

**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:** July 11, 2002  
**Department:** Auditor-Controller  
**Budget Unit:** 061  
**Agenda Date:** July 23, 2002  
**Placement:** Departmental  
**Estimate Time:** 15 minutes  
**Continued Item:** NO  
**If Yes, date from:**

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**TO:** Board of Supervisors

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

**STAFF CONTACT:** Theo Fallati x2126  
Jim McClure x3413

**SUBJECT:** FY 2001-02 Year End Transfers and Financial Status Report

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**Recommendation(s):**

That the Board of Supervisors:

1. Approve transfers and revisions of appropriations necessary to close the County's accounting records for all the County funds for the fiscal year ended June 30, 2002.
2. Accept and file per the provisions of Government Code Section 29126.2, the Fiscal Year 2001-02 Financial Status Report as of June 30, 2002, showing the status of appropriations and financing for all budgets adopted by the Board of Supervisors.

**Alignment with Board Strategic Plan:**

The recommendation(s) are primarily aligned with actions required by law or by routine business necessity.

**Executive Summary and Discussion:**

**Conclusion:**

The overall results of operations for the County leave the organization in good financial position at year-end. Our undesignated general fund balance of \$7,541,949 is a key figure to finance next years budget. This year the County experienced a significant moderation in our rate of revenue growth. Next year we will have to absorb a full year loss of revenues (property tax, sales tax and transient occupancy tax) related to the incorporation of the City of Goleta. During the year we focused project teams to address the finances of the Solid Waste, Workers Compensation and Alcohol Drug & Mental Health (ADMHS) funds. We will have to continue to be diligent in keeping these funds on track for the long-term. We have many other challenges that continue to be difficult to resolve such as road maintenance backlogs, a north County jail, the possibility of funding a county formation study, oil company property assessment appeals, underfunded capital

maintenance, space demands and escalating health insurance costs. The US economy appears to be slow and we will have to deal with the budget problems of the State of California. In contrast, let us not forget the positives such as our rating agency increase to AA-, our County's strong reserves, timely budgets and financial reports and a growing, moderately diverse local Santa Barbara economy.

**Discussion:**

The County of Santa Barbara for the fifth consecutive year has adopted its budget prior to the beginning of the new fiscal year. Prior to the current administration, budgets were not adopted until well into the summer. The reason we waited was to attempt to find out the effect of the *State budget* on the County and what the *carryover fund balance* was from the prior year. To assist in the current accelerated process, your Board has scheduled a preliminary review on August 13, 2002 to let the County Administrator sort out the State actions and analyze the completion of year-end adjustments.

This report is intended to provide the Board with a brief overview of the FY 01-02 results of operations. The County performance based budget is a *management tool* tied to departments, cost centers, strategic objectives and performance measurement. Traditional governmental accounting, primarily a *financial tool* includes funds, object level reporting, line item reporting, assets, liabilities and the production of traditional financial statements. To properly assess the County's on-going financial integrity, it is important to analyze the actual results of financial operations (income statement), the financial position of the County (balance sheet) including the cash position, receivables, payables and fund equity.

An important link to *next year's budget* is the dollar amount of *fund equity* we have available at year-end to finance the next budget. In analyzing the *completed budget year*, we need to ask if our *revenue estimates* performed to expectations and if we completed the year within our *legal expenditure appropriations*. In addressing these considerations, it should be noted that this report focuses primarily on the County General Fund and the other major funds of the County - Social Services, Health, Mental Health, Road, Solid Waste, Flood Control, Fire and one internal service fund – Workers Compensation.

Another aspect of this report is intended to help describe how we docked the boat at year-end, that is, how we directed the process of closing the books and arriving at actual year-end fund balance. In preparing the budget approved by your Board, we use our best estimates for year-end fund balance, based upon on-going revisions of individual departmental estimates updated throughout the year. Although fund balance should be predictable to a rather high degree, the complexities of our business are many and the closing process becomes a coordinated and important endeavor.

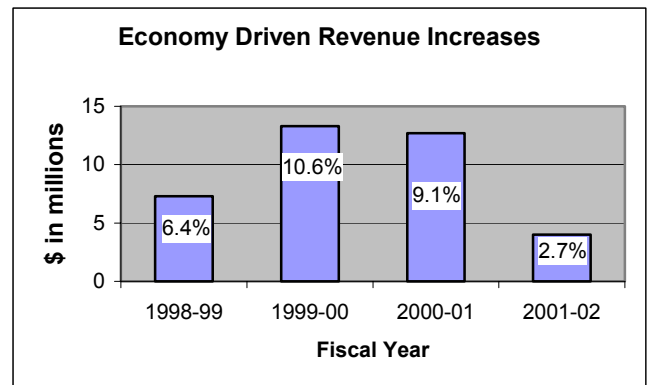
Attached is a listing of 42 budget revisions and transfers for your approval. These revisions and transfers consist of changes to designations, changes to contingency, unanticipated and unrealized revenue transfers and a few revisions to correct departmental overruns. Many of these transfers are ministerial, some are legally necessary and a number are done to accommodate proper accounting practices.

Thanks to good performance in our property tax revenue, the addition of the Bacara Resort and Spa and the Camino Real Shopping Center in Goleta, we continue to produce revenues that are more than meeting our expenditures. The continued revenue growth helped us absorb the start-up of the new City of Goleta but we see a number of peaks in our revenue growth rates, which are also affecting the State's finances. The good news is the County was able to increase its fund equity position. However, the next big challenge is absorbing budget cuts as the State of California struggles with their finances.

Displayed below are significant economy driven revenue accounts, which provide the County with most of its discretionary revenue. The larger improvements for the General Fund continue to be in our property tax accounts. A number of other economy driven general revenue accounts declined. Five of the accounts shown below had negative growth rates and two others declined from the prior year rates, however the composite still showed a small overall rate of growth. Property tax revenue remains strong. The Assessor has submitted FY 02-03 local property tax roll with a 7.9% increase for the next cycle (this does not include the state utility roll). This is the fifth year of growth of this tax source in the 6% to 8% range. Other leading indicators for property taxes like the property transfer tax and supplemental property tax spiked back up after a decline in the prior year (this may be due to workload variances in the Assessor division coupled with rapidly increasing real property values within Santa Barbara County). Prop 172 retail sales taxes declined significantly. The local 1% retail sales tax base declined as we lose taxes to Goleta. Road Fund Measure D revenue is down slightly. The transient occupancy tax base declined again due to Goleta. Even as we hit peaks in the economy, the next year should again produce moderate results from our local tax base. It is apparent that the State economy will struggle due to the energy crisis, weakness in the stock market and the State's near term economic growth. The US economy also seems to have emerged from a downturn but financial doldrums seem to linger.

	<u>FISCAL YEAR 1998-99</u>		<u>FISCAL YEAR 1999-00</u>		<u>FISCAL YEAR 2000-01</u>	
	<u>ANNUAL INCREASE</u>	<u>% INCREASE</u>	<u>ANNUAL INCREASE</u>	<u>% INCREASE</u>	<u>ANNUAL INCREASE</u>	<u>% INCREASE</u>
Secured general fund property taxes	\$2.8 million	5.8%	\$3.6 million	7.0%	\$4.8 million	8.6%
Prop 172 local public safety sales tax	\$0.8 million	4.3%	\$3.2 million	15.8%	\$1.5 million	6.4%
Motor vehicle-in-lieu tax	\$2.0 million	11.0%	\$2.6 million	12.8%	\$2.1 million	9.6%
Retail sales	\$0.3 million	3.4%	\$1.9 million	21.0%	\$1.4 million	13.3%
Supplemental property taxes	\$0.4 million	50.4%	\$1.0 million	69.1%	-\$0.4 million	-17.3%
Road Fund Measure D sales tax	\$0.3 million	4.9%	\$0.6 million	8.8%	\$2.1 million	30.3%
Transient occupancy	\$0.5 million	11.7%	\$0.5 million	10.7%	\$1.4 million	26.4%
Property transfer tax	\$0.4 million	16.9%	\$0.5 million	19.1%	-\$0.2 million	-5.6%
Interest earnings	-\$0.5 million	-6.8%	-\$0.4 million	-5.7%	-\$0.1 million	-1.7%
Unsecured general fund property tax	\$0.3 million	12.5%	-\$0.2 million	-5.6%	\$0.1 million	3.6%
<b>Composite Totals</b>	<b>\$7.3 million</b>	<b>6.4%</b>	<b>\$13.3 million</b>	<b>10.6%</b>	<b>\$12.7 million</b>	<b>9.1%</b>

	<u>FISCAL YEAR 2001-02</u>	
	<u>ANNUAL INCREASE</u>	<u>% INCREASE</u>
Secured general fund property taxes	\$ 5.1 million	8.2%
Prop 172 local public safety sales tax	-\$1.3 million	-5.3%
Motor vehicle-in-lieu tax	\$ 1.2 million	4.9%
Retail sales	-\$0.9 million	-7.1%
Supplemental property taxes	\$ 1.8 million	88.6%
Road Fund Measure D sales tax	-\$0.2 million	-1.7%
Transient occupancy	-\$0.6 million	-9.6%
Property transfer tax	\$ 0.4 million	13.5%
Interest earnings	-\$1.8 million	-43.2%
Unsecured general fund property tax	\$ 0.3 million	6.9%
<b>Composite Totals</b>	<b>\$ 4.0 million</b>	<b>2.7%</b>



**GENERAL FUND SUMMARY:**

The following FIN report shows the results of operations for the general fund of the County. The bottom line can be seen at net financial impact. Our budget plan was to use \$8,020,499 of undesignated fund balance, instead we were able to realize additional revenues and expenditure savings and only decrease undesignated fund balance \$478,549. Therefore we ended the year with a positive undesignated fund balance of \$7,541,950. The cause of such positive change from the budget plan can be analyzed in the variance column. Revenues estimates were on target and we had expenditure savings of approximately 3%. Also included is a report that matrixes the same information from the departmental budget perspective.

<b>Financial Status Summary (Annual) - By Fund</b>						As Of: 06/30/2002
<b>Fund: 0001 General</b>						Accounting Period: OPEN
<i>Percentage of year elapsed: 100%</i>						
	<b>Annual</b>			<b>Year To Date</b>		
	<b>Adopted Budget</b>	<b>Net Budget Changes</b>	<b>Adjusted Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Pct of Budget</b>
<b>Revenues</b>						
Taxes	93,830,170.00	497,802.10	94,327,972.10	94,446,632.79	118,660.69	100%
Licenses, Permits and Franchises	13,147,220.00	473,000.00	13,620,220.00	13,133,801.94	-486,418.06	96%
Fines, Forfeitures, and Penalties	2,875,505.00	2,112,741.53	4,988,246.53	5,843,484.01	855,237.48	117%
Use of Money and Property	6,118,488.00	635,056.39	6,753,544.39	5,634,104.42	-1,119,439.97	83%
Intergovernmental Revenue-State	64,119,692.00	663,134.00	64,782,826.00	64,893,376.05	110,550.05	100%
Intergovernmental Revenue-Federal	10,039,495.00	971,294.00	11,010,789.00	12,199,810.42	1,189,021.42	111%
Intergovernmental Revenue-Other	2,578,592.00	-514,453.00	2,064,139.00	430,010.13	-1,634,128.87	21%
Charges for Services	47,870,674.00	3,218,312.28	51,088,986.28	51,942,008.24	853,021.96	102%
Miscellaneous Revenue	1,934,929.00	1,411,120.76	3,346,049.76	3,700,971.43	354,921.67	111%
<b>Total Revenues</b>	<b>242,514,765.00</b>	<b>9,468,008.06</b>	<b>251,982,773.06</b>	<b>252,224,199.43</b>	<b>241,426.37</b>	<b>100%</b>
<b>Expenditures</b>						
Salaries and Employee Benefits	173,507,986.00	393,593.00	173,901,579.00	171,798,745.36	2,102,833.64	99%
Services and Supplies	48,451,551.00	1,375,092.13	49,826,643.13	45,070,694.72	4,755,948.41	90%
Other Charges	13,266,565.00	1,170,786.00	14,437,351.00	13,974,360.54	462,990.46	97%
Fixed Assets	779,848.00	1,872,015.00	2,651,863.00	2,576,760.93	75,102.07	97%
<b>Total Expenditures</b>	<b>236,005,950.00</b>	<b>4,811,486.13</b>	<b>240,817,436.13</b>	<b>233,420,561.55</b>	<b>7,396,874.58</b>	<b>97%</b>
<b>Other Financing Sources &amp; Uses</b>						
Other Financing Sources	41,937,137.00	394,950.00	42,332,087.00	41,133,142.02	-1,198,944.98	97%
Other Financing Uses	50,552,780.00	4,484,946.00	55,037,726.00	54,655,097.67	382,628.33	99%
<b>Net Other Financing Sources &amp; Uses</b>	<b>-8,615,643.00</b>	<b>-4,089,996.00</b>	<b>-12,705,639.00</b>	<b>-13,521,955.65</b>	<b>-816,316.65</b>	<b>n/a</b>
<b>Intrafund Transfers</b>						
Intrafund Expenditure Transfers (-)	1,906,518.00	94,286.00	2,000,804.00	1,948,023.37	-52,780.63	97%
Intrafund Expenditure Transfers (+)	1,906,518.00	94,286.00	2,000,804.00	1,948,023.37	52,780.63	97%
<b>Net Intrafund Transfers</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>n/a</b>
<b>Changes to Reserves &amp; Designations</b>						
Decreases to Reserves/Designations	11,062,043.00	12,836,677.71	23,898,720.71	22,977,867.96	-920,852.75	96%
Increases to Reserves/Designations	16,975,714.65	13,403,203.64	30,378,918.29	28,738,099.40	1,640,818.89	95%
<b>Net Changes to Reserves &amp; Designations</b>	<b>-5,913,671.65</b>	<b>-566,525.93</b>	<b>-6,480,197.58</b>	<b>-5,760,231.44</b>	<b>719,966.14</b>	<b>n/a</b>
<b>Net Financial Impact</b>	<b>-8,020,499.65</b>	<b>0.00</b>	<b>-8,020,499.65</b>	<b>-478,549.21</b>	<b>7,541,950.44</b>	

**ANNUAL STATUS REPORT GENERAL FUND:**

Summarized below is a Projected Annual Status Report for the General Fund that shows each of the department’s performance of actual financing sources and uses compared to the annual budget. Even though the report title indicates that the report is projected, the results are final for the year. The positive variances contribute to the \$7.5 million fund balance carryover, the bigger factors are in general revenues which were \$2.0 million more than estimates and the release of contingency at year end in the general county program budget of \$2.8 million. The majority of the contingency balance was generated by the release of a \$1.5 million designation set up for the effects of Goleta incorporation and a reduction in the litigation designation of \$1.3 million.

<b>Projected Annual Status Report</b>		<b>Balances As Of: 06/30/2002</b>					
<b>0001 General Fund Type: General</b>		<b>Accounting Period: CLOSED</b>					
<b>Department</b>	<b>Financing Sources:</b>			<b>Financing Uses:</b>			<b>Variance: Favorable/ (-) Unfavorable</b>
	<b>Estimated Actual</b>	<b>Annual Adi Budget</b>	<b>Estimated Variance</b>	<b>Estimated Actual</b>	<b>Annual Adi Budget</b>	<b>Estimated Variance</b>	
011 -Board of Supervisors	4,150.00	3,500.00	650.00	1,815,964.41	1,839,999.00	24,034.59	24,684.59
012 -County Administrator	934,801.63	883,706.00	51,095.63	3,057,903.04	3,234,760.00	176,856.96	227,952.59
013 -County Counsel	4,363,659.14	4,817,764.00	-454,104.86	5,254,664.86	5,927,308.00	672,643.14	218,538.28
021 -District Attorney	7,691,463.58	8,006,402.00	-314,938.42	13,384,955.55	13,498,208.00	113,252.45	-201,685.97
022 -Probation	25,799,847.90	26,371,495.57	-571,647.67	36,356,919.32	36,928,290.57	571,371.25	-276.42
023 -Public Defender	3,061,907.91	3,225,723.00	-163,815.09	6,843,000.26	6,850,978.00	7,977.74	-155,837.35
031 -Fire	27,872,823.52	28,219,439.00	-346,615.48	29,266,762.92	29,717,530.00	450,767.08	104,151.60
032 -Sheriff	47,432,942.50	47,829,067.00	-396,124.50	65,952,572.50	66,348,697.00	396,124.50	0.00
041 -Public Health	678,525.74	864,198.00	-185,672.26	2,236,337.55	2,423,804.00	187,466.45	1,794.19
051 -Agriculture & Cooperative Exte	1,711,197.94	1,687,348.00	23,849.94	3,093,429.44	3,201,459.00	108,029.56	131,879.50
052 -Parks	6,159,682.88	6,140,733.00	18,949.88	9,387,468.96	9,580,396.00	192,927.04	211,876.92
053 -Planning & Development	14,005,673.34	16,648,938.00	-2,643,264.66	17,898,836.34	20,908,103.00	3,009,266.66	366,002.00
054 -Public Works	2,479,718.66	2,551,628.00	-71,909.34	2,861,192.80	2,918,333.00	57,140.20	-14,769.14
061 -Auditor-Controller	2,462,208.81	2,265,060.00	197,148.81	5,299,050.12	5,406,860.00	107,809.88	304,958.69
062 -Clerk-Recorder-Assessor	7,677,870.04	7,409,140.00	268,730.04	12,317,476.22	12,346,859.00	29,382.78	298,112.82
063 -General Services	11,324,758.10	11,360,503.13	-35,745.03	18,156,845.63	18,239,554.13	82,708.50	46,963.47
064 -Personnel	1,553,908.16	1,542,460.00	11,448.16	3,242,965.66	3,274,690.00	31,724.34	43,172.50
065 -Treasurer-Tax Collector-Public	3,085,006.99	4,427,078.00	-1,342,071.01	4,728,170.69	6,299,201.00	1,571,030.31	228,959.30
990 -General County Programs	11,427,372.92	9,434,015.90	1,993,357.02	76,344,161.65	78,026,750.65	1,682,589.00	3,675,946.02
991 -General Revenues	138,555,713.02	136,526,186.17	2,029,526.85	1,263,104.07	1,263,104.07	0.00	2,029,526.85
<b>Totals</b>	<b>318,283,232.78</b>	<b>320,214,384.77</b>	<b>-1,931,151.99</b>	<b>318,761,781.99</b>	<b>328,234,884.42</b>	<b>9,473,102.43</b>	<b>7,541,950.44</b>

**FUND EQUITY OF THE GENERAL FUND – AVAILABLE FOR THE FY 02-03 BUDGET**

As described above, the ending fund balance is an important link to the FY 02-03 budget since the Board hearings have been completed. The proposed budget and final budget adjustments included the following:

Financing Source --	Estimated Proposed Budget Undesignated Fund Balance	\$5,842,682
	Various adopted final budget adjustments	(196,308)
	Final Budget resolution- increase restoration designation	1,000,000
	Final Budget Resolution – increase strategic reserve	750,000
	Final Budget Resolution – residual balance to contingency	<u>145,575</u>
	Allocation of Undesignated Fund Balance	\$7,541,949

Per the FY 02-03 final budget resolution the \$145,575 will be added to the \$800,000 contingency in the proposed budget after the allocation of the undesignated ending fund balance residual per the budget resolution. \$1,000,000 is set-aside in a restoration designation and \$750,000 will restore the contribution to the strategic designation to \$1, 500,000.

Detailed below is the \$48,970,897 total general fund balance: \$7,541,949 undesignated, \$26,390,022 designated and \$15,038,925 reserved. This is an increase from the prior year balance of \$43,685,075.

<b>Balance Sheet</b>		Balances As Of: 06/30/2002		
0001 General	Fund Type: General	Accounting Period: CLOSED		
	Beginning Balance 07/01/01	Year To Date		Ending Balance 06/30/02
		Total Debits	Total Credits	
<i>Equity</i>				
2000-Fund Balance-Reserved	8,923,912.32	2,359,508.74	8,474,521.90	15,038,925.48
2010-Fund Balance-Res for Encumb	0.00	0.00	0.00	0.00
2100-Fund Balance-Designated	26,690,664.03	36,766,994.40	36,466,352.68	26,390,022.31
2200-Fund Balance-Unres & Undes	8,070,498.15	1,369,754,869.05	1,369,226,319.84	7,541,948.94
<i>Total Equity</i>	43,685,074.50	1,408,881,372.19	1,414,167,194.42	48,970,896.73
<b>Total Liabilities, Equity &amp; Other Credits</b>	<b>58,674,333.17</b>	<b>1,910,908,228.99</b>	<b>1,914,226,902.42</b>	<b>61,993,006.60</b>

**ANNUAL STATUS REPORT ALL FUND TYPES:**

Attached is a Projected Annual Status Report by Fund Type for all the operating funds under the control of the Board. This report shows each fund’s performance of actual financing sources and uses compared to the annual budget. Again, even though the report title indicates that the report is projected, the results are final for the year.

The County has continued to isolate its State funded programs in special revenue funds in order to better isolate and track the Board discretionary revenues, expenditures and programs in the General fund. There are several operating funds of the County that then receive general fund contributions. Brief notes about the net results of the County’s major funds follow:

1. The Road fund, Health Care fund, Flood Control funds and Fire Protection District fund all ended the year in good financial position and with fund balances. All these major funds showed mostly positive results of operations and put the County in good financial position at year-end. The Mental Health and Social Service funds also showed positive results of operations but are cash poor and carry large receivable balances from the State that require close watch over the finances of these two major funds.
2. Last year the Refuse Disposal Enterprise fund, Workers’ Compensation Self Insurance fund and the ADMHS fund each incurred operating deficits for the fiscal year ended June 30, 2001. Project teams worked on each of these major funds and significant financial actions were taken to raise revenues and cut costs or a combination of both.

**Financial Status  
Fiscal Year Ended 6/30/2001**

	Refuse Disposal	Workers' Compensation	ADMHS
Total Revenues	18,679,617	9,737,168	40,027,321
Total Expenditures	(20,848,304)	(11,250,344)	(44,663,158)
Net Other Financing Sources & Uses	(859,867)	(7,288)	(232,125)
Operating Deficit	(3,028,554)	(1,520,464)	(4,867,962)
Use of Available Ret Earn/Fund Bal	3,028,554		3,917,189
Fund Increase (Decrease)	-	(1,520,464)	(950,773)

**Financial Status**  
**Fiscal Year Ended 6/30/02**

	Refuse Disposal	Workers' Compensation	ADMHS
Total Revenues	19,064,881	10,573,381	44,640,803
Total Expenditures	(20,268,489)	(19,670,991)	(47,078,965)
Net Other Financing Sources & Uses	1,259,046	3,715,487	3,591,826
Operating Profit	55,438	(5,382,123)	1,153,664
Use of Available Ret Earn/Fund Bal	-		(188,959)
Fund Increase (Decrease)	55,438	(5,382,123)	964,705

- **Refuse Disposal fund** - Fees were adjusted and operational cost cutting put into place. This \$20 million fund basically broke even for the year. There is a project team in place to address the numerous long-term issues regarding solid waste operations.
- **Workers Compensation Self Insurance fund** – For the last four out of five years there has been an increasing gap between incurred liability (what we expect to pay out over time) and reserves (cash and other assets available to apply against these liabilities). Based upon the 2001 actuarial report and the actual operations in FY 01-02, the gap increased by a little over \$5.3 million as shown above. This growth results from a larger work force and salary increases, a significantly greater cost per case than anticipated and an increasing number of open cases. The County is addressing these problems in a variety of ways. It has established a project team (General Services, County Administrator, A-C and County Counsel) to identify areas of opportunity and to oversee their resolution. We have recently transferred \$3.7 million of one-time monies into the fund. We also increased our focus on closing cases from 965 to 803 as of 6/30/02. For FY 02-03 we have increased rates charged departments by approximately 25%. Partially offsetting these positive actions is the recent state action that will increase program payouts commencing in January 2003. We are hopeful that the next actuarial report will show that these actions described above will reverse the growth in liabilities over assets in this fund. This report will be available by Oct/Nov 2002. We will include an update on this issue in our mid-year update to the Board.
- **Alcohol Drug & Mental Health fund** - With a new director, a rebuilding of the financial staff and assistance from the general fund this department was able to clear up significant problems in this fund. Outstanding Medi-Cal reimbursement claims were paid and the department broke even for the year.

Specific reports such as Balance Sheets and Financial Status Reports for each of the above funds along with all the other operating funds and departments are available online from the County's Financial Information System (FIN) or by contacting our office at any time.

We would like to thank our employees for the participation and cooperation in our year-end closing process. We commend the great effort made by CAO & A-C employees and all the County employees who work daily with our offices. Also watch for our Comprehensive Annual Financial Report (CAFR) and our Financial Highlight publications coming soon.

Happy New Fiscal Year!

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