



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: February 9, 2015
Placement: Departmental
Estimated Time: 30 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Mona Miyasato, County Executive Officer
Director(s) Robert Geis, CPA, Auditor-Controller
Contact Info: Tom Alvarez and Julie Hagen
568-3432 568-2126

SUBJECT: Fiscal Year 2015-2016 Second Quarter Budget and Financial Update

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 December 31, 2015, 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 Second Fiscal Quarter, ending December 31, 2015, provides a snapshot of the County's financial position relative to the adjusted budget for the first six months of this fiscal year for the Board's review.

The General Fund projects a \$4.1 million favorable variance when compared to the Adjusted Budget. Special Revenue Funds are generally tracking to or positive to budget with the exception of the Alcohol, Drug and Mental Health Services (ADMHS) fund, 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 December 31, 2015, 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; shown in the Financial Summary Report (Attachment A) and
- 2) Non-General Fund departments with projected variances greater than \$500 thousand per fund; shown in the Financial Summary Report (Attachment B).

Both Attachments A and B use actual revenues and expenditures for the first six months of FY 2015-16, and then add departmental projections for the next six 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 \$4.1 million at December 31, 2015. This is the result of a positive \$3.6 million variance in General Revenues, a positive \$678 thousand variance in the Sheriff’s Department, favorable results in several other departments, offset by a negative \$1.25 million variance in General Services.

General Revenues currently show a positive variance of \$3.6 million when compared to the Adjusted Budget. This is a result of Property Taxes having a positive year to date variance of \$2 million, Transient Occupancy Tax positive by \$972 thousand, RDA Dissolution Proceeds up by \$724 thousand. These positives are slightly offset by various negatives across other revenue accounts. As previously reported to the Board, the implementation of the new Property Tax System has delayed the normal issuance of Supplemental Property Tax bills. Tax bills are anticipated to be issued before year-end and 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.

Payment In Lieu of Taxes (PILT)

PILT is not included in the current year’s budget, but the County now expects to receive approximately \$1.6 million before fiscal year end. Discretionary funding for the PILT program is continued at the 2015 rate, under Section 101(a)(13) of the Continuing Appropriations Act of 2016 (H.R. 719).

Prop 172 Revenue Estimates for Public Safety Services

After the first quarter of the prior fiscal year, Prop 172 was growing at 6%. The Auditor estimated this growth to continue at 6% for the remainder of the prior fiscal year. The revenue actually grew only 2%, resulting in an overstatement of the Prop 172 base in the amount of \$700 thousand. Subsequently, for the current year, a growth rate of 4% was used against the budget base, but is still growing at only 2%, resulting in an additional overstatement of the FY 15-16 budget revenue estimate by an additional \$473 thousand. The following table shows the projected Prop 172 shortfall by Department. These are reflected in their revenue projections.

Departments Budget Adjustment			
Departments	Original Estimate	New Estimate	Difference
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)
	35,455,000	34,281,500	(1,173,500)

General Services has a projected negative variance of \$1.2 million. The variance is largely due to maintenance needs projected to be over budget by \$1.8 million. Included in the projection is an estimated \$800 thousand for replacement of two generators, one at the Sheriff Headquarters Building and one at the Main Jail; emergency roof repairs at Betteravia and a failing transformer at the County Administration Building. In order to fund the unanticipated expense, the CEO will be recommending use of maintenance fund balance via a budget revision to balance their budget. General Services appropriations for maintenance are not sufficient for these types of required emergency repairs. This variance is offset by salary savings of \$471 thousand due to vacancies.

The Sheriff’s Office has a projected positive variance of \$679 thousand when compared to the Adjusted Budget. Sources of funds are projecting a negative variance of \$418 thousand, driven by a \$555 thousand shortfall in Prop 172 revenue, as mentioned above. This loss is being offset, in part, by a \$327 thousand reimbursement for costs incurred to the department in FY 2014-15 related to the Refugio Oil Spill.

Salaries and Employee Benefits are projected to be approximately \$1 million (0.97%) under budget for the year based on second quarter actuals, when compared to the total annual FY 2015-16 budget of \$104 million. Within Salaries and Employee Benefits, overtime is projected to be \$836 thousand over budget while non-overtime S&B accounts are currently projected to be \$1.84 million under budget, primarily due to salary savings from vacancies. As of January 1, there were 22 Patrol vacancies, 5 Custody Deputy vacancies and 18 civilian vacancies. As Patrol and Custody vacancies are filled, salary savings will likely diminish (depending on other separations) and overtime costs may increase during the extensive training periods. The CEO and Sheriff’s Office will continue to monitor overtime usage.

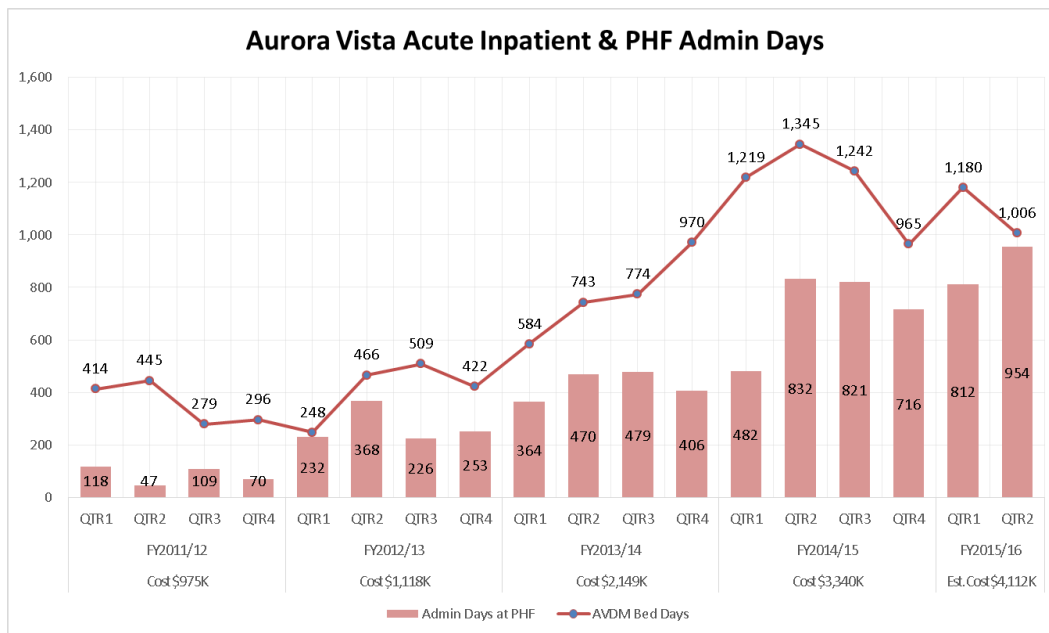
SPECIAL REVENUE AND OTHER FUNDS SUMMARY (Attachment B)

The Mental Health Services Fund (0044) is projecting a negative variance of \$3.9 million, comprised of negative \$2.1 million from higher than budgeted inpatient contracted beds (consistent with the Q1 report) and negative \$2.2 million in lower than budgeted PHF revenue (Medicare and Medi-Cal), slightly offset by other positive variances across the fund.

Inpatient Costs negative \$2.1 million: 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 have experienced a significant increasing trend as seen in the graph below and was in part impacted by:

- Increased bed days in the PHF for court ordered clients to be evaluated to determine their competency to stand trial and
- Lack of available locations to release clients to (home, family or “step down” facilities)

These extended stays in the PHF reduce the normal flow, resulting in the need for additional contracted beds, primarily from Aurora Vista del Mar (AVDM).



As reported in the first quarter, 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. To counter the increasing costs and bed needs, ADMHS’ FY 2015-16 Budget was increased with one-time funds of \$2.0 million to help pay for this higher level of contracted inpatient beds.

ADMHS has opened additional beds and will be opening more to reduce the number of Admin days in the PHF by creating alternative crisis and step down beds with the intent to enhance our capacity and hopefully reduce the number of contracted beds. The bullets below identify the new beds which are scheduled to open this fiscal year. The Board also approved \$1.0 million of increased ongoing General Funds for the addition of 12 Safe and Stable Housing beds.

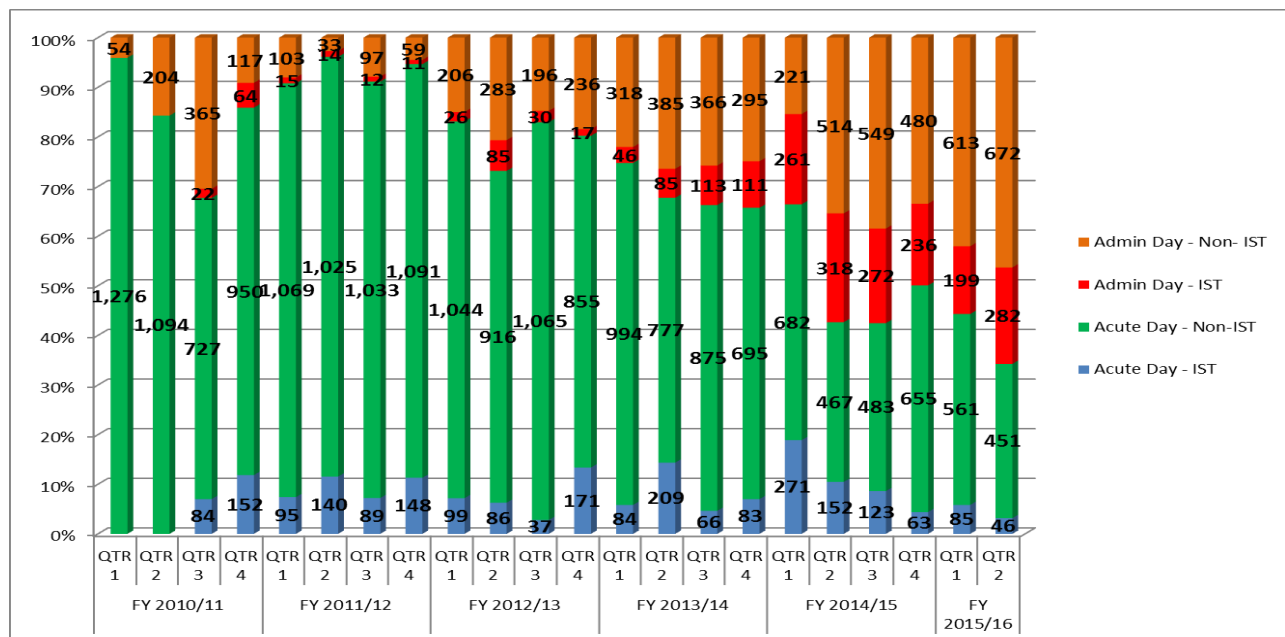
- 8 Beds - South County Crisis Residential Beds (opened mid-July 2015)
- 8 Slots* – Crisis Stabilization Unit (CSU); opened late December 2015
- 6 Beds –Safe & Stable Housing, Alameda House, opened Nov. 2015; was delayed due to State backlog in certification of such facilities.
- 6 Beds – Safe & Stable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

Total new beds/slots = 28

* - The CSU “slots” are for stabilization and are not residential beds

There were significant uncontrollable delays in opening these beds and only 8 of the 28 beds/slots were opened for the majority of the second quarter. Subsequently, there isn’t enough data to identify any reliable utilization trends, so the Department is currently not projecting a significant decrease in the contracted bed use through the fiscal year. Ideally, the additional step down beds will reduce the demand on the contracted beds, but the exact financial impact is unknown. When the third quarter report is prepared, the Department will have a full quarter of data to analyze (with 22 out of 28 beds open) and will likely be able to produce improved year end estimates.

Medi-Cal & Medicare Revenue -\$2.2 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 \$1.3 million and Medi-Cal a negative \$945 thousand. The increase in admin days is related to the lack of available step down beds. As new beds come on line the flow of patients through the PHF should 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.



These projected revenue loss coupled with the contract bed costs create the severe negative variance in fund 0044 of \$3.9 million.

The Vehicle Operations/Maintenance Fund (1900) has a positive projected variance of \$597 thousand due to lower than budgeted fuel costs. Fuel was budgeted at \$4.50 per gallon, but has been averaging significantly less at \$3.00 per gallon over the last 6 months. Fuel accounts for a positive variance of \$896 thousand which is offset by less revenue of \$417 thousand from lower charges to other departments for the fuel costs. The fund also has salary savings of \$130 thousand.

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, and Joseph Toney

CC:

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

Quarterly Financial Update Signal Chart

For Quarter ending December 31, 2015

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

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