

**SANTA BARBARA COUNTY
BOARD AGENDA LETTER**



Clerk of the Board of Supervisors
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Agenda Number:

Prepared on: 11/21/02
Department Name: County Administrator & Auditor
Department No.: 012 & 061
Agenda Date: 12/10/02
Placement: Departmental
Estimated Time: 45 Minutes
Continued Item: Yes
If Yes, date from: 11/12/02

TO: Board of Supervisors

FROM: Michael F. Brown , County Administrator
Robert W. Geis, Auditor-Controller

STAFF CONTACT: Ken Masuda & Shawn Terris
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SUBJECT: FY 02-03 Budget Update (items continued from 11/12/02)

Recommendations:

That the Board of Supervisors:

- A. Approve a decrease of \$521,000 in County General Fund Contribution to the Fire Department, resulting from an increase in departmental revenues.
- B. Approve the allocation of \$1,000,000 of the FY 02-03 Restoration Designation to the Sheriff's Department to, at least partially, cover revenue shortfalls (Proposition 172 Sales Tax Revenues) and negotiated salary increases.
- C. Provide additional direction as appropriate.

Alignment with Board Strategic Plan:

[An efficient government able to anticipate and respond effectively to the needs of the community.](#)

Executive Summary and Discussion:

At the November 12, 2002 Budget Update, all recommendations were approved with the exception of recommendations number 3 and 4. Recommendation # 3 dealt with the Fire Department and # 4 with the

Sheriff's Department. In both cases the Board requested more detailed information before making any final decision.

The Fire Department Issue:

During the development of the FY 02-03 budget it was determined that the Fire Department could not maintain its FY 01-02 level of service without its County Contribution target being significantly supplemented. The Fire Department's County Contribution target, within the budget principles, was about \$1.5M, but it wanted about \$2.1M to have a balanced budget without impacting service levels. This situation was driven entirely by the impact of Oil Assessment Appeals. In FY 02-03 the department was required to set aside a little over \$1 million in impounds (monies set aside in a separate fund representing disputed property tax revenues). Had these impounds not have been required the department could have lived within its county contribution target of \$1.5M

Fortunately, the Fire Department will receive an additional \$3.5M in FY 02-03 due to an increase in revenues and some decreases in expenses described below in a through e. So, if the Board approves the recommendation the Fire Department will still retain about \$3.0M in additional FY 02-03 funding sources to address other needs it may have. Additionally, the increased property tax base and decreased ongoing expenses for impounds will provide about \$900K/year in sources for FY 03-04 and out.

Through 10-31-02 the Fire Department shows no significant variances and is slightly to the good versus its' budget. However:

- a. The Fire Department ended FY 01-02 to the good (over what was estimated during the FY 02-03 budget process) by about **\$300K**.
- b. Property Tax revenues for FY 02-03 will be about **\$250K** above the budgeted amount based upon actual property tax roll values being greater than what was estimated during the budget process.
- c. The POPCO Oil Appeals were settled in Oct 2002 resulting in the release of approximately \$260K in impounds & interest as well as a reduction in FY 02-03 expenses by over \$150K...for a FY 02-03 net financial sources increase of over **\$400K**
- d. The ExxonMobil Oil Appeals were settled in November 2002. This settlement will result in the release of over \$1.5M in impounds and the reduction in FY 02-03 expenses by over \$500K.... for a FY 02-03 net financial sources increase of over **\$2.0M**
- e. The Exxon Mobil Corporation, as a result of previous assessment appeals, has been paying additional taxes on a 5-year payment plan. These taxes have been accumulating in a separate fund and will be distributed when the last payment is made April 10, 2003. The Fire Department will receive about **\$600K** from this source some time after April 10, 2003, but before 6/30/2003.

Based upon the above, we continue to recommend that the \$521K of County Contribution be returned to the General Fund and placed in the FY 02-03 Restoration Designation.

Recommendation Approve a decrease in County General Fund Contribution of \$521K to the Fire Department. The Fire Chief concurs in this recommendation.

The Sheriff’s Department issue:

At the end of the 1st quarter of FY 02-03, the Sheriff’s department had a negative variance of approximately \$700K primarily driven by lower than anticipated revenues from Prop 172 (\$200K) and increased salary expenses of about \$450K. At the end of October 2002 those accounts showed a negative variance of about \$900K (Salaries were over about \$670K and Prop 172 was behind by about \$230K). Annualizing those two areas would result in salaries being over between \$1.5 & \$2.5M and Prop 172 coming in between \$0.4 & \$0.8M below budget.

The salaries expense increase is directly related to approved COLAs & equity adjustments, which have been validated by updating the Sheriff’s Salary Model. This resulted in a forecast of \$1.5 to 2.5M over what was adopted. Another known increased expense will be a \$200K increase in FY 02-03 Workers’ Compensation cost.

There are two additional potential expense increases that we’d like to bring to the Board’s attention. First, the State Board of Corrections is currently auditing the County Jail operations. Initial indication are they will recommend adding 10-13 FTEs (assumes no salary saving or unfunded positions ...if included it would make them 20-23 FTEs short) in order to meet minimum standards and ensure safety...this could add an additional \$500-600K in FY 02-03 and increase FY 03-04 by between \$1-2M. Finally, there is a growing concern over maintaining the extremely high number of vacancies in the Sheriff’s department (the department unfunded 16 FTEs in order to live within their adjusted target for FY 02-03; as of 10/31/02 it had 50 vacancies, 15 officers out on workers compensation or medical leave, 5 on military reserve duty and 11 currently attending the police academy). The impacts are less officers on the street, more overtime in order to address the most pressing needs and decreased morale due to overtime being required versus voluntary.

On the good news side, it appears that the Federal Government will continue to fund the State Criminal Alien Assistance Program (SCAAP) in FY 02-03 ...estimated at \$800K for SB County, a portion of which could be used to help offset the increases described above. Additionally, the department has terminated a contractor on payroll and applied the savings to officer’s salaries.

The following tables summarize pending fiscal challenges and some available options:

<u>Impending Expense Increases</u>	<u>FY 02-03</u>	
<i>Salaries</i>	<i>\$1.5M to</i>	<i>\$2.5M</i>
<i>Mid-year Worker’s Comp</i>	<u><i>\$0.2M</i></u>	
<i>Sub-total (Known increases)</i>	<i>\$1.7M to</i>	<i>\$2.7M</i>
<i>Correction Officer Increases</i>	<i>\$0.0M to</i>	<i>\$0.6M</i>
<i>Filling Unfunded FTEs</i>	<u><i>\$0.0M to</i></u>	<u><i>\$0.6M</i></u>
<i>Sub-total (Potential increases)</i>	<i>\$0.0M to</i>	<i>\$1.2M</i>
<i>Range of Impending Increases(known + potential)</i>	<i>\$1.7M to</i>	<i>\$3.9M</i>
<u>Impending Prop 172 revenue reductions</u>	<u>\$0.4 to</u>	<u>\$0.8M</u>

Range of Sheriff’s Fiscal Challenge

\$2.1M to \$4.7M

Estimated Sheriff's Fiscal Challenge

\$2.1M to \$4.7M

Possible offsetting sources:

<i>1. Restoration Designation</i>	<i>\$1.0M</i>
<i>2. SCAAP (Current Year)</i>	<i>\$0.4M</i>
<i>(Prior Years)</i>	<i>\$0.4M</i>
<i>3. Monies reserve for NCJ</i>	<i>\$0.8M</i>
<i>4. Capital Designation</i>	<i>\$0.5M</i>
<i>4. Remaining release of impounds</i>	<i>\$3.0M-\$4.0M</i>
<i>5. Salary Designation</i>	<u><i>\$1.6M</i></u>

Possible Sources

\$7.7M to \$8.7M

It is clear from the above that we have a significant fiscal challenge facing us most likely somewhere between \$2M & \$4M. What we are proposing is addressing part of it now and returning to your board in Feb to reevaluate the situation when we have better information.

Recommendation: Approve allocating \$1 million of the FY 02-03 Restoration Designation to the Sheriff's Department to, at least partially, cover anticipated shortfalls.

Concurrences:

- Auditor-Control
- Sheriff's Department
- Fire Department