



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
Department No.: 012
For Agenda Of: 12/11/07
Placement: Set Hearing
Estimated Tme: 40 minutes on 1/8/08
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Michael F. Brown, County Executive Officer
Director(s)
Contact Info: Jason Stilwell, Assistant CEO/Budget Director, 568-3413

SUBJECT: Proposition 172 and Sheriff Department budget update

Recommended Actions:

That the Board of Supervisors set a hearing on January 8, 2008 to 1) receive an update on Proposition 172 revenues and the Sheriff department budget and 2) consider action to balance the Sheriff department's budget.

Summary Text:

This hearing will enable the Board to receive a report on two issues. First is the shortfall of the Proposition 172 public safety sales tax revenues. Second is the challenge with the Sheriff department's fiscal year 2007-2008 budget and projected continuing budgetary challenges to the department's fiscal year 2008-2009 budget. After receiving the two reports the Board may want to reforecast the Proposition 172 revenue estimates and consider action to revise the Sheriff department's fiscal year 2007-2008 budget.

Background:

As reported to the Board during the first quarter financial report two primary challenges to the fiscal year 2007-2008 budget are the Proposition 172 revenue shortfall and the projected deficit of the Sheriff department's budget. This hearing will enable the Board to receive a report on these two specific budget challenges and consider action to adopt certain changes to the budget to respond to these two challenges.

These issues are being brought to the Board at this time for two reasons. One is to provide focus on these issues separate from the scheduled quarterly financial reports. The second is, if the Board chooses to enact budget reduction measures, to provide sufficient time for such measures to impact this fiscal year's budget. Reductions at the mid-point of the fiscal year will have a greater budgetary effect than will reductions later in the fiscal year.

PROPOSITION 172

Proposition 172 is a statewide voter approved sales tax to fund local public safety services. One-half percent of statewide taxable sales are first deposited into the State's Local Public Safety Pool. The revenue is then allocated to county governments throughout the State based on a factor. Each year the factor is determined based upon the actual sales in the County divided by the total State sales for the prior calendar year. The Board adopted a percentage-based allocation of this revenue to six departments - District Attorney, Public Defender, Probation, Sheriff, Fire and Parks.

As reported to the Board in the first quarter financial report, Proposition 172 revenues may be \$2.4 million below projections by June 30, 2008. Subsequent projections appear to show that this shortfall may increase; however, staff will have a better estimate after the State provides the fiscal year 2007-2008 factor (which typically occurs in late November but has not occurred as of the writing of this letter). Preliminary estimates indicate the next year Proposition 172 revenues will not rebound significantly – thus this deficit is expected to continue.

This revenue shortfall is putting pressure on all the Proposition 172 departments' finances. Nearly half of this revenue source is allocated to the Sheriff's department. The Board, after reviewing the status of this revenue source, may want to adopt a revised Proposition 172 estimate to enable these departments to end the fiscal year within budget.

SHERIFF DEPARTMENT

The first quarter financial report stated "the Sheriff department is on track to end the fiscal year with a deficit of approximately \$2.7 million. Unanticipated revenue is not likely to become available to abate this condition and the Board will have to determine if it is going to expand the Sheriff's budget at the end of the year by allocating strategic reserve or if it is going to request the Sheriff utilize all available means to stay within the appropriated budget."

The Sheriff's budget imbalance is a result of the Proposition 172 shortfall coupled with staffing expenditures exceeding budget. These factors are projected to continue into the 2008-2009 budget. In addition if the Retirement Board approves the anticipated large rate increase, the Sheriff department's budget could be significantly over budget in the next fiscal year without significant restructuring or allocation of additional resources.

This agenda item provides the opportunity for the Board to provide direction to remedy the budget imbalance. Staff will present these issues in further detail prior to the hearing and provide the Board options to resolve this budget challenge.

Attachments: None

Authored by: Jason Stilwell

cc: Sheriff Bill Brown