

Attachment A
Financial Status Report Detail
County of Santa Barbara
Fiscal Year Ended 6/30/2014

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Overview

The financial results of operations for FY 13-14 reflect continuing improvement of County finances still tempered by some longer term financial challenges. Total General Governmental Revenues increased 10.2%, however the growth includes the recording of the Santa Maria Levy Federal government contribution. General fund on-going discretionary revenues grew \$8 million or 4%, after recording the Board of Supervisors approved multiyear fire district tax shift. Property taxes for the General Fund led the way with a \$4% increase, transient occupancy taxes (TOT) increased 11%, and sales tax increased 3%. In addition, our on-going special revenue fund sources which represent 61% of the County budget, grew \$33 million or 8% and if we include the Federal contribution of \$43 million for the Santa Maria Levy the growth rate was 19%. Next FY 2014-15, property tax assessed value is expected to grow by 5% even though the Proposition 13 inflation allowance (maximum of 2% was only 0.4%). For the second year in a row this has been a good recovery period for the County.

Economic Indicators

The UCSB Economic Forecast (Forecast) publication of May 2013 and May 2014 taken together include the following observations about the local economy.

In May 2013:

“The local economy continues steady growth out of the depths of the Great Recession; however, the growth is not uniform across our economic landscape. In some areas we are now back to pre-recession levels, but other areas are still feeling the grasp of the tumultuous decline. The unemployment rate is only slightly lower than it was in late 2009 and total employment in the County remains well below our pre-recession level. However, output and personal income have both recovered back to their pre-recession levels.”

“What stands out is that fairly standard measures of performance – gross domestic product and household personal income – have rebounded and are close to what they were before the decline began. However, the labor and housing markets have made very little progress. In particular, median housing prices in both South and North County remain below 2009 values. This means that house prices continued to fall even after the official end to the recession.”

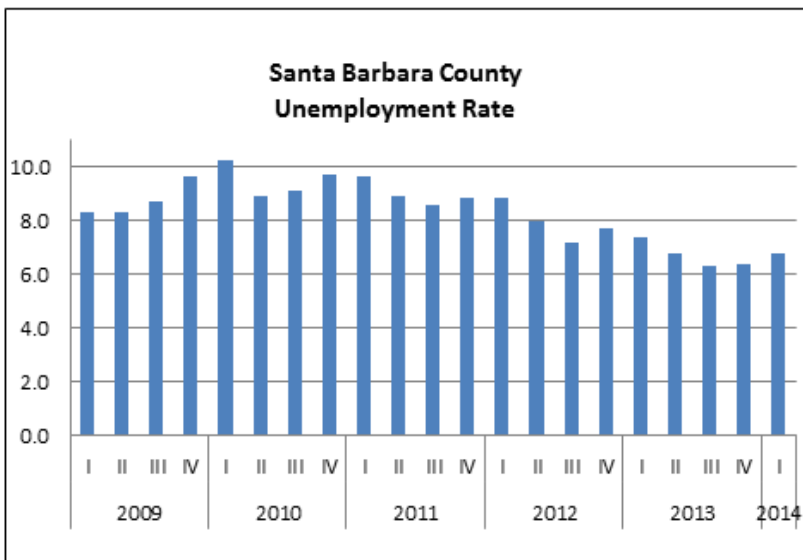
In May 2014 the forecast includes the following additional observations concerning unemployment and housing markets:

“The housing market continues to rebound after hitting bottom in 2012. Santa Barbara and California house prices fell by about the same percentage and look similar in the recovery; however both saw a deeper decline than the U.S.”

Looking back one year indicates there has been a nearly 20% increase in the median home price for Santa Barbara County but there is a slowdown in the increase of home prices in the second half of fiscal year 13-14.

The property tax growth rate for FY 12-13 hit some of the lowest levels since Prop 13, reflecting the housing price declines discussed above, especially on the South Coast. However, at the County level we are now seeing a turning point. The County Assessor reported an estimated 4.3% growth in the secured tax roll for FY 13-14 and an estimated 5.3% growth in FY 14-15 which is an indicator of both increased property sales and a rebound in housing prices. The economic theme moving forward appears to be ***Moderate Sustained Growth***.

In terms of Gross Domestic Product (GDP) we have now almost 5 years of positive growth at the national level. Local GDP growth has also been positive since 2010 but seems to lag behind State and national growth rates and it is anticipated that GDP growth will continue throughout the national, state and local economy.



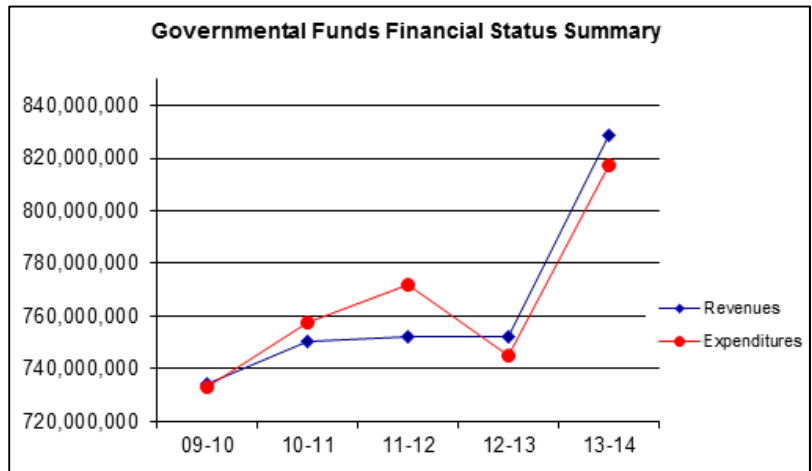
On the local level, the May 2013 Forecast points out that “overall, the outlook for the Santa Barbara County labor market is cautiously positive. The County seems to be slowly recovering from the effects of the recession, most industries show signs of growth, and the unemployment rate has steadily declined for the past two years.”

While the May 2014 forecast indicates that “The unemployment rate has been declining steadily over the last few years. During the recession the unemployment rate in California increased much more than the rates in the U.S. and Santa Barbara, and while they are all declining, still remain above the levels before the Great recession.”

Countywide Financial Status - Governmental Funds

The focus of the following governmental funds statement is to provide information on revenues, expenditures and fund balance. When compared to the prior year, one is able to obtain useful information about the overall results of County operations and its fiscal health from one annual period to the next.

The following graph depicts County Government funds annual revenues and expenditures over the last five years.



Results of Operations and Changes in Fund Balance

The County recorded revenues of \$829 million, expenditures of \$817 million and net other financing sources/uses of a negative \$0.2 million which resulted in a positive \$11 million addition to fund balances, totaling \$263 million. The financial position increase was mainly due to a \$5 million increase in the General Fund and \$6 million net increase in the Special Revenue Funds.

COUNTY OF SANTA BARBARA, CALIFORNIA													
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES													
GOVERNMENTAL FUNDS													
FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)													
	General	Roads	Public Health	Social Service	ADMHS	Flood Control District	Afford Housing	Fire Protect District	Capital Projects	Other Gov Funds	Total Current Year	Prior Year	%
Revenues													
Taxes	\$ 194,304	\$ 7,170	\$ --	\$ --	\$ --	\$ 9,215	\$ --	\$ 39,068	\$ --	\$ 4,430	\$ 254,187	\$ 249,414	1.9%
Licenses, permits, & franchise	13,330	521	45	78	--	--	--	11	--	45	14,030	14,011	0.1%
Fines, forfeitures, & penalties	5,734	51	802	3	3	--	--	--	--	4,290	10,883	9,582	13.6%
Use of money and property	2,680	146	129	330	103	424	30	16	41	1,096	4,995	2,321	115.2%
Intergovernmental	77,675	23,031	23,952	131,154	39,928	46,890	6,871	4,232	1,128	25,289	380,150	321,764	18.1%
Charges for services	57,152	413	34,918	--	28,027	3,366	136	14,408	198	5,019	143,637	135,625	5.9%
Other	4,504	89	4,096	812	3,600	36	2,983	216	949	3,518	20,803	19,581	6.2%
Total revenues	355,379	31,421	63,942	132,377	71,661	59,931	10,020	57,951	2,316	43,687	828,685	752,298	10.2%
Expenditures													
Current:													
Policy & executive	15,408	--	--	--	--	--	--	--	--	--	15,408	15,349	0.4%
Public safety	201,455	--	--	--	--	--	--	52,991	--	16,159	270,605	260,344	3.9%
Health & public assistance	9,201	--	66,124	139,610	81,053	--	--	--	--	22,492	318,480	304,982	4.4%
Community resources	38,241	33,814	--	--	--	57,492	8,905	--	47	6,993	145,492	100,993	44.1%
General gov & support	43,654	--	--	--	--	--	--	--	--	208	43,862	42,862	2.3%
General county programs	8,129	--	--	--	--	--	--	--	--	70	8,199	5,091	61.0%
Debt service:													
Principal	--	--	--	--	--	--	--	90	--	4,412	4,502	4,133	8.9%
Interest	699	--	--	--	--	--	--	8	--	2,601	3,308	3,518	-6.0%
Capital outlay	--	--	--	--	--	--	--	--	7,505	--	7,505	7,568	-0.8%
Total expenditures	316,787	33,814	66,124	139,610	81,053	57,492	8,905	53,089	7,552	52,935	817,361	744,860	9.7%
Excess(deficiency) revenue over (under) expenditures	38,592	(2,393)	(2,182)	(7,233)	(9,392)	2,439	1,115	4,862	(5,236)	(9,248)	11,324	7,438	
Other Financing Source(Use)													
Transfers in	4,805	5,525	6,955	2,536	9,686	166	130	1,105	1,445	17,215	49,568	86,394	
Transfers out	(38,404)	(53)	(633)	(1,852)	(841)	(50)	(1,770)	(2,800)	(52)	(3,357)	(49,818)	(86,338)	
Proceeds sale capital assets	5	16	--	--	2	45	--	5	--	--	73	500	
Other financing source(use)	(33,594)	5,482	6,322	684	8,847	161	(1,640)	(1,690)	1,393	13,858	(177)	556	
Net change in fund balance:	4,998	3,089	4,140	(6,549)	(545)	2,600	(525)	3,172	(3,843)	4,610	11,147	7,994	
Fund balances - beginning	87,808	18,501	18,769	10,001	7,897	59,876	5,335	5,067	14,935	23,912	252,101	259,610	
Fund balances - ending	\$ 92,806	\$ 21,590	\$ 22,909	\$ 3,452	\$ 7,352	\$ 62,476	\$ 4,810	\$ 8,239	\$ 11,092	\$ 28,522	\$ 263,248	\$ 244,104	

Revenues

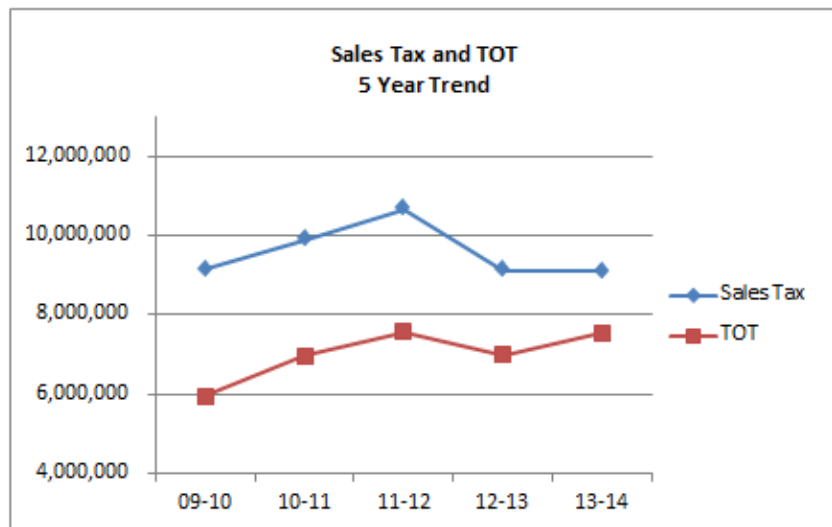
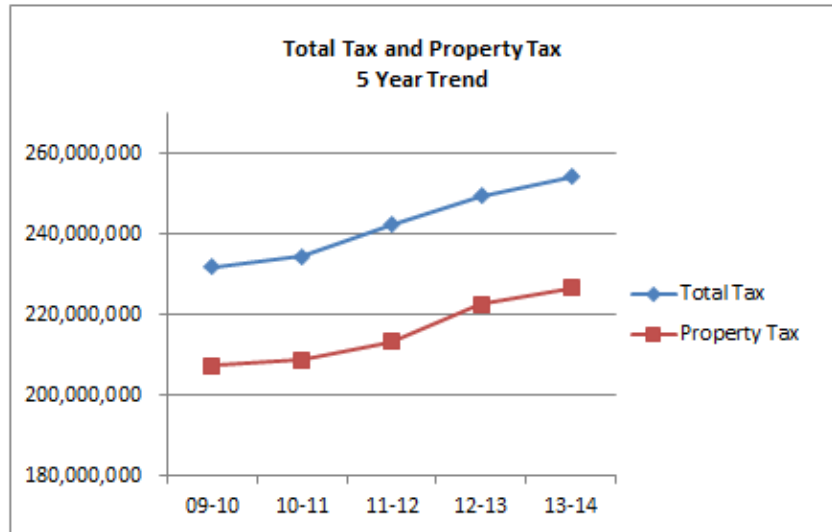
In FY 13-14, revenues increased \$76 million or 10% to \$828 million.

Taxes, which provide the County with most of its discretionary revenue, increased \$4.8 million or 2% to \$254 million or 31% of County funding.

- Total property tax accounts increased a net \$4 million or 2% to \$228 million, however regular on-going property tax accounts grew approximately \$11 million or 4% but were offset by a prior year one-time distribution of \$7 million in RDA proceeds.
- Transient occupancy tax increased \$0.5 million or 7% to \$8 million, however if adjusted for collection period timing variances, the percentage change was actually an 11% increase year over year.
- Local retail sales tax decreased \$0.05 million or 0.7% to \$8 million, however if adjusted for collection period timing variances, the percentage change was actually a 3% increase year over year.

Certain leading indicators of *future* property tax growth tend to be property transfer taxes that decreased \$4 million or 10% to \$3.4 million (after a significant 52% increase in the prior year) and supplemental property tax increased \$1.3 million or 32% to \$4 million.

The following charts show positive five year trends in the County’s economic driven discretionary revenue accounts except for Sales Tax and TOT in FY 12-13 due to the loss of base revenue as a result of the terms of the Goleta Revenue Neutrality Agreement.



The other categories of revenue that experienced notable increases and decreases are:

Fines, forfeitures and penalties - increased \$1.3 million or 14%

- Generally due to an increase in delinquent property tax revenue of \$0.6 million and an increase in fines and forfeiture revenue of \$0.7 million.

Intergovernmental revenue - increased overall by \$57 million or 18% to \$380 million. Again this year, there are significant changes in funding from the State and Federal sources.

- The Public Works Department increased a net \$43 million, which included:
 - \$43 million donation from the Federal government for reconstruction of the Santa Maria Levee,
 - \$7 million of revenue from other federal and state funded infrastructure projects, and
 - \$7 million decrease in Proposition 50 water agency reimbursements for pass-through projects.

- Collectively, the Public Safety, Health and Public Assistance departments received a net \$7 million of increased 1991 & 2011 Realignment revenue.
- The County recorded \$7 million for three real property transfers to the General Fund from the Redevelopment Successor Agency (RDA).
- Federal Home Program reimbursement for construction of affordable housing increased \$3 million.

Charges for services - increased \$8 million or 6% to \$143 million

- The increases were generally attributable to the County’s major special revenue funds where reimbursement for services from the Federal and State Programs covered the County’s costs.

Expenditures

Expenditures increased by \$72 million or 10% to \$817 million.

Salary and benefits - costs increased by \$23 million to \$471 million for the governmental fund types, which accounts for 58% of total expenditures -

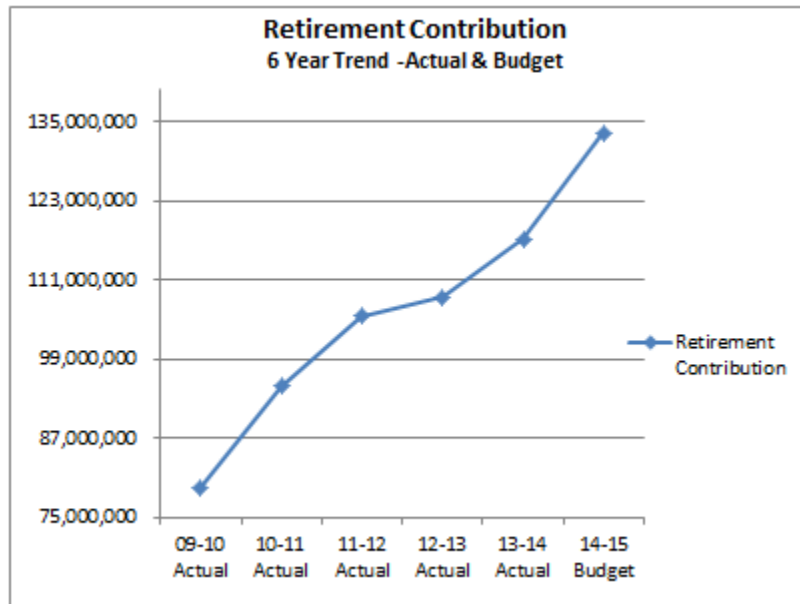
- This net increase in salaries and benefits is comprised of:
 - regular salary increases of \$8 million or 3% and retirement cost increases of \$8 million or 8%, both due mainly to an increase of staffing in the Social Services department and salary increases
 - regular overtime increased \$1.9 million or 20% due to staffing shortages in the Sheriff department
 - workers compensation cost increased \$1.4 million or 11%
 - health insurance increased \$1.4 million or 6%
 - reimbursable overtime cost increased \$0.6 million or 26% for fire incident responses
 - extra help cost increase of \$.3 million or 3%
- The increases were offset by a decrease in Unemployment Insurance Contribution of \$1.1 million or 70% to \$0.4 million.
- The average annual full-time equivalent (FTE) count was up 82.4 FTE. The Department of Social Services, funded by Federal and State programs and due to the implementation of the Affordable Care Act, was able to add 81.3 FTE.

Comparative 2 Year Countywide Average FTE Count				
Department	06/30/13	06/30/14	Change	% Change
Agriculture & Cooperative Ext	28.3	31.0	0.0	0.1%
Alcohol, Drug, & Mental Hlth Svcs	286.4	286.2	(0.3)	-0.1%
Auditor-Controller	48.2	48.4	0.2	0.4%
Board of Supervisors	20.8	19.9	(0.9)	-4.3%
Child Support Services	81.2	80.3	(0.9)	-1.1%
Clerk-Recorder-Assessor	92.3	92.9	0.5	0.6%
Community Services	87.4	89.4	2.0	2.3%
County Counsel	36.8	36.4	(0.4)	-1.1%
County Executive Office	30.7	32.2	1.4	4.7%
District Attorney	126.0	127.8	1.9	1.5%
Fire	231.4	225.5	(5.9)	-2.6%
First 5, Children & Families	13.3	14.4	1.1	0.0%
General County Programs	0.1	0.0	(0.1)	0.0%
General Services	110.7	109.3	(1.4)	-1.3%
Human Resources	24.1	23.8	(0.3)	-1.2%
Planning & Development	86.2	83.3	(2.9)	-3.4%
Probation	347.5	343.8	(3.7)	-1.1%
Public Defender	66.1	67.8	1.7	2.6%
Public Health	496.6	486.8	(9.8)	-2.0%
Public Works	277.2	282.4	5.1	1.8%
Sheriff	614.8	628.9	14.1	2.3%
Social Services	730.2	811.4	81.3	11.1%
Treasurer-Tax Collector-Public	39.3	38.9	(0.4)	-1.0%
	3875.8	3960.8	82.4	2.1%

Retirement Cost – Total retirement costs including retiree medical and FICA were \$130 million or 16% of total expenditures, and 28% of total salaries and benefits for the governmental fund types. Retirement plan costs were \$107 million, retiree medical costs were \$8 million and FICA costs were \$15 million.

Changes to SBCERS retirement including retiree medical costs without FICA for all County funds are as follows:

- The County in fiscal year 13-14 absorbed the last year of the actuarial investment losses that occurred in 2009 that were smoothed over a five-year period in the employer contribution rates.
- In addition, the pension fund trustees dropped the investment earnings assumption rate from 7.75% to 7.50%, which caused employer and employee rates to increase. The employer contribution rates to the retirement system increased from 35.87% to 38.30% of pensionable wages.
- The County increased its contribution to the retiree medical plan from 3.00% to 3.25% of pensionable wages.



Other Operational Expenditures – increased by \$7 million or 2% to \$291 million caused by the following:

- \$3.5 million increase in design costs for the North County Jail
- \$2.9 million Affordable Housing Loan to the Pescadero Lofts Project
- \$4.8 million increase in Road Fund maintenance and infrastructure costs
- \$1.5 million increase in Social Services cash assistance payments
- These increases were offset by a \$7 million reduction in Proposition 50 Water Agency pass-through payments.

Debt Service Principal and Interest – Debt Service payments of \$8 million were slightly greater than debt service payments in the prior year.

Capital Fund Expenditures – Capital Fund Expenditures were \$8 million. This was about the same as the prior year.

General Fund

The General Fund of the County provides the Board of Supervisors with its major sources of discretionary budget authority. The fund ended the year with a total fund balance of \$93 million, an increase of \$5 million over the prior year. The Unassigned fund balance that resulted from the closing of the fiscal year was \$3.4 million.

A few significant ending fund balance component accounts included: the Strategic Reserve at \$24 million with a rollover of \$3.4 of Unassigned fund balance increasing it to \$28 million. There is an additional commitment in the FY 14-15 budget to add another \$2 million.

Budget to Actual Operating Results

Budget to Actual operating results were positive in the General Fund by \$3.4 million.

Budget to Actual Comparison-Fiscal Year Ended 6/30/2014				
General Fund				
	Adjusted Budget	Actual	Variance	% of Budget
Revenues				
Taxes	193,276,050	194,303,547	1,027,497	100.5%
Licenses, Permits and Franchises	12,966,201	13,329,821	363,620	102.8%
Fines, Forfeitures, and Penalties	5,076,663	5,734,111	657,448	113.0%
Use of Money and Property	2,270,110	2,679,510	409,400	118.0%
Intergovernmental Revenue-State	64,731,227	63,461,861	(1,269,366)	98.0%
Intergovernmental Revenue-Federal	7,441,692	6,900,429	(541,263)	92.7%
Intergovernmental Revenue-Other	7,541,286	7,312,479	(228,807)	97.0%
Charges for Services	58,407,251	57,106,288	(1,300,963)	97.8%
Miscellaneous Revenue	4,290,653	4,503,627	212,974	105.0%
Revenues	356,001,133	355,331,673	(669,460)	99.8%
Expenditures				
Salaries and Employee Benefits	251,498,865	245,456,003	6,042,862	97.6%
Services and Supplies	46,530,437	43,724,728	2,805,709	94.0%
Other Charges	20,189,480	19,397,656	791,824	96.1%
Capital Assets	9,537,583	8,160,904	1,376,679	85.6%
Expenditures	327,756,365	316,739,291	11,017,074	96.6%
Other Financing Sources & Uses				
Other Financing Sources	5,675,429	4,809,158	(866,271)	84.7%
Other Financing Uses	40,044,599	38,403,722	1,640,877	95.9%
Other Financing Sources & Uses	(34,369,170)	(33,594,565)	774,605	97.8%
Changes to Fund Balances				
Decrease to Restricted	3,961,831	2,467,291	(1,494,540)	
Decrease to Committed	27,759,869	20,925,614	(6,624,255)	
Decrease to Assigned	8,070,696	8,070,696	0	
Decrease to Fund Balances	39,792,396	31,463,601	(8,118,795)	
Increase to Nonspendables	520,123	520,123	0	
Increase to Restricted	4,448,906	3,912,215	536,691	
Increase to Committed	28,698,965	28,645,569	53,396	
Increase to Fund Balances	33,667,994	33,077,907	590,087	
Net Financial Impact	0	3,383,511	3,383,511	

- Taxes performed better than budget estimates by \$1 million due to additional Property Tax and TOT.
- While Intergovernmental Revenue and Charges for Services came in less than budgeted revenue estimates, corresponding expenditure savings occurred because these revenue estimates are generally for reimbursable expenditures.
- Departments were unable to fill positions creating \$6 million in salary savings throughout the year, in addition there were \$5 million in savings in Services and Supplies and Capital accounts. It should be noted the savings are offset by decreases in revenues associated with these non-reimbursed costs. Additionally, budgeted uses of Restricted and Committed fund balances were not drawn down.

Cash Balances

The ending cash balance of the General Fund at \$77 million is 8% greater than last year. The County did not issue a Tax and Revenue Anticipation Note (TRAN) for FY 14-15 because of its improved cash position.

Net Financial Impact

The Annual Financial Summary Report below for the General Fund shows the Net Financial Impact of the various General Fund departments. The causes of the Net Financial Variances in the General Fund departments listed on the Report are described in further detail below:

Annual Financial Summary-General Fund							
Fiscal Year Ended: 6/30/2014							
Department	Sources			Uses			Net Financial Variance
	Adjusted Budget	Sources Actual	Sources Variance	Adjusted Budget	Uses Actual	Uses Variance	
011 -- Board of Supervisors	2,833,064	2,833,000	(64)	2,833,064	2,829,732	3,332	3,268
012 -- County Executive Office	6,298,518	6,004,324	(294,194)	6,298,518	6,004,243	294,275	82
013 -- County Counsel	7,078,198	6,758,528	(319,670)	7,078,198	6,847,297	230,902	(88,769)
021 -- District Attorney	20,128,909	20,092,658	(36,251)	20,128,909	20,030,895	98,014	61,763
022 -- Probation	53,026,465	51,376,048	(1,650,417)	53,026,465	51,272,647	1,753,818	103,400
023 -- Public Defender	10,163,050	10,145,583	(17,467)	10,163,050	10,145,523	17,527	59
032 -- Sheriff	129,048,836	127,679,819	(1,369,017)	129,048,836	128,424,087	624,749	(744,268)
041 -- Public Health	10,445,239	9,706,423	(738,816)	10,445,239	9,706,423	738,816	0
051 -- Agricultural Commissioner/W&M	5,058,837	4,670,460	(388,377)	5,058,837	4,670,458	388,379	2
052 -- Parks	12,168,093	11,644,785	(523,308)	12,168,093	11,644,785	523,308	0
053 -- Planning & Development	14,530,273	13,864,580	(665,694)	14,530,273	13,193,728	1,336,545	670,851
054 -- Public Works	5,545,556	5,223,342	(322,214)	5,545,556	5,223,353	322,203	(11)
055 -- Housing/Community	3,422,475	3,109,438	(313,037)	3,422,475	3,122,550	299,925	(13,112)
057 -- Community Services	3,897,294	3,881,366	(15,928)	3,897,294	3,879,564	17,730	1,801
061 -- Auditor-Controller	8,136,803	7,845,647	(291,156)	8,136,803	7,672,180	464,623	173,467
062 -- Clerk-Recorder-Assessor	16,366,765	14,841,736	(1,525,029)	16,366,765	14,191,185	2,175,580	650,551
063 -- General Services	13,894,731	13,655,993	(238,738)	13,894,731	13,655,874	238,857	119
064 -- Human Resources	4,305,304	4,127,424	(177,880)	4,305,304	3,935,203	370,101	192,221
065 -- Treasurer-Tax Collector-Public	8,190,812	6,471,350	(1,719,462)	8,190,812	6,471,292	1,719,520	58
990 -- General County Programs	45,464,308	43,823,410	(1,640,898)	45,464,308	43,835,606	1,628,702	(12,197)
991 -- General Revenues	212,688,425	214,952,986	2,264,561	220,759,121	220,759,121	0	2,264,561
992 -- Debt Service	884,000	884,000	0	884,000	764,337	119,663	119,663
Total General Fund	593,575,955	583,592,898	(9,983,057)	601,646,651	588,280,084	13,366,567	3,383,511

The “Sources Variance” column compares the budgeted revenues and other financing sources to the actual results. This should be combined to the “Uses Variance” column. This shows budgeted expenditures and other financing uses compared to actual results at an individual departmental level resulting in the Net Financial Variance. In most cases where there was a revenue decline, the department was able to cut costs enough to cover the revenue decline. The six departments that had variances that exceeded \$200,000 or \$0.2 million are detailed below:

Sheriff

The Sheriff ended the year with a negative variance of \$0.7 million due mostly to salary overtime costs because of staffing shortages. This was previously disclosed to the Board.

Planning and Development

Planning and Development ended the year positive in the amount of \$0.7 million due to salary savings.

Clerk-Recorder-Assessor

The positive variance of \$0.7 million is attributed to salary savings as a result of high vacancies in the Assessor division and difficulty in hiring qualified staff.

General Revenues

General Revenues ended the year with a positive variance of \$2.3 million. This variance is due to unanticipated revenue from property taxes, TOT and delinquent property tax revenue penalties.

Annual Status - Other Funds

The following funds are major special revenue funds or funds that have significant variances over \$500,000.

Major Funds: (see statement on page 4)

Roads Operations and Capital Maintenance (Funds 0015, 0016, 0017, 0019)

The Roads Funds ended the year positive and increased Restricted Fund balance by \$3.1 million. This variance was due mainly to carryover of projects to be completed in the following fiscal year.

Public Health (Fund 0042)

The Public Health Department ended the fiscal year positive in the amount of \$4.1 million. This positive variance was the result of higher revenues than anticipated primarily from State FQHC and SBHI Pharmacy. This was offset by other State revenues such as Realignment and Motor Vehicle In-Lieu Tax being lower than anticipated. There were also savings on the expenditure side with \$1.3 million in salary savings and savings in Services and Supplies.

Social Services (Fund 0055)

These Federal and State funded social safety net programs are among the largest in the County with expenditures of \$140 million. In the recent prior fiscal years, the State distributed a significant amount of 1991 Realignment funding for prior caseload growth. This enabled the County to reduce the need for General Fund contribution to the department in FY 13-14 to \$2.4 million, compared to \$10 million in FY 12-13. In FY 13-14 the department was able use its fund balance to cover \$7 million in expenditures and the county now has reinstated the General Fund contribution to this department for FY 14-15 in the amount of \$7 million.

Alcohol, Drug and Mental Health Services (Fund 0044, 0048, 0049)

These funds ended the year positive \$2.9 million generally due to salary savings related to the lag in hiring staff to fund significant program changes within the department and its funding sources.

Flood Control District (Multiple Funds)

The Flood Control District Funds ended the year with a positive \$2.6 million due to property taxes exceeding budget estimates, salary savings and project fund carryovers.

Affordable Housing (Fund 0064, 0065, 0066, 1940, 2270, 3122)

The five affordable housing program funds decreased by a net \$0.5 million. There were a number of complex transactions including the collection of a \$1.8 million loan from the Isla Vista Loop Project and a new loan made to the Isla Vista Pescadero Lofts Project for \$2.9.

Fire Protection District (Fund 2280)

The Fire Protection District ended the year with a positive change to fund balance in the amount of \$3.2 million. Property Taxes were \$1.8 million greater than budgeted revenue estimates and recovery from fire incidents was \$1.4 million greater than budget revenue estimates.

Capital Projects Funds (Funds 0030, 0031, 0032)

The capital project funds decrease of \$3.8 million was due to the expenditure of county funds for the design of the North County Jail.

Non Major Funds:

IHSS Public Authority (Fund 0056)

For the second year in a row, the IHSS Fund has taken in more revenue than its budget estimate and spent less on In-Home Supportive Services programs than its budget estimate and thus was able to increase its fund balance by \$1.6 million. In FY 13-14 the program received significantly more 1991 Realignment Revenue than expected. In FY 14-15 Social Services department plans to use fund balance to fund a portion of the annual operations.

Court Activities (Fund 0069)

The Court Activities Fund ended the year with a \$1 million increase to fund balance. This was due to Fines, Forfeitures, and Penalties revenue coming in higher than anticipated and Administrative Service Charges being higher than anticipated.

Water Agency (Funds 3050, 3060)

The Water Agency ended the year with a \$0.6 million increase to fund balance due to less professional services expenditures than budgeted.

Workers' Compensation Self Insurance (Fund 1911)

The Workers' Compensation Fund finished with a \$6 million positive budget variance only because year-end actuarial adjustments to the liability were not budgeted. The total amount of retained earnings remained negative at \$4.3 million which was an improvement over last year's negative retained earnings of \$8 million. Assets of \$16 million are not sufficient to pay long-term liabilities of \$20 million identified in the most recent actuarial report. The plan to amortize the deficit over seven years may continue to cause rate increases to departments. The deficit recovery plan is currently ahead of schedule. The policies and rates will be reevaluated by the Risk Management Evaluation Team (RMET) in the next year due to the continuing changes in the liability.

County Liability-Self Insurance (Fund 1912)

The Liability Fund had a positive variance of \$1.2 million and the fund increased its retained earnings from \$4 million to \$4.4 million. Mid-year rate changes were made to adjust for this.

Concluding Observations

The financial results of operations for FY 13-14 reflect continuing improvement of County finances. With employment increasing and a recovery of the housing market the County can look past the great recession. The County was able to end the year with an \$11 million increase in overall governmental fund balance. The State economic recovery and State tax increases also have had a positive effect on County finances.

- The County has an underlying credit rating of SP+1 from Standard and Poor's (the highest possible short-term rating) and a AA+ long-term rating (the highest among California Counties)
- The County moderately increased its General Fund cash position by 8% ending at \$77 million and eliminated the need for a short-term borrowing (TRAN) for the next year.
- Local unemployment is still declining and the real estate market has turned positive in terms of home sales, home prices and new construction.
- The County continued to make a contribution to the Strategic Reserve by rolling over unassigned fund balance and ended the year at \$24.2 million. The ending Unassigned fund balance was added to Strategic Reserve to bring the total to \$27.6 million.
- The County also ended the year with \$3.1 million in the General Fund Contingency account and \$2.3 million in General Fund Program Restoration account.
- The County is entering the third year of project management, funding, accounting, administration, and reporting requirements in order to commence construction of the Northern Branch Jail for which the County secured an

\$80 million AB 900 State funding grant and a \$40 million SB 1022 grant. The County continues to set aside funding for the New Jail Operations account (\$3.3 million in FY 2013-14).

- The County FTE count was up 82.4 FTE in FY 12-13 compared to the prior year almost entirely in the Federal and State funded Social Service programs.
- The dissolution of RDAs returned funds to the County because our County only had immaterial RDA pass through agreements in prior years. The County received both on-going and one-time funds related to the dissolutions. Currently there are two pending city lawsuits with the State Department of Finance that if adverse to the cities, could generate additional return of property taxes to the County. Amounts subject to dispute have not been recognized as revenue by the County. The on-going residual distribution is \$5 million, up from \$4.2 million in the prior year.
- FY 13-14 ended with an \$11 million addition to Countywide fund balance.
- The County implemented the complex and far-reaching California Public Employees' Pension Reform Act of 2013 (PEPRA), which became effective January 1, 2013. The County will have to enact additional PEPRA related milestones to the County funding plan for implementation in 2018 that are related to employer/employee cost sharing of retirement employer/employee rates.
- The State's finances have improved significantly and are impacting the County positively. Positive State revenue growth in sources that support the State funded programs related to Realignment 1991 and 2011 are strengthening the County finances for Public Safety and Health, Mental Health and Social Service programs.