




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:** May 14, 2019  
**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 2018-2019 Third 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 2018-2019 Budget and Financial Status Report as of March 31, 2019, 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 third quarter ending March 31, 2019, provides a look at the County's financial position relative to the adjusted budget after the first nine months of this fiscal year for the Board's review. Overall, the County is projecting a positive financial position relative to the budget, with a few exceptions.

The General Fund projects a net \$4.9 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, including reportable variances of \$1.9 million in General Revenues and \$2.2 million in Probation. These positive variances are primarily due to staff vacancies or higher than anticipated revenues. The positive variances are offset by a negative variance of \$1.1 million in the Sheriff's Department. Of the \$1.1 million, \$418k is potentially reimbursable for mutual aid provided to Ventura County during the Hill Fire, and FEMA Public Assistance related to the continued response to the Thomas Fire and 1/9 Debris flow evacuations and patrols, although no reimbursement will be received in the current fiscal year. There is also a smaller negative variance below the reportable thresholds in the Agricultural Commissioner's office (-\$56k). Special Revenue and Other Funds are generally tracking to budget with the exception of positive variances of \$575k in the Inmate Welfare Fund, and \$775K in the

Vehicle Operations Fund offset by negative variance of \$1.0 million in Court Special Services. Reportable variances will be explained later in this report.

**Background:**

**THIRD 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 March 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 nine months of FY 2018-19, and then add departmental projections for the next three months to arrive at a “Projected Actual” amount for the fiscal year. 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 March 31, 2019, the General Fund had a projected year-end net positive variance of \$4.9 million. This is the result of favorable results across almost all departments, offset by negative variances in the Office of the Sheriff.

**Probation (Department 022)** is projecting a positive variance of \$2.2 million, 3.5% on a total \$61.8 million budget, primarily as the result of \$1.4 million in salary savings due to staffing vacancies, \$300k in expenditure savings related to institutions and \$200K less than budgeted in various services and supplies expenditures. In addition to the salary savings, Probation received \$147k of unanticipated SB90 reimbursement and an increase of \$102k in collection revenues which adds to the positive net financial impact.

**The Office of the Sheriff (Department 032)** projects a negative variance of \$1.1 million, 0.8% on a total \$147 million budget, due in part to overtime costs exceeding salary savings generated by vacancies within the Department, as well as projected cost overruns in services and supplies in the Air Support Unit. Of this amount, \$250k is due to mutual aid provided to Ventura County during the Hill Fire in November, which is reimbursable but due to the lengthy FEMA claims process, will not be received in time to cover the expense. The continued response to last year's Thomas Fire and Debris flows this year added another \$168k for storm evacuations and patrols, although some of this cost may be reimbursed as well. The remaining \$498k in overtime is a result of unbudgeted investigations and medical escorts/hospital guards for the jail. There is also an anticipated \$210k overage in services and supplies for the Air Support Unit, as the annual inspection of one of the helicopters was completed early to insure that it would be available during fire season, although some of this cost will be covered by County Fire, which could help bring down the year-end deficit. The projected variance in inmate food from the second quarter has leveled out and is now projected to be within the allocated budget.

**General Revenues (Department 991)** projects a positive year-end variance of \$1.9 million, 0.7% on a \$268.0 million budget, due primarily to higher than budgeted Secured and VLF In-Lieu Property Taxes, RDA Distributions, and Use of Money and Property, offset by lower than budgeted Supplemental Property Taxes and Transient Occupancy Taxes, as well as lower than budgeted Property Tax Backfill from the State. The backfill amount was developed based on preliminary assessed valuation impact information provided by the Assessor during the FY 2018-19 budget development process to cover projected property tax losses in both FYs 2017-18 and 2018-19 due to the Thomas Fire and 1/9 Debris Flow. However, when the Assessor filed the final assessed valuation roll after Budget Hearings, the impact on assessed value due to the Thomas Fire and 1/9 Debris Flow events were lower than originally estimated, meaning that while the State reimbursement amount will be lower than budgeted, it remains commensurate with the actual amount of Property Tax loss related to these two events. The table below provides detail on General Revenues.

| <b>Discretionary General Revenue Summary (in thousands):</b> |                                |                                 |                                       |
|--|--------------------------------|---------------------------------|---------------------------------------|
| <b>Source</b>  | <b>Adjusted<br/>FY 2018-19</b> | <b>Projected<br/>FY 2018-19</b> | <b>Variance Proj. vs.<br/>Adopted</b> |
| Property Tax - Secured and In-Lieu of VLF                    | \$ 190,603                     | \$ 193,469                      | \$ 2,866                              |
| Property Tax - Supplemental                                  | 3,375                          | 3,035                           | (340)                                 |
| RDA RPTTF Resid Distributions                                | 6,276                          | 7,810                           | 1,534                                 |
| Transient Occupancy Tax                                      | 11,218                         | 10,311                          | (907)                                 |
| Use of Money and Property                                    | 933                            | 4,042                           | 3,110                                 |
| Property Tax Backfill  | 4,400                          | 1,128                           | (3,272)                               |
| All Other Revenues   | 51,228                         | 49,884                          | (1,344)                               |
| <b>Total Discretionary Revenues</b>                          | <b>\$ 268,033</b>              | <b>\$ 269,678</b>               | <b>\$ 1,645</b>                       |
| Intrafund Transfer Out (GFC)                                 | \$ 234,972                     | \$ 234,873                      | \$ 98                                 |
| Transfer to Non-GF Departments                               | \$ 33,032                      | \$ 32,840                       | \$ 191                                |
| <b>Projected Fiscal Year End Variance</b>                    | <b>\$ 30</b>                   | <b>\$ 1,965</b>                 | <b>\$ 1,935</b>                       |

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

**Inmate Welfare (Fund 0075)** projects a \$575k positive variance, 28.6% on a \$2.0 million budget, due to unanticipated revenue from commissary sales and unspent appropriations, due to vacancies, in salaries and benefits for the Inmate Welfare treatment programs. Positive variances at year-end for Special Revenue Funds such as this are placed into Restricted Fund Balance, to be used only within the fund, in future years. State law requires that money in the Inmate Welfare Fund be used for the benefit, education, and welfare of the inmates confined within the jail, and may not be used to pay required county expenses of confining inmates, such as meals, clothing, housing, or medical services.

**The Health Care Fund (Fund 0042)** now projects a positive \$260k variance, 0.3% on a \$80.6 million budget, due to the unanticipated payment of FEMA reimbursement revenues. In the 2nd Quarter Report, the fund had projected a negative variance of \$548k as a result of lower patient services revenue, stemming from timing issues with the new Electronic Health Record system implementation, as well as a reduction in the capturing of 340B Program savings share for specialty pharmaceuticals. The FEMA reimbursement is helping to offset the reduced 340B revenue, while the timing issues in the Electronic Health Record system implementation have worked themselves out.

**Court Special Services (Fund 0069)** projects a negative variance of \$1.0 million, 7.2% on a \$14.7 million budget, due to a combination of lower than budgeted revenues because of changes in the ability to suspend drivers' licenses for nonpayment of fines, fees, and forfeitures and increased costs for conflict attorney services due to multi-defendant cases. It is anticipated that the Fund will be negative by fiscal year end and additional funding is being requested in Budget Revision #0006248, which is also on the Board's May 14 agenda. The reduced revenue likely represents a new normal for Courts collections, which was highlighted during the Budget Workshops, and additional General Fund Contribution to Fund 0069 is included in the FY 2019-20 Recommended Budget to ameliorate this issue.

**Vehicle Operations (Fund 1900)** projects a positive variance of \$775k, 5.2% on a \$14.8 million budget. The variance is driven predominantly by the timing of vehicle replacements and acquisitions, and by higher than expected interest income, lower fuel prices, and salary savings. The surplus will be used in future years when the timing of vehicle replacements and acquisitions is such that it creates a projected negative variance.

**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