



BOARD OF SUPERVISORS  
AGENDA LETTER

Agenda Number:

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

**Department Name:** CEO & Auditor-Controller  
**Department No.:** 012 & 061  
**For Agenda Of:** May 10, 2016  
**Placement:** Departmental  
**Estimated Time:** 30 minutes  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Supervisors  
**FROM:** Department: Mona Miyasato, County Executive Officer  
Director(s): Theodore A Fallati, CPA, Auditor-Controller  
Contact Info: Tom Alvarez and Julie Hagen  
568-3432 568-2126  
**SUBJECT:** Fiscal Year 2015-2016 Third Quarter Budget and Financial Update

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**County Counsel Concurrence**

As to form: NA

**Auditor-Controller Concurrence**

As to form: Yes

**Recommended Actions:**

That the Board of Supervisors accept and file, per the provisions of Government Code Section 29126.2, the Fiscal Year 2015-2016 Budget and Financial Status Report as of March 31, 2016, showing the status of appropriations and financing for all departmental budgets adopted by the Board of Supervisors.

**Summary Text:**

The Fiscal Year 2015-2016 Budget and Financial Update for the Third Fiscal Quarter, ending March 31, 2016, provides an overview of the County's financial position relative to the adjusted budget for the first nine months of this fiscal year for the Board's review.

The General Fund projects a \$5.8 million favorable variance when compared to the Adjusted Budget. Special Revenue Funds are generally tracking to or positive to budget with the exception of Behavioral Wellness and County Liability funds explained later in this report.

**Background:**

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, 2016, are discussed below.

This report highlights the following variances that exceed the thresholds:

- 1) General Fund departments (including Discretionary General Revenues) with projected variances greater than \$300 thousand per department; these are shown in the Financial Summary Report (Attachment A) and

- 2) Non-General Fund departments with projected variances greater than \$500 thousand per fund; these are 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 2015-16, and then add departmental projections for the next three months to arrive at the “Projected Actual” columns. These annual Projections are then compared to Adjusted Budgets for both Sources and Uses to produce a “Net Financial Projected Variance” for the end of the fiscal year (shown in the far right column of the reports Attachment A and Attachment B).

## **BUDGET POLICY**

Departments are responsible for maintaining expenditure levels within the Board approved budget appropriations and collecting, in a timely manner, the full amount of revenues budgeted per Board adopted policy and procedure ‘*Budgetary Control & Responsibility*’ as the following abbreviated excerpt states:

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.

If budgeted revenue is projected to be under-achieved, the department head responsible for that budget shall take one or more of the following steps in the following order:

- 1) Attempt to speed up revenue collections, or obtain additional revenues,
- 2) Lower expenditure levels so that originally budgeted County Contribution is not exceeded and notify the County Executive Office,
- 3) Request a transfer from fund balance within the same department and fund under the department head's control,
- 4) 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.

## **GENERAL FUND SUMMARY (Attachment A)**

The General Fund had a projected net positive variance of \$5.8 million at March 31, 2016. This is the result of a positive \$4.7 million variance in General Revenues, a positive \$360 thousand variance in Ag Commissioner/Weights & Measures, a positive \$309 thousand variance in the Human Resources Department, along with favorable results in several other departments.

### **General Revenues:**

General Revenues currently show a positive variance of \$4.7 million when compared to the Adjusted Budget. This is a result of Secured Property Taxes projected to have a positive variance of \$1.2 million (included in Significant Property Taxes in the table below), Transient Occupancy Tax positive by \$777 thousand and one time RDA Dissolution Proceeds up by \$724 thousand. In addition, we are projecting

receipt of \$1.6 million in PILT revenues that were not budgeted. These positive variances are modestly offset by various negatives across other revenue accounts, including Retail Sales Taxes negative \$390 thousand and Delinquent Property Tax penalties for the current year, which are projected to be \$120 thousand below the budget. Retail Sales Taxes are lower than expected due to low fuel prices and lower overall retail sales. We expect this trend to continue through the end of the fiscal year.

As previously reported to the Board in the 2<sup>nd</sup> Quarter Financial Update, the implementation of the new Property Tax System has delayed the normal issuance of Supplemental Property Tax bills. Since last reported, the generation of “simple” supplemental bills is current, and it is hoped that a significant portion of the backlogged more complex supplemental bills can be billed in May and they are currently not projected to have a negative impact on the budget. The General Revenues are expected to finish the year in a positive position as shown in the table below.

<b>Discretionary General Revenue Summary (in thousands):</b>				
<b>Source</b>	<b>Adopted FY 2015-16</b>	<b>Adjusted FY 2015-16</b>	<b>Projected FY 2015-16</b>	<b>Variance Proj. vs. Adjusted</b>
Significant Property Taxes	\$ 188,138	\$ 188,138	\$ 189,601	\$ 1,463
RDA Dissolution Proceeds - One time	-	-	724	724
RDA Prop. Tax - Ongoing	5,419	5,419	5,410	(9)
Subtotal Property Taxes	\$ 193,557	\$ 193,557	\$ 195,734	\$ 2,177
Cost Allocation Services	11,877	11,877	11,877	(0)
Local Sales Tax	8,837	8,837	8,447	(390)
Transient Occupancy Tax	8,008	8,008	8,785	777
Payments in Lieu of Tax	-	-	1,641	1,641
All Other	8,266	8,488	8,913	425
<b>Total Discretionary Revenues</b>	<b>\$ 230,545</b>	<b>\$ 230,767</b>	<b>\$ 235,398</b>	<b>\$ 4,631</b>

**Prop 172 Revenue Estimates for Public Safety Services**

After the first quarter of the prior fiscal year (FY 2014-15), Prop 172 was growing at 6%. An estimated growth rate of 4% was used for 2014-15 and as the corresponding base rate in FY 2015-16. The actual revenue in the first half of Fiscal Year 2015-16 grew at only 2%, this has resulted in an overstatement of the Prop 172 base in the amount of \$700 thousand. Prop 172 is currently growing at only 1%, resulting in an over estimate of the FY 15-16 budget revenue by an additional \$473 thousand. The following table shows the projected Prop 172 shortfall by Department. These are reflected in their revenue projections.

<b>Departments Budget Adjustment</b>			
<b>Departments</b>	<b>Original Estimate</b>	<b>New Estimate</b>	<b>Difference</b>
Fire	2,747,700	2,656,800	(90,900)
DA	4,486,600	4,338,100	(148,500)
Parks	39,900	38,500	(1,400)
Probation	8,139,700	7,870,300	(269,400)
Public Defender	3,265,300	3,157,200	(108,100)
Sheriff Coroner	5,903,600	5,708,200	(195,400)
Sheriff Custody	10,872,200	10,512,400	(359,800)
	<b>35,455,000</b>	<b>34,281,500</b>	<b>(1,173,500)</b>

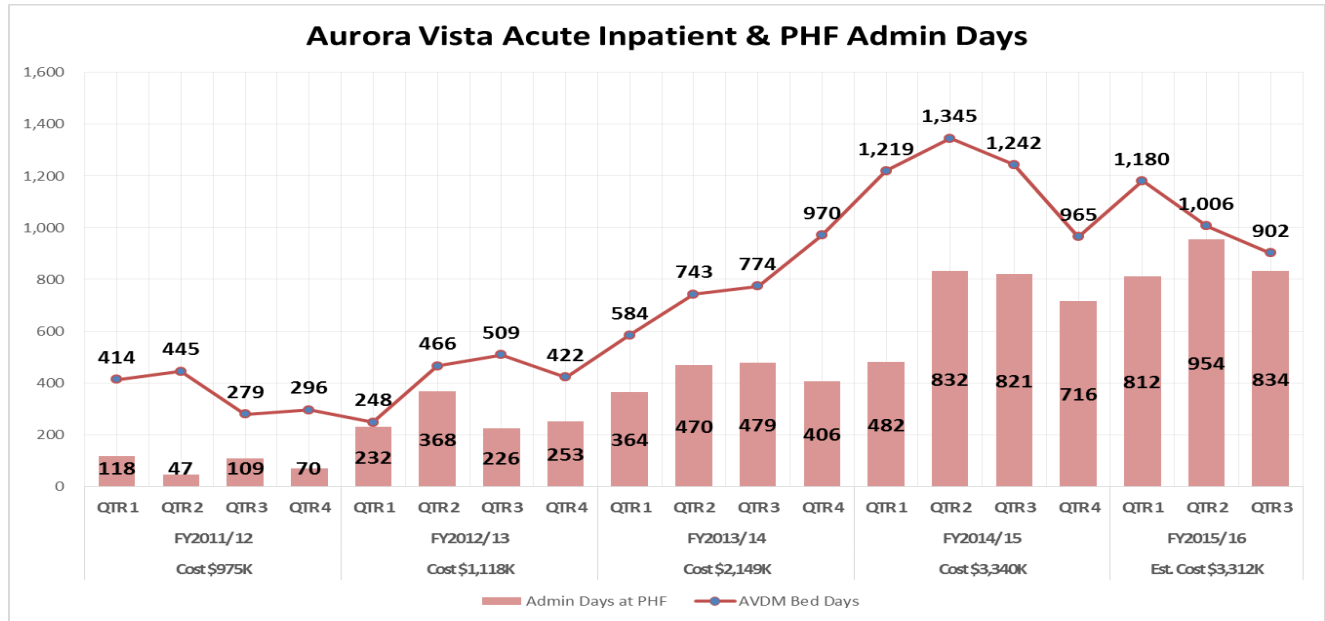
**Agricultural Commissioner/W&M** has a projected positive variance of \$360 thousand primarily due to lower than anticipated salaries and benefits of \$221 thousand as a result of vacancies and unbudgeted revenues of \$348 thousand from the State for weed abatement program activities offset by increases services and supplies costs of \$142 thousand.

**Human Resources** is projecting \$309 thousand positive variance due to lower than anticipated salary and benefit expenditures due to a number of vacancies. These salary savings are primarily the result of the Director position being vacant for most of the year and two senior manager positions being vacant. In addition, it took longer than anticipated to fill the two recruiter positions.

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

**The Mental Health Services Fund (0044)** is currently projecting a negative net financial impact (NFI) of \$503 thousand as compared to the adjusted budget (variance is after a \$2.0M General Fund transfer for additional contracted beds). Earlier in the year, the Department projected a negative \$4.0 million variance but is now starting to realize the benefit of additional beds opened during the year (see new bed summary below). For comparative purposes, we will discuss variances compared to the Adopted budget for this fund.

**Inpatient Costs negative \$1.7 million (vs. Adopted Budget):** Similar to last quarter, the primary cause of the negative variance is the greater than planned purchase of inpatient contract beds when the Psychiatric Health Facility (PHF) is full. Starting in FY 2012-13, contracted inpatient beds experienced a significant increasing trend and peaked in the second quarter of last year but have been declining in the past two quarters (see graph below).



As reported in the first and second quarters, the current year cost for AVDM is also being impacted by a 9.7% increase in the daily rate, from about \$775 per day to \$850 per day.

An element in Behavioral Wellness’ plan to reduce the number of acute bed days is to open additional less costly beds (and more appropriate), specifically with alternative crisis and step down beds with the intent to enhance their capacity and hopefully reduce the number of contracted beds. The bullets below identify the new beds which have opened in this fiscal year. Starting in FY 2015-16, the Board also

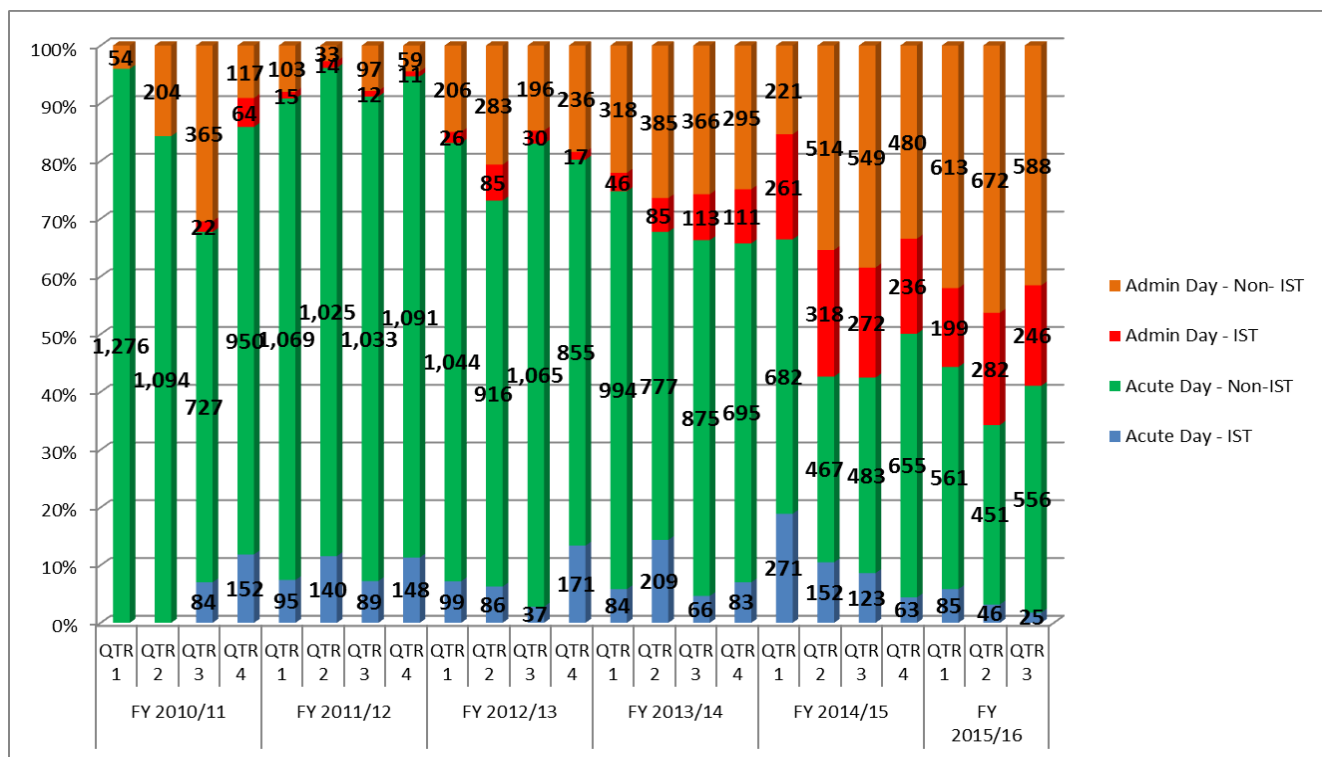
approved \$1.0 million of increased ongoing General Funds for the addition of 12 Safe and Stable Housing beds shown below.

- 8 Beds - South County Crisis Residential Beds (opened mid-July 2015)
- 8 Slots\* – Crisis Stabilization Unit (CSU); opened late December 2015
- 6 Beds –Safe & Stable Housing, Alameda House, opened Nov. 2015; was delayed due to State backlog in certification of such facilities.
- 6 Beds – Safe & Stable Housing, Cottage Grove, opened March 2016.

Total new beds/slots = 28

\* - The CSU "slots" are for stabilization and are not residential beds

**Medi-Cal & Medicare Revenue -\$2.1 million:** As mentioned above, court ordered clients being evaluated for competency to stand trial impacts the number of beds available for other needs and often has a negative impact on the revenue. Additionally, due to the extremely high number of admin days (billed at a lower rate than acute days), revenue is down at the PHF for both Medicare and Medi-Cal. Medicare is currently projecting to have a shortfall of negative \$900 thousand and Medi-Cal a negative \$1.0 million. The increase in admin days is related to the lack of available step down beds has modestly improved in the third quarter but remains higher than historic levels. As new beds are now in place, the flow of patients through the PHF is anticipated to improve and the mix of acute billing days should increase; thereby increasing the revenue. An acute day is reimbursed at a Medi-Cal rate of approximately \$1,700 per day vs. an administrative day at about \$415 per day.



The projected Medi-Cal and Medicare revenue loss coupled with the increased contract bed costs were partially offset by favorable State revenue (\$1.1 million) and \$2.0 million in additional general funds for inpatient beds to create the net negative variance in Fund 0044 of \$503 thousand.

**The Vehicle Operations/Maintenance Fund (1900)** has a positive projected variance of \$707 thousand due to lower than budgeted fuel costs. Fuel was budgeted at \$4.50 per gallon, but has been averaging around \$3.00 per gallon over the last 9 months. Fuel accounts for a positive variance of \$1.3 million

which is offset by less revenue of \$686 thousand from lower charges to other departments for the fuel costs. The fund also has salary savings of \$98 thousand.

**The County Liability Fund (1912)** has a projected negative variance of \$656 thousand, primarily the result of higher than planned insurance premiums (\$305 thousand) and paid claim losses in excess of budget (\$441 thousand). It is anticipated that the larger paid losses will result in a favorable year end actuarial adjustment as these cases are now closed and no further reserve is necessary. These actuarial adjustments should bring the fund back into balance; however, this information will not be known until June 2016.

**The Fire Protection District Fund (2280)** has a projected positive variance of \$3.1 million primarily due to a projected positive revenue variance of \$4.4 million, partially offset by a negative variance of -\$1.9 million associated with reimbursable overtime costs incurred in support of federal and state fire incidents. During the first quarter of the fiscal year, there was a significant need for firefighting resources outside of Santa Barbara County, particularly in Northern California. The main variances were:

- Increase in revenue of \$1.9 million (one time) primarily due to reimbursable federal and state fire incidents. This temporary variance will be eliminated when the Budget Revision is processed to increase reimbursable overtime and government incident revenues.
- Increase in revenue of \$987 thousand for unanticipated drought funding and an increased allocation from the State associated with the contract to provide fire protection services in the State responsibility areas within Santa Barbara County.
- Increase in revenue from reimbursements of \$775 thousand (one time) from the Refugio Oil Spill incident.
- Increase in revenue of \$646 thousand (one time) for unanticipated Buellton RDA dissolution proceeds.
- The above favorable items are partially offset by salaries and benefits being over budget by \$1.6 million, due to reimbursable firefighting overtime incurred in support of other jurisdictions.

**Fiscal and Facilities Impacts:**

Impacts are stated above in this Board letter.

**Key Contract Risks:**

NA

**Attachments:**

- A – Financial Summary Report – General Fund
- B – Financial Summary Report – Special Revenue and Other Funds

**Authored by:**

CEO Fiscal and Policy Analysts: Paul Clementi, John Jayasinghe, Richard Morgantini

**CC:**

Department Directors  
Assistant County Executive Officers and CEO Fiscal and Policy Analysts

### Quarterly Financial Update Signal Chart

For Quarter ending March 31, 2016

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

<b>General Fund</b>	<b>Parks</b>
● Board of Supervisors	● Capital
● County Executive Office	● Providence Landing CFD
● County Counsel	<b>Planning and Development</b>
● District Attorney	● Fish and Game
● Probation	● Petroleum
● Public Defender	● CREF
● Courts	<b>Public Works</b>
● Sheriff	● Roads
● Public Health	● Resource Recovery and Waste Mgt.
▲ Agriculture Commissioner	● CSA 3 - Goleta
● Parks	● Flood Control
● Planning and Development	● North County Lighting
● Public Works	● Laguna Sanitation
● Housing & Commt. Devmnt.	● Water Agency
● Community Services Dept.	<b>Housing &amp; Commt. Devmnt.</b>
● Clerk-Recorder-Assessor	● CDBG
● Auditor Controller	● Affordable Housing
● General Services	● HOME
▲ Human Resources	● Municipal Energy Financing
● Treasurer-Tax Collector	● Orcutt CFD
● General County Programs	● Low/Mod Inc Housing Asset Fund
▲ General Revenues	<b>General Services</b>
	● Capital
<b>Other Funds</b>	● North County Jail AB900
<b>Fire</b>	● North County Jail STAR SB1022
▲ Fire Protection	● Special Aviation
<b>Sheriff</b>	▲ Vehicles
● Inmate Welfare	● Information Technology
<b>Public Health</b>	● Communications
● Health Care	● Utilities
● Tobacco Settlement	<b>CEO-Human Resources</b>
<b>ADMHS</b>	● County Unemployment Insurance
■ Mental Health Services	● Dental Insurance
● Mental Health Services Act	● Medical Malpractice Insurance
● Alcohol and Drug Programs	● Workers' Comp Insurance
<b>Social Services</b>	▼ County Liability Insurance
● Social Services	<b>Treasurer-Tax Collector</b>
● IHSS Public Authority	● Debt Service
<b>Child Support</b>	<b>General County Programs</b>
● Child Support Services	● Public and Educational Access
<b>First Five</b>	● Criminal Justice Facility Const.
● First Five Child & Families Comm.	● Courthouse Construction