




BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: County Executive
Office
Department No.: 012
For Agenda Of: 12/02/14
Placement: Departmental
Estimated Tme: 1 Hour
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Mona Miyasato, County Executive Officer 
Contact Info: Tom Alvarez, Budget Director, 568-3432
SUBJECT: FY 2015-17 Fiscal Outlook Report and 5 Year Forecast

Recommended Actions:

That the Board of Supervisors:

Receive the Fiscal Years 2015-17 Fiscal Outlook and 5 Year Forecast Report and receive a presentation on the economic context and impending financial challenges faced by the County in FYs 2015-16 and subsequent years.

Background:

The Fiscal Outlook Report is the second of six annual Budget Development presentations to the Board and provides context of the overall economy; specific countywide events and their estimated financial impact on the County; and finally, forward looking financial forecasts reflecting the overall impact of the Fiscal Issues and other projected changes for a period of 5 years .

Summary Text:

The national and local economy are improving and showing positive signs, indicating a stable fiscal environment for County government. Prior funding commitments and issues of fiscal concern, however, will limit significant opportunities for growth in the coming year.

Positive signs:

- National & Local economy/real estate markets are improving, resulting in potentially greater Fed/State/Local revenue
- After four years of minimal growth to property tax revenues, County now has experienced two years of 4.3% and 5% growth
- Revenues are expected to grow in the near term; between 4%-7% for property tax related accounts
- Retirement costs have finally stabilized and are expected to modestly improve.

Areas of caution or concern:

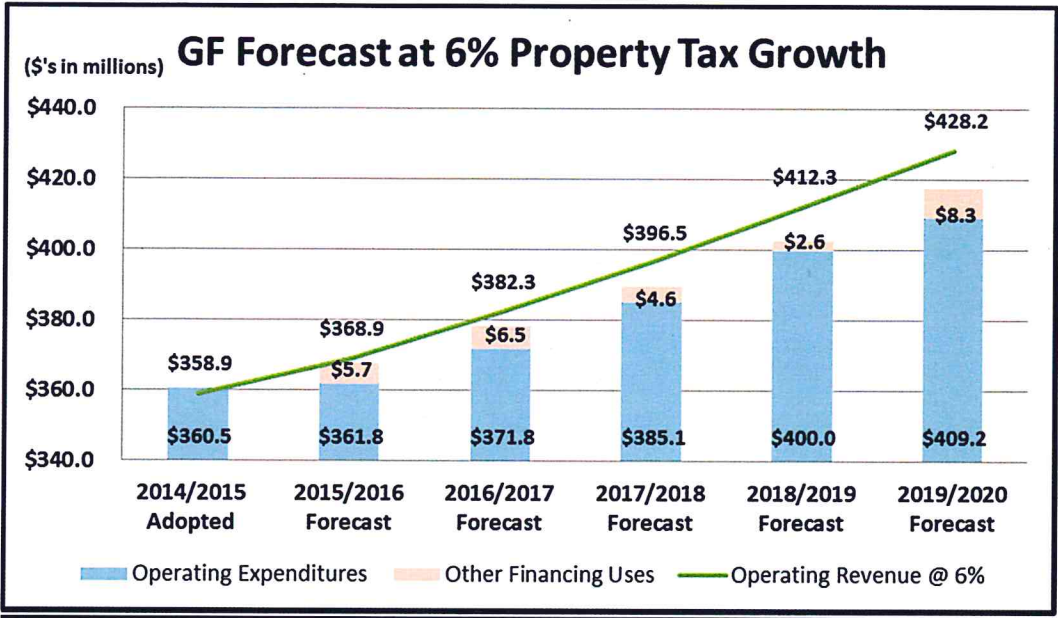
- Limited opportunities for new programs given continued commitment to prior funding priorities:
 - Northern Branch Jail operating costs
 - Fire Tax Shift
 - Maintenance Backlog
- Increased health insurance and workers' compensation costs
- Reduced State funding (gas tax) for Roads
- Increased Sheriff over time and training costs
- Continued cost increases for Mental Health's inpatient system of care
- Continued Other Post-Employment Benefit (OPEB) liability costs
- Continued operating gaps in department budgets
- Employee retention and turnover
- Desire for expanded programs

The table below shows the 5 Year Forecast for all County Fund Types, displayed by Sources and Uses. The General Fund is Fund Type 01 and the Special Revenue Funds, Type 02, include Roads, Public Health, Mental Health, the Department of Social Services and many more funds.

(\$ in millions)		2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Source and Use		Adopted	Forecast	Forecast	Forecast	Forecast	Forecast
Fund Type 01 – General							
S -- Source of Funds	*	\$ 573.4	\$ 571.8	\$ 595.1	\$ 623.0	\$ 654.8	\$ 680.6
U -- Use of Funds	*	573.4	570.4	591.1	616.2	645.2	669.7
	General	-	1.4	4.0	6.7	9.6	10.8
Fund Type 02 – Special Revenue							
S -- Source of Funds		552.0	538.4	537.2	554.7	563.6	589.9
U -- Use of Funds		552.0	542.6	543.1	561.9	578.6	602.9
	Special Revenue	-	(4.1)	(5.9)	(7.2)	(15.0)	(13.0)
Fund Type 03 – Debt Service							
S -- Source of Funds		6.6	6.1	6.1	6.1	6.0	5.9
U -- Use of Funds		6.6	6.1	6.1	6.1	6.0	5.9
	Debt Service	-	0.0	0.0	0.0	0.0	0.0
Fund Type 04 – Capital Projects							
S -- Source of Funds		10.8	31.4	56.7	42.7	21.5	7.0
U -- Use of Funds		10.8	31.4	56.7	42.7	21.5	7.0
	Capital Projects	-	0.0	0.0	0.0	0.0	0.0
Fund Type 05 – Enterprise							
S -- Source of Funds		47.4	52.5	56.0	40.8	43.7	43.6
U -- Use of Funds		47.4	52.5	56.0	40.8	43.7	43.6
	Enterprise	-	-	-	-	-	-
Fund Type 06 – Internal Service							
S -- Source of Funds		68.4	66.5	68.8	71.5	72.0	73.8
U -- Use of Funds		68.4	66.9	69.4	71.2	71.1	72.0
	Internal Service	-	(0.4)	(0.6)	0.3	0.9	1.7
Net Financial Impact		\$ -	\$ (3.1)	\$ (2.5)	\$ (0.2)	\$ (4.5)	\$ (0.4)

* General Fund Contributions of approximately \$200 million are included as Intrafund Transfers and are both Sources and Uses; effectively grossing up both figures in the General Fund

The following graph illustrates the 5 Year Forecast of revenues and expenditures in the General Fund and overlays Other Financing Uses (net). Other Financing Uses include increases to the Northern Branch Jail (NBJ) Operations Fund balance, maintenance, strategic reserve and other fund balances; offset by draws (Sources) on various fund balances, such as the NBJ which will draw \$17.3 million as a funding source in FY 2018-19 (first full year of operations).



The above graph is a departure from prior years “jaws” charts, whereby expenditures were previously predicted to outpace revenue growth. Increasing revenues will present opportunities to address certain needs and issues; however, the County has already committed future funding to: the Fire District through a tax shift; increased employee compensation; Northern Branch Jail Operations fund; Strategic Reserves and additional maintenance funding, thereby limiting significant program growth or expansion.

Please refer to the Fiscal Outlook Report and 5 Year Forecast for an in depth discussion and analysis of these matters.

CC:

Robert Geis, CPA, Auditor Controller

Attachments:

Fiscal Outlook Report and Five Year Forecast

Fiscal Outlook Report and Five Year Forecast Presentation

Authored by:

Fiscal Outlook Report:

- Joe Toney, Fiscal & Policy Analyst
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- Jette Christiansson, Fiscal & Policy Analyst
- Richard Morgantini, Fiscal & Policy Analyst