



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:** CEO  
**Department No.:** 012  
**For Agenda Of:** 2/11/20  
**Placement:** Administrative  
**Estimated Time:**  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Supervisors  
**FROM:** Department Mona Miyasato, County Executive Officer  
Director(s)  
Contact Info: Jeff Frapwell, Budget Director

**SUBJECT:** Fiscal Year 2019-2020 Second Quarter Budget Update

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**County Counsel Concurrence**

As to form: NA

**Auditor-Controller Concurrence**

As to form: NA

**Recommended Actions:**

That the Board of Supervisors

- a) Receive and file the Fiscal Year 2019-2020 2<sup>nd</sup> Quarter Budget and Financial Status Report as of December 31, 2019, showing the status of appropriations and financing for departmental budgets adopted by the Board of Supervisors.

**Summary Text:**

The Fiscal Year 2019-2020 Budget and Financial Update for the second quarter ending December 31, 2019, provides an early look at the County's financial position relative to the FY 2019-20 adjusted budget. The County is projected to have a positive \$3.3 million financial position relative to the budget in the General Fund. Special Revenue and Other Funds are generally tracking to budget with only one reportable positive variance in the Vehicle Operations Fund.

The \$3.3 million net positive variance in the General Fund is due to positive variances in nearly all General Fund departments, including reportable net positive variances of \$1.3 million in Probation, \$0.3 million in Auditor-Controller, \$0.3 million in Treasurer-Tax Collector, and \$2.4 million in General Revenues. Cannabis tax revenue is currently projected to end the year with a \$2.5 million surplus. This report assumes that any surplus in these revenues will be fund balanced in the current year, consistent with our practice of segregating cannabis tax revenues, and be available for allocation as part of the FY 2020-21 budget development process. The remaining positive variances are partially offset by a reportable negative variance of \$1.8 million in the Sheriff's Department. The reportable variances are explained in further detail later in this report.

**Background:**

**SECOND QUARTER REPORT**

In this report, projected financial results for the fiscal year-end are compared to the annual adjusted budget. The major differences (variances) between budgeted and actual amounts through December 31, 2019, are discussed below.

This report highlights the variances that exceed the following thresholds:

- 1) General Fund departments (including Discretionary General Revenues) with projected variances greater than \$300K per department; shown in the Financial Summary Report (Attachment A) and;
- 2) Special Revenue and Other Funds with projected variances greater than \$500K per fund; shown in the Financial Summary Report (Attachment B).

Both Attachments A and B use actual revenues and expenditures for the first six months of FY 2019-20, and then add departmental projections for the next six months to arrive at the “Projected Actual” columns. These annual Projections are then compared to Adjusted Budgets for both Sources and Uses to produce a “Net Financial Projected Variance” for the fiscal year-end (shown in the far right column of the Attachment A and Attachment B reports).

**BUDGET POLICY**

Departments are responsible for maintaining expenditure levels within the Board-approved budget appropriations per Board-adopted policy and procedure *Budgetary Control & Responsibility* as the following abbreviated excerpt states:

- A. If expenditures are projected to exceed appropriations, the department head responsible for the budget shall perform one or more of the following steps in the following order:
  - 1) Lower the expenditure level to maintain overall expenditures within the total amount budgeted,
  - 2) Request a transfer from fund balance within the same department and fund under the department head's control (if available for appropriation),
  - 3) Prepare a transfer request from General Fund Contingency and an agenda item for the Board of Supervisors with a memo to the County Executive Office, providing adequate justification.

In addition, the County Budget Act, Section 29121, California Government Code, places liability for over-expenditure upon the department director authorizing the expenditure:

Except as otherwise provided by law, obligations incurred or paid in excess of the amounts authorized in the budget unit appropriations are not a liability of the county or dependent special district, but a personal liability of the official authorizing the obligation.

**GENERAL FUND SUMMARY (Attachment A)**

As of December 31, 2019, the General Fund had a projected year-end net positive variance of \$3.3 million. This is the result of most General Fund departments projecting to end the year with a positive net financial impact, including significant positive variances in the Probation Department and General Revenues, offset by a significant negative variance projected in the Sheriff's Office.

**Probation (Department 022)** projects a positive year-end variance of \$1.3 million, 2% over the total budget, due to higher than budgeted salary savings. As of the close of the second quarter, there were 46 funded vacancies. Twenty-two people are currently in the background process to fill a portion of these vacancies, and requisitions for nine job classes are either in active recruitment or going through the approval process for recruitment.

**Auditor-Controller (Department 061)** projects a positive year-end variance of \$0.3 million, 3% over the total budget, due primarily to salary savings.

**Treasurer Tax Collector (Department 065)** projects a positive year-end variance of \$0.3 million, 3% over the total budget, due to a combination of salary savings and lower bank fees than anticipated in the budget.

**General Revenues (Department 991)** projects a positive year-end variance of \$2.4 million, 0.9% over total budgeted revenues, due primarily to an increase in anticipated Cannabis Tax revenue and Current Secured Property Taxes. Cannabis Tax revenues are projecting a positive variance of \$2.5 million. FY 2019-20 first quarter receipts totaled \$2.8 million; second quarter receipts are received during the month of January and are unavailable as of the writing of this report. Staff anticipates that FY 2019-20 actuals will likely exceed the current fiscal year adopted budget and have therefore increased current fiscal year projections accordingly. The projected positive variance of Cannabis Tax revenue is offset by an assumed increase to Cannabis Fund Balance in an amount equal to the projected surplus. However, an action to fund balance any actual surplus would have to come to the Board for approval closer to fiscal year-end. Current Secured Property Taxes are projecting a positive variance of \$1.5 million due to FY 2019-20 actual assessed value growth that was higher than anticipated. Current fiscal year projections have been increased to reflect the higher than anticipated assessed value growth.

The table below provides detail on General Revenues.

<b>Discretionary General Revenue Summary (in thousands):</b>			
<b>Source</b>	<b>Adjusted FY 2019-20</b>	<b>Projected FY 2019-20</b>	<b>Variance Proj vs. Adjusted</b>
Property Tax - Current Secured	\$ 140,630	\$ 142,100	\$ 1,470
Sales and Use Retail Tax State	10,964	11,229	265
Cannabis Tax	5,615	8,105	2,490
Transient Occupancy Tax	13,214	13,845	631
Interest Income	1,500	1,863	363
All Other Revenues	104,631	104,336	(295)
<b>Total Discretionary Revenues</b>	<b>\$ 276,554</b>	<b>\$ 281,478</b>	<b>\$ 4,924</b>
Increase to Cannabis Fund Balance	5,615	8,105	2,490
All Other Transfers	270,939	270,939	-
<b>Projected Fiscal Year End Variance</b>	<b>\$ -</b>	<b>\$ 2,434</b>	<b>\$ 2,434</b>

**Sheriff's Department (Department 032)** is projecting a negative year-end variance of \$1.8 million, 1% on a total General Fund budget of \$156.7 million, mostly due to overtime expenses expected to exceed salary savings in the Salaries & Benefits object level. While overtime across many programs in the Sheriff's Office are contributing to this issue, a large portion, \$1.6 million, is attributed to minimum staffing due to an increase in new hires and lost time. After two quarters, the Sheriff's Office has expended \$5.5 million, or 153%, of a \$3.6 million overtime budget. The extent to which this problem grows or shrinks over the remaining two quarters will depend on the determination of safe and appropriate staffing levels, the ability to address lost time, and the ability of the Sheriff's Office to control overtime expenditures.

**SPECIAL REVENUE AND OTHER FUNDS SUMMARY (Attachment B)**

**Vehicle Operations/Maintenance Fund (Fund 1900)** is projecting a positive year-end variance of \$0.9 million, 5% on a total budget of \$18.6 million, primarily due to salary savings resulting from several vacancies. Recruitments are in process with hiring anticipated during the third quarter of this fiscal year, which will reduce the projected variance over the remainder of the fiscal year as positions are filled. In addition, Other Charges are under budget due to anticipated vehicle purchases not executed in the prior year, resulting in reduced depreciation expenses.

**Fiscal and Facilities Impacts:**

Impacts are stated above in this Board letter.

**Attachments:**

A – Financial Summary Report – General Fund

B – Financial Summary Report – Special Revenue and Other Funds

**Authored by:**

Richard Morgantini, Fiscal & Policy Analyst