

**Review of the County of Santa Clara
FY 2022-23 Recommended Budget**

**Prepared for the
Board of Supervisors of the
County of Santa Clara**

**Prepared by the
Board of Supervisors Management Audit Division
County Administration Building, 10th Floor, East Wing
70 West Hedding Street
San Jose, CA 95110**

(408) 299-6435

May 26, 2022

This page left blank

County of Santa Clara

Board of Supervisors

County Government Center, East Wing
70 West Hedding Street
San Jose, California 95110-1770
(408) 299-6435 TDD 993-8272

Contract Auditor: Harvey M. Rose Associates, LLC
E-mail: cheryl.solov@bos.sccgov.org

May 26, 2022

To: County of Santa Clara Board of Supervisors

We have completed our review of the FY 2022-23 Recommended Budget to the extent feasible in 27 calendar days. We wish to thank the Office of Budget and Analysis (OBA) for providing us with advance, but necessarily incomplete, budget materials and for providing us with complete budget materials at the earliest possible moment, on April 29. Despite the efforts of our office and OBA, we are compelled to note that this budget review cannot be considered comprehensive. As noted in the accompanying memo, the County budget has grown enormously in the last few years, and this growth is not just "bigger numbers." The growth largely represents new programs, services, facilities, projects, and staff. As the budget has grown, the time available for us to review it has shrunk, from more than five weeks to less than a month. This has cut into both our review period and the time for OBA to assess our draft proposals. Further, the budget is now so large that it is difficult to compile detailed analyses of larger budget units because Microsoft software and the County financial system cannot always process the large volume of data. We do not know if it is feasible to issue future recommended budgets at the beginning of the fourth week of April, but we think it is worth consideration by the administration.

Respectfully submitted,



Cheryl Solov
Management Audit Manager

Board of Supervisors:

Mike Wasserman
District 1

Cindy Chavez
District 2

Otto Lee
District 3

Susan Ellenberg
District 4

S. Joseph Simitian
District 5

County Executive: Jeffrey V. Smith

SUMMARY OF MANAGEMENT AUDIT DIVISION RECOMMENDATIONS
FY 2022-23 BUDGET REVIEW

Budget Unit	Department Name	Revenue/Expenditure Account	Revenue Increases/ (Decreases)	Expenditure or Transfer Out Decreases/ (Increases)	Est. General Fund Net Savings	Page No.
Multiple	General Fund Departments	Excess Salaries and Benefits	0	7,000,000	7,000,000	N/A
110	Controller-Treasurer	Supplemental Property Tax Receipts	3,000,000	0	3,000,000	261
119	Special Programs and Reserves	Tobacco Settlement Funds	1,100,000	0	1,100,000	112
119	Special Programs and Reserves	General Reserves	0	3,000,000	3,000,000	112
120	County Counsel	Investigative/Expert Fees	0	100,000	100,000	181
145	Technology Services and Solutions	Transfers for On-Hold/At-risk projects	0	8,450,726	8,450,726	197
168	Office of Supportive Housing	One-Time Funded Project	0	10,000,000	10,000,000	161-164
190	County Communications	Communications Services Revenue	150,000	0	150,000	211
202	Office of the District Attorney	Operating Expense - Other	0	250,000	250,000	296
202	Office of the District Attorney	Contributions to other Agencies	0	575,000	575,000	296
246	Probation Department	Contract Services	0	914,673	914,673	355
263	Facilities Department	Plumbing Contract Services	0	150,000	150,000	217
263	Facilities Department	Architectural Contract Services	0	350,000	350,000	217
263	Facilities Department	Mechanical Contract Services	0	150,000	150,000	217
263	Facilities Department	Environmental Restoration Contract Services	0	175,000	175,000	217
921	Valley Medical Center	General Fund Transfer Out	0	3,400,000	3,400,000	various
TOTAL			\$ 4,250,000	\$ 34,515,399	\$ 38,765,399	

General Fund Only		Salaries and Benefits
Expenditure Object		
County Executive	Management Audit	Expenditure
<u>Recommended</u>	<u>Proposed</u>	<u>Decrease</u>
\$2,076,874,584	\$2,069,874,584	(\$7,000,000)

The recommended budget for General Fund salaries and benefits for County employees totals \$2.08 billion. We estimate that actual salaries and benefits expenditures in the General Fund will amount to \$1.91 billion in FY 2021-22. This estimate is based on actual expenditures. In the prior year, FY 2020-21, the total spent on salaries and benefits in the General Fund was \$1.84 billion. The recommended amount of \$2.08 billion is about 9% more than the current-year’s estimated actual costs. The Recommended Budget amount is net of budgeted salary savings and other adjustments. Our proposal would allow for year-over-year actual spending to increase more than 8% before a budget modification would be needed to allocate additional funds. For comparison, the estimated increase in actual costs from FY 2020-21 to FY 2021-22 is 3.8%. For reference, almost \$20 million in General Fund salaries and benefits budget was unexpended at the close of FY 2020-21, and we expect the unexpended amount in the current year to approximate \$80 million. Unexpended amounts in recent years are shown below.

Unexpended Salary and Benefit Budgets – General Fund

FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22 (Est)
\$40,520,441	\$60,144,752	\$69,271,177	\$19,978,197	\$80,000,000

This recommendation would be carried out by increasing the budgeted General Fund “salary savings” by \$7 million across budget units, from \$53,728,045 to \$60,728,045, or from 2.5% to 2.9% of General Fund salaries and benefits costs. This is consistent with the Board’s policy regarding salary savings, which authorizes 3%-6% budgeted savings to account for funded vacancies. For more detail on funded vacancies, please see our separate report on funded but vacant positions.

Budget Unit 110 – Controller-Treasurer Department

Revenue Account 4006100		Property Taxes – SB 813
County Executive <u>Recommended</u>	Management Audit <u>Proposed</u>	Revenue <u>Increase</u>
\$11,000,000	\$14,000,000	\$3,000,000

As of the end of April of FY 2021-22, actual Supplemental Property Taxes received by the Controller-Treasurer Department exceeded the FY 2022-23 recommended budget of \$11 million by over \$2 million. The Management Audit Division proposes, and the Department concurs, that budgeted revenues for this account should be increased in FY 2022-23 given actual year-to-date collection receipts. The Department reports that its current-year projection for this account is \$17.5 million, and proposes a 20% reduction for next year, resulting in a revised budget proposal of \$14 million, or \$3 million more than in the Recommended Budget.

Budget Unit 119 – Special Programs and Reserves

Reserve Account 5702000	Management Audit	General Reserve - Special Districts
County Executive	Proposed	Expenditure
<u>Recommended</u>	<u>Proposed</u>	<u>Decrease</u>
\$3,000,000	\$0	(\$3,000,000)
Revenue Account 4812100	Management Audit	Tobacco Settlement
County Executive	Proposed	Revenue
<u>Recommended</u>	<u>Proposed</u>	<u>Increase</u>
\$19,500,000	\$20,600,000	\$1,100,000

Reserve Account 5702000 (General Reserve - Special Districts)

Several ongoing and one-time reserves established by the Board are included in the Special Programs (Budget Unit 119) budget. The FY 2022–23 Recommended Budget for BU 119 includes a proposal to establish a new \$3 million reserve for a Jail Camera System. The description of the recommended action on pg. 114 of the budget document indicates that a video surveillance system of 1,393 cameras and 43 monitoring stations was installed between the Main Jail North and the Elmwood campus in 2018 without a long-term funding plan for maintaining the necessary software and technology upgrades. This reserve “covers the anticipated cost to provide a long-term solution for the complex video surveillance system” yet the budget document fails to lay out any long-term costs associated with the Jail Camera System project as there is no project scope. Appropriating \$3 million General Fund dollars to fund a new reserve for a project that has not even been scoped yet would be wasteful as there is already over \$8 million of available funding on reserve for Jail Capital Projects in the Accumulated Capital Outlay Fund and another \$1.8 million in project-specific holding accounts for jail surveillance and security as shown Appendix B of the FY 2022–23 10-Year Capital Improvement Plan and summarized below.

Available Funding in 10-Yr CIP in Lieu of Proposed \$3M Jail Camera Reserve

Appendix B: Funding Uses		Budget Amounts as of April 2022		Estimated Budget Targets
		Total Project Expenditures	Remaining Available Budget	Expected Project Total
35	General Fund/ Accumulated Capital Outlay- FY 2021–22 Surveillance and Security Efforts (BIP)	-	\$300,000	\$12,000,000

66	General Fund/ Accumulated Capital Outlay- Security Master Plan Holding Account	-	\$1,485,664	\$1,485,664
143	Accumulated Capital Outlay Fund - Jail Capital Projects Reserve	-	\$8,670,153	\$8,670,153
Total		\$0	\$10,455,817	\$22,155,817

Revenue Account 4812100 (Tobacco Settlement)

Based on an analysis of actual spending over five years we project that revenues for Special Programs are underbudgeted.

Revenue Account 4812100, Tobacco Settlement, accounts for the County’s share of Master Settlement Agreement funds paid to the State by the largest tobacco companies. The table below outlines the history of the revenues for this account:

Five-Year History of Tobacco Settlement - Account 4812100

<u>Fiscal Year</u>	<u>Budgeted Revenue</u>	<u>Actual Revenue</u>
FY 2017–18	\$15,422,804	\$18,855,860
FY 2018–19	\$15,422,804	\$18,277,258
FY 2019–20	\$18,000,000	\$17,523,101
FY 2020–21	\$18,000,000	\$19,779,465
FY 2021–22	\$19,500,000	\$20,669,063 ¹
<i>County Executive Recommended Budget FY 2022–23</i>	<i>\$19,500,000</i>	
<i>Management Audit Proposed Budget FY 2022–23</i>	<i>\$20,600,000</i>	

This is a General Fund account, so the proposed adjustment to the Recommended Budget would result in \$1,100,000 savings to the General Fund.

The FY 2022–23 recommended budget for Special Program’s Revenue Account 4812100, Tobacco Settlement, amounts to \$19,500,000. However, in light of the fairly consistent and increasing revenues over the last five years, and the latest payments from the State in FY 2021–22, the Management Audit Division believes that the budget should be increased by \$1,100,000 for FY 2022–23, to a new total of \$20,600,000.

¹ Amount of Revenue received as of May 19, 2022.

Services and Supplies	Expenditures		
	<u>County Executive Recommended</u>	<u>Management Audit Proposed</u>	<u>Expenditure Decrease</u>
Exp. Acct. 5257900-Investigative & Expert Fees	\$200,000	\$100,000	(\$100,000)
Total	\$200,000	\$100,000	(\$100,000)

The recommended budget for services and supplies for County Counsel is \$14.9 million, or 34.9% more than the \$11 million the department expended in FY 2020-21. After accounting for actual expenditures and encumbrances, the FY 2021-22 available, unexpended, and unencumbered budget as of May 26 was more than \$7 million. More than \$5 million was unexpended and unencumbered at the close of FY 2020-21; this “excess” amount was \$6.3 million in FY 2019-20, and \$1.8 million the year before that.

Expenditure Account 5257900 (Investigative and Expert Fees)

Within “services and supplies” is the cost recorded in Expenditure Account 5257900, Investigative and Expert Fees, which represent costs to support the Whistleblower Program, such as outside investigative services and attorney hours. Due to the nature of the program, expenses are unpredictable, however the following table outlines a five-year history of this account:

Five-Year History of Investigative and Expert Fees - Account 5257900

<u>Fiscal Year</u>	<u>Budgeted Expense</u>	<u>Actual Expense</u>
FY 2017-18	\$200,000	\$70,426
FY 2018-19	\$200,000	\$52,463
FY 2019-20	\$200,000	\$59,401
FY 2020-21	\$200,000	\$25,963
FY 2021-22	\$200,000	\$12,087
<i>County Executive Recommended Budget FY 2022-23</i>	\$200,000	
<i>Management Audit Proposed Budget FY 2022-23</i>	\$100,000	

This is a General Fund account, so the proposed adjustment to the Recommended Budget would result in \$100,000 savings to the General Fund.

The FY 2022-23 Recommended Budget for the Office of the County Counsel Expenditure Account 5257900, Investigative and Expert Fees, amounts to \$200,000. However, considering the expenditures have consistently remained below \$100,000 over the last five-years, the Management Audit Division recommends that the budget be decreased by \$100,000 for FY 2022-23, to a new total of \$100,000. It is clear that should additional funds be needed for this line item, other unexpended amounts in “services and supplies” could be used to cover the cost.

Multiple Expenditure Accounts		Services & Supplies	
	<u>County Executive Recommended</u>	<u>Management Audit Proposed</u>	<u>Expenditure Decrease</u>
5255650-IC-Information Technology Services	\$30,768,175	\$22,317,449	(\$8,450,726)
Total	\$30,768,175	\$22,317,449	(\$8,450,726)

5255650 IC-Information Technology Services

Expense account 5255650 IC - Information Technology Services receives all but \$88,210 of its \$30,768,175 budget from the General Fund for FY 2022-23. This line item likely funds many countywide projects through Fund 0080. Of the projects TSS covered in their report to the Finance and Government Operations Committee (FGOC) on May 19, 2022: there are six on hold with \$2.1 million of unspent General Fund appropriations, six projects at risk of being delayed or put on hold with \$10.1 million available, and three active projects with almost \$5.2 million in unspent funds which have timelines over multiple years and are still in beginning phases. Of these projects, there were ten we identified which do not need funds for FY 2022-23 based on the status updates TSS provided to FGOC (as shown on the next page).

Review of the County of Santa Clara FY 2022-23 Recommended Budget

TSS General Fund Projects for FY 2022-23 At Risk and On Hold

Project	Budget	Available Bud	% Surplus	FY Funds were First Allocated	Project Date Range	Status Summary Provided by TSS to FGOC
Cloud Integration Gateway Upgrade for Ariba	\$150,000	\$150,000	100%	FY 2019	TBD	On Hold: The scope of the project is to upgrade the Cloud Integration Gateway interface between the County's procurement and financial systems.
Case Management and Billing System modernization	\$589,000	\$589,000	100%	FY 2019	9/5/2018—11/18/2024	At Risk: RFP is being prepared for release in Fall 2022
California Public Records Act Centralized Website	\$350,200	\$350,200	100%	FY 2019	10/22/2018—3/1/2023	Active: RFP scheduled for release in May 2022.
DAO Cloud Migration	\$485,710	\$409,394	84%	FY 2019	3/28/2019—TBD	On Hold: Pending prioritization from business.
ASR Replacement Assessment System	\$105,000	\$100,000	95%	FY 2019	9/26/2019—1/2/2023	Active: Contract with Vendor was canceled. Project Team is gathering and documenting requirements.
Web Security Gateway Protection	\$965,133	\$965,133	100%	FY 2021	10/5/2022—TBD	On Hold: Due to competing priorities, the project has been put on hold.
Master Data Management (MDM)	\$473,750	\$324,749	69%	FY 2021	TBD	On Hold: Pending architectural review of the solution.
Property Tax Assessment System	\$5,000,000	\$4,700,000	94%	FY 2021	5/3/2021—9/30/2024	Active: Requirements are being drafted & working on RFP template.
Additional Storage for Backup	\$362,250	\$362,250	100%	FY 2022	TBD	On Hold: Awaiting prioritization and assignment of a Project Manager.
Jail Information System (JIS) Replacement project	\$500,000	\$500,000	100%	FY 2022	TBD	On Hold: Discovery activities have resumed to rescope and replan the project.
Total	\$8,981,043	\$8,450,726	94%			

Therefore, we recommend that the adopted budget for expense account 5255650 be reduced by \$8,450,726 to \$22,317,449 to account for the fact that these projects are not reasonably expected to require funding in FY 2022-23. These projects can be funded in future years in which the money will actually be spent.

<u>General Fund (0001)</u>		
Expenditure Account 5610110		IC - Transfers Out
County Executive <u>Recommended</u> \$10,000,000	Management Audit <u>Proposed</u> \$0	Expenditure <u>Decrease</u> (\$10,000,000)
<u>RDA Set-Aside Housing Fund (0196)</u>		
Revenue Account 4920120		IC - Transfers In
County Executive <u>Recommended</u> \$10,000,000	Management Audit <u>Proposed</u> \$0	Revenue <u>Increase</u> (\$10,000,000)
Expenditure Account 5851000		One Time Funded Project
County Executive <u>Recommended</u> \$10,000,000	Management Audit <u>Proposed</u> \$20,000,000	Expenditure <u>Decrease</u> \$10,000,000

The essence of this proposal is to use available monies in funds other than the General Fund to cover the cost of a one-time housing project, thereby freeing up General Fund dollars for potential allocation to some other priority.

The FY 2022-23 Recommended Budget for the Office of Supportive Housing (OSH) proposes a one-time allocation of \$10 million to support the development of housing for persons with intellectual or developmental disabilities (I/DD). This proposal represents a fourth tranche of housing development funding made available by the County since FY 2019-20 and would complete the \$40 million goal set by the Board of Supervisors. The FY 2022-23 allocation is recommended to come entirely from the General Fund, as opposed to prior tranches that received funding from various Special Revenue funds administered by OSH as illustrated in the figure below.

Funding Sources for Intellectual or Developmental Disabilities (I/DD) Housing

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23 Recommended	
	1st Tranche	2nd Tranche	3rd Tranche	4th Tranche	Grand Total
General Fund	\$0	\$9,000,000	\$3,030,587	\$10,000,000	\$22,030,587
Stanford Affordable Housing Trust Fund (Special Revenue)	0	0	5,500,000	0	5,500,000
RDA Set-Aside Fund (Special Revenue)	9,000,000	0	1,469,413	0	10,469,413
HOME Program Fund (Special Revenue)	1,000,000	1,000,000	0	0	2,000,000
Total	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$40,000,000

A review of historical and actual revenues, expenditures, and changes in fund balance for the Special Revenue funds shown above reveals that the RDA Set-Aside Fund, which has funded about 30% of I/DD housing to date, has accumulated a large fund balance that could be drawn on to reduce the amount of General Fund contribution for FY 2022-23.

The available fund balance in the RDA Set-Aside fund as of April 30 of FY 2021-22 is \$23.9 million, or a 141% increase from FY 2019-20. Though the Office of Budget and Analysis (OBA) has indicated that only \$1.65 million of this is not yet committed by the Board of Supervisors for other housing projects, these commitments are not likely to result in actual expenditures of the same amount in FY 2022-23 given that the spending rate from this fund has been less than 1% of the appropriations for expenditures over the last three years as shown below.

RDA Housing Set-Aside Fund (0196)

	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 YTD
Starting Fund Balance	874,305	9,958,953	10,439,138
Total Revenues + Transfers In	9,084,648	480,195	16,041,779
Total Expenditures + Transfers Out	0	10	2,490,122
Ending Balance	\$9,958,953	\$10,439,138	\$23,990,795

Further, this fund has over \$20 million of accounts receivables from the State to support already approved projects, as well as a \$25 million grant from Facebook that was approved as part of the FY 2021-22 modified budget. Given the large fund balance accumulated in the RDA Housing Set-Aside Fund and the availability of non-General Fund sources to support the I/DD initiative, the Management Audit

Division encourages OBA and the Department to reconsider their assessment of the amount of fund balance that can be drawn on a one-time basis from the RDA Set-Aside fund in lieu of the General Fund. At a minimum, the General Fund should benefit from \$1.65 million identified to date as uncommitted.

In addition to the RDA Set-Aside Fund, OSH administers several other Special Revenue Funds that we believe can be used on a one-time basis to reduce the amount of General Fund subsidy without impacting overall funding levels for I/DD housing. As illustrated below, the Developer Application Fund (0289) has \$554,427 of available fund balance that can be used for County-sponsored housing programs approved by the Board per the fund description in SAP. Similarly, the HOME Investment Partnership Program Fund (0038) has a balance of \$1.3 million, which can be used for I/DD housing per HOME Program requirements. Lastly, the Unincorporated Area Rehabilitation Fund (0036) has an available fund balance of \$4.8 million that could *potentially* be drawn down on a one-time basis but may require reprogramming through the County's Urban County Annual Action Plan. In sum, of the \$6.7 million combined fund balance in these funds, the Management Audit Division believes at least \$1.9 million can be drawn from Fund 0289 and Fund 0038 instead of the General Fund should OBA disagree with our recommendation to draw on the fund balance in the RDA Set-Aside Fund discussed earlier.

Available Fund Balance in Other Special Revenue Funds to Offset I/DD Housing Costs

Fund	FY 2021-22 P10	FY 2020-21 Actual	FY 2029-20 Actual
Developer Application Fund (0289)	554,427	524,041	498,637
HOME Investment Partnership Program (0038)	1,311,261	939,830	637,563
Unincorporated Area Rehabilitation Revolving Loan (0036)	4,806,532	3,904,702	1,430,337
Total	\$6,672,220	\$5,368,573	\$2,566,537

Restrictions on Fund Use¹

- Developer Application Fund (0289) – Used for purposes related to (1) Mortgage Revenue Bond issuance, administration, and related programs such as Mortgage Credit Certificate application, issuance, and administration, and **(2) other County-sponsored housing programs and housing related uses approved by the Board of Supervisors.**

- HOME Investment Partnership Program (0038) – Funding is used for housing development or related activities pursuant to requirements of the U.S. Department of Housing and Urban Development (HUD). **Disbursements are to be made in accordance with the terms and conditions of contracts with designated agencies as approved by the Board of Supervisors.**

¹ Obtained from the fund descriptions in SAP.

- Unincorporated Area Rehabilitation Revolving Loan (0036) – To be used for funding new rehab loans for County unincorporated areas in accordance with HUD regulations.

Budget Unit 190 – County Communications **Page 211**

Revenue Account 4704100		Communications Services
<u>County Executive Recommended</u>	<u>Management Audit Proposed</u>	<u>Revenue Increase</u>
\$1,517,959	\$1,667,959	\$150,000

Revenue Account 4704100 (Communications Services)

These revenues are fees paid to County Communications for dispatch services to Rural/Metro ambulances and local cities and special districts, and charges to the Silicon Valley Interoperability Authority for communications equipment and repairs. The table below outlines the history of the revenues for this account:

Five-Year History of Communications Services - Account 4704100

<u>Fiscal Year</u>	<u>Budgeted Revenue</u>	<u>Actual Revenue</u>
FY 2017–18	\$1,192,464	\$1,316,772
FY 2018–19	\$2,087,538	\$1,552,573
FY 2019–20	\$1,517,959	\$1,677,385
FY 2020–21	\$1,517,959	\$1,670,416
FY 2021–22	\$1,517,959	\$1,045,186 ¹
<i>County Executive Recommended Budget FY 2022–23</i>	<i>\$1,517,959</i>	
<i>Management Audit Proposed Budget FY 2022–23</i>	<i>\$1,667,959</i>	

Typically, most of the total receipts in this account are posted to the financial system in June. The current, mid-May amount of \$1.045 million will likely increase by \$700,000 to \$1,000,000 in June, based on the amounts added in June in the last few years. This is a General Fund account, so the proposed adjustment to the Recommended Budget would result in \$150,000 savings to the General Fund.

The FY 2022–23 Recommended Budget for County Communications’ Revenue Account 4704100, Communications Services, amounts to \$1,517,959. However, we recommend increasing this

¹ Amount of Revenue received as of May 19, 2022.

revenue to come closer to actual receipts of the last two years. The Management Audit Division recommends that the budget be increased by \$150,000 for FY 2022–23, to a new total of \$1,667,959, which is still less than the amounts expected to be received in the current year and less than was received in the prior two fiscal years.

Multiple Expenditure Accounts

	<u>County Executive Recommended</u>	<u>Management Audit Proposed</u>	<u>Expenditure Decrease</u>
Exp. Acct. 5295100-Contrib. to Other Agenc.	\$668,207	\$93,207	(\$575,000)
Exp. Acct. 5350300-Operating Expense-Other	\$315,589	\$65,589	(\$250,000)
Total Expenditures	\$983,796	\$158,796	(\$825,000)

The Recommended Budget for “services and supplies” in this budget unit is \$37.2 million, or 26.1% higher than actual expenditures of \$29.5 million in FY 2020-21. As of May 25, actual “services and supplies” expenditures in FY 2021-22 totaled \$25,828,899, with just \$3.6 million encumbered. After accounting for the year-to-date expenditures and the encumbrances, the object budget has \$9.3 million unexpended and unencumbered for the remaining days of FY 2021-22. Below are two subaccounts that are habitually underspent.

Expenditure Account 5295100 (Contributions to Other Agencies)

The costs recorded in Expenditure Account 5295100, Contributions to Other Agencies, go towards gang prevention or youth work program activities. According to the Office of the District Attorney, their office did not engage in gang prevention or youth work program activities during the last couple years, but they plan to work with outside agencies to resume these programs and implement these programs next fiscal year. The table below outlines a five-year history of this account:

Five-Year History of Contributions to Other Agencies - Account 5295100

<u>Fiscal Year</u>	<u>Budgeted Expense</u>	<u>Actual Expense</u>
FY 2017–18	\$60,473	\$10,690
FY 2018–19	\$69,487	\$7,500
FY 2019–20	\$140,551	\$2,750
FY 2020–21	\$501,743	\$2,750
FY 2021–22	\$563,576	\$2,500 ¹
<i>County Executive Recommended Budget FY 2022–23</i>	\$668,207	
<i>Management Audit Proposed Budget FY 2022–23</i>	\$93,207	

This is a mixed fund account, however, the General Fund subsidy to the Office of the District Attorney budget is 69–73%, so the proposed adjustment to the Recommended Budget would result in \$396,750 to \$419,750 savings to the General Fund.

The FY 2022–23 Recommended Budget for the Office of the District Attorney Expenditure Account 5295100, Contributions to Other Agencies, amounts to \$668,207. However, considering the expenditures have consistently remained below \$25,000 over the last five-years, the Management Audit Division recommends that the budget be decreased by \$575,000 for FY 2022–23, to a new total of \$93,207.

Expenditure Account 5350300 (Operating Expense – Other)

The costs recorded in Expenditure Account 5350300, Operating Expense – Other, can be unpredictable, however the table that follows outlines a five-year history of this account:

¹ Actual Expense as of May 24, 2022.

Five-Year History of Operating Expense – Other - Account 5350300

<u>Fiscal Year</u>	<u>Budgeted Expense</u>	<u>Actual Expense</u>
FY 2017–18	\$636,167	\$0
FY 2018–19	\$262,617	\$0
FY 2019–20	\$599,297	\$138
FY 2020–21	\$282,139	\$350
FY 2021–22	\$304,195	\$0 ²
<i>County Executive Recommended Budget FY 2022–23</i>	\$315,589	
<i>Management Audit Proposed Budget FY 2022–23</i>	\$65,589	

This is a General Fund account, so the proposed adjustment to the Recommended Budget would result in \$250,000 savings to the General Fund.

The FY 2022–23 Recommended Budget for the Office of the District Attorney Expenditure Account 5295100, Contributions to Other Agencies, amounts to \$315,589. However, considering the expenditures have consistently remained below \$1,000 over the last five years, the Management Audit Division recommends that the budget be decreased by \$250,000 for FY 2022–23, to a new total of \$65,589.

² Actual Expense as of May 24, 2022.

Budget Unit 246 – Probation Department	Page 355
---	-----------------

Expenditure Account 5255100		Contract Services
<u>County Executive Recommended</u>	<u>Management Audit Proposed</u>	<u>Expenditure Decrease</u>
\$11,914,673	\$11,000,000	\$914,673

Expenditure control for this line item is at the “Services and Supplies” object. In FY 2020-21, the Department spent \$24.4 million in that object, leaving more than \$13 million unexpended and unencumbered. As of May 25, 2022, of the current budget year, \$18.4 million had been spent in the object. Expenditures and encumbrances as of that date totaled \$25.4 million, leaving \$8.9 million unexpended and unencumbered for the final days of the fiscal year in the object. The recommended budget for the object is \$30.8 million. Based on these figures, within the object there is “room” to reduce the recommended budget.

Expenditure Account 5255500 (Contract Services)

The costs recorded in Expenditure Account 5255500, Contract Services, represent costs associated with contracted vendors and service providers. The table below outlines a five-year history of this account:

Five-Year History of Contract Services - Account 5255500

<u>Fiscal Year</u>	<u>Budgeted Expense</u>	<u>Actual Expense</u>
FY 2017-18	\$14,906,604	\$5,835,965
FY 2018-19	\$13,474,455	\$8,193,523
FY 2019-20	\$23,451,109	\$7,776,042
FY 2020-21	\$20,345,060	\$8,809,756
FY 2021-22	\$17,143,813	\$5,293,794 ¹
<i>County Executive Recommended Budget FY 2022-23</i>	\$11,914,673	
<i>Management Audit Proposed Budget FY 2022-23</i>	\$11,000,000	

¹ Actual Expense as of May 25, 2022. An additional \$4.5 million was encumbered.

This is a General Fund account, so the proposed adjustment to the Recommended Budget would result in \$914,673 savings to the General Fund.

The FY 2022-23 Recommended Budget for the Probation Department Expenditure Account 5255500, Contract Services, amounts to \$11,914,673. However, considering the expenditures have consistently remained below \$9 million over the last five years, the Management Audit Division recommends that the budget be decreased by \$914,673 for FY 2022-23, to a new total of \$11 million.

Multiple Expenditure Accounts

	<u>County Executive Recommended</u>	<u>Management Audit Proposed</u>	<u>Expenditure Decrease</u>
Exp. Acct. 5235520-Plumbing Contract Servs.	\$1,174,023	\$1,024,023	(\$150,000)
Exp. Acct. 5235540-Architec. Contract Servs.	\$3,434,112	\$3,084,112	(\$350,000)
Exp. Acct. 5235580-Mechanical Contract Servs.	\$2,974,315	\$2,824,315	(\$150,000)
Exp. Acct. 5235640-Envir. Restor. Contr. Servs.	\$659,938	\$484,938	(\$175,000)
Total Expenditures	\$8,242,388	\$7,417,388	(\$825,000)

In recent years, the Facilities “services and supplies” budget has been underspent. Unexpended amounts in FY 2020-21 amounted to \$6.6 million, \$6.8 million in FY 2019-20, and \$9.8 million the year before that. The proposed budget of \$132.0 million is 16% larger than the actual total expenditures of \$113.8 million in FY 2020-21. The line items above are potential sources of excess Recommended Budget, as detailed below.

Expenditure Account 5235520 (Plumbing Contract Services)

The table below outlines a five-year history of the costs recorded in Expenditure Account 5235520, Plumbing Contract Services, and demonstrates room to adjust the budget for these expenses:

Five-Year History of Plumbing Contract Services - Account 5235520

<u>Fiscal Year</u>	<u>Budgeted Expense</u>	<u>Actual Expense</u>
FY 2017–18	\$663,824	\$909,5012
FY 2018–19	\$1,128,474	\$1,324,496
FY 2019–20	\$1,178,474	\$743,261
FY 2020–21	\$1,162,584	\$677,985
FY 2021–22	\$1,162,584	\$1,128,684 ¹
<i>County Executive Recommended Budget FY 2022–23</i>	\$1,174,023	
<i>Management Audit Proposed Budget FY 2022–23</i>	\$1,024,023	

¹ Actual Expense as of May 25, 2022.

This is a General Fund account, so the proposed adjustment to the Recommended Budget would result in \$150,000 savings to the General Fund.

The FY 2022–23 Recommended Budget for Facilities’ Expenditure Account 5235520, Plumbing Contract Services, amounts to \$1,174,023. However, considering the five-year expenditure trend, the Management Audit Division recommends that the budget be decreased by \$150,000 for FY 2022–23, to a new total of \$1,024,023.

Expenditure Account 5235540 (Architectural Contract Services)

The table below outlines a five-year history of the costs recorded in Expenditure Account 5235540, Architectural Contract Services, and demonstrates room to adjust the budget for these expenses:

Five-Year History of Architectural Contract Services - Account 5235540

<u>Fiscal Year</u>	<u>Budgeted Expense</u>	<u>Actual Expense</u>
FY 2017–18	\$1,640,071	\$5,232,203
FY 2018–19	\$3,907,236	\$2,552,011
FY 2019–20	\$3,907,236	\$3,302,940
FY 2020–21	\$3,396,574	\$1,384,190
FY 2021–22	\$3,396,574	\$1,619,803 ²
<i>County Executive Recommended Budget FY 2022–23</i>	\$3,434,112	
<i>Management Audit Proposed Budget FY 2022–23</i>	\$3,084,112	

This is a General Fund account, so the proposed adjustment to the Recommended Budget would result in \$350,000 savings to the General Fund.

Expenditure Account 5235580 (Mechanical Contract Services)

The table that follows outlines a five-year history of the costs recorded in Expenditure Account 5235580, Mechanical Contract Services:

² Actual Expense as of May 25, 2022.

Five-Year History of Mechanical Contract Services - Account 5235580

<u>Fiscal Year</u>	<u>Budgeted Expense</u>	<u>Actual Expense</u>
FY 2017–18	\$1,382,931	\$3,451,373
FY 2018–19	\$3,616,065	\$1,648,349
FY 2019–20	\$3,603,860	\$1,427,608
FY 2020–21	\$2,939,915	\$2,480,394
FY 2021–22	\$2,939,915	\$1,175,509 ³
<i>County Executive Recommended Budget FY 2022–23</i>	\$2,974,315	
<i>Management Audit Proposed Budget FY 2022–23</i>	\$2,824,315	

This is a General Fund account, so the proposed adjustment to the Recommended Budget would result in \$150,000 savings to the General Fund.

The FY 2022–23 Recommended Budget for Facilities’ Expenditure Account 5235580, Mechanical Contract Services, amounts to \$2,974,315. However, considering the five-year expenditure trend, the Management Audit Division recommends that the budget be decreased by \$150,000 for FY 2022–23, to a new total of \$2,824,315.

Expenditure Account 5235640 (Environmental Restoration Contract Services)

The table that follows outlines a five-year history of the costs recorded in Expenditure Account 5235640, Environmental Restoration Contract Services:

³ Actual Expense as of May 25, 2022.

Five-Year History of Environmental Restoration Contract Services - Account 5235640

<u>Fiscal Year</u>	<u>Budgeted Expense</u>	<u>Actual Expense</u>
FY 2017–18	\$517,287	\$1,014,814
FY 2018–19	\$1,613,233	\$498,837
FY 2019–20	\$1,013,233	\$94,377
FY 2020–21	\$650,103	\$64,500
FY 2021–22	\$650,103	\$21,525 ⁴
<i>County Executive Recommended Budget FY 2022–23</i>	\$659,938	
<i>Management Audit Proposed Budget FY 2022–23</i>	\$484,938	

This is a mixed fund account, however, the General Fund subsidy to the Facilities budget is 45% (89% if Internal Charges are excluded), so the proposed adjustment to the Recommended Budget would result in \$78,750 to \$155,750 savings to the General Fund).

The FY 2022–23 Recommended Budget for Facilities’ Expenditure Account 5235640, Environmental Restoration Contract Services, amounts to \$659,938. However, considering the expenditures have consistently remained below \$500,000 over the last four-years, the Management Audit Division recommends that the budget be decreased by \$175,000 for FY 2022–23, to a new total of \$484,938.

⁴ Actual Expense as of May 25, 2022.

Budget Unit 921 – Santa Clara Valley Medical Center	Page (Various)
--	-----------------------

Special Programs and Reserves (General Fund)		
Expenditure Account 5610300		IC-Hospital Subsidy
County Executive	Management Audit	Expenditure
<u>Recommended</u>	<u>Proposed</u>	<u>Decrease</u>
\$329,728,934	\$326,328,934	(\$3,400,000)
 Santa Clara Valley Medical Center at Bascom (Fund 60)		
Revenue Account 4920120		IC – Transfers In
County Executive	Management Audit	Revenue
<u>Recommended</u>	<u>Proposed</u>	<u>Increase</u>
\$220,910,773	\$217,510,773	(\$3,400,000)

The FY 2022-23 Recommended Budget includes multiple recommendations relating to the consolidation of previously stand-alone budget units into Santa Clara Valley Medical Center (SCVMC). For example, the County Executive is recommending the transfer of the Community Health Services Department (BU 418) to SCVMC to “align budget with service and operation reporting” (pg. 115). Though the budget document states that there is “no net cost to the General Fund because of this action” as “the ongoing increase in investment to SCVMC is offset by the ongoing reduction in Community Health Services by the same amount,” the General Fund is not benefiting from the \$3.4 million in anticipated cost savings that will result from shifting Community Health Services to SCVMC as the figure below shows.

Recommended Budget Changes for FY 2022-23 Related to Community Health Services

Budget Unit	Fund	Positions	Appropriations	Revenues	Net Cost
418 Community Health Services	General Fund (0001)	(102)	(21,007,531)	(5,200,617)	(15,806,914)
921 Santa Clara Valley Medical Center	VMC Operations (60)	102	16,710,570	4,303,522	12,407,048
Difference			(4,296,961)	(897,095)	(3,399,866)

Source: FY 2022-23 Recommended Budget Book pg. 464 and pg. 490.

This \$3.4 million is equal to the services and supplies expenditures budgeted in Fund 12, the Children’s Health Initiative (CHI), which is administered by Community Health Services and also being transferred to SCVMC in the Recommended Budget. Fund 12 has accumulated a fund balance of \$11.9 million in FY 2021-22, a 129% increase from the \$5.2 million we reported in our review of the FY 2019-20 Recommended Budget, and the Administration is proposing to transfer this fund balance to SCVMC in FY 2022-23 to close out CHI and Fund 12. This fund balance is more than sufficient to fund the \$3.4 million of Community Health Services expenditures that instead are being shifted to the General Fund through a higher “investment” in SCVMC for the Community Health Services Transfer.

Though the Office of Budget and Analysis (OBA) has stated that it has already adjusted the General Fund subsidy by this amount to account for the consolidation of Community Health and CHI into Fund 60, and a reduction of \$3.4 million would result in the need to cut operating costs, we disagree because there are no operating costs associated with the CHI Fund. The CHI fund balance transfer of \$11.9 million includes 3.5 years of unspent \$3.4 million appropriations funded from General Fund transfers and the actions in the Recommended Budget simply eliminate *new* General Fund appropriations to the CHI Fund (Fund 12) for FY 2022-23 while “reducing” the General Fund subsidy to SCVMC by the \$11.9 fund balance in Fund 12. However, there is no real *reduction* to the General Fund from this action because the money in Fund 12 is mostly General Fund dollars appropriated over time and unspent.

The Management Audit Division recommends that the General Fund Subsidy to SCVMC be reduced by \$3.4 million to account for the fact that SCVMC’s net cost of operating Community Health Services is only \$12.4 million, not \$15.8 million, with the difference covered by the \$11.9 million fund balance transfer from the Children’s Health Initiative Fund (Fund 12). Monies retained by the General Fund can be allocated to other priorities if directed by the Board of Supervisors.