

1010805000—Tobacco Settlement

General Government

Monica Nino, County Administrator

General Fund	2017-2018 Actual	2018-2019 Adjusted	2019-2020 Requested	2019-2020 Recommended	Increase/ (Decrease)
Expenditures					
Operating Transfers Out	\$6,075,000	\$7,300,000	\$7,300,000	\$7,300,000	\$0
Total Appropriations	\$6,075,000	\$7,300,000	\$7,300,000	\$7,300,000	\$0
Earned Revenues By Source					
Operating Transfers In	\$0	\$0	\$7,300,000	\$7,300,000	\$7,300,000
Total Revenues	\$0	\$0	\$7,300,000	\$7,300,000	\$7,300,000
Net County Cost	\$6,075,000	\$7,300,000	\$0	\$0	(\$7,300,000)

Purpose

This appropriation provides the annual allocation of local Tobacco Settlement Funds based on the policy guidelines established by the Board of Supervisors.

In November 1998, a national tobacco industry settlement was reached. The California portion of the settlement allows counties to share in the settlement and specifies that the dollars are discretionary for counties. The State and counties recognize that there are uncertainties surrounding the level of funds to be received over time.

Major Budget Changes

Revenues

- \$7,300,000 Increase in operating transfers reflecting transfers no longer made through the Operating Transfers budget.

Program Discussion

In November 1999, the Board adopted the Tobacco Settlement Policy Guidelines and a general funding formula for a ten-year time frame which ended in 2007-2008. However, due to substantial budget shortfalls, most of the Tobacco Settlement Funds were directed to support County operations for 2008-2009 through 2010-2011.

In October 2010, the Board reaffirmed the Policy Guidelines and modified the allocation funding formula to reflect the Board's priorities and the County's capital facility needs.

These Policy Guidelines and the modified allocation formula are summarized as follows:

- Restrict Tobacco Settlement Trust Fund monies to one-time uses with multiyear benefits, not operational program expansions and staffing.
- Maximize the use of non-County funding resources to meet community needs, while avoiding building up service levels that cannot be supported with ongoing revenues.
- Minimize debt financing costs requiring ongoing support.
- Adopt a general allocation formula as follows for a 10-year time frame, effective 2011-2012 through 2020-2021 with a comprehensive review and recommendation for another ten-year allocation when the time frame expires:

Funding Allocation Formula

One-Time Uses With Multiyear Benefits	Allocation Percentage
Health Care Facilities	50%
Capital Improvement Program	20%
Automation Replacement/Expansion	20%
Public Works (non-Road Fund services & Delta/water-related activities)	10%
<i>Total</i>	<i>100%</i>

- Direct the County Administrator to annually develop specific project recommendations for Board review and action in the annual budget process from the general allocation.

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Tobacco Settlement Trust Fund

For 2019-2020, receipts from the Tobacco Settlement program are expected to total \$7.3 million, which is the same amount budgeted for 2018-2019. The actual Tobacco Settlement payment received in late April for 2018-2019 totaled \$7,030,321, the shortage from the projected amount was covered through the Tobacco Settlement Trust Fund (#10116). The projected Trust balance at June 30, 2019 totals \$1,210,736. For 2019-2020, if the actual payment received is significantly less than budgeted, lower amounts could be allocated to Departments.

Funding Allocation

Based on the Board-adopted guidelines, the table below lists the funding allocation to four identified areas for 2019-2020:

2019-2020 Allocation	
Identified Area	Allocation
<i>Health Care Facilities</i>	<i>\$3,650,000</i>
<i>Capital Improvement Program</i>	<i>1,460,000</i>
<i>Automation Replacement/Expansion</i>	<i>1,460,000</i>
<i>Public Works (non-Road Fund services & Delta/water-related activities)</i>	<i>730,000</i>
<i>Total \$7,300,000</i>	

The specific recommendations and project descriptions are as follows:

Health Care Facilities - \$3,650,000

- Since 2010, capital funds have been accumulated for yet-to-be-determined facility projects to address the changing health care environments. Over the last six years, the Board has directed a total of \$2.0 million in Tobacco Settlement funds and \$2.9 million of the 2012-2013 General Fund contribution to San Joaquin General Hospital for health care facilities projects. The recommended budget allocates \$3,650,000 of the 2019-2020 Tobacco Settlement funds for health care facilities projects. This will bring the total funding to \$33,187,875. Of this funding, \$514,359 has been programmed for a Public Health facility project, leaving \$32,673,516 available for future projects. By assembling funding now, potential future debt financing costs are minimized.

See Public Improvement budget #1040108000 for details.

Capital Improvement Program - \$1,460,000

- To fund Micke Grove Memorial Building roof replacement (\$450,000).
- To fund security improvements at County facilities (\$330,000).
- To fund Micke Grove gate installation (\$250,000).
- To fund Americans with Disability Act improvements at County facilities (\$135,000).
- To fund Honor Farm 124 barracks security lighting upgrade (Phase I) (\$85,000).
- To fund Sheriff's Office Jail cells emergency lighting replacement (\$60,000).
- To fund Honor Farm water softener replacement (\$50,000).
- To fund Micke Grove Zoo graphics media accelerator mesh repairs (\$50,000).
- To fund Sheriff's Office Coleman Range facility improvement (\$50,000).

See Public Improvement budget #1040148000 for details.

Automation Replacement/Expansion - \$1,460,000

- To set aside \$800,000 for the replacement of the County's Juvenile Justice System. In 2018-2019, \$400,000 was set aside for the project for a total set aside of \$1.2 million. The total project cost is estimated at \$1.3 million.
- To enhance cybersecurity capabilities for the County's critical infrastructure and election systems (\$410,000).
- To develop the County's Digital Services Strategy. The foundation for the Strategy will be to deliver innovative, service-enhancing technology solutions and governance models. (\$250,000).

See Information Systems Division Internal Service Fund budget #8240000000 for details.

Public Works - \$730,000

- To supplement the General Fund support of the advocacy efforts and activities related to the Delta and the County's water rights (\$730,000).

See Delta Activities budget #2023070000 for details.