



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 & Auditor-Controller  
**Department No.:** 012 & 061  
**For Agenda Of:** November 6, 2018  
**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): Theodore A. Fallati, CPA, Auditor-Controller  
Contact Info: Jeff Frapwell and Ed Price

**SUBJECT:** Fiscal Year 2018-2019 First Quarter Budget Update

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**County Counsel Concurrence**

As to form: NA

**Auditor-Controller Concurrence**

As to form: Yes

**Recommended Actions:**

That the Board of Supervisors

- a) Receive and file, per the provisions of Government Code Section 29126.2, the Fiscal Year 2018-2019 Budget and Financial Status Report as of September 30, 2018, showing the status of appropriations and financing for all departmental budgets adopted by the Board of Supervisors.

**Summary Text:**

The Fiscal Year 2018-2019 Budget and Financial Update for the first quarter ending September 30, 2018, provides a look at the County's financial position relative to the adjusted budget for the first three months of this fiscal year for the Board's review.

The General Fund projects a net \$1.9 million positive variance by fiscal year end when compared to the adjusted budget. This variance is due to projected positive variances in almost all General Fund departments, which includes a \$555K positive variance in General Revenues and a \$414K positive variance in General Services. These positive variances are offset by negative variances, all below the reportable thresholds, in a small handful of departments. Special Revenue and Other Funds are generally tracking to budget with the exception of a negative \$965K variance in the Health Care Fund. Reportable variances will be explained later in this report.

**Background:**

**FIRST 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 September 30, 2018, 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 three months of FY 2018-19, and then add departmental projections for the next nine 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 end of the fiscal year (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 September 30, 2018, the General Fund had a projected year-end net positive variance of \$1.9 million. This is the result of favorable results across almost all departments, offset by negative variances below the reporting threshold in some departments.

**General Services (Department 063)** projects a positive \$414K variance, mainly due to unanticipated salary savings. The Department had three positions vacated through the Voluntary Early Separation Incentive Program (VESIP), meaning the positions must remain vacant for the fiscal year.

**General Revenues (Department 991)** projects a positive year-end variance of \$555K (0.2% over total budgeted revenues), due primarily to higher than budgeted interest earned and increased Fair Market Value (FMV) of County investments during the first quarter.

<b>Discretionary General Revenue Summary (in thousands):</b>			
<b>Source</b>	<b>Adjusted FY 2018-19</b>	<b>Projected FY 2018-19</b>	<b>Variance Proj. vs. Adopted</b>
Significant Property Taxes	\$ 210,444	\$ 210,460	\$ 16
Secured Prop Tax Corrections - One-time	205	205	\$ -
RDA RPTTF Resid Distributions	6,276	6,276	\$ -
Subtotal Property Taxes	\$ 216,925	\$ 216,941	\$ 16
Cost Allocation Services	12,846	12,846	\$ (0)
Local Sales Tax	10,749	10,725	\$ (24)
Transient Occupancy Tax	11,218	11,039	\$ (179)
Use of Money and Property	903	1,600	\$ 697
All Other Revenues	14,830	14,830	0
<b>Total Discretionary Revenues</b>	<b>\$ 267,471</b>	<b>\$ 267,981</b>	<b>\$ 510</b>
Transfer to Non-GF Departments	\$ 33,032	\$ 32,987	\$ 45
<b>Projected Fiscal Year End Variance</b>	<b>\$ 234,439</b>	<b>\$ 234,994</b>	<b>\$ 555</b>

**Public Defender (Department 023)** projects a negative variance of \$215K, below the \$300K reporting threshold, due to legal service fee revenue that is expected to come in significantly below budget in line with state and national trends. In addition, the Department's use of extra help staffing has increased in response to expanding legislative mandates. The Public Defender's financial activity will be monitored closely in the coming quarter.

**Sheriff (Department 032)** projects a positive variance at the end of the 1<sup>st</sup> Quarter below the \$300K reporting threshold, however conditions may change that. Salaries and Benefits, particularly the balance between overtime usage and salary savings, will continue to be monitored throughout the year, as it is a perennial issue for the Sheriff, but through the first quarter there doesn't appear to be a major issue here. By contrast, after the first quarter of FY 2017-18, the Sheriff was already projecting a \$1.3 million deficit, and in first quarter FY 2016-17 the projection was negative \$695 thousand. The difference is primarily due to less overtime usage, year-to-date, than in the prior years.

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

**The Health Care Fund (Fund 0042)** projects a negative variance of \$965K as a result of lower patient services revenue stemming from issues with the new OCHIN/EPIC Electronic Health Record, as well as

a reduction in the capturing of 340B Program savings share for specialty pharmaceuticals. The Department is making steady improvement on both of these issues, with full improvement anticipated by fiscal year end. If necessary, the department has fund balance available to cover any remaining deficit.

**The Mental Health Services Fund (Fund 0044)** has regularly reported significant negative variances in our quarterly reports, but as of the first quarter of FY 2018-19, the Behavioral Wellness Department is projecting no deficit in this fund. This is due primarily to efforts to restructure certain programs to maximize federal and state funding as well as a more favorable mix of acute vs. admin days at the Psychiatric Health Facility (PHF) than anticipated in the budget. In order to prevent expenditure overruns, the Department budgeted a more conservative service mix of 45% acute to 55% admin bed days than in past years, which more closely aligns with actual service trends over the past several years. Through July, the actual service mix was 59% acute to 41% admin, generating budget savings. In addition to the conservative budget, the Department has also focused on transitioning clients who are ready to leave the PHF to step-down facilities, which provide an appropriate level of care at much lower cost than PHF admin days. Securing step-down facility placements is a continuing challenge since there are no long-term IMD facilities in Santa Barbara County, though the Department has been working for several years to identify potential sites. The Department and CEO's office continue to work together to monitor budget performance and address budget and operational challenges.

**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

## Quarterly Financial Update Signal Chart

For Quarter ending September 30, 2018

- Actuals Are Generally Tracking Budget
- ▲ Actuals Materially Vary from Budget-Positive
- ▼ Actuals Materially Vary from Budget-Negative
- Actuals Expected to End Year in Deficit

General Fund	Other Funds
● Board of Supervisors	<b>Parks</b>
● County Executive Office	● Capital
● County Counsel	● Providence Landing CFD
● District Attorney	<b>Planning and Development</b>
● Probation	● Fish and Game
▼ Public Defender	● Petroleum
● Courts	● CREF
● Sheriff	● RDA Successor Agency
● Public Health - EHS, AS, HazMat	<b>Public Works</b>
● Agriculture Commissioner	● Roads: Funds 0015, 0016, 0017, 0019
● Parks	● Resource Recovery and Waste Mgt.
● Planning and Development	● CSA
● Public Works	● Flood Control
● Housing & Commt. Devmnt.	● North County Lighting
● Community Services Dept.	● Laguna Sanitation
● Auditor Controller	● Water Agency
● Clerk-Recorder-Assessor	<b>Housing &amp; Commt. Devmnt.</b>
▲ General Services	● CDBG
● Human Resources	● Affordable Housing
● Treasurer-Tax Collector	● HOME
● General County Programs	● Municipal Energy Financing
▲ General Revenues	● Orcutt CFD
	● Low/Mod Inc Housing Asset Fund
	<b>General Services</b>
	● Capital
	● Special Aviation
<b>Other Funds</b>	● Vehicles
<b>Fire</b>	● Information Technology
● Fire Protection	● Communications
<b>Sheriff</b>	● Utilities
● Inmate Welfare	<b>CEO-Human Resources</b>
<b>Public Health</b>	● County Unemployment Insurance
▼ Health Care	● Dental Insurance
● Tobacco Settlement	● Medical Malpractice Insurance
<b>Behavioral Wellness</b>	● Workers' Comp Insurance
● Mental Health Services	● County Liability Insurance
● Mental Health Services Act	<b>Treasurer-Tax Collector</b>
● Alcohol and Drug Programs	● Debt Service
<b>Social Services</b>	<b>General County Programs</b>
● Social Services	● Public and Educational Access
● IHSS Public Authority	● Criminal Justice Facility Const.
	● Courthouse Construction
<b>Child Support</b>	<b>First Five</b>
● Child Support Services	● First Five Child & Families Comm.
<b>Sheriff</b>	
● Capital Projects - Jail	