

FY 2013-14 Year End Financial Status Report

8/19/2014

***Auditor-Controller and County Executive
Office***

Year End Financial Status Report

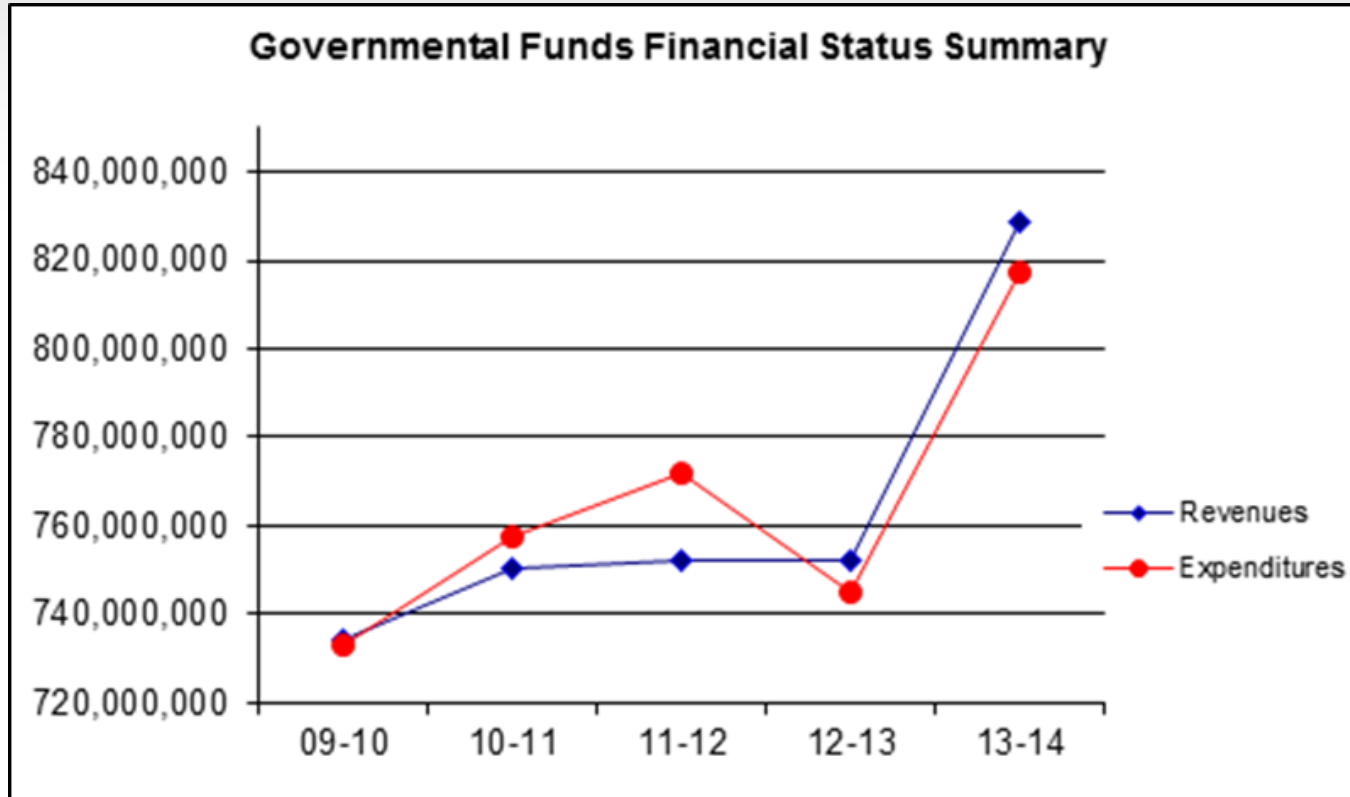
- **Economic Indicators**
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- **Other Major/Non-Major Funds**
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Economic & Financial Indicators

- **Overall Theme – Moderate Sustained Growth**
- **Five years of positive GDP Growth**
- **Continued steady growth impacting County finances**
- **Average unemployment remains high but has declined from a high of 9.6% in 2011 to 6.0% in 2014, and for the month of June**
- **Real estate market has remained positive with increased:**
 - **Property sales, price appreciation, and new construction**
- **Showing continued improvement in:**
 - **Property Tax, Sales Tax, and Transient Occupancy Tax**

Governmental Funds

Governmental Funds



COUNTY OF SANTA BARBARA, CALIFORNIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED June 30, 2014 (in thousands)

	General	Roads	Public Health	Social Service	ADMHS	Flood Control District	Afford Housing	Fire Protect District	Capital Projects	Other Gov Funds	Total Current Year	Prior Year	%
Revenues													
Taxes	\$ 194,304	\$ 7,170	\$ --	\$ --	\$ --	\$ 9,215	\$ --	\$ 39,068	\$ --	\$ 4,430	\$ 254,187	\$ 249,414	1.9%
Licenses, permits, & franchise	13,330	521	45	78	--	--	--	11	--	45	14,030	14,011	0.1%
Fines, forfeitures, & penalties	5,734	51	802	3	3	--	--	--	--	4,290	10,883	9,582	13.6%
Use of money and property	2,680	146	129	330	103	424	30	16	41	1,096	4,995	2,321	115.2%
Intergovernmental	77,675	23,031	23,952	131,154	39,928	46,890	6,871	4,232	1,128	25,289	380,150	321,764	18.1%
Charges for services	57,152	413	34,918	--	28,027	3,366	136	14,408	198	5,019	143,637	135,625	5.9%
Other	4,504	89	4,096	812	3,600	36	2,983	216	949	3,518	20,803	19,581	6.2%
Total revenues	355,379	31,421	63,942	132,377	71,661	59,931	10,020	57,951	2,316	43,687	828,685	752,298	10.2%
Expenditures													
Current:													
Policy & executive	15,408	--	--	--	--	--	--	--	--	--	15,408	15,349	0.4%
Public safety	201,455	--	--	--	--	--	--	52,991	--	16,159	270,605	260,344	3.9%
Health & public assistance	9,201	--	66,124	139,610	81,053	--	--	--	--	22,492	318,480	304,982	4.4%
Community resources	38,241	33,814	--	--	--	57,492	8,905	--	47	6,993	145,492	100,993	44.1%
General gov & support	43,654	--	--	--	--	--	--	--	--	208	43,862	42,882	2.3%
General county programs	8,129	--	--	--	--	--	--	--	--	70	8,199	5,091	61.0%
Debt service:													
Principal	--	--	--	--	--	--	--	90	--	4,412	4,502	4,133	8.9%
Interest	699	--	--	--	--	--	--	8	--	2,601	3,308	3,518	-6.0%
Capital outlay	--	--	--	--	--	--	--	--	7,505	--	7,505	7,568	-0.8%
Total expenditures	316,787	33,814	66,124	139,610	81,053	57,492	8,905	53,089	7,552	52,935	817,361	744,860	9.7%
Excess(deficiency) revenue over (under) expenditures	38,592	(2,393)	(2,182)	(7,233)	(9,392)	2,439	1,115	4,862	(5,236)	(9,248)	11,324	7,438	
Other Financing Source(Use)													
Transfers in	4,805	5,525	6,955	2,536	9,686	166	130	1,105	1,445	17,215	49,568	86,394	
Transfers out	(38,404)	(59)	(633)	(1,852)	(841)	(50)	(1,770)	(2,800)	(52)	(3,357)	(49,818)	(86,338)	
Proceeds sale capital assets	5	16	--	--	2	45	--	5	--	--	73	500	
Other financing source(use)	(33,594)	5,482	6,322	684	8,847	161	(1,640)	(1,690)	1,393	13,858	(177)	556	
Net change in fund balance:	4,998	3,089	4,140	(6,549)	(545)	2,600	(525)	3,172	(3,843)	4,610	11,147	7,994	
Fund balances - beginning	87,808	18,501	18,769	10,001	7,897	59,876	5,335	5,067	14,935	23,912	252,101	259,610	
Fund balances - ending	\$ 92,806	\$ 21,590	\$ 22,909	\$ 3,452	\$ 7,352	\$ 62,476	\$ 4,810	\$ 8,239	\$ 11,092	\$ 28,522	\$ 263,248	\$ 244,104	

Governmental Funds Financial Status

- **Revenues:**
 - Overall, total governmental fund revenues increased by \$76 million or 10% to \$829 million, \$43 million due to the recording of a Federal contribution for the Santa Maria Levee. The remaining \$33 million is a 4% ongoing increase.
- **Expenditures:**
 - Increased by \$72 million or 10% to \$817 million, \$43 million representing the Santa Maria Levee
 - Total of \$817 million
- **Revenue/Sources exceeded Expenditures/Uses by \$11.0 million**

Salary & Benefits Costs

- **Salary and Benefits increased by \$23 million, or 5%, for a total of \$471 million (58% of total county expenditures)**
- **Cost Increases:**
 - Regular salary increased \$8 million (3% over prior year)
 - Retirement cost increased \$8 million (8%)
 - Regular overtime staff cost increased \$1.9 million (20%)
 - Health Insurance cost increased \$1.4 million (6%)
 - Workers Comp cost increased \$1.4 million (11%)
- **Cost decreases:**
 - Unemployment insurance cost decreased \$1.1 million (70%)

General Fund

General Fund Highlights

- **General Fund Revenues exceeded Expenditures by \$5 million**
- **Total fund balance equaled \$92.8 million**
- **The year ended with an unassigned fund balance of \$3.4 million that was transferred to the Strategic Reserve for the 2014-15 Adopted Budget**
- **The County also ended the year with \$3.1 million in contingency fund balance and \$2.3 million in program restoration fund balance.**

General Fund Highlights (cont.)

- The components of the \$92.8 million General Fund fund balance are:
 - **Nonspendable \$10.2 million**
 - **Restricted \$21.2 million**
 - **Committed \$58.0 million** (Including Strategic Reserve of \$24.2 million)
 - **Unassigned/Residual \$3.4 million**
 - Included in the Strategic Reserve balance as of 7/1/14

General Fund Highlights (cont.)

Changes to Strategic Reserve (in millions):

FY 13/14 Beginning Balance	\$21.2
FY 12/13 GF Residual Fund Balance	+8.1
Miscellaneous Increases (2)	+0.1
Cash Match SB 1022	- 3.9
ADMHS Deficit Fund Balance	<u>- 1.3</u>
FY 13/14 Ending Balance	24.2
 FY 13/14 GF Residual Fund Balance	 <u>+3.4</u>
Ending Balance as of 7/31/2014	\$27.6

General Fund

Departmental Variances

Sheriff

- **The Sheriff ended the year with a negative variance of \$0.7 million due mostly to salary overtime costs because of staffing shortages. This was previously disclosed to the Board.**

Planning and Development

- **Planning and Development ended the year positive in the amount of \$0.7 million due to salary savings and their inability in hiring qualified staff.**

Clerk-Recorder-Assessor

- **The positive variance of \$0.7 million is attributed to salary savings as a result of high vacancies in the Assessor division and difficulty in hiring qualified staff.**

General Revenues

- **General Revenues ended the year with a positive variance of \$2.3 million. This variance is due to unanticipated revenue from property taxes, TOT and delinquent property tax revenue penalties.**

Other Funds

Status of Other Funds

- The County now has 9 major funds and the results of operations can be viewed on page 4 of Attachment A to the Year End Report and discussion of changes in the financial results of the major funds follow on page 12 of the report
- The County has 21 other non-major funds and 3 had some significant positive results also discussed on page 12 and 13 of the report.
- The County has 5 internal service funds and 2 had significant positive results that are discussed on page 13 of the report

Conclusions

- **The financial results of operations for FY 13-14 reflect continuing improvement of County finances. With employment increasing and a recovery of the housing market the County can look past the great recession. The County was able to end the year with an \$11 million increase in overall governmental fund balance. The State economic recovery and State tax increases also have had a positive effect on County finances.**
- **The County has an underlying credit rating of SP+1 from Standard and Poor's (the highest possible short-term rating) and a AA+ long-term rating (the highest among California Counties).**
- **The County moderately increased its General Fund cash position by 8% ending at \$77 million and eliminated the need for a short-term borrowing (TRAN) for the next year.**
- **Local unemployment is still declining and the real estate market has turned positive in terms of home sales, home prices and new construction.**

Conclusions

- The County continued to make a contribution to the Strategic Reserve by rolling over unassigned fund balance and ended the year at \$24.2 million. The ending unassigned fund balance of \$3.4 million was added to the Strategic Reserve to bring the total to \$27.6 million.
- The County also ended the year with \$3.1 million in contingency fund balance and \$2.3 million in program restoration fund balance.
- The County is entering the third year of project management, funding, accounting, administration, and reporting requirements in order to commence construction of the Northern Branch Jail for which the County secured an \$80 million AB 900 State funding grant and a \$40 million SB 1022 grant. The County continues to set aside funding for New Jail Operations Fund (\$3.3 million in FY 2013-14).
- The County FTE count was up 82.4 FTE in FY 13-14 compared to the prior year, almost entirely in the Federal and State funded Social Service programs.

Conclusions

- The dissolution of RDAs in the County is returning funds to the County because our County only had immaterial pass through agreements in prior years. The County received both on-going and one-time funds related to the dissolutions. Currently there are two pending city lawsuits with the State Department of Finance that if adverse to the cities, could generate additional return of property taxes to the County. Amounts subject to dispute have not been recognized as revenue by the County. The on-going residual distributions are \$5 million, up from \$4.2 million in the prior year.
- FY 13-14 ended with an \$11 million addition to Countywide fund balance.
- The County implemented the complex and far-reaching California Public Employees' Pension Reform Act of 2013 (PEPRA), which became effective January 1, 2013 and has additional PEPRA related milestones to plan for implementation in 2018, related to employer/employee cost sharing of retirement employer/employee rates.
- The State's finances have improved significantly and is impacting the County positively. Positive State revenue growth in sources that support the State-funded programs related to Realignments 1991 and 2011 are strengthening the County finances for Public Safety, Health, Mental Health and Social Service programs.

Questions?