



**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: November 10, 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 *M*
Director(s): Robert Geis, CPA, Auditor-Controller *Julie Hagen for RG*
Contact Info: Tom Alvarez and Julie Hagen
568-3432 568-2126
SUBJECT: Fiscal Year 2015-2016 First 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 September 30, 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 First Fiscal Quarter, ending September 30, 2015, provides a snapshot of the County's financial position relative to the adjusted budget for the first three months of this fiscal year for the Board's review.

The General Fund projects a \$1.5 million favorable variance when compared to the Adopted Budget. Special Revenue Funds are generally tracking to budget with the exception of two ADMHS funds as explained later in this report. The Fire District is showing a negative variance; however, this is anticipated to be a timing difference that will correct itself by year end.

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 September 30, 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 three months of FY 2015-16, and then add departmental projections for the next nine 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 per Board adopted policy and procedure '*Budgetary Control & Responsibility*' as the following abbreviated excerpt states:

- A. 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.

GENERAL FUND SUMMARY (Attachment A)

The General Fund had a projected net positive variance of \$1.5 million at September 30, 2015. This is the result of favorable results across many departments, but none that rise to the threshold of reportable significance.

General Revenues are currently at budget with a slight favorable variance of \$90 thousand, and all property tax components are at budget.

The Sheriff's Office has a projected negative variance of \$65 thousand, which is below the reportable threshold, however, due to the Sheriff's over-budget condition over the past 2 years we wanted to highlight their improvement through the first quarter and we will be monitoring their financial condition each quarter.

Salaries and Employee Benefits are projected to be approximately \$83 thousand (0.08%) under budget for the year based on first 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 \$589 thousand over budget while non-overtime S&B accounts are currently projected to be \$672 thousand under budget,

primarily due to salary savings from vacancies. As of this writing, there are 18 Patrol vacancies, 7 custody Deputy vacancies and 18 civilian vacancies. As Patrol and Custody vacancies are filled, salary savings will most likely diminish (depending on other terminations) and overtime costs may increase during the extensive training periods. Therefore, the CEO’s Office will continue to work closely with Sheriff Staff to monitor overtime usage, which has been a historic issue for the Department. Additionally, the Sheriff’s Office management has taken a more proactive role in managing overtime including biweekly analysis and monthly meetings with cost center managers to review the use of overtime and the underlying causes.

One final issue that may impact the Sheriff’s year-end variance is water usage. The Goleta Water District recently imposed a drought surcharge that could cost the Sheriff more than \$100 thousand beyond their budgeted water expense, driven primarily by usage at the jail. The Sheriff is currently exploring water reduction options with General Services that may help offset this expense.

The Sheriff is measuring and monitoring new hires and overtime usage and will be responsible for maintaining departmental expenditure levels per the policies stated above.

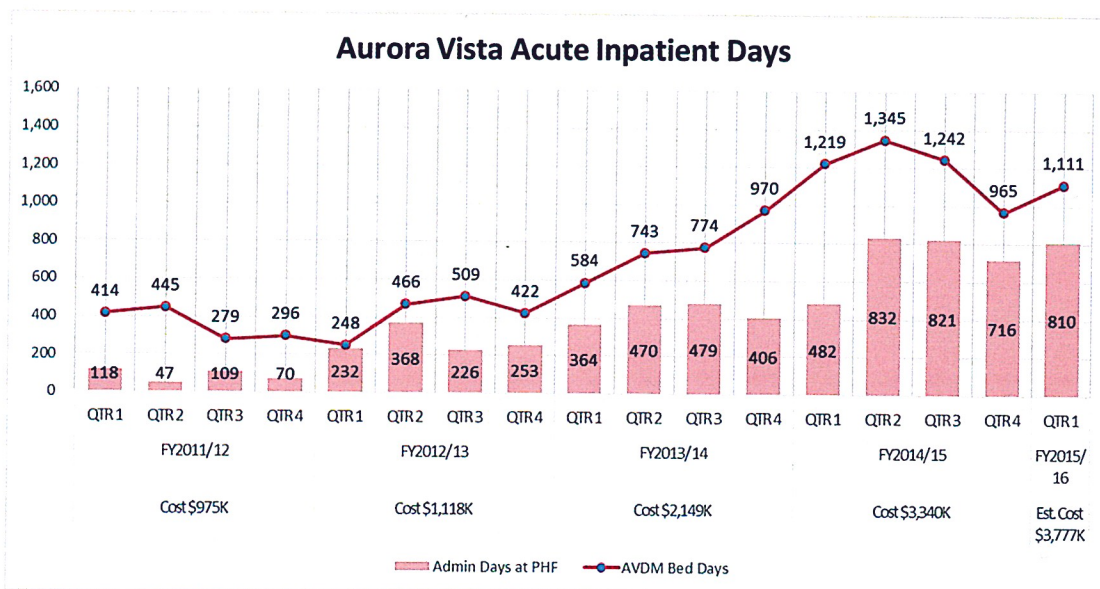
SPECIAL REVENUE AND OTHER FUNDS SUMMARY (Attachment B)

The Mental Health Services Fund (0044) is projecting a negative variance of \$2.0 million. The main driver is Inpatient Contract Beds.

Inpatient Costs: 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. Contracted inpatient beds experienced a significant increase in FY 2014-15 as can be 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).



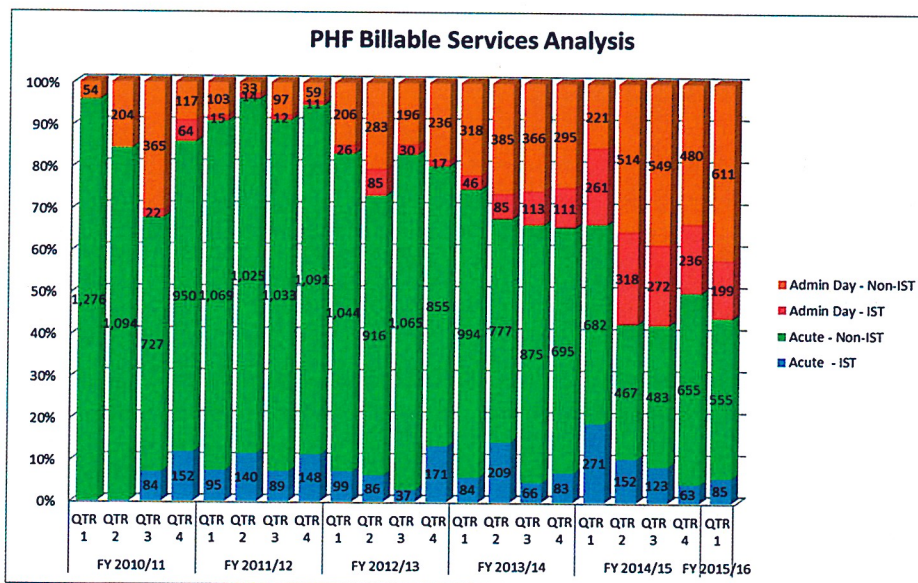
The current year cost for AVDM is also being impacted by a 9.7% increase in the daily rate at Aurora Vista del Mar (AVDM), from about \$775 per day to \$850 per day. To counter the increasing costs and bed needs, ADMHS' Board approved FY 2015-16 budget was increased with one-time funds of \$2.0 million to help pay for this higher level of contracted inpatient beds. ADMHS also plans to open additional beds 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 table below identifies 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); target December 2015
- 6 Beds – Safe & Stable Housing, Alameda House, opening 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

Due to the delay in opening these beds we expect higher than budgeted costs for contracted beds and once the new beds are opened, the exact financial impact is unknown.

Medi-Cal & Medicare Revenue: 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. One positive note is that the number of Incompetent to Stand Trial (IST) Admin bed days (199) is down 37% from the peak of 318 bed days in the second quarter of last year (see graph below). While a substantial improvement, this level is significantly higher than the historic average. ADMHS will therefore continue to monitor the PHF revenue mix closely and will report any significant known variances to the CEO's office as it becomes apparent.



The Mental Health Services Act (0048) has a projected variance of negative \$723,000. This variance is due to a lower estimate of state Mental Health Services Act revenues. ADMHS' FY 2015-16 MHSA revenue budget is based primarily on projections prepared by the State in February 2015. The Department has only received one month's revenue; therefore, it would be feasible that this negative \$723,000 variance may improve.

The Fire Protection District Fund (2280) has a temporary variance of negative \$1.7 million primarily due to reimbursable overtime costs associated with County support of federal and state fire incidents. During the first quarter of the fiscal year, there was a significant need for firefighting resources outside of Santa Barbara County, particularly in Northern California. This temporary variance will be eliminated shortly as a Budget Revision will be processed to increase the reimbursable overtime and corresponding incident revenue budgets. This should be viewed as a timing difference that will be resolved within this fiscal year.

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
- C – PowerPoint presentation

Authored by:

CEO Fiscal and Policy Analysts: John Jayasinghe, Richard Morgantini, Joseph Toney and Paul Clementi

CC:

Department Directors
Assistant County Executive Officers and CEO Fiscal and Policy Analysts
Recognized Employee Organizations

Quarterly Financial Update Signal Chart

For Quarter ending September 30, 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	Other Funds
● Board of Supervisors	Parks
● County Executive Office	● Capital
● County Counsel	● Providence Landing CFD
● District Attorney	Planning and Development
● Probation	● Fish and Game
● Public Defender	● Petroleum
● Courts	● CREF
● Sheriff	● RDA Successor Agency
● Public Health - EHS, AS, HazMat	Public Works
● Agriculture Commissioner	● Roads: Funds 0015, 0016, 0017, 0019
● Parks	● Resource Recovery and Waste Mgt.
● Planning and Development	● CSA
● Public Works	● Flood Control
● Housing & Commt. Devmnt.	● North County Lighting
● Community Services Dept.	● Laguna Sanitation
● Auditor Controller	● Water Agency
● Clerk-Recorder-Assessor	Housing & Commt. Devmnt.
● General Services	● CDBG
● Human Resources	● Affordable Housing
● Treasurer-Tax Collector	● HOME
● General County Programs	● Municipal Energy Financing
● Debt Service	● Orcutt CFD
	General Services
	● Capital
	● Special Aviation
	● Vehicles
	● Information Technology
	● Communications
	● Utilities
	CEO-Human Resources
	● County Unemployment Insurance
	● Dental Insurance
	● Medical Malpractice Insurance
	● Workers' Comp Insurance
	● County Liability Insurance
	Treasurer-Tax Collector
	● Debt Service
	General County Programs
	● Public and Educational Access
	● Criminal Justice Facility Const.
	● Courthouse Construction
	First Five
	● First Five Child & Families Comm.
	RDA Sucessor Agency
	● Sucessor Agency Housing
Other Funds	
Fire	
▼ Fire Protection	
Sheriff	
● Inmate Welfare	
Public Health	
● Health Care	
● Tobacco Settlement	
ADMHS	
■ Mental Health Services	
■ Mental Health Services Act	
● Alcohol and Drug Programs	
Social Services	
● Social Services	
● IHSS Public Authority	
Child Support	
● Child Support Services	
Sheriff	
● Capital Projects - Jail	