



Salt Lake County Mayor Ben McAdams
2016 Proposed Budget Message
October 20, 2015
(As Prepared)

Mr. Chairman, Council members, fellow elected officials, colleagues and friends:

Today I present a proposed 2016 budget that is structurally balanced with existing revenues. It supports my belief in taking on tough issues and trying to solve problems. It prioritizes the county's core responsibility – public safety.

I would like to thank Salt Lake County's independent elected officials, who helped meet our budget challenges. In particular, I'd like to acknowledge the collaboration with Sheriff Winder and District Attorney Gill. They are committed, as I am, to making meaningful changes in the criminal justice system – changes that are long over-due, that are more humane and more fiscally sound.

I want to express my appreciation to the dedicated employees in the Mayor's Finance Administration. Thanks to their work, I can present these budget numbers to you with confidence and ensure that the budget stands up to scrutiny.

This is a budget that responds to what the 1.1 million residents of Salt Lake County expect and deserve: a county government that steps up to the plate and confronts a serious criminal justice challenge.

This year, we cannot "rubber-stamp" programs and expenditures. Our budget seizes the opportunity to innovate and pursue "what works" even when that means challenging old assumptions and abandoning the status quo.

My proposed \$1.1 billion net budget helps finance the decisions that we must act on today, in order to have a safe, healthy and bright future –The Future We Choose—tomorrow.

Protecting our investment in facilities and assets

Planning for the future cannot come at the expense of taking care of what we own and manage today. Fiscally-responsible management includes well-cared-for public spaces and facilities.

It's our job to ensure that everything operates safely and efficiently and serves the purpose for which it was designed, built and paid.

Showing progress on handling capital renewal and replacement remains a top priority for my administration.

I'm happy to be able to report that our funding commitment is on track with what we did last year. We have budgeted \$42 million to ensure that priority issues are addressed in 2016.

Most importantly, we've now got accurate data that shows the true picture of capital replacement and maintenance in the county. We have a five-year-plan to guide future budget decisions and help us to responsibly manage our assets.

If you take away nothing else from this budget speech today, I'd like you to remember two words: Conviction and Courage.

As you will see with this proposed budget, we cannot afford, financially, to continue funding business as usual *and* also fund the changes that will chart our new course for the future. We must make tough decisions. It's scary to move away from our comfort zone. It's one thing to say we'll work differently. It's something else to do it. That takes courage.

I want Salt Lake County to show **courage** as we strive for our goals for a Healthy Community built on the foundation of Healthy People, Healthy Places, Opportunity and a Responsive Government; to have the **conviction** to set specific outcomes and priorities and measure our progress, and have the **courage** to follow through on our strategy for the Future We Choose.

This budget reflects our priorities for a rapidly-growing county. It backs up my commitment from Day One that wherever existing county government functions do not reflect the world we live in *today*, we will change.

It takes **conviction** to set goals and ask whether our county government functions meet the needs of our residents today. It takes **courage**, under budget pressures that force tough choices, to follow our analysis, our data and our surveys, and deliver on our commitment that we will change.

We have a lot going for us. As a thriving metropolitan area, Salt Lake County is leading the way forward on economic growth and jobs, low taxes, cleaner air, and quality education.

I look to our future with optimism. The Salt Lake metro area unemployment rate – at 3.4 percent—is among the lowest of all metro areas in the country. Half of all the jobs in Utah were right here in Salt Lake County in 2012.

These are all signs of a stable and healthy Salt Lake County. Public opinion polling shows that 90 percent of our residents are very satisfied with the quality of life in our county.

I share their view, that Salt Lake County is a great place to raise a family, start a business and give something back to the community.

As the metro government of this Salt Lake valley, our excellent fiscal management helped maintain Triple A ratings from all three financial rating agencies, ensuring we pay very low interest rates, saving taxpayer dollars.

As careful stewards of tax dollars, and a government committed to following data and evidence, we provide a solid footing from which to lead out.

However, we do face some challenges.

Revenue projections for 2016 are, for all intents and purposes, flat. We project new growth from property and sales taxes for our county-wide funds totaling approximately \$8 million. That amount essentially covers expenses central to our operations: salaries and health care and other benefits for our employees - expenses we must fund. Additionally, from that amount, we must, under state statute, set aside \$3 million for expenses relating to the 2016 presidential election.

After providing salary increases, covering health care costs, funding next year's presidential election and operations for three new regional parks that will open next year, the math was simple. All of the new growth revenues were used up, and then some.

My baseline approach was to fund any new priorities with existing tax dollars, while maintaining our structural balance.

If the council agrees with that approach, then this year we must make a choice. Will we “rubber-stamp” programs and expenditures in line with what they have always been, or will we follow our data and learning and seize the opportunity to innovate and pursue “what works” even when that means challenging old assumptions and abandoning the status quo? I recognize that while change is ongoing, today, we have tough choices to make. We must have courage.

We reduced total requests by \$34 million. We asked every department head to bring us only the top priorities for additional funds and to fund those priorities through streamlining and realignment of existing funds and programs.

We’re making good progress on our plan to control health care costs in Salt Lake County by offering and informing employees about the choice of a high deductible health care savings plan. Two years ago, we set a new goal to harness the cost-saving power of consumerism and the frugality of our own employees by restructuring our health care savings plan. We set a 2015 **goal of a 55 percent** employee enrollment in our health care savings plan. We met that goal.

This policy move gives employees more control over their health care dollars and empowers them to be smart consumers of health care, maximizing both their personal income and tax savings. Furthermore, by participating in the Health Savings Account, employees have a chance to set aside additional savings for their retirement by retaining the unspent funds in their personal health savings account and keep that money for when they retire. This helps counteract the ever-increasing health care costs for the county. Next year’s goal is **65 percent enrollment** in our health care savings plan.

This year we completed a benefits and compensation study to guide our transition to a compensation system that is competitive with the market. The data and analysis from that report guided our benefits and compensation recommendations in this budget. According to that report, our salaries are marginally lower and our retirement benefits are very high relative to our market set.

My budget proposes a 2 and a half percent salary increase for employees. On top of that, I also request additional funding so our Human Resources division can begin to address the pay inequities we discovered from our study.

To achieve a balanced budget—in the fairest way possible—we looked at market data and evidence derived from our compensation study. We determined that we should

eliminate, going forward, the county's discretionary annual 3 percent contribution to the 401(k) accounts of Tier One employees.

Tier One employees are, for the most part, those who began working for the county prior to July 2011. They represent about three fourths of our workforce. Those employees will-- of course-- keep all funds contributed to their individual 401(k) plans through December 2015 and may continue to make **personal** contributions to their 401(k) accounts. They will also keep their annual county funded pension benefit--18 percent of their annual salary. According to our data, even after this change, Salt Lake County will still offer a strong retirement benefit compared to the rest of the market.

While I know this change will be disappointing for some, I'd like employees to know that I made the choice to prioritize pay increases for all employees and to keep their health care costs down while also supporting their opportunity to save for retirement in a different way by funding the health care savings plan.

We value the hard-working men and women in Salt Lake County and what they do every single day on behalf of our residents.

Healthy People, Addressing the Criminal Justice System Challenge

This year, due in part to the Justice Reinvestment Initiative passed by the state legislature, sentencing for some drug crimes and other non-violent offenses will require jail time, rather than prison. That change took effect October 1st.

Our entire criminal justice team supports those reforms. We understand why we need to move in that direction.

But make no mistake--it represents a significant unfunded mandate on us that was based on the assumption our legislature would also act on a plan to expand Medicaid coverage.

The state also decided to relocate and build a new state prison, with modern treatment and corrections facilities to prepare individuals for re-entry into the community, as stable and contributing members of society.

The size, configuration and cost of that new facility assumes a philosophical shift from "lock 'em up and throw away the key" to treatment and reintegration of individuals as responsible, law-abiding citizens. Without a plan to provide health care and behavioral

health treatment to Utah's neediest residents, the data underlying the fundamental assumptions and decisions justifying prison relocation is flawed. The three-legged stool of Justice Reinvestment, Prison re-location and Medicaid expansion is tipping over.

The state legislature's failure to act on a *Utah* plan for Medicaid expansion impairs *our* work to serve those with mental health and substance abuse needs. It has serious consequences for our future county budgets and will, without a doubt, lead to an increase in crime rates in our communities and cause higher incarceration rates in our jails and prisons.

If our state leaders cannot come to agreement on a Medicaid plan, they must make start over on decisions regarding a new prison and Justice Reinvestment. Without money for treatment, a new prison is an expensive luxury we cannot afford.

Those actions—all of which are beyond our control—affect our budget choices in a dramatic way.

Instead of just throwing up hands, we have come up with a plan, which I'll talk more about in a moment.

County government has a core responsibility to public safety. All of the county's elected officials take that responsibility very seriously.

We provide police, fire and first responder protection. We coordinate 9-1-1 emergency calling. We operate the county jail.

We're responsible for managing behavioral health services for thousands of Medicaid enrollees and those who have no insurance. We manage probation and parole programs. We help keep neighborhoods safe and families and businesses secure.

Fully **three fourths of the county's general fund is taken up by the county's criminal justice and human services investments.**

For better or worse, the two are linked. They give us outcomes that either require more and more taxes for incarceration, or—if we're willing to think and work differently—a better outcome.

In 2014, the jail saw a 17 percent increase in the number of new felony charge bookings. The same year, the District Attorney's office experienced a double-digit

increase in criminal cases brought for screening by law enforcement. That trajectory is continuing into 2015.

These local trends highlight why our nation is undergoing a major philosophical shift when it comes to crime and punishment in America.

Federal, state and local governments agree our current criminal justice system is broken. We cannot continue to lock everyone up for decades without bankrupting government and perpetuating human misery and family destruction.

But the state Justice Reinvestment Initiative means that—in the short term—our jail will take a hit, and our behavioral health programs—which already have long waiting lists—will take on increased demand.

I recognize the Legal Defenders Association, our provider of adult indigent defense services, is also strained under these pressures and I propose an increase to their budget of \$820 thousand to assist in managing their increasing caseloads and meet the constitutional right to legal representation, regardless of ability to pay.

I've prepared a plan that meets both our public safety responsibilities today and starts us on a path toward what I see as a more humane and more effective criminal justice system in the future.

In 1995, County leadership made a public safety decision to replace an aging county jail. The county bonded for \$107 million to build our secure, modern Adult Detention Center.

Taxes were levied and approximately \$9 and a half million annually was dedicated to debt service repayment for 20 years. That jail bond will be retired the end of December. My budget proposes that we continue that levy and re-dedicate the public safety revenue approved by taxpayers for a jail-- to the growing criminal justice needs confronting us.

How would that money be used?

First, we must address our present circumstances-- the future we have today that is the result of past decisions. I propose a commitment of roughly \$2.8 million on an ongoing basis to address current criminal justice conditions and caseload increases facing the Sheriff and the District Attorney. To a lesser degree, those funds anticipate what's coming at us as a result of Justice Reinvestment legislation.

I propose the balance of the re-dedicated funds--\$6.6 million—will pay for two main priorities. These efforts give us an opportunity to “bend the curve” away from

incarceration and towards treatment, even as we deal responsibly with more people in the valley and potentially more crime.

First, we'll work to reduce the number of jail beds we will need in the future by building a Community Corrections Center we plan to open in 2019.

We project an ongoing expense of \$3.6 million per year, beginning in 2019, to fund the debt service on a bond for constructing the Center. We propose to fund this ongoing amount from the \$6.6 million re-dedicated criminal justice funds.

This secure treatment facility is a sentencing alternative to the jail.

It would include space for intake efforts, behavioral health services, job counseling and other programs, within a secure environment.

This will free up the "hard beds" for criminals who need to be kept away from society.

The Community Corrections Center site would also serve as a new location for our Criminal Justice Services, helping to save on improved access to services and fostering a network of services, rather than silos.

Designated programming here will be evidence-based and rigorously evaluated. We'll consult with the Council and other stakeholders on what measures should be evaluated and will return to the Council for your consideration and input on architectural designs and construction planning.

Operating costs for the site will come from future revenues.

Second, we are going to need new capacity in our jail. We all want to minimize that need and defer that expense as long as possible. However, when you do the math of population growth and countywide crime rates, it is inevitable. We agree to work with our Sheriff and District Attorney to manage our criminal justice needs with current jail capacity until 2019. In 2019, we will need additional beds. We project a need for an additional \$3 million per year above the Sheriff's 2018 operating expenses to meet this need. We propose to fund this ongoing obligation in 2019 from the remaining \$6.6 million re-dedicated criminal justice funds.

My conviction is that we can limit the number of new beds, by finding the courage today to seize this opportunity to fund immediate public safety needs now, while figuring out how to interrupt the projected flow into the criminal pipeline.

Until 2019, I propose using some of the re-dedicated criminal justice funds for this fact: what we've been doing for 20 years isn't working and it's time to move to alternatives based on data.

I am also proposing \$100,000 per year—for three years—to support data analysis and collective impact efforts to better define our criminal justice stakeholder work, including the District Attorney and the Sheriff, and to measure our efforts. That's how we'll know if we are meeting our goals and help us see what course corrections may be needed.

As I said earlier, \$6.6 million of the re-dedicated criminal justice funds will be set aside to fund a community corrections center and increased jail capacity beginning in 2019. In the meantime, I propose putting those funds in escrow to cover our three Pay for Success initiatives. Soon, we'll bring our proposal to you for your feedback and approval. As you know, each is designed to have private funders "front" the costs.

Under these proposals we will pay for success-- where we achieve different criminal justice outcomes through innovative projects designed to (1) lower recidivism, (2) minimize homelessness and (3) improve maternal and child health outcomes in families—which is where the unintentional seeds of future criminal acts are sometimes sown.

How does that relate to today's overcrowding at the jail?

When the new county metro jail opened in January 2000, it was already pushing capacity. A major factor was the high rate of recidivism and over the years, that has not improved.

Of 87-hundred inmates released in 2011, nearly two-thirds were back in the jail **within three years**. In other words, they're out just long enough to get into legal trouble again. It's a repeating loop that serves no one – not the victims of crime, not the police, not the prosecutors, and not those cycling in and out of the system or their families.

We can all agree that the jail is the wrong place to house the homeless.

Yet, data shows that nearly **30 percent of the homeless population** was booked into the jail in a 12-month period. This "revolving door" between the jail, the homeless shelter and the streets is costly. Plus, it does nothing to solve the underlying cause of recidivism or homelessness.

The Future We Choose minimizes the number of people who are homeless and also lowers the risk of people becoming homeless.

Something remarkable took place last week. A collaborative group of homelessness providers and stakeholders—sponsored by Salt Lake County and Salt Lake City—came together on a shared agenda and shared outcomes.

They unanimously supported a resolution that says how—going forward—we'll work together, spend our money and courageously drive one goal: minimize the number of homeless people in Utah and lower the risk of future homeless individuals and families.

If our Pay for Success portfolio succeeds, as we believe it will, we'll see an opportunity to:

- Reduce recidivism by putting money toward programs that are shown to do that;
- Promote substance abuse and mental health treatment as viable and widely available alternatives to jail;
- Maintain a focus on public safety while identifying ways to slow the crime rate increase.
- Decrease pressure on the budget while doing a better job for individuals who are today falling through the cracks.

A unique benefit of spending this criminal justice revenue on Pay For Success projects is this: If the outcomes we identify—lower rates of recidivism, fewer numbers of homeless individuals, better health and education outcomes for children—aren't achieved, the county doesn't pay. That money stays in the bank, ready for other high-priority criminal justice needs.

The private funders bear the financial risk, as they did in New York City earlier this year. A Pay for Success project at Riker's Island failed to deliver on a 10 percent reduction in recidivism by teens.

What happened with that experiment is unprecedented in the history of New York City's troubled correctional system: The city pulled the plug on the project and walked away without losing a dime of taxpayer money.

In our case, if our programs don't get results, we keep our money—to be directed toward a Community Corrections Center site, or other criminal justice needs.

I'm proud of the bipartisan collaboration that is uniting county leaders, state leaders, our Human Services Department and the Criminal Justice Advisory Council – with the single goal of spending criminal justice and social justice dollars more effectively.

How will we measure success? We'll know we've succeeded when 1) we've put the criminals behind bars, 2) the homeless in housing, 3) substance abusers in treatment, and 4) children in school, through high school graduation.

When we've done that we'll have made a measurable and lasting difference in peoples' lives.

When we show courage and conviction, we help validate the public's trust in our ability to solve problems and get things done.

I thank the Council for allowing me to present this plan, knowing you'll want to scrutinize the details and get answers from us to your questions.

Conclusion

There is an old Turkish Proverb: No matter how far down the wrong road you have gone, turn back.

For thirty years, we've been going down the road of one-size-fits-all punishment. In return, we got the highest rate of incarceration of any industrialized country in the world.

In our prisons and in the Salt Lake County jail, most of those we lock up should be in substance abuse treatment, or mental health counseling, rather than behind bars.

With this budget, I'm saying let's turn back.

Let's harness the power of bipartisan support, collaboration and data.

Let's have the courage to change direction and the conviction to power us forward in a new direction.

Let us be the county that says to our residents, "We support you in building measurably better lives" and then match our words with actions.

Thank you.