



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: Auditor-Controller
County Executive Office
Department No.: 061 & 012
For Agenda Of: July 21, 2015
Placement: Departmental
Estimated Tme: 20 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Robert Geis, CPA, CPFO, Auditor-Controller
Directors (s) Mona Miyasato, County Executive Officer
Contact Info: Julie Hagen, CPA, CPFO, Chief Deputy Controller x2126
Tom Alvarez, CPA, Budget Director x3432
SUBJECT: Fiscal Year 2014-2015 Financial Status Report

County Counsel Concurrence

As to form: N/A

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: No

As to form: N/A

Recommended Action:

That the Board of Supervisors:
Receive and file, per the provisions of Government Code Section 29126.2, the June 30, 2015 Financial Status Report showing the status of appropriations and financing for all department budgets adopted by the Board of Supervisors.

Summary Text:

The financial results of operations for fiscal year (FY) 14-15 reflect *overall improvement* for the County entity. This Financial Status Report is intended to give the Board an overview of the financial operations in FY 14-15 and provide the Board with a preliminary unaudited review of the results of operations. The Comprehensive Annual Financial Report (CAFR) is being finalized and will provide audited results of the fiscal year.

To help in the readability of this report for variances greater than \$5 million, we rounded without decimals to the closest million and, for percentages, we generally rounded to a whole percentage number rather than using decimals.

Discussion:

Economic Indicators

The UCSB Economic Forecast (Forecast) publication of April 2015 includes the following observations about the national and local economy.

“Current economic data suggest that the U.S. economy continues to grow and evidence abounds that our economy is, well, looking up. Employment continues to grow. Our housing values are increasing. New businesses are springing up and so vacancy rates are still very low. The local economy has also been growing, although slower than just a couple of years ago. The unemployment rate has been declining steadily over the past few years. Employment growth is robust across almost all industries. The housing market continues to rebound after hitting bottom in 2012. The growth rate in the increase of home prices has moderated somewhat over the past, yet still is on an upward trajectory. There has also been a return to normalcy in the rate of foreclosures.”

The momentum of the national, state and local economy drives the County’s significant revenue sources comprised of property, sales and transient occupancy taxes; payments from state and federal taxes and charges for services. We are experiencing ***Continued Moderate Growth*** in our revenues that seem to be in line with the economic recovery from the great recession. This level of growth is needed for the County to fulfill its commitments to high priorities, such as the future Northern Branch Jail operations, deferred capital maintenance, fire protection services, and negotiated employee contracts.

Financial Overview

For all governmental funds, the County recorded revenues of \$823 million, expenditures of \$814 million and a net other financing sources/uses of an additional \$9 million which resulted in a positive \$18 million addition to existing fund balances, bringing the total fund balances to \$281 million. The financial position or fund balance increase over last year of 7% or \$18 million was mainly due to a 6% or \$5 million increase in the General Fund balance and 7% or \$12 million net increase in the Special Revenue Fund balances.

Revenues

In FY 14-15, Countywide revenues decreased 1%. However, adjusting for the prior year \$43 million recording of the Santa Maria Levy (SML) Federal government capital contribution, operating revenue increased by 5% or \$38 million to \$823 million.

Taxes, which provide the County with most of its discretionary revenue, increased \$15 million or 6% to \$269 million or 32% of County funding.

- Total property tax accounts increased \$13 million or 6% to \$241 million.
- Local retail sales tax increased \$0.9 million or 13% to \$8 million.
- Transient Occupancy Taxes increased \$1 million or 13% to \$9 million.
- Certain leading indicators of *future* property tax growth tend to be property transfer taxes that increased \$0.6 million or 19% to \$4 million, while supplemental property tax decreased \$0.3 million or 7% to \$4 million due to a backlog of billings created by a new property system implementation.

Licenses, permits, and franchises, decreased \$0.4 million or 3% to \$14 million.

Fines, forfeitures and penalties - decreased \$1.3 million or 14% to 10 million, generally due to a decrease in court collections of AB 233 fees and fines of \$1.0 million or 43%.

Intergovernmental revenue - when adjusted for the SML, increased by \$3 million or 1% to \$340 million. Again this year, there are significant changes in funding from the State and Federal sources.

- The Public Health and Mental Health departments experienced a revenue shift reimbursements from intergovernmental revenue reimbursements to charges for services mainly in the area of Medi-Cal cost reimbursement programs attributable to the Affordable Care Act.

Charges for services - increased \$24 million or 17% to \$165 million

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

COUNTY OF SANTA BARBARA, CALIFORNIA													
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES													
GOVERNMENTAL FUNDS													
FOR THE FISCAL YEAR ENDED June 30, 2015 (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	\$ 203,182	\$ 7,506	\$ --	\$ --	\$ --	\$ 10,807	\$ --	\$ 43,209	\$ --	\$ 4,698	\$ 269,402	\$ 254,177	6.0%
Licenses, permits, & franchise	13,038	453	42	80	--	--	--	20	--	27	13,660	14,030	-2.6%
Fines, forfeitures, & penalties	5,577	--	656	5	3	--	--	--	--	3,340	9,581	10,983	-12.0%
Use of money and property	3,094	116	111	200	164	319	33	28	27	810	4,902	4,995	-1.9%
Intergovernmental	77,865	19,408	19,985	144,380	48,232	1,223	2,878	3,440	1,020	22,061	340,492	380,785	-10.6%
Charges for services	61,626	647	41,380	--	36,396	3,573	144	16,210	193	5,351	165,520	141,939	16.7%
Other	4,547	210	4,018	905	463	39	3,283	410	2,006	3,202	19,083	20,804	-8.3%
Total revenues	368,929	28,340	66,192	145,570	85,258	15,961	6,338	63,317	3,246	39,489	822,640	827,513	-0.6%
Expenditures													
Current:													
Policy & executive	15,562	--	--	--	--	--	--	--	--	--	15,562	15,408	1.0%
Public safety	206,076	--	--	--	--	--	--	58,054	2,523	16,256	282,909	270,605	4.5%
Health & public assistance	9,908	--	67,871	151,996	95,942	--	--	--	--	21,749	347,466	317,322	9.5%
Community resources	39,434	33,579	--	--	--	9,682	3,740	--	--	6,922	93,357	145,572	-35.9%
General gov & support	47,157	--	--	--	--	--	--	--	--	127	47,284	44,194	7.0%
General county programs	3,090	--	--	--	--	--	--	--	--	100	3,190	8,199	-61.1%
Debt service:													
Principal	--	--	--	--	--	--	--	--	--	15,318	15,318	4,502	240.2%
Interest	--	--	--	--	--	--	--	--	--	2,516	2,516	3,308	-23.9%
Capital outlay	--	--	--	--	--	--	--	--	6,793	--	6,793	7,079	-4.0%
Total expenditures	321,227	33,579	67,871	151,996	95,942	9,682	3,740	58,054	9,316	62,988	814,395	816,189	-0.2%
Excess(deficiency) revenue over (under) expenditures													
	47,702	(5,239)	(1,679)	(6,426)	(10,684)	6,279	2,598	5,263	(6,070)	(23,499)	8,245	11,324	
Other Financing Source(Use)													
Transfers in	6,990	4,997	7,062	7,146	12,459	33	--	829	6,561	14,228	60,305	49,717	
Transfers out	(49,567)	(24)	(2,831)	(212)	(980)	(37)	(1,353)	(3,258)	(41)	(2,975)	(61,278)	(49,965)	
Proceeds sale capital assets	23	97	--	--	1	166	--	60	--	--	347	71	
Long-term debt issued	--	--	--	--	--	--	--	--	--	9,925	9,925	--	
Other financing source(use)	(42,554)	5,070	4,231	6,934	11,480	162	(1,353)	(2,369)	6,520	21,178	9,299	(177)	
Net change in fund balances	5,148	(169)	2,552	508	796	6,441	1,245	2,894	450	(2,321)	17,544	11,147	
Fund balances - beginning	92,806	21,590	22,909	3,452	7,352	62,476	4,810	8,239	11,092	28,522	263,248	252,101	
Fund balances - ending	\$ 97,954	\$ 21,421	\$ 25,461	\$ 3,960	\$ 8,148	\$ 68,917	\$ 6,055	\$ 11,133	\$ 11,542	\$ 26,201	\$ 280,792	\$ 263,248	

Expenditures

Operating expenditures when adjusted for the SML prior year capital expenditure increased by \$ 41 million or 5% to \$814 million.

Salary and benefits - costs increased by \$23 million or 5% to \$495 million for the governmental fund types, which accounts for 61% of total expenditures -

- This net increase in salaries and benefits is comprised of:
 - regular salaries, contractors on payroll and extra help increases of \$15 million or 5% due mainly to an increase of 140.5 FTE, costing approximately \$10 million annually mainly in the departments of Social Services, ADMHS, Fire, Sheriff, Public Health and District Attorney. The remainder represents employee salary increases of approximately \$5 million or 1.8% of prior year base salaries.
 - retirement cost increased \$6 million or 4% to \$135 million
 - health insurance increased \$3 million or 13% to \$28 million
 - regular overtime increased \$1.3 million or 9% to \$17 million due to high usage in the Sheriff and Fire departments
 - reimbursable overtime cost increased \$0.1 million or 2% to \$3 million for fire incident responses
 - workers compensation cost decreased \$0.1 million or 1% to \$14 million
 - unemployment insurance cost decreased \$2 million or 400% to \$0, as part of a planned reduction to excess retained earnings in this fund.

- The average annual full-time equivalent (FTE) count was up 140 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 76 FTE following the addition of 81 FTE in the prior year. ADMHS and Public Health also funded mainly by Federal and State funding added 39 FTE and 6 FTE respectively. Public Safety funded mainly by the General Fund and/or property tax revenues added 29 FTE's in Fire, Sheriff and the District Attorney, partially offset by a decline of 8 FTE in Probation, for a net 21 FTE. General Government and Support Services increased 12 FTE. Public Works dropped by 15 FTE. The change in FTE adds approximately \$17 million in total salary and benefit costs to the on-going costs of County operations.

Change in Average FTE Count				
	6/30/14	6/30/15	Change	%Chg
Health & Public Assistance				
Social Services	811.4	887.7	76.3	9.4%
Alcohol, Drug & Mental Health	286.2	325.0	38.8	13.6%
Public Health	486.8	492.4	5.6	1.1%
First 5, Children & Families	14.4	14.0	(0.4)	-2.8%
Child Support Services	80.3	77.1	(3.2)	-4.0%
			117.1	
Public Safety				
Fire	225.5	241.4	15.9	7.1%
Sheriff	628.9	637.3	8.4	1.3%
District Attorney	127.8	132.1	4.2	3.3%
Public Defender	67.8	68.1	0.2	0.4%
Probation	343.8	335.6	(8.2)	-2.4%
			20.6	
General Gov & Support Services				
General Services	109.3	113.4	4.1	3.7%
Clerk-Recorder-Assessor	92.9	96.8	4.0	4.3%
Auditor-Controller	48.4	50.6	2.2	4.6%
Treasurer-Tax Collector	38.9	40.3	1.4	3.6%
Human Resources	23.8	24.4	0.6	2.3%
			12.2	
Policy & Executive				
County Executive Office	32.2	33.4	1.2	3.7%
County Counsel	36.4	37.3	1.0	2.6%
Board of Supervisors	19.9	19.9	0.0	0.1%
			2.2	
General County Programs				
General County Programs	0.0	0.9	0.9	n/a
			0.9	
Community Resources/Facilities				
Community Services	89.4	93.0	3.6	4.0%
Agricultural Commissioner	31.0	32.1	1.1	3.4%
Planning & Development	83.3	81.5	(1.8)	-2.1%
Public Works	282.4	267.1	(15.3)	-5.4%
			(12.4)	
Total	3,960.8	4,101.3	140.5	3.5%

Other Operational Expenditures – that include services and supplies and other charges increased by \$12 million or 4% to \$303 million. Significant expenditures in this area include \$48 million in public assistance cash payments, \$41 million in various professional and contractual services across all departments, \$35 million in ADMHS community based organization service contracts payments, \$26 million in departmental payments to the Internal Service Funds, \$10 million in contributions to the State for the Court MOU and a wide array of additional services provided or supplies purchased.

Debt Service Principal and Interest – Debt Service payments of \$15 million include interest expense of \$2.5 million. This included a refinancing of the \$11 million in outstanding 2005 certificates of participation with a private placed debt note at a lower rate of interest.

Capital Expenditures – Capital Expenditures of \$15 million includes \$10 million in infrastructure work in progress and \$4 million in equipment purchases.

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. This is largely due to setting aside \$4.6 million in the new jail operations account, one-time increases of pre-2004 SB 90 reimbursements and Federal payments in lieu of taxes (PILT) received late in the fiscal year. The Residual fund balance that resulted from the closing of the fiscal year was \$2 million and the Strategic Reserve was \$29.5 million. A few other significant ending fund balance component accounts included a Contingency Reserve \$3.4 million, New Jail Operations Reserve \$7.9 million and Program Restoration Reserve \$3.5 million. The Program Restoration fund balance was fully allocated in FY 15-16 as part of the Budget adoption process (presented during the FY 15-16 Budget Hearings). In the FY 15-16 budget the Strategic Reserve will be increased (calculated at 8% of \$373 million in revenue) to \$29.8 million and Unassigned fund balance will be \$2.0 million to begin the new FY 15-16 budget.

Cash Balances

The ending cash account balance of the General Fund at \$83 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 and will not need to issue a TRAN in FY 15-16.

Budget to Actual Operating Results

Budget to Actual operating results were positive in the General Fund by \$2 million.

Budget to Actual Comparison-Fiscal Year Ended 6/30/2015				
General Fund				
	Adjusted Budget	Actual	Variance	% of Budget
Revenues				
Taxes	200,487,664	203,182,048	2,694,384	101.3%
Licenses, Permits and Franchises	14,297,277	13,037,761	(1,259,516)	91.2%
Fines, Forfeitures, and Penalties	4,794,118	5,576,611	782,493	116.3%
Use of Money and Property	3,583,344	3,094,348	(488,996)	86.4%
Intergovernmental Revenue-State	72,410,620	71,990,112	(420,508)	99.4%
Intergovernmental Revenue-Federal	6,370,779	5,282,054	(1,088,725)	82.9%
Intergovernmental Revenue-Other	812,622	593,198	(219,424)	73.0%
Charges for Services	62,664,698	61,626,132	(1,038,566)	98.3%
Miscellaneous Revenue	4,662,893	4,546,995	(115,898)	97.5%
Revenues	370,084,015	368,929,258	(1,154,757)	99.7%
Expenditures				
Salaries and Employee Benefits	258,342,300	253,366,971	4,975,329	98.1%
Services and Supplies	51,493,451	46,726,441	4,767,010	90.7%
Other Charges	19,459,576	18,944,723	514,853	97.4%
Capital Assets	2,984,859	2,189,972	794,887	73.4%
Expenditures	332,280,186	321,228,106	11,052,080	96.7%
Other Financing Sources & Uses				
Other Financing Sources	7,355,257	7,013,636	(341,621)	95.4%
Other Financing Uses	50,697,131	49,567,340	1,129,791	97.8%
Other Financing Sources & Uses	(43,341,874)	(42,553,703)	788,171	98.2%
Changes to Fund Balances				
Decrease to Nonspendables	138,532	138,532	0	
Decrease to Restricted	5,803,515	2,801,220	(3,002,295)	
Decrease to Committed	38,579,535	32,051,194	(6,528,341)	
Decrease to Fund Balances	44,521,582	34,990,947	(9,530,636)	
Increase to Nonspendables	1,042,423	1,042,423	0	
Increase to Restricted	5,269,508	4,501,505	768,003	
Increase to Committed	32,671,606	32,537,187	134,419	
Increase to Fund Balances	38,983,537	38,081,115	902,422	
Net Financial Impact	0	2,057,280	2,057,280	

- Taxes performed better than budget estimates by \$2.7 million due to additional Property Tax, transient occupancy tax (TOT), and sales tax.

- Intergovernmental Revenue and Charges for Services came in less than budgeted revenue estimates. However, corresponding expenditure savings occurred because these revenue estimates are generally for reimbursable expenditures. It should be noted that the Intergovernmental Revenue State variance was due to SB 90 reimbursements that were posted less than the budget revenue estimate of \$6.4 million by \$1.2 million. The Auditor was made aware by the ADMHS Department that the FY 03-04 SB 90 claim that included certain units of service for disabled children services were also claimed in FY 03-04 against a different grant. The receipt of these funds in the amount of \$1.2 million from the State was set aside as unearned revenue for repayment to the State, including \$0.3 million in accrued interest.
- Departments were unable to fill positions creating \$5 million in salary savings throughout the year. In addition, there was \$6 million in savings in Services and Supplies and Capital accounts. It should be noted that some of the savings are offset by decreases in revenues associated with non-reimbursed costs. Additionally, budgeted uses of Restricted and Committed fund balances were not drawn down as expected.

Net Financial Impact

General Fund

The Annual Financial Summary Report below for the General Fund shows the Net Financial Impact of the various General Fund departments and is a measure of how departments performed against the budget revenue estimates and appropriations. The causes of the Net Financial Variances in the General Fund departments listed on the Report are described in general for variances that exceeded \$200 thousand. The overall year end result is \$2.0 million in increased unassigned fund balance.

Annual Financial Summary-General Fund							
Fiscal Year Ended: 6/30/2015							
Department	Sources			Uses			Net Financial Variance
	Adjusted Budget	Sources Actual	Sources Variance	Adjusted Budget	Uses Actual	Uses Variance	
011 – Board of Supervisors	2,931,928	2,915,910	(16,018)	2,931,928	2,775,468	156,460	140,442
012 – County Executive Office	6,055,796	5,977,324	(78,472)	6,055,796	5,814,955	240,841	162,369
013 – County Counsel	7,305,515	7,075,008	(230,507)	7,305,515	7,033,154	272,361	41,855
021 – District Attorney	21,448,896	21,333,521	(115,375)	21,448,896	21,333,519	115,377	1
022 – Probation	53,724,364	52,726,467	(997,897)	53,724,364	52,656,594	1,067,770	69,873
023 – Public Defender	10,527,301	10,522,775	(4,526)	10,527,301	10,522,775	4,526	0
032 – Sheriff	132,253,450	129,651,742	(2,601,708)	132,253,450	131,199,268	1,054,182	(1,547,526)
041 – Public Health	10,848,855	10,514,923	(333,932)	10,848,855	10,514,923	333,932	0
051 – Agricultural Commissioner	4,835,012	4,641,693	(193,321)	4,835,012	4,641,691	193,321	0
052 – Parks	13,700,395	13,499,363	(201,032)	13,700,395	13,492,161	208,234	7,202
053 – Planning & Development	18,506,319	14,064,070	(4,442,249)	18,506,319	14,011,258	4,495,061	52,811
054 – Public Works	5,075,292	4,779,119	(296,173)	5,075,292	4,779,119	296,173	0
055 – Housing/Community Developmnt	2,615,500	2,406,722	(208,778)	2,615,500	2,406,721	208,779	1
057 – Community Services	3,882,030	3,860,900	(21,130)	3,882,030	3,651,033	230,997	209,867
061 – Auditor-Controller	8,548,212	8,284,976	(263,237)	8,548,212	8,241,483	306,729	43,492
062 – Clerk-Recorder-Assessor	16,452,125	15,156,407	(1,295,718)	16,452,125	14,853,691	1,598,434	302,716
063 – General Services	15,914,732	15,650,921	(263,811)	15,914,732	15,291,728	623,004	359,193
064 – Human Resources	4,436,419	4,385,625	(50,794)	4,436,419	4,181,824	254,595	203,801
065 – Treasurer-Tax Collector-Public	8,762,241	8,069,202	(693,039)	8,762,241	7,788,695	973,546	280,507
990 – General County Programs	48,645,441	48,029,691	(615,750)	48,645,441	47,999,996	645,445	29,695
991 – General Revenues	228,926,849	230,627,829	1,700,980	228,926,849	228,926,848	1	1,700,981
Total General Fund	625,396,672	614,174,187	(11,222,488)	625,396,672	612,116,905	13,279,768	2,057,280

Multiple Departments

Twenty General Fund operating departments are shown in the table above with 19 showing current year positive savings of \$1.9 million. Five finished the year with a positive variance of greater than \$0.2 million. This is

generally the result of salary savings from vacant positions, savings in the area of professional services, and/or IT maintenance.

Sheriff

The Sheriff's Office ended \$1.5 million over budget. This was due to overtime and extra help costs exceeding adopted budget by a combined \$6.0 million, partially offset by regular salary savings generated by funded vacancies of \$3.9 million and lower Services & Supplies expenditures of \$0.6 million, primarily in Jail Pharmaceuticals and Equipment Maintenance. These budget concerns were previously disclosed and discussed with the Board in each quarterly report. At the third quarter report, the department had a projected a negative year-end balance of \$1.9 million, which was brought down to \$1.5 million through: 1) reduced staffing at the Santa Maria Branch Jail, 2) a temporary closure of a portion of the Medium Security Facility, and 3) deferral of hiring until FY 15-16.

General Revenues

General Revenues ended the year with a positive variance of \$1.7 million. This variance is due to unanticipated revenue from property taxes, TOT, sales tax and delinquent property tax revenue penalties.

Annual Status - Other Funds

The following funds are major special revenue funds or proprietary funds that have significant variances over \$500,000. Only four major funds, three non-major funds and three propriety funds exceed these criteria. However, we chose to include a short discussion on certain other funds based on significant program expenditures in those funds.

Major Funds: (see financial statement on page 3)

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

The Roads Funds ended the year positive and decreased Restricted Fund balance by \$0.2 million. The fund recorded \$34 million of expenditure activity for our local roads, bridges and infrastructure.

Public Health (Fund 0042)

The Public Health Department ended the fiscal year positive in the amount of \$2.6 million with expenditures for Public Health programs of \$68 million. This positive variance was the result of higher revenues from greater than anticipated Medi-Cal eligible clients, primarily funded from Federal Reimbursements under the new Affordable Care Act.

Social Services (Fund 0055)

These Federal and State funded social safety net programs are among the largest in the County with expenditures of \$152 million with a 9% or \$12 million increase over the prior year. This large increase is the result of Federal and State funding under the Affordable Care Act.

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

These funds ended the year with a positive \$8.2 million in fund balance. The funds recorded \$96 million in expenditure activity. The positive balances are in the Mental Health Services Act fund (0048) and Alcohol and Drug Program fund (0049); the Mental Health Fund (0044) ended the year with effectively a zero balance and had been subsidized by General Fund contributions during the FY 14-15 year to cover high in-patient bed costs and lower than projected revenues.

Flood Control District (Multiple Funds)

The Flood Control District Funds ended the year with a \$6.4 million increase to fund balance due to property taxes exceeding budget estimates, salary savings and project fund carryovers. These funds have significant fund balances of \$69 million, and annual expenditures of \$13 million.

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

The six affordable housing program funds had a net increase in fund balance of \$1.2 million and annual expenditures of \$4 million. These are primarily project driven funds and accumulate funding for expenditure in future cycles.

Fire Protection District (Fund 2280)

The Fire Protection District ended the year with a positive change to fund balance in the amount of \$2.9 million. Property Taxes were \$1.0 million greater than budget estimates, state fire contract reimbursements exceeded estimates by \$1.1 million and salary and services and supply savings were \$1.2 million. The District expended \$58 million on local fire protection and emergency response.

Capital Projects Funds (Funds 0030, 0031, 0032)

The capital project funds had expenditures of \$9.3 million that were incurred on general county projects (\$4.9 million), Parks projects (\$1.9 million), and North County Jail project (\$1.7 million).

Non Major Funds:

IHSS Public Authority (Fund 0056)

The IHSS Fund with expenditures of \$7.3 million drew down on fund balance by \$1.1 million under a planned drawdown by the Social Services department to fund a portion of annual operations.

Court Activities (Fund 0069)

The Court Activities Fund ended the year with a \$0.8 million decrease to fund balance. This was due to Fines, Forfeitures, and Penalties revenue coming in lower than anticipated and a budgeted draw on fund balance for the use of outside attorneys for a large multiple defendant case.

Debt Service Santa Barbara Finance Corporation (Fund 0036)

The Debt Service Fund ended the year with a \$1.6 million decrease to fund balance due to a reduction in debt reserves as a result of a debt refinancing this fiscal year.

Workers' Compensation Self Insurance (Fund 1911)

The Workers' Compensation Fund finished with a reduction in negative retained earnings by \$1.6 million to a negative \$2.6 million. There is a deficit recovery plan to amortize the deficit over seven years that is currently ahead of schedule. The long term outstanding claims liabilities were reduced by \$3.2 million from \$15.9 million to \$12.7 million.

County Liability-Self Insurance (Fund 1912)

The Liability Fund had a retained earnings decrease of \$1.2 million as premiums did not cover costs as part of a planned reduction to the excess retained earnings in this fund.

County Unemployment Self Insurance (Fund 1913)

The Unemployment Insurance Fund decreased equity by \$2.1 million as part of a planned reduction to the excess retained earnings in this fund with a refund of \$1.8 million to the departments and a rate reduction of \$0.3 million. The majority of the money was returned to General Fund departments and then reprogrammed in the fiscal year to subsidize the Mental Health Fund.

All Proprietary Funds – Enterprise and Internal Service Funds

The Internal Service Funds started the year with \$148 million in equity and ended the year with \$133 million in equity. This \$15 million decline was due to the first time posting of \$19 million in outstanding pension liabilities attributable to these funds. The pension liabilities will be paid down through the contribution rates set by the retirement system that includes a rate for both normal costs and the cost of unfunded pension liabilities.

Concluding Observations

The financial results of operations for FY 14-15 reflect continuing moderate improvement of County finances. With employment increasing and a continuing rebound of the housing market the County is building its foundation for the future with long term funding commitments to a new jail facility, fire protection financing, deferred capital maintenance and unfunded retirement liabilities. These commitments address important priorities and rely on

increasing revenue growth in the coming years. The County was able to end the year with an \$18 million increase in overall governmental fund balance for all funds.

- The County also ended the year with \$2 million in General Fund residual fund balance, \$3.4 million in the General Fund Contingency account and \$3.5 million in General Fund Program Restoration account (which was allocated as part of the FY 15-16 Budget adoption hearings).
- The County continued to make a contribution to the Strategic Reserve by rolling over unassigned fund balance and ended the year at \$29.5 million and will increase it to \$29.8 million to begin FY 15-16.
- 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 \$83 million and continued to eliminate the need for a short-term borrowing (TRAN) for the next year.
- The County is entering the fourth 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 (\$4.6 million in FY 2014-15).
- The County continues to shift general fund tax allocations to the fire protection district for a third year under the originally scheduled 10 year plan.
- The County has a plan to increase funding for deferred maintenance of its buildings and infrastructure, forecasting a total of over \$100 million in expenditures over a ten year period.
- The County unfunded retirement liability decreased from \$717 million to \$584 million, a decrease of \$132 million and increased its funded ratio to 81%. The actuarially determined employer contribution rate decreased from 38.94% of payroll to 37.94% of covered payroll.
- The County FTE count was up 140 FTE in FY 14-15 compared to the prior year, 80% in the Federal and State funded Social Service, ADMHS and Health programs and the remaining 20% in Public Safety programs and General Government and Support programs.
- The State's finances have improved significantly and are impacting the County positively. Positive State revenue growth increased financial resources that support the State funded programs and are strengthening the County finances for Public Safety and Health, Mental Health and Social Service programs.
- Early indicators are that for budget years FY 15-16 and FY 16-17 local taxes will continue to increase in the following ranges: Property Taxes 4-6%, Transient Occupancy Tax 4-6%, and Retail Sales taxes 4-6%.

Mandates and Service Levels: Government Code Section 29126.2

Fiscal and Facilities Impacts: None

Special Instructions: None

Attachments: None