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DEPARTMENT OF
FINANCE

FINANCE ADMINISTRATION

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February 2, 2004

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: County Budget Update

LOCATION AND COUNCIL DISTRICT: Citywide

RECOMMENDATION:

This report is for Council information and direction to staff.

CONTACT PERSON(S): Reina Schwartz, Budget, Policy & Strategic Planning
Manager, 808-7195

FOR MEETING OF: February 10, 2004

SUMMARY:

This report provides an update on recent County budget issues for City Council information and direction to staff.

BACKGROUND:

County Budget Reductions

For the FY2003/04 budget, Sacramento County made cuts totaling nearly \$80 million. County budget cuts affected a majority of county programs including: General Assistance, some CalWORKs services, Probation (adult and juvenile), Health Clinics, Child Protective Services, Homeless Services, the Sheriff's Department as well as a

wide variety of Safety Net services. While these reductions do not affect the direct funding for City programs, they may well have an impact on demand for certain types of City services including public safety and human services. An area where County reductions have a more direct affect is on programs jointly funded by the City and County.

In determining which programs to cut, the Board of Supervisors adopted a hierarchy of priorities within discretionary programs in February 2003. The County Board of Supervisor's adopted discretionary budget priorities are:

1. Municipal and Countywide Law Enforcement
2. Safety Net Programs for the Disadvantaged Citizens
3. Quality of Life Programs
4. General Government programs/functions
5. Prevention/Intervention Programs

On January 13, 2004, County staff brought forward to the Board of Supervisors a series of recommended program reductions to address local and state revenue shortfalls. Consistent with the Board-adopted priorities, the first cuts, totaling \$7.2 million, were proposed in Prevention/Intervention and General Government programs. Additional recommendations for reductions will be brought forward by County staff in February with the County's midyear budget report.

Among the reductions proposed in the January 13, 2004 County report were two specifically related to programs within the City of Sacramento:

1. A reduction of \$630,000 and 7.5 FTE which would eliminate coordination of multi-disciplinary services and the match for grant-funded prevention services at the Oak Park Neighborhood Multi-Service Center (OPNMSC).
2. The elimination of \$158,514 which currently funds a program to provide security in the Richards Boulevard area (related to the concentration of homeless programs in that area).

At their January 27th Board meeting, the Board of Supervisors approved essentially all of the General Government reductions proposed, but specifically rejected cutting either of the programs noted above at this time. These programs may be up for discussion again during the FY2004/05 budget deliberations.

Multi-Service Centers

The Oak Park Neighborhood Multi-Service Center (OPNMSC) that had originally been targeted for reductions by the County during FY2003/04 is the only consolidated center in the County providing the full range of health and welfare services. The County has

been operating that center as a pilot program, and no other similar pilot programs exist at this time. The OPNMSC currently provides the following services:

- ✓ Prevention Policy Board and Youth Committee staffing
- ✓ Oak Park Breakfast Club staffing
- ✓ Oak Park Network Newsletter publishing
- ✓ Oak Park Multicultural Parade staffing
- ✓ Coordination/staffing of Multidisciplinary service delivery (listed below)
- ✓ Coordination of parent education, anger management, depression, social and anger management groups (inc. City's only Hmong and Mien parent education, depression and social groups)
- ✓ School readiness program (inc. grant writing, monitoring, progress reports and evaluation with contracts with Early Literacy Institute and WCIC)
- ✓ YouthWORKS after school program (inc. grant writing, monitoring, progress reports and evaluation with contracts with City of Sacramento and Sacramento Area Emergency Housing)
- ✓ Leadership Development Camp (inc. grant writing, monitoring, progress reports and evaluation with contracts with United Christian Camps and Leadership Concepts, Inc.)

The OPNMSC also provides coordination/staffing of multidisciplinary service delivery, site supervision, facility coordination, etc... at the OPNMSC location including:

- ✓ Primary pediatric care
- ✓ Public health care (in office and home visits)
- ✓ Family Planning
- ✓ Children's mental health counseling
- ✓ Adult mental health counseling
- ✓ Substance abuse counseling
- ✓ Children's protective services
- ✓ Juvenile probation services
- ✓ CalWorks and employment services

With the reductions that had been proposed, the additional services listed in the first group above (parent education, YouthWORKS, Leadership Development Camp, etc...) would likely no longer have been provided. The basic social services programs (public health care, mental health services, child protective services etc...) would still be available, but there would be no explicit consolidation of those services and staff currently providing some of those services would likely be moved to other facilities such as those in New Helvetia, Del Paso Heights or to the County's Health and Human Services offices.

County Financing Sources

Services provided by Sacramento County can be broken in to two basic categories:

1. Countywide services; and
2. Additional non-countywide services to the unincorporated area

Countywide services include all essentially all health and welfare-related services (human assistance payments, health and human services programs, In-Home Support Services, Child Support, etc...), probation, district attorney, as well as County general government. The revenue sources that support these countywide services include Vehicle License Fee (VLF) and property tax revenues.

Additional non-countywide services to the unincorporated area include the Sheriff (patrol, investigations and special operations); animal care and regulation; planning; code enforcement; and environmental review. The major revenue sources for the additional non-countywide services in the unincorporated area include sales tax, utility users tax, franchise fees, transient occupancy tax and some fine revenues.

According to County estimates, costs for providing the additional non-countywide services in the unincorporated area exceed the related revenues by about \$15 million annually. As a result some countywide revenues are used to pay for these additional non-countywide service costs.

In order to begin to deal with this imbalance in funding, County staff has brought forward a recommendation to the Board of Supervisors requesting authorization to apply to the Local Area Formation Commission (LAFCo) for the creation of a County Service Area. Creation of a County Service Area would allow the County to implement special taxes and/or assessments to support the additional non-countywide services provided within the unincorporated area of the County. As of the Board's January 27, 2004 meeting, no action has been taken on that recommendation.

FINANCIAL CONSIDERATIONS:

There are no direct financial considerations associated with the information contained in this report. As the County continues to struggle with their budget challenges, however, it is likely that the County will begin to take actions that have at least an indirect, if not direct, financial impact on the City. City and County staff will continue to work together to provide information to the City Council on those impacts.

POLICY CONSIDERATIONS:

The City Council has been committed to a sustainable budget policy for many years now. While poor financial conditions put additional pressure on keeping a sustainable budget, the City continues to adhere to this philosophy.

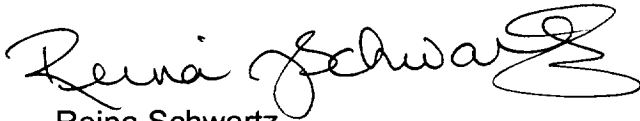
ENVIRONMENTAL CONSIDERATIONS:

Not applicable.

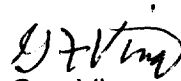
ESBD CONSIDERATIONS:

Not applicable.

Respectfully submitted,



Reina Schwartz
Budget, Policy & Strategic Planning Manager



Gus Vina
Finance Director

FOR COUNCIL INFORMATION:



ROBERT P. THOMAS
City Manager