in the Sheriff's budget starting on page C-101, the reader can infer that the Department is divided into 4 Divisions:

Administration $7.8 million and 14 FTE

Field Operations $25.3 million and 160 FTE

Support Services $1.9 million and 15 FTE

Custody/Civil $27.7 million and 203.5 FTE

a. So, how many Deputy Sheriffs, Sr. Deputies, Lieutenants, Commanders, etc., are there and how are they deployed organizationally?

b. How many of the 392.5 positions in the Department are sworn, and how many are civilians?

c. The programs of the extensive core Field Services Division are listed as Patrol, Crime Prevention Unit, Auxiliary Unit, Special Operations Unit, Detective Division, Crime Lab, and so forth. How many and what position classes of 160 FTEs are allocated to these programs?

d. What are the dollar budgets of these key programs?

e. What are the specific operational performance measures which would allow the Board and public to judge whether the levels of service are appropriate to the funding and staffing?

These same types of questions (or analogous ones) pertain to all the other Departments. Obviously there are no sworn positions in Health. However, there are therapists, nurses, and others that can provide services, and there are support and management positions that don't. How are these deployed by division and program?

4. **Vacancy rate.** The 3rd Quarter Financial report presented data on the vacancy rate showing 5%, or 119.4 current vacant positions.

a. Are they all funded?

b. Is this a snapshot or a yearlong average?

5. What is **lost time rate (absenteeism)** due to sick, workers comp, and AWOL? What is it for the whole organization? What is it by department? Note that the performance measure on page C-301 (Rate of work related illnesses/injuries per 100 employees) does not really capture the big picture or the organizational (performance by department) picture. Measure 3 on C - 301 states that the workers comp incidence rate is 4.5 per 100 employees. But this does not capture the lost time from work. How many hours and days of lost work time result from those incidences? Performance Measure 5 on page C-301 states that (for the latest actual reporting period) the County lost 1460 workdays due to workers comp injuries. At 8 hours per day this would be 11,460 hours. With 2,422 FTE (in the comparable year) there were a total of 5,037,760 possible work hours. This would be a lost time rate of .002% due to workers comp, which is almost statistically insignificant.

a. Is this correct? For example, Measure 3 on page C-301 indicates that for the same reporting period (FY 11-12) the rate of work related illnesses/injuries was 4.5 per 100 employees. With 2,422 employees that would mean that only 110 had a reported work related illness or injury during the entire fiscal year.

b. This seems very low (although the County would not measure County Fire, as those employees are not County employees).

c. Measure 10 on page C-303 shows that for the same reporting period (F Y 11-12) the number of workers comp claims per 100 workers was seven (7). Does this mean that there were multiple claims per reported work related injury/illness or that some claims were found not to be work related?

6. What are the ratios of **pay for time actually worked and pay for time not worked –** vacation, holiday, sick, special leaves, etc.? In other words a standard work year is 2080 hours. If an employee gets 3 weeks' vacation (120 hours), he works only 1,960 hours. Then if he gets (1,960 – 96 hours) 12 paid holidays, he works only 1,864 hours. Then if he takes 5 sick days over the year (5 x 8 hours) = 40, he works only 1,824 hours. This is 256 (6.4 weeks) paid hours away from work, or 12%. The employee is potentially productive 88% of the time.

a. What is this ratio for the entire organization?

b. What is it by Department? Since every smidge of County time is minutely coded, SAP ought to be able to calculate it in a nanosecond. After all, the County does have the Reporting Module.

c. What do trend lines over the years show for this ratio?

7. **10 Year Expenditures Adjusted For Inflation Charts.** Each C-section Departmental presentation contains a chart called “10 year expenditures adjusted for inflation.”

a. What is the point of these charts from a public policy standpoint?

b. Is the County trying to say it has less money (because the dollars are worth less?) than it did 10 years ago? For example, the DA’s budget for 2013-14 (on page C-72) is $14.8 million. The chart seems to be saying that this is really only $6.2 million in 2004 dollars. The difference is an apparent $8.6 million of devaluation of the dollar. Accordingly, the total increase is 72% over the ten years. This would be an average of 7.2% per year. We know that during these years the national inflation rate was 2.9% and that the accumulative rate was 27.9%.

c. The staff should show the assumptions and calculations that underlie these charts.

d. Which official inflation base does the County use, the Los Angeles metro area?

e. What economic components is the County using in its calculations – housing, energy, food, wages, or what? A key component of inflation is housing. But the County does not buy housing. Moreover, housing prices declined sharply over the past 4 years. Again, the Board should ask the staff to present its methodology.

B - REVENUES

1. **Property Taxes (Secured and other-Page E-13)** increase from $148.8 million to $150.5 million, a $1.8 million increase.

a. What are the causes? Are they assessed value increases due to new projects coming on line? If so what are these projects and where are they?
b. Or are property values, which were lowered in the recession, going to be restored?
c. Or is it mostly shift of Redevelopment property taxes back to the County?
d. Or is most of it the 2% growth max allowed under Prop. 13 ($1.7 million)?
e. Is any of it real economic growth?
f. Why is it so weak?

2. **The Real Property Transfer Tax** (page E-15), which was $1.9 million in FY 2011-12, declines to $1.6 million in current year FY 12-13, and then is forecast to increase to $1.8 million (still below the FY 2012 level) in FY 2013-14.

a. If this is essentially lower and is a leading indicator of future assessments, does this indicate a future problem?

3. **The Supplemental Property Tax** (page E-15) declines from $863,000 in FY 2011-12 to $750,000 in the current year FY 12-13, and then is forecast to decline to $400,000 in FY 2013-14.

a. Does this leading indicator suggest future problems?

4. **General Sales Tax** (page E-15) declines from $7.4 million in FY 2011-12 to $5.5 million in the current year, FY 2012-13, and then remains flat at $5.5 million in FY 2013-14.

a. If the economy is recovering, why is this tax so down and flat?

5. **The Transient Occupancy Tax (TOT - the hotel tax)** (page e-15) declines from $6.5 million in FY 2011-12 to $6.2 million in the Current year, FY 2012-13, and then is forecast to go up to $6.6 million in 2013-14.

a. Why is this revenue declining in an economic recovery?

b. The San Luis Obispo Convention & Visitors Bureau received $365,000 in the FY $2011-12 Budget, $365,000 in the current FY 2012-13 Budget, and is recommended to receive $325,000 in the Proposed FY 2013-14 Budget.

- Given the flat TOT, why would the Board reduce the effort to bolster tourism and the hospitality industry?
- Looking at it another way, is the program effective?

6. Sales Tax attributable to the 2 Solar Plants remains a mystery. A paragraph on page C-322 states that "During the construction period of these projects (3-5 years), it is anticipated that the County will receive $20 million to $25 million of sales tax (attributable to these two projects). The write-up notes that $1.3 million is being applied in the budget for extra Sheriff, Fire, and Code Enforcement costs engendered by the large scale activity attendant to the solar plant construction activity. The revenue chart on page E-15 shows that $1.3 million is expected to be received in the current FY 2012-13 year as well as $1.3 million in FY 2013-14.

The County required the solar farm developers to bond for the potential sales tax to make sure they enforced the point of sales (in the County) condition of project approval. In the case of the Topaz project the Bond was to be $14 million.

a. But how much has actually been collected so far overall?

b. Where are any larger and unspent amounts being reserved in the Budget? It doesn't appear to be included on the table on page E-6 ("Fund Balance-Governmental Funds").

c. Is the County on schedule to collect $20-25 million? The larger of the 2 plants (Topaz) is 4/5ths complete. (The plant is already generating 123 MGD of its planned 550 per day.) Hundreds of millions, if not more than a billion, have been spent on thousands of components and services. There are thousands of acres of installed or partially installed solar arrays, miles of high voltage cable, hundreds of voltage concentrators and transformers, buildings, and so forth. The site is filled with construction equipment of every type. There are scores of consulting firms, food service, janitorial, and so forth receiving contracts and purchasing materials, tools, and consumable supplies.

d. Or is the $20-25 million overstated?

e. Or is it being hidden? When we asked one staffer the question, we were told it could not be disclosed because such a disclosure would reveal proprietary business information of the 2 solar companies. Yet the companies publish lists of hundreds of vendors, the number of workers on site, and so forth anyhow.

f. In projects that are costing billions, how does disclosure of the aggregate millions in sales tax, reveal business information about any particular vendor?

Note: The sales tax discussion is important because it was cited as one of the key tangible benefits to help sell the permitting of the heavily governmentally subsidized plants. Most of the jobs are temporary and only last during actual construction. The County does not receive any significant property tax increase from the projects because the State has exempted all energy producing facilities from the local property tax as a green energy subsidy. Thus, the purported spike in the sales tax on materials, services, supplies, and equipment was touted by the County as one of the most important benefits.

g. Where is it?

h. What is it?

C - RESERVES

1. The narrative on page A-20 states that the **General Fund Reserve** (unrestricted and undesignated?) will be $9 million at the end (it is not clear from the write-up if this is at June 30, 2013 or June 30, 2014). It also states that the total reserves will be $102 million “for” 2013-14 and that most of this amount is in designations for restricted and specific purposes (i.e. not discretionary). The write-up goes on to say that, of this amount, $4.3 million is being used to help balance the Budget and $11 million will be applied to the various balances ($1million to the unrestricted reserve and the rest to restricted reserves and designations).

a. So, just what is the County’s total unrestricted, unreserved, unencumbered **rainy day fund**? The table on page E-8 shows the $9 million. Everything else on the 4-page long table appears to be restricted and/or designated.

b. So, out of a $495 million dollar all funds budget, the total true available <u>unrestricted</u> reserve is $9 million or just 2.4 percent?

c. Is the $8 million contingency not a reserve, since it can be used during the year for ongoing purposes?

The national best practice recommendation for local jurisdictions is that they maintain an unrestricted reserve of 30 days of operating expenditures. This would be about $41.3 million. One might argue that since the general fund (as defined by the County) contains a number of programs funded by restricted intergovernmental revenue (like welfare benefit reimbursements and Medi-Cal reimbursements), then the unrestricted reserve should be calculated only as a percentage on the true local general fund expenditures. It’s hard to get a fix on this in San Luis Obispo County’s Budget presentation. The problem with this theory is that counties are legally obligated carry out the State and federally mandated programs such as welfare (Calworks) even if the superior levels of government are unable to reimburse them. In certain past years the State has deferred some reimbursements and has edged up to the cliff of not having cash available to pay them at all. A county without sufficient unrestricted reserves would have to cut its base locally funded programs such as Sheriff, Fire, DA, Probation, Public Defender, and locally funded roads maintenance, and switch the funds over to meet the requirements. (Or borrow, unsecured, for operating expenses – a terrible practice). In the case of a county refusing to make the mandated payments, the State would simply make them and reimburse itself by seizing the county's sales tax subventions as well as other reimbursements and grants.

The State of California is broke in the medium- and long-term, and the recent bump in dot com stock cash out income tax revenue, this year, should not be allowed to mask the coming catastrophe.

c. What is the Board's strategic plan to be prepared for that catastrophe, which is very likely to first manifest itself as a cash flow problem?

D - DEBT

There is a presentation of County "debt" on pages C-313 and C-314 that indicates that debt service payments for the year will be $2.1 million, which is low (good). The problem is that this is not a full and complete picture of the debt. (It is only for debt on some County buildings). Thus and additionally, there is a section on pages C-325 and C-326 that contains a debt payment of over $10 million for pension obligation bonds. This is money coming right out of the County's service budget. Another form of debt is displayed on pages C-323-24. It is called Other Post Retirement Benefits (OPEB), which is governmentese for "we promised our employees that when they retired, we would help pay for their health insurance." According to the write-up the liability is $25 million.

1. Is there an actuarial report that substantiates this?

2. In any case, the payment for FY 2013-14 is a little over $1 million – right out of the service budget.

3. So, while the County is crowing about its low annual debt payments on page C-313, another $11million is camouflaged in separate pages under headings that don't mention the word debt.

4. Worse yet, enterprise fund debt (for water projects and sewer projects) is not even mentioned. The County refuses to admit that it could have any responsibility for the Nacimiento project debt or the Los Osos sewer project (although by law it discloses these as County debt in its financial statements).

5. Finally, the County currently has $320 million in unfunded pension liability, which will increase over time. The budget does not disclose how much is being paid out each year to service this debt or its impact on the departmental service budgets. We know that the County will expend $243.2 million of its $495 million budget on salaries and benefits (see chart at the bottom of page A- 50). But there is no further breakdown.

a. How much is straight salary?

b. How much is overtime?

c. How much is health insurance?

d. How much is dental insurance?

e. How much is workers comp charges to the departments?

f. How much are charges for pension amortization?

We know that the combined rate charged by the pension system is 34.6%. But the Budget document does not help us. The pension system actuarial report indicates that as of January 1, 2012 (the newest data), the pension board was using a payroll of $161.8 million, and that the County's contribution was $30.4 million and that the employee contribution was $25.3 million for a total of $55.98 (which matches very well with the rate). Accordingly, the County will be paying somewhere around $31 million toward its current (normal cost) and unfunded pension liability in FY 2013-14. This of course comes right out of the service budget for such activities as sheriff's response, criminal prosecution, road maintenance, and mental health treatment for the swarming homeless population that has invaded San Luis Obispo.

To summarize, payments to reduce debt and fund current and unfunded pension obligations in FY 2013-14 will include:

Debt on Buildings………………..	$ 2,100,000
Pension Obligation Bond Debt …	10,000,000
OPEB Debt ………………………	1,000,000
Pension Fund ……………………@	31,000,000
Total	$44,100,000

This is 9% of the total Budget of $494.8 million and is all diverted from the actual service budget. Some Board members may parade a staffer or two up to the speaker's podium at meetings to say that this isn't how their professional associations define debt and it is therefore not relevant. Nevertheless, it's all coming out of the service budget. Unfunded retirement obligations, $320 million (in the County's case), are considered long-term debt by any reasonable accounting standard. Under new Government Accounting Standards Board requirements, government entities are required to report the underfunding of their pensions and retirement health care obligations as long-term debt on their balance sheets.

a. Why doesn't the County present a comprehensive Debt picture in the Budget document and its current and future potential impacts on its budget and consequent financial strategy?

E - BUDGET GOALS AND POLICIES

Pages A-24 thru A-35 contain the Board's adopted budget development as well as some control mechanisms. The overall emphasis has been and continues to be dealing with the economic recession which started in 2008. The key substantive policy priorities are (see page A 31):

- Meet legal mandates.
- Meet debt service requirements.

- Public safety defined as:
  1. Sheriff-Coroner
  2. District Attorney
  3. Probation
  4. County Fire

How has County done in supporting these priorities?

Mandates:

It is hard to determine which services and activities are mandated. Many of the departmental narratives in the C Section - Departmental Budgets state that a particular service or activity is mandated or required.

Question: During budget preparation (and accepting the well-known and obvious ones) do the budget analysts check the statutes or other relevant sources to verify the type and severity of the mandate. For example, some mandates are hard requirements and specify the level of service, staffing requirements, frequency, velocity, and time deadlines for a particular service. (No discretion). Some are more vague and allow counties some discretion with respect to the aforementioned measures. Some services which are very important are not mandated.

It is worthwhile for the CAO and County Counsel to review the entire program every five years or so just to check.

- Who mandates the service or activity?
- What is the law or statute that mandates the activity?
- What is the discretion of the County in the amount or frequency of the service/activity it provides?

Debt service Requirements:

County documents and independent audits indicate that the County makes all required payments and in some cases has established reserves. As noted above, there is no real consolidated picture of the various types of debt and other obligations (not technically characterized as debt) that divert funding from services. There are no historic or forward-looking views presented.

a. Why can't a consolidated presentation be provided of the various kinds of bonded debt, Certificates of Participation, enterprise fund debt (which shows in the County's CAFR), long-term leases and leased equipment, government loans, and unfunded pension obligations?

b. Do Board members think this would help their perspectives and strategic planning?

Public Safety:

1. Sheriff: The Sheriff's budget (pages C-100 thru C-108) shows a dollar growth from $41 million in FY 2005 to $62.6 million in FY-2014, a 51% increase. Staffing went from 372.5 FTE to 392.5 over this period. The number is distorted because the State began funding the AB 109 realignment of state prisoners to counties in FY 12-13. The County is also adding deputies in the California Valley (funded by solar farm sales taxes) to cover the increased activity in that area. Thus the real (apples to apples) comparison is probably 368 FTE in FY 14, after adjusting for state and solar farm additions.

a. During a public hearing on an unrelated subject this spring, the Sheriff noted that the Department had lost 25 FTE sworn positions as a result of the recession. There is no discussion of this in the Departmental or CAO write-up. The departmental history chart shows a peak historic staffing of 392 in FY 2009 which then declines to the (apples to apples) number of 368, a 24 FTE decrease. If all of the decrease is sworn FTE's, it appears that the County did not maintain historic staffing levels from the peak years.

b. Does this mean the Board failed in sustaining its top priority during the recession years?

c. What has been the impact on patrol services (field operations), jail operations, and performance, if any?

d. What do the performance measures on pages C-104 thru C-108 tell us?

Essentially nothing.

Measure 1 is "Crime Rate (per 100,000 population) Lower than Comparable Counties" (Monterey, Santa Barbara, Santa Cruz, Placer, and Marin. The measure indicates that in recent years SLO County has a crime rate lower than 80% of the comparable counties.

a. What does this mean? There are 6 counties in the sample (when SLO is included). This means that 4 counties have a higher crime rate than SLO.

b. Is this rate for the entire county? Or just the unincorporated area and contract cities?

c. Are most of the crimes in the incorporated cities of SLO, Paso Robles, Atascadero, Pismo Beach, which have their own police departments (and most of the population)?

d. If so, isn't the ostensibly lower rating due to city police agencies?

Measures 2, 3 and 4 are all variants on response times. It appears that for the 6 years presented (and except for two variations in two different years), these have remained stable.

> a. Does this mean that the loss of 25 sworn personnel has had no negative impact (or were the cuts in programs that did not impact patrol response)? Or has the department improved its efficiency?

Measures 5, 6, 7 and 8 concern the clearance rate for major crimes (homicide, rape, robbery, and aggravated assault). For whatever reason, the ordinate numbers (the actual numbers) are not included in the performance measures, just percentages. Thus it is difficult to determine how much major crime is actually occurring and therefore how easy or hard the job is and, then most importantly for the Board and

Public, how much resource should be applied to the program. The only ordinate numbers provided are in notes and cover from July 2012 - November 2012 only.

a. What are the ordinate numbers of UCR Part I crimes within the Sheriff's area of jurisdiction for each year for the past 10 years?

b. What are the clearance rates for each UCR Part I crimes within the Sheriffs area of jurisdiction for each year for the past 10 years?

c. Is this good or bad?

d. Would application of more budget dollars and FTE's make an improvement?

You would think that the Board would want to spend several hours exploring the data and these questions in public as it considers the $62.4 million budget request.

a. Or is asking such questions too uncomfortable in the County's politico-management organizational culture?

This is not to say that the Sheriff's Department is not doing a good job. This is not to say that the Board members do not have a variety of feedback mechanisms on the performance and resource needs of the Sheriff's Department (or any department). It is to say that the Board should use the analytical tools provided by the staff and department heads to vigorously assess the appropriateness of budget requests and the future needs of the County in the annual public forum provided by law.

Some Board members suggest that many budget matters are covered in the quarterly financial reports. Have these issues been covered in quarterly financial reports for the past 2.5 years?

It is also suggested that many matters are covered in private conversations between Board members and department heads in their offices.

b. How does this inform the public and demonstrate rigorous oversight by the Board of any department?

2. District Attorney: The DA's budget grew from $10.1 million in FY 2005 to $14.8 million in the proposed FY 2014 Budget. FTEs remain essentially static at 81.5 over the entire period (although they reached a high of 84 a few years ago). An apparent increase in FTEs displayed on page C-71 is the result of combing the Victim Witness program (an existing program) into the Department, not new resources.

It is hard to assess how the DA is faring with an essentially flat budget (FTE-wise). Performance measure 1 on page C-75 changes from measuring crime rate of comparable counties (like the Sheriff) to Crime rate compared with counties with a population of 100,000 or more. The measure and target is to have a crime rate that is lower than 80% of counties with populations of 100,000 or more. The notes under the measure say that the county ranked 6th best in the state on this measure (of 35 counties) in 2010.

Ok, everyone should be glad the SLO County has a lower crime rate than LA, San Bernardino, Alameda, Santa Clara, and San Francisco.

a. How many total cases did the DA file on during each fiscal year for the past 10 years? (Is the trend steady, up, down?)

b. How many adult cases did the DA file on during each fiscal year for the past 10 years?

c. How many juvenile cases did the DA file on during each fiscal year for the past 10 years?

d. How many UCR part I crimes did the DA file on during each fiscal year for the past 10 years? (Why not just put the charts in the Budget book?)

e. What are the unit costs for each type of filing?

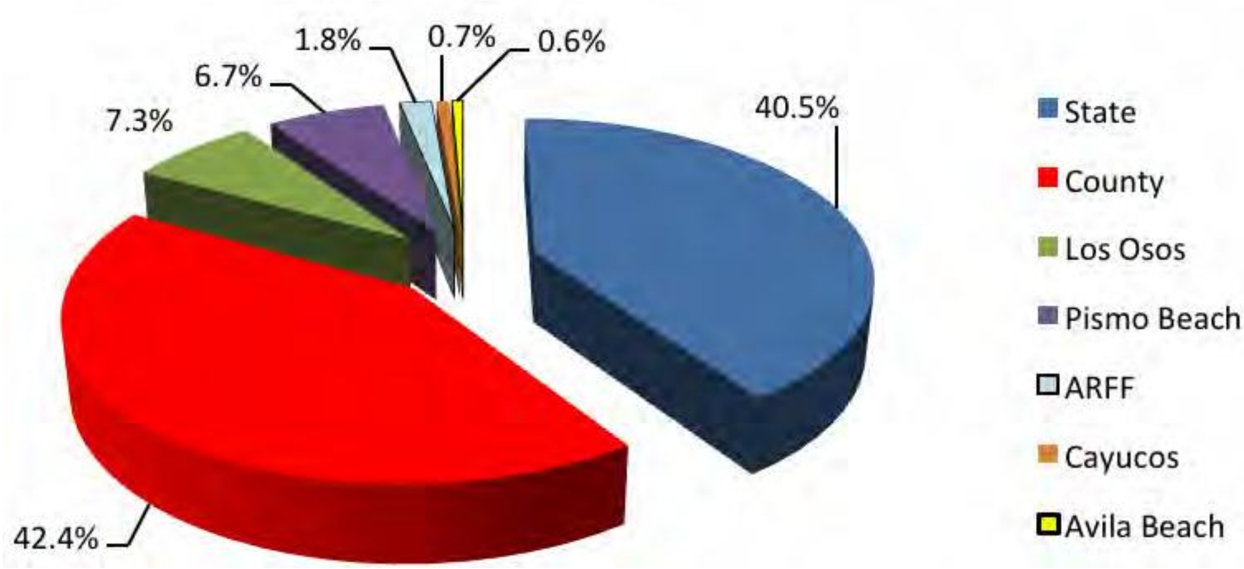
DAs are loath to disclose the number and percentage of cases in which a guilty verdict or negotiated settlement was achieved, because they believe such a number could be viewed as a "target" and hence prejudicial to fairness and justice – that is, that winning cases could be more important than achieving justice.

For this reason crime rate becomes a surrogate outcome measure. The problem is that crime rate is a complex social function impacted by the economy, social norms, opportunity, the percentage of young men aged 13-23 years old in the society, and others.

Since the Budget does not present any real longitudinal crime data for the County as a whole (the area served by the DA) or the areas subject to the Sheriff's jurisdiction, it is difficult for the Board to evaluate how things are going and how resources could be applied. It's all very anecdotal.

3. Fire: The County contracts with the State of California Department of Forestry (CAL FIRE) for all hazard emergency services, including fire and other emergency response in both urban and rural areas of the unincorporated County. The County enjoys the services of a much larger organization with greater capabilities than it could afford if it had its own fire department. It also avoids the direct consequences of expensive fire labor issues, such as unfunded pensions liability and high workers compensation risk. As Cal Fire's costs go up due to these factors, the County's annual bill goes up, but at least the County avoids the direct liability, and the costs are spread over a large base.

The Fire Department is actually much larger than the portion for which the County contracts, as depicted in the chart below. The total budget is $31.5 million, of which the County portion is $19.2 million. The County pays directly for 99.5 FTE, but there are over 180 employees working for the department. This means the County enjoys some economies of scale.



a. How many fire fighters staff an engine? (In the urban zone, suburban zone, rural zone, and so forth).

b. How many structural fires were there in FY 2011-12?

c. How many were confined to the room of origin?

d. How many wild land fires were there in FY 2011-12?

e. How many were confined to the area of ignition?

f. How many patients were there in FY 11-12 with trauma?

g. How many and what percentage were delivered to the ER with a pulse?

h. Since the County has flat general revenues, what is its plan to deal with the staffing deficiencies outlined for a number of the fire stations/companies in the recently completed Fire Service Level Analysis Report?

j. The County measures response time for the first due engine and the second due engine and tries to meet standards for the type of area – urban, suburban, rural, etc. Several of the performance measures deal with this issue. These are new measures, and no actual data is presented, yet the Fire Department website presents detailed response data by fire station for years going back. It would appear that the information could be computed and presented. The staffing deficiencies presented in the Fire Service Level Analysis Report would suggest that there could be a problem meeting the standards in a number of cases.

- What is the County's strategic revenue plan to deal with this significant unfunded public safety (its highest priority need)?

4. Probation: This Department has some of the better performance measures in the book in terms of concept. Some are even expressed in real ordinate numbers. If they would display the ordinate numbers under the percentages next year, they would be pretty state of the art.

a. Probation staffing appears to have declined from a high of 166 prior to the recession down to143 two years ago. It then begins to increase, but this is probably due to AB 109 and thus does not restore the base program recessionary cuts.

- If safety is truly a Board priority, what is the plan to generate revenue to restore this safety staffing?

5. Safety Summary: While the budget is technically balanced, reductions and deficiencies in the County's highest priority, public safety, are clear. Where in the budget is the County's strategic financial plan to restore and strengthen safety, particularly in the light of flat local discretionary revenues which underpins its key funding source?

- **What are the dollar amounts and percentages of the Sheriff's, DA's, Probation's budgets which are being used to pay for pension Unfunded Accumulated Actuarial Liability (UAAL) and pension obligation bonds?**

- **What are the projected future costs?**

- **What is the County's plan to fund safety as these obligations increase and divert dollars from the actual service budgets?**

F - LONG RANGE STRATEGY: THE ECONOMIC IMPERATIVE

1. In the near term, the County's overall policy focus has been on "smart growth" to reduce greenhouse gases, which some of its policy makers believe constitute an apocalyptic threat to the survival of human civilization.

2. Corollary to this overarching policy has been a massive effort to prohibit future suburban and rural development and to force new development into the incorporated cities and designated County village centers, reduce reliance on private vehicles, and reduce the amount of land in private ownership.

3. Its financial policy has been focused primarily on controlling budget expenditures (the Seven Year "Pain" Plan) necessitated by falling revenues resulting from the real estate collapse-driven 2008 recession. The policy has been implemented by:

- Staff reductions (about 200 FTE).
- Deferred maintenance on roads and buildings. Public works indicates that the roads have reached the tipping point, with an actual overall pavement condition index PCI rating of 58. (See performance measure 1 on page C-44).

- Most significantly, the County obtained wage and benefit concessions from the County workforce. The CAO reports that as a result of these measures, "The County is saving over $26 million per year" (see page A-2). Presumably, he means that the County has avoided future salary and benefit cost increases, which would have occurred and would have added $26 million to the budget had the employees not agreed to the concessions. This is not a savings, but rather a cost avoidance.
- Some County officials claim that the "smart growth" policy reduces service costs by concentrating populations in dense urban villages and cities. It is asserted that the savings occur because there are fewer roads, less drainage, fewer utilities and other capital improvements spread over a wide area. It is also asserted that it reduces the number of public safety (Sheriff, Fire) forces, county inspectional forces, maintenance forces, and other deployed employees over large areas. There is considerable academic literature in the Planning field which also makes this claim. Much of it is inspired by the decay of inner city neighborhoods and economies and is supported by the desire of academics, big city mayors, big city headquartered corporations, big city resident universities, big city resident Democratic machines (i.e. DC, Detroit, Chicago, Philadelphia, Oakland, Newark, and other sterling examples of dense urban "quality of life), and Federal officials influenced by all of the above, to reverse the suburban movement of the past 120 years.
- San Luis Obispo County's smart growth policy is only a few years old and was adopted in an economic recession, so there is no data. All we can say is that (in a local example) it's a lot less costly in terms of dollars and staffing to serve the unincorporated Santa Ynez Valley and Montecito than it is to serve Isla Vista and Orcutt (walkable, dense, urban villages).

4. There is no real link of strategy to economics. County economic strategy is ostensibly contained in the Economic Element of the General Plan. This document was updated and readopted in 2012. It contains a series of goals and policies which are very general and philosophical. Samples include:

While it is important to protect the environmental features that make San Luis Obispo County a desirable place to live, it is equally important to nurture a strong local economy to provide well-paying jobs for county residents and public revenue to support needed local public services.

Promote a strong and viable local economy by pursuing policies that balance economic, environmental, and social needs of the county.

While the designation of sites for economic development is an important component of building a regionally vital economy, other types of support are necessary too. Examples of supports include, but are not limited to permit processing, access to financing, education and training of workers and future workers.

Implementation of the Economic Plan is primarily assigned by contract to the private sector not-for-profit Economic Vitality Corporation. The Corporation is using a Clusters of Opportunity strategy to build the economy. The clusters are sectors of the economy which have been historically strong within the county and include 1) Building, Design, and Construction; 2) Green Energy; 3) Health Services; 4) Knowledge and Innovation; 5) Specialized Manufacturing; and 6 Uniquely SLO County (which contains the hospitality industry, agriculture, and agricultural tourism). Theoretically the EVC and cluster business will undertake activities to create growth in these sectors.

a. Why are there no specific goals or objectives for the growth of these sectors?

b. Why are there no business retention, expansion, or recruitment goals or objectives for these sectors?

c. Why are there no specific property tax, sales tax, and TOT goals or objectives over time for these sectors?

d. If economic growth is a real Board policy priority and not just lip service to provide cover, why is there no internal administrative structure to make sure that a program is carried out? (Sometimes it is suggested that the Deputy CAO performs this role.)

- If this is the case, why is it not mentioned in the accomplishments and objectives sections of the CAO Budget (pages C-224 – C-225)?
- Why is it not listed as one of the key programs on pages C-223 and C-224?
- Since the deputy CAO has primary responsibility for Budget preparation and control, how much time can he really spend on this important activity?

5. The actual budget for economic development related activity contains little funding support. General fund support for the EVC is $98,775 (Page C-23).

a. Why is the County only spending $98,775 and assigning no expert staff out of a $495 million budget on its core economic development program?

b. In contrast, why is it spending $3.2 million and 28.5 FTE on Land Use Planning (page C-10)?

c. In contrast, why is it spending $1.1 million and 10.25 FTE on P and D Resource Management and Monitoring (page C-11)?

Other ostensible economic development expenditures are:

- EVC Job Development @ $180,000 of pass-through Federal Funds (May be budgeted as part of a larger allotment not visible in the budget document).
- County contribution to the SLO Visitors and Convention Bureau, $325,854, which is a reduction from the current year level of $365,854.

a. Why is there a $40,000 reduction?

6. Significant Omissions in the economic strategy:

The County sits on huge oil and gas reserves, and one of its key private sector employers is a Phillips Petroleum refinery. It is also home to two industrial scale solar generating plants.

a. Thus, while the Plan supports “green energy,” why does it ignore the potential for the development of oil and gas?

The County is home to the Diablo Canyon Nuclear Power Plant, which is its largest property tax payer and one of its largest and most stable private sector employers. (The solar plants are exempt from the property tax on their energy generating components, which is the preponderance of their value.)

b. Will anti-nuclear ideology and "health and safety" concerns ultimately close the Plant?

c. What is the economic replacement plan?

The economic strategy acknowledges the importance of the State University campus and the community college as potential economic drivers.

d. What about the other government institutions, such as the prison and the State hospital?

What about the airport, which has been losing service and is burning down its fund balance?

f. Is the airport not an important piece of the economic development picture? The budget write-up on page C-189 states that there is a small grant to be used to acquire new or additional air service. It is likely that the EVC will be trying to assist.

g. What about the University, colleges, County, cities, large private sector employers, and the large state institutions? Could a consortium be put together pledged to fly SLO?

What about destination resorts?

h. At least one has been turned down in the past. Instead of fighting everything could Planning develop some potential siting ideas in partnership with property owners?

G. BOARD OF SUPERVISORS (C-246)

The section indicates that the direct cost of the office is $1.7 million and contains 12.5 FTE including the Supervisors, the 5 Legislative aides, and some clericals. The two "performance" measures attributed to the office would appear to be inoperative.

The Supervisors not only serve as the governing body of the County (an administrative subdivision of the State) but also serve on the APCD Board, The SLOCOG Board, the Integrated Waste Management Board and, on a rotational basis, 2 Board members serve on the Local Agency Formation Commission. They also serve on numerous statutory and ad hoc committees. They appoint all the line and staff department heads except for the Sheriff, DA, Treasurer, Clerk Recorder, Assessor, and Auditor-Controller, all of whom are elected. They also appoint the County Administrative Officer and the County Counsel.

Since they are elected by geographic districts and the rotating chair's role is largely restricted to presiding at meetings, helping formulate the weekly Board agenda, and ceremonial duties, it is a largely reactive system dominated by State mandates, financial limitations, and the current culture of environmental political correctness. This is further exacerbated by the powerful centrifugal forces endemic in a system where the chief fiscal officer (the Auditor Controller) and the chief law enforcement officer (the Sheriff) are directly elected by the people.

The Board can exercise some limited control through the power of allocating the annual budget (although much of it is State and Federal categorical revenue, which can only be used for the statutory purposes for which they are authorized). They also exercise some control by appointments to various advisory boards and commissions, especially the Planning Commission. Since the Board appoints and removes (by ordinance) the non-elected department heads, the Board has little control through the CAO, who must make sure he or she has Board backing prior to undertaking any significant management action. In other words, the department heads, who are subject to appointment and removal by the Board and who receive their annual performance appraisal and raises from the Board, do not need to pay much attention to the CAO. In the end, this actually weakens the Board's control since its oversight is general and not attuned to strategic and day-to-day management. It is akin to a system in which the captain of a naval vessel could not appoint and manage his or her department commanders without checking in with Congress.

a. Why doesn't the Board have a public strategy session or two to develop some substantive priorities and projects that can be completed over the next 3-5 years?

- Paso Water Augmentation?
- Big Homeless Service Center?
- Explore alternatives including economic growth which would provide revenues to enable the widening of Highway 101?
- Expand high tech manufacturing?
- Recruit and facilitate the development of some world-class resorts?
- Actually improve the land use entitlement process?
- Abolish any new development in the rural and outer suburban areas?
- Reform the "smart growth" policy?
- Building off the putative consolidation of the Treasurer and Auditor-Controller Departments, begin the structural modernization of the County government?

Note: We are not endorsing particular policies here (especially the ones we oppose), but are simply illustrating examples of questions that could be part of a strategic discussion.

b. Since revenues are flat and there are extensive unmet service, maintenance, and capital needs, shouldn't economic policy be a critical county priority?

These should be the explicit goals and action plans and should replace the vague and syrupy visions on page iii of the budget document. For, example we all support a "*Healthy Community—the County will strive to ensure all people in our community enjoy healthy, successful and productive lives, and have the basic necessities"* Now what?

H. CAPITAL IMPROVEMENT BUDGET

The capital improvement and maintenance budget contains funding and unfunded cost estimates for road construction and maintenance, drainage projects, County buildings and facilities, and parks buildings and facilities. These are severely underfunded:

Roads: Public Works Infrastructure Deferred Maintenance

The County road system comprises over 1300 miles and 200 bridges. Overall condition of the road system is rated on a 0 to 100 scale referred to as the Pavement Condition Index (PCI). The desired goal is to maintain the overall system at a PCI rating no less than 65 as this is a level which indicates that the key roadways of the system are in good repair and that preventative maintenance can be done with cost effective techniques on the remaining system. Once a PCI for the system falls to the mid-50, repairs and maintenance require much more expensive techniques. Currently, the system has an overall rating of 59 and a deferred maintenance value of $176 million to bring the full system to an overall good rating (PCI of 80). In addition to the pavement conditions, other significant deferred maintenance involves major repairs of failed road segments, estimated to be $4 million and sidewalk repairs, estimated to be $3 million. The Department of Public Works continues to identify and determine strategies to address these conditions. The overall Road Fund, for both routine and preventative road maintenance, has been averaging about $15 million annually. In order to prevent deferred maintenance values from increasing, an additional $ 7.5 million would be required each year.

The County is not sure what the unfunded capital maintenance backlog is for buildings but assume its substantial:

General Services Agency Facility Deferred Maintenance

Deferred maintenance refers to the postponement of planned maintenance. Long term deferral of preventive maintenance often results in equipment failure scenarios which negatively impact the building occupants and disrupt the operability of a building.

As discussed in last year's report, funding has been set aside for an outside consultant to develop an overall building and equipment assessment and inventory. The assessment will include development of a more formal maintenance plan which will identify key intervals for replacement and maintenance activities by facility. It will also provide a better estimate of the costs associated with deferred maintenance. Due to other priorities, this project is currently on hold. It is anticipated this project will begin again within the next 18 months. This study will be used to plan and guide future maintenance expenditures.

Thus, while the County's Budget is technically balanced in the short term, the foregoing data points to the need for a much stronger strategic focus on economics and revenue generation through natural growth of the private sector. As noted above, the County's resources have instead been overwhelmingly directed at limiting growth.

THE PUBLIC HEARING SCHEDULE, INCLUDING THE FEW PUBLIC COMMENT PERIODS, ARE DISPLAYED ON THE FOLLOWING PAGES.

BUDGET HEARINGS SCHEDULE
FISCAL YEAR 2013-14 PROPOSED BUDGET

Monday, June 10, 2013			
9:00 AM	**County Administrator's Overview of the FY 2013-14 Proposed Budget** **Public Comment on Overall Budget**		
Land Based Budgets **Public Comment on Community Services Budgets**			
Fund Center	**Department**	**Budget Book Page Number**	**Supplemental Budget Page Number**
141	Agricultural Commissioner	C-2	
142	Planning and Building	C-9	S-6
290	Community Development	C-21	
405	Public Works	C-25	S 19
201	Public Works Special Services	C-33	
245	Roads	C-39	
248	Road Impact Fees	C-47	
	Special Districts	Special Districts Budget	
Public Protection Budgets **Public Comment on Community Services Budgets**			
137	Animal Services	C-50	
134	Child Support Services	C-55	
143	Contributions to Court Operations	C 60	
140	County Fire	C-62	
132	District Attorney	C-71	
138	Emergency Services	C-80	
131	Grand Jury	C 86	
139	Probation	C-88	S-5
135	Public Defender	C-96	
136	Sheriff-Coroner	C-100	S-4
130	Waste Management	C-109	

BUDGET HEARINGS SCHEDULE
FISCAL YEAR 2013-14 PROPOSED BUDGET

Fund Center	Department	Budget Book Page Number	Supplemental Budget Page Number
Health & Human Services Budgets — Public Comment on Health and Human Services Budgets			
166	Behavioral Health	C-122	S-7, S-9, S-11
350	County Medical Services Program	C-131	
375	Driving Under the Influence	C 136	
351	Emergency Medical Services Fund	C-141	
184	Law Enforcement Medical Care	C-143	S-12
183	Medical Assistance Program	C-147	
160	Public Health	C-149	
180	Social Services	C-160	
182	CalWORKs	C-171	
181	Foster Care	C-174	
185	General Assistance	C-177	
186	Veterans Services	C 180	
Community Services Budgets — Public Comment on Community Services Budgets			
425	Airports	C-186	
215	Farm Advisor	C-192	
331	Fish and Game	C-198	
427	Golf Courses	C-201	
377	Library	C 207	
305	Parks	C-213	S-13
330	Wildlife and Grazing	C-220	

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BUDGET HEARINGS SCHEDULE
FISCAL YEAR 2013-14 PROPOSED BUDGET

Fund Center	Department	Budget Book Page Number	Supplemental Budget Page Number
	Fiscal and Administrative Budgets **Public Comment on Fiscal and Administrative Budgets**		
104	Administrative Office	C 222	
275	Organizational Development	C-228	
109	Assessor	C-231	S-3
107	Auditor-Controller	C-238	
100	Board of Supervisors	C-246	
110	Clerk-Recorder	C-249	
108	Treasurer, Tax Collector, Public Administration	C-256	
	Support to County Departments **Public Comment on Support to County Departments Budgets**		
111	County Counsel	C-263	
113	General Services Agency	C-270	
407	Fleet Services	C-278	
114	Information Technology	C-283	
406	Reprographics	C-290	
112	Human Resources	C-291	
105	Risk Management	C-298	
408-412	Self Insurance	C-305	
	Financing **Public Comment on Financing Budgets**		
266	Countywide Automation Replacement	C-309	
277	Debt Service	C-313	
267	General Government Building Replacement	C-315	
102	Non-Departmental Revenues-Other Financing Use	C-317	
101	Non-Departmental Revenues	C 320	
413	Other Post Employment Benefits	C-323	
392	Pension Obligation Bonds	C-325	

BUDGET HEARINGS SCHEDULE
FISCAL YEAR 2013-14 PROPOSED BUDGET

Fund Center	Department	Budget Book Page Number	Supplemental Budget Page Number
247	Public Facility Fees	C-327	
268	Tax reduction Reserve	C-329	
Capital and Maintenance Projects **Public Comment on Capital and Maintenance Budgets**			
230	Capital Projects	C-330	
200	Maintenance Projects	C-349	
Items not heard on today's calendar will be continued to Tuesday, June 11, 2013 at 9 A.M.			
Wednesday, June 12, 2013 **9:00 A.M.**			
Contributions to Outside Agencies **Public Comment on Contribution to Outside Agencies Budget**			
106	Contributions to Other Agencies	C-114	
ADJOURNMENT			