

# SANTA BARBARA COUNTY BOARD AGENDA LETTER



Clerk of the Board of Supervisors  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

**Agenda Number:**  
**Prepared on:** 7/29/05  
**Department Names** County Executive & County Auditor  
**Department No.:** 012  
**Agenda Date:** 8/09/05  
**Placement:** Departmental  
**Estimate Time:** 30 minutes  
**Continued Item:** NO  
**If Yes, date from:**

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**TO:** Board of Supervisors

**FROM:** Michael F. Brown, County Executive Officer  
Robert Geis, CPA, Auditor-Controller

**STAFF CONTACT:** Ken Masuda and Lori Norton  
568-3411 568-3241

**SUBJECT:** FY 04-05 Financial Status Report #4 and State Budget Update

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## Recommendations:

That the Board of Supervisors:

- A. Accept and file, per the provisions of Government Code Section 29126.2, the end of fiscal year (FY) 2004-05 Financial Status Report (report as of June 30, 2005) showing the status of appropriations and financing for all department budgets adopted by the Board of Supervisors.
- B. Receive a report on impacts of the Adopted Fiscal Year 2005-06 State Budget on the County's FY 2005-06 Adopted Budget.
- C. Allocate a small portion of the \$8.4 million Vehicle License Fee (VLF) Gap Loan repayment received from the State of California.

**Alignment with Board Strategic Plan:** [An efficient government able to anticipate and respond effectively to the needs of the community.](#)

## Executive Summary

The County ended fiscal year 2004-05 with significant positive momentum. The General Fund fund balance was \$8.56 million, an amount which is \$5.28 million more than the \$3.28 million needed to balance the FY 05-06 budget. The \$5.28 million, by Board resolution, went into the Strategic Reserve, increasing the reserve to \$21.97 million or only \$3 million short of our \$25 million goal. This goal was to be achieved by FY 2011-12 but now seems attainable 4 or 5 years ahead of schedule. All other County funds ended the year a combined positive \$15.36 million. Several of these fund balance improvements provide reserves that will help mitigate the need for further General Fund commitments or, in the case of Internal Service Funds could result in lower costs in future years.

All of this occurred during a year when we were able to absorb FY 04-05 State budget shifts and swaps without reducing program commitments and restore the Litigation Designation to \$1.6 million.

The adopted FY 05-06 State Budget has substantially more positive than negative impacts on County government. It includes repayment of the \$8.4 million Vehicle License Fee (VLF) gap loan a full year earlier than scheduled, provides \$1.6 million in Proposition 42 funds for local streets and roads, does not impose new costs in the health and social services area, and except for canceling funds for the Property Tax Administration Program, does not add new State revenue shifts or funding reductions in other areas. Pending impacts include costs to run the November 2005 Special Statewide Election and the potential need to pay the share of storm damage costs not covered by Federal and State funds.

It is recommended that most of the money to be received from the early repayment of the \$8.4 million VLF gap loan be held for now, rather than spent, with three necessary exceptions. These exceptions are: 1) Repaying the \$800,000 loaned from the Tobacco Settlement Fund in FY 03-04 to help the County survive the loss of VLF funds, 2) Allocating \$442,000 in matching funds required to receive the \$1.6 million Proposition 42 funds, and 3) Adding \$385,000 to the Litigation Designation, raising the total designation to \$2 million; this designation covers potential known litigation settlements and legal costs not covered by the General Liability Internal Service Fund.

### **Discussion:**

The presentation proceeds as follows: **Section A** reviews the financial status of the County's funds as of 6/30/05. The first part of this section looks at the General Fund, both departments and discretionary revenues, and the resulting General Fund fund balance. The second part reviews all other County funds. **Section B** provides information on the FY 2005-06 State Budget, including pending items of interest to the County which will be taken up when the State Legislature reconvenes on August 15<sup>th</sup> and a brief review of how the VLF "gap" occurred. **Section C** discusses possible uses for the VLF Gap Loan repayment and recommends allocation of a small portion of the \$8.4 million repayment now, leaving the balance for future review.

### **A. Financial Status Report as of June 30, 2005.**

Staff has conducted Monthly Projection (MOPROs) meetings with departments during which their actual performance was compared to their adjusted budget for the 2004-05 fiscal year. The following narrative highlights major variances (differences between budgeted and actual amounts of \$500,000 or more), for: 1) Departments in the General Fund as shown in the Projected Annual Status Report, General Fund (Attachment A) and 2) for non-General Fund departments and funds other than the General Fund as shown in the Projected Annual Status Report, by Fund Type (Attachment B).

### **County General Fund**

#### **Department Summary (excluding General Discretionary Revenues)**

Overall, departments ended the year with a net favorable balance—revenues greater than anticipated and expenditures less than appropriated—of \$4,733,000, about \$2 million more than anticipated in March. Major contributors to the ending fund balance were the

Sheriff, Treasurer, Clerk-Recorder-Assessor, and General County Programs. Detailed information on General Fund departments with variances over \$500,000 follows.

### **Status of Departments**

Using the Projected Annual Status Report as a reference, those departments with variances between budgeted and actual amounts over \$500,000 as of year-end are:

- Sheriff. The department ended the year with a net positive variance of \$1,491,000. The primary reason is a savings of \$1.1 million in salary and benefit costs. While this is a large dollar amount, it should be pointed out that the savings amount to less than 2% of Sheriff Department salary and benefit appropriations. The savings are due to: 1) resources needed for the Michael Jackson trial being less than anticipated; the number of officers needed on a daily basis was lower than initially projected and the trial itself ended before the end of the fiscal year, and 2) during the year the department had an average of 36 vacant funded positions, due to difficulties in hiring qualified staff. Court payments for bailiff services were \$100,000 more than budgeted and, given past experience where the Superior Court paid less than the full annual costs of bailiff services, revenues were several hundred thousand more than expected.

Public Safety Sales Tax (Proposition 172) revenue was substantially higher (+\$1 million) than the adopted budget. Because a large portion of this amount (\$722,000) was later budgeted and designated for future North County Jail expenditures this revenue increase does not contribute to the year-end positive variance.

- Clerk-Recorder-Assessor. The department ended the year with a net positive variance of \$497,000. The predominant factor was additional revenue received to offset the costs to administer the collection of supplemental property taxes. These revenues were \$471,000 over budgeted amounts. Up to 5% of supplemental property taxes paid can be used to offset costs of administration and, as these taxes rise, more of these administrative costs can be recovered.
- Treasurer. The department ended the year with a net positive variance of \$516,000. Salary and benefit costs were lower due to vacancies and Professional and special services costs were lower because of lower bank charges as the County moved more to lower cost online transactions and because of an office remodel which was deferred to fiscal year 2005-06. Tax collection revenues increased as a result of new Board of Supervisors approved fees for collection of delinquent property taxes.
- General County Programs. The department ended the year with a net positive variance of \$1,087,000. On the revenue side, the County received a \$400,000 loan from the State for County Formation Commission costs and only \$100,000 was budgeted with most of the rest designated for FY 05-06. Releasing the balance of the General Fund contingency, \$226,000 provided the other major source of additional financing. Expenditures were lower due to Human Relations Commission staff vacancies, unspent oak tree conservation easement funding, and \$180,000 that did not need to be added to assessment appeals reserves.

### **Status of General Fund Discretionary Revenues**

At year-end, discretionary revenues were \$3.8 million over the adjusted budget and \$2.8 million over estimated year-end totals. Three revenue sources account for virtually all of this variance. Supplemental Property Taxes (+\$1.8 million) and Property Transfer Taxes (+\$1.2 million) over adjusted budget amounts reflect the current level of transactions and sales prices in the county real estate market through June 30, 2005. Recently we have seen some drop-off in the number of sales; however, this has been offset by

continued high sales prices. Interest income was \$900,000 more than the adjusted budget of \$2.3 million. These increased interest earnings reflect the impact of Federal monetary policy on interest rates. Table 1 compares budgeted, estimated, and actual numbers for these three revenues and Secured Property Taxes.

**Table 1: FY 2004-05 Discretionary Revenues**  
(Dollars in Millions)

Source	2004-05 Adopted	2004-05 Adjusted	2004-05 Estimated	2004-05 Actual	Change: Adopted to Actual
Secured	\$78.4	\$81.3	\$81.3	\$80.9	+\$2.5
Supplemental	4.3	4.9	5.6	6.7	+2.4
Property Transfer	3.2	3.8	4.3	5.0	+2.8
Interest Earnings	2.0	2.3	2.2	3.2	+1.2

During the year we reduced our Transient Occupancy Tax revenue estimates because a number of South Coast rooms have not been available to guests due to renovations. However, actual revenues at \$4.815 million were slightly higher than estimates, reflecting the fact that some of the rooms being remodeled have come back on the market.

While Secured Property Taxes were \$375,000 less than adjusted budget levels, this amount was still \$2.5 million over the adopted budget. Earlier in fiscal year 2004-05 we increased Secured Property Tax estimates by \$2.9 million in order to accommodate State impacts from the additional two-year ERAF shift without reducing program appropriations.

**Fiscal Year-end Fund Balance for the County General Fund**

The net positive dollar variances in department budgets and discretionary revenues resulted in a year-end fund balance of \$8.56 million. This total was \$4.9 million more than our third quarter estimate of \$3.62 million and was \$5.3 million more than the \$3.28 million needed to balance the FY 2005-06 budget. With the \$5.3 million going into the Strategic Reserve per Board resolution, the status of the Strategic Reserve is as shown on Table 2.

**Table 2: County Strategic Reserve**

<i>Strategic Reserve as of 6/30/05</i>	<i>Strategic Reserve as of 7/01/05</i>	<i>Strategic Reserve Goal</i>
<b>\$16.69 million</b>	<b>\$21.97 million</b>	<b>\$25.0 million</b>

Thus, we find ourselves, at the beginning of FY 2005-06, only \$3 million short of the Strategic Reserve goal of \$25 million. This goal, planned to be achieved in FY 2011-12, can now be reached 4 years earlier, in FY 2007-08 following current policies, or even sooner if one-time revenue sources are allocated to this reserve.

## Special Revenue Funds and Other Funds

### Summary

Overall, these funds ended the fiscal year with a net favorable balance of over \$15 million. Only the Laguna County Sanitation District ended the year with a negative variance. Of the funds reported here with potential General Fund implications, the Alcohol, Drug, and Mental Health Services Fund ended with a positive \$1.63 million variance and the Social Services Fund ended with a positive 776,000 variance. Two of the Internal Service Funds, Medical Malpractice and Workers Compensation, ended the year with positive variances over \$500,000 indicating the potential for lower rates to all departments contributing to these funds in FY 06-07.

### Fund Detail

- Children and Families First (Fund 0010). This fund, which is a division of the County Executive Office, ended the year with a net positive variance of \$861,000. The variance is primarily due to a conservative beginning estimate of revenues to be received during the fiscal year resulting in actual revenues being \$609,000 more than budgeted.
- Road Fund (Fund 0015). This fund, which is managed by the Public Works Department, ended the year with a net positive \$1.02 million variance. During the year, financing sources were increased by \$9.5 million due to expenditures for winter storms. Roughly \$7.9 million of this total was increased Federal revenue (from \$7.89 to \$15.77 million), however, \$11.8 million of this total has been accrued rather than received. While being grateful for the Federal (and State) assistance, the delay in reimbursement for expenditures made has caused a significant cash flow problem for this fund and has, in addition, resulted in delays to many of the projects originally planned for FY 04-05. Additional designations of \$900,000 made in FY 04-05, plus the positive variance mentioned earlier, will be used for regular road maintenance (overlays and surface treatment) planned but not initiated during FY 04-05.
- Alcohol, Drug, and Mental Health Services (ADMHS) (Fund 0044). This is the ADMHS department's primary operating fund. The fund ended the year with a net positive variance of \$1.64 million. Salary and benefit costs were \$2.0 million less than budgeted due to 25 vacant positions. However, this was somewhat offset by \$516,000 in additional costs for contract physicians and nurses. Payments to contractors were \$1.78 million under budget as actual contract services provided were less than anticipated. Expenditures from these three categories alone were \$3.26 million less than budgeted. These expenditure savings resulted in lower State reimbursements for Medi-Cal totaling \$3.11 million. However, many revenue sources showed a positive variance including Vehicle License Fee-Realignment (\$878,000 with about half being one-time funding not credited to FY 03-04), Medicare (\$479,000) as more clients referred to the Psychiatric Health Facility were Medicare eligible, the EPSDT (Early Periodic Screening Diagnosis and Treatment) children's services program (\$456,000), and Healthy Families (\$375,000) due to an increase in the number of eligible clients.

Overall, the department ended the fiscal year in a much improved fiscal position. With lower expenditures and increased revenues from sources other than Medi-Cal, the year-end cash borrowing for this fund declined from \$5.8 million in FY 03-04 to \$3.5 million at the end of FY 04-05. The department also did not have to release \$988,000 in fund designations that it had budgeted to provide during the fiscal year.

- Social Services (Fund 0055). This is the primary operating fund for the Social Services Department. The fund ended the year with a net positive variance of \$776,000. There

were significant expenditure savings in a large number of areas which resulted in corresponding revenue reductions. Salary and benefit costs were \$1.375 million less than budgeted with the bulk of the savings being from Eligibility Worker vacancies. In-home Supportive Services (IHSS) costs were significantly less due to lower than expected caseload growth (3% rather than an expected 8%) and a delay in implementation of provider benefits. Expenditure savings were \$1.470 million in contributions to the IHSS fund (for individual providers) and \$626,000 in payments to the IHSS contractor. Other significant expenditure variances (savings) were in the Workforce Investment Act (WIA) program of \$566,000, child care expenditures for CalWorks clients (\$398,000), and Food Stamps (\$352,000). In the General Relief program, where the adoption of regulations similar to that of our surrounding counties has reduced the number of cases, savings for the year were \$481,000.

- Collateralized Loan Fund (Fund 0067). This new fund ended the year with a positive net balance of \$1.375 million. The Board of Supervisors authorized **Housing and Community Development** to sell its outstanding loan portfolio (valued at \$3.4 million with repayment over 40 years). The department received \$1.1 million from this transaction and put the money in this new fund. The new loan funds have not yet been used on other housing projects, thus the year-end balance was created.
- South Coast Flood Zone (Fund 2610). The fund ended the year with a net \$2.270 million positive fund balance. Funding was increased during the year due to the winter storms, however, the **Public Works** Department spent less than anticipated because they were able to get the Army Corps of Engineers (ACE) to clean up 6 debris basins at a cost to the ACE of \$5 million.
- Capital Outlay (Fund 0030) ended the year with a net positive \$517,000 variance. This fund includes departments with capital projects and, in FY 04-05, there were a total of seven departments. There is one major variance of \$505,000 in the Park Department. This variance is due to unused appropriations that are rolled forward (designated) for use in the following fiscal year.
- Laguna County Sanitation (Fund 2870) ended the year with a net \$709,000 negative variance. This is largely an accounting variance that reflects a combination of retained earnings both not being released, as budgeted, to fund operations and not being contributed to, as budgeted, for future use. The variance does point to the fact that the fund experienced higher than budgeted plant operating costs and higher depreciation charges (these were increased by the Auditor following completion of the new plant) and deferred certain planned capital improvements because of these cost increases.
- Medical Malpractice Insurance (Fund 1910) ended the year with a \$656,000 positive variance. There were no malpractice payments and no legal fees costs during FY 2004-05.
- Workers Compensation Fund (Fund 1911) ended the year with a \$709,000 net positive variance, which increases to \$1.564 million when changes to retained earnings are included. The positive result reflects cost reductions in many areas including salary savings (\$133,000), lower excess insurance payments due to favorable claims history (\$345,000), lower third party administrator costs due to fewer claims (\$304,000), and lower disability payment costs (\$800,000 less than budgeted and \$500,000 less than the prior year) due to fewer claims and to State legislation that places caps on medical, physical therapy and chiropractor costs.

### **Net Impact on General Fund**

The Social Services Fund returned \$200,000 in General Fund Contribution this year. The balance of their General Fund savings will be held in their fund balance for future use. As reported earlier, this money could mitigate the need for additional funding in FY 05-06 if

there is continued growth in foster care costs or unexpected IHSS cost increases. The Road Fund, because of storm damage costs, could need an additional General Fund Contribution in FY 05-06. Further discussion of this possibility is included in the next section.

## **B. State Budget Impacts**

In summary, major County impacts of the State Budget, passed by the legislature on July 7 and signed by the Governor on July 11, are:

### 1. Positive impacts:

- Budget included early repayment of the Vehicle License Fee (VLF) gap loan. The gap refers to the period between June 20 and October 1, 2003 when the State suspended funding for its share of VLF payments to cities and counties. The County, on July 27, received an \$8,416,000 repayment of funds "loaned" to the State during this period.
- Potential County financial impacts from Medi-Cal redesign, reduced State matching of IHSS wages, and loss of funding of mandates to meet the needs of special education students were avoided.
- County will receive \$1.6 million for roads as a result of the State not suspending Proposition 42 payments. County will have to come up with an unbudgeted \$442,000 in matching funds.

### 2. Neutral impacts (already accommodated in the Adopted County budget or minor):

- Second year of ERAF III property tax shift to the State (\$3.9 million), deferral of SB-90 reimbursements, continuation of shift of undesignated Court fees to the State.
- Shift in the Juvenile Justice Program funding cycle will save the State money on a one-time basis and result in loss of interest income to the County, but no on-going program reductions.

### 3. Negative or pending impacts:

- In a surprising development, the adopted State budget provides no money for the Property Tax Administration Program (AB-818) which was funded the past 10 years at \$926,817. The program has focused on reducing backlogs, absorbing workload increases, and implementing process improvements. The State Assessors Association, with the support of CSAC (California State Association of Counties) is seeking restoration of these funds when the State Legislature resumes on August 15.
- Legislation to relieve this and other counties of the local share of Federal/State storm damage funds is still pending and will also be taken up when the legislature resumes on August 15. If this legislation is not successful, a local share of approximately \$650,000 will have to be paid.
- The State budget includes no appropriation for the November 2005 Special Election. Additional County costs due to the Special Election are estimated at \$1.2 million, including \$700,000 in unbudgeted expenditures and \$500,000 in reduced local revenues. The lower revenue recovery is due to the statewide election taking a majority of time and therefore receiving a higher allocation of costs for which, currently, the county receives no reimbursement. The Governor has committed to work with the legislature for an appropriation outside the 2005-06 budget process or to include the amount in the State's FY 2006-07 budget.
- The budget extends the repayment of prior SB 90 mandate costs from 5 years beginning in FY 2006-07 to 15 years beginning in FY 2006-07.

Table 3 provides an overview of State budget impacts we have been tracking since the Governor’s January 2005 budget proposal.

**Table 3 State Budget Impacts on the County’s FY 2005-06 Budget**

State Funding Losses By Functional Area:	Proposed FY 05-06 State Budget-January	Proposed FY 05-06 State Budget -May Revise	Adopted FY 05-06 State Budget -July
<b>General Government</b>			
❖ <b>GF Property Tax</b> 2nd year of increased shift	\$ 3.9 Million	\$ 3.9 Million	\$ 3.9 Million
❖ <b>State Mandates (SB 90)</b> Elections/Brown Act, Etc.	\$ 0.7 Million	\$ 0.7 Million	\$ 0.7 Million
❖ <b>Property Tax Admin Grant</b> Clerk Recorder/Assessor			\$ .9 Million
<b>Law, Justice &amp; Public Safety</b>			
❖ <b>Juvenile Justice Program Funds</b> \$1.4 M plus \$.4 match fund loss	\$ 2.0 Million	\$ .2 Million	\$ .2 Million
❖ <b>Undesignated Court Fees</b> Contrary to AB 1769 limit of 2 yrs. State continues the transfer of court fees	\$ 0.0 Million	\$ 0.0 Million	\$ 0.3 Million
Juvenile Justice Program funded in Adopted Budget. However the timing of the State’s distribution of funds will be changed to coincide with the program year. This will reduce interest income which has been used to support program costs.			
<b>Health &amp; Public Assist</b>			
• <b>Medi-Cal Redesign</b> Beneficiary Cost Sharing	\$ 2.7 Million	\$ 0.0 - \$2.7 Million	\$ 0.0 Million
• <b>CalWorks Admin - Eligibility</b> State Proj cost savings from Qrt Rept	It appears Health and Public Assistance Program reductions will have minimal impact on the County... but will impact individual members of the community. Budget delays the Fed SSI/SSP COLA increase from Jan 1 to Apr 1 thereby reducing recipient income and purchasing power.		
• <b>CalWorks Employment Serv.</b> State Proj. decrease in caseload due to 60 month benefit limit – St & Fed loss			
• <b>Food Stamp Admin</b> State Proj. cost savings from Qrt Rept			
• <b>In Home Supportive Services</b> State reduce Sharing in IHSS wages above minimum wage	IHSS wage reduction to minimum wage not included in the Budget. For FY 05-06 the State will participate in wages up to \$10.50/hr plus \$ 0.60/hr for benefits.		
• <b>State Mandates (SB 90)</b> Mental Health Serv - Handicap Students	Mental Health Services for Special Education Students funded for FY 05-06. Federal IDEA funds and State Funds will fund AB 3632 Mandates.		
<b>Community Resources</b>			
• <b>Suspend Prop 42</b> Local Roads & Transportation Funds	\$ 1.5 Million	\$ 0.00 Million	\$ 0.00 Million
Proposition 42 is funded in the May Revise. The County will receive approx. \$1.6 million in Prop 42 funding for local road repair and maintenance projects. A County match of \$ 442 Thousand is required to receive the funds. The match funds are not included in the Adopted Budget.			
<b>TOTAL</b>	<b>\$ 10.8 Million</b>	<b>\$ 4.8 to \$7.5 Million</b>	<b>\$ 6.0 Million</b>

**C. Recommended and Potential Uses of the VLF Loan Repayment**

The \$8.4 million loan repayment was received on July 27, a full year earlier than anticipated. It is our recommendation that most of this money be held, rather than spent, with three necessary exceptions. The three exceptions are:



- Returning the \$800,000 loaned to the General Fund from the Tobacco Settlement Fund. The Board of Supervisors approved this loan in October 2003 as part of a package of actions taken to mitigate State budget reductions, including the loss of VLF funding through the Gap "Loan."
- Providing the required local match of \$442,000 necessary to receive \$1.6 million in Proposition 42 road funds this fiscal year.
- Providing \$385,000 in additional funds to the Litigation Designation, increasing the total to \$2 million. This designation covers potential known litigation settlements and legal costs not covered by the General Liability Internal Service Fund.

While acknowledging that funding of the following costs may be unavoidable, it is recommended that local action on these items be deferred until we know whether the State Legislature/Governor approve proposals to reduce local costs:

- Loss of Property Tax Administration Program (PTAP) funding. If not restored, and staffing is maintained for the current year, the increased county cost would be approximately \$900,000.
- Local cost of the statewide special election is estimated at \$1.2 million.
- County share of the Federal/State/Local storm damage funding formula, if the State decides not to pick up this cost, is \$650,000.

Table 4 summarizes the impact of these costs and obligations on the \$8.4 million.

**Table 4: Initial Uses for VLF Gap Loan Repayment**

	Amount	Balance
Gap Loan Repayment Amount	\$8,416,000	\$8,416,000
Repay Tobacco Settlement Loan	800,000	
Prop. 42 match & Litigation funding	827,000	6,789,000
PTAP & special election funding	2,100,000	
Storm damage local cost share	650,000	4,039,000

Consideration of other potential uses for the remaining \$4,038,000 of the Gap Loan repayment should be deferred until after the end of the first quarter of the current budget year when FY 2005-06 budget expansion requests are reviewed.

**Mandates and Service Levels:** As indicated and described in the text of the letter.

**Fiscal and Facilities Impacts:** Actual, estimated and hypothetical impacts are stated in the text of the letter.

CC: All Department Heads  
 CEO Deputies/Assistants  
 CEO Analysts  
 Employee Organizations

Attachment A – Projected Annual Status Report for the General Fund

Attachment B – Projected Annual Status Report for Special Revenue Funds and Other Funds

Attachment C – Powerpoint Presentation



# 4th Quarter Budget Update

Report to the Board of Supervisors

August 9, 2005



## 4th Quarter Budget Update

- ❖ The County General Fund ends fiscal year (FY) 04-05 with an **\$8.56** million unreserved, undesignated fund balance.
- ❖ **\$3.28** million needed to balance the FY 05-06 General Fund.
- ❖ Rest of the money, **\$5.28** million, went into the Strategic Reserve.
  - ❖ The Strategic Reserve is now \$21.97 million or only \$3 million short of our \$25 million goal.



# 4th Quarter Budget Update

## Year-end Status of General Fund Departments

- ❖ The Sheriff's Department returned \$1.49 million in General Fund Contribution and was the largest contributor to the fund balance.
- ❖ Other departments contributing large amounts were:

Treasurer-Tax Collector	\$516,000
Clerk-Recorder-Assessor	\$497,000
Auditor-Controller	\$433,000
- ❖ General County Programs returned \$1.08 million.



# 4th Quarter Budget Update

## Year-end Status of General Fund Discretionary Revenues

- ❖ Driven by the local real estate market, the two largest revenue contributors to the positive fund balance were:

Supplemental Property Taxes	\$1.8 million
Property Transfer Taxes	\$1.2 million
- ❖ Federal policy on interest rates resulted in interest earnings exceeding the adjusted budget by \$900,000.



# 4th Quarter Budget Update

## Year-end Status of Special Revenue & Other Funds

- ❖ These funds, combined, ended the year with a **\$15.36** million positive variance.
- ❖ South Coast Flood Zone (Public Works) was +\$2.27 million as work by Army Corps of Engineers reduced anticipated local costs.
- ❖ Alcohol, Drug, and Mental Health Services primary operating fund was +\$1.64 million, reversing prior year trends.



# 4th Quarter Budget Update

## Status of Special Revenue & Other Funds

- ❖ The Social Services Fund showed a net positive variance (+776,000) which, when carried over, will help with potential FY 05-06 cost increases.
- ❖ Workers Compensation Fund (+\$709,000) and Medical Malpractice Fund (+\$656,000) could result in lower charges to departments in future years.





# Update on State Budget Impacts

- ❖ Most State Budget Impacts were recognized in the County's FY 05-06 Budget:
  - ❖ Property Tax Loss from ERAF III
  - ❖ Undesignated Court Fees to the State
  - ❖ No Reimbursement for State Mandates
- ❖ Other potential negative impacts were not adopted:
  - ❖ Rollback of State share of in-home supportive services wages
  - ❖ Various potential reductions to social services programs



# Update on State Budget Impacts

- ❖ Positive impacts (\$10 million) not included in the County FY 05-06 Budget:
  - ❖ Proposition 42 funding for local roads (+\$1.6 million)
  - ❖ State repayment of the Vehicle License Fee Gap Loan (+\$8.4 million)
- ❖ Negative or pending impacts (\$2.78 million):
  - ❖ Loss of Property Tax Administration Program (\$926,000)
  - ❖ No State funding for November Special Election (\$1.2 million)
  - ❖ Local share of Federal/State storm damage funding (\$650,000)



# 4th Quarter Budget Update

Recommendations on the \$8.4 million one-time VLF Gap Loan repayment:

- ❖ Approve the following:
  - ❖ Repay the Tobacco Settlement Fund      \$800,000
  - ❖ Provide the Prop. 42 Match      \$442,000
  - ❖ Increase the Litigation Designation      \$385,000.
- ❖ Retain the remaining \$6.77 million for:
  - ❖ Other State actions (Legislature reconvenes August 15)
  - ❖ Other litigation/Strategic Reserve/Budget Expansions