




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: September 1, 2020
Placement: Departmental
Estimated Time: 45 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Mona Miyasato, County Executive Officer 
Director(s)
Contact Info: Jeff Frapwell, Budget Director

SUBJECT: **Fiscal Year 2019-20 Fourth Quarter Budget Update**

County Counsel Concurrence

As to form: NA

Auditor-Controller Concurrence

As to form: NA

Recommended Actions:

That the Board of Supervisors

- a) Receive and file the Fiscal Year 2019-20 Year-End Budget and Financial Status Report as of June 30, 2020, showing the status of appropriations and financing for departmental budgets adopted by the Board of Supervisors.

Summary Text:

The Fiscal Year 2019-20 Budget and Financial Update for the fourth quarter ending June 30, 2020, provides a look at the County's year-end financial position relative to the FY 2019-20 adjusted budget.

COVID-19 continued to notably affect fourth quarter expenditures and revenues. In the General Fund, various departments as well as major discretionary revenue sources experienced significant financial impacts of both the pandemic response activities as well as the related economic downturn, as detailed later in this report.

The County ended with a net positive \$3.8 million in the General Fund, which is less than the \$8 million positive balance in the year prior. Overall, General Revenues ended the year \$6.5 million above budget but this revenue was offset by deficits in some departments. Several General Fund departments ended the year with positive net variances due to salary savings or higher than anticipated revenues, most notably Probation (\$851k), Auditor-Controller (\$700k), and Treasurer-Tax Collector (\$607k). The positive variances were partially offset by negative variances in the Sheriff's Department (\$4.4 million), Community Services-Parks Division (\$398k), and Planning & Development (\$229k). The Public Defender, District Attorney, Community Services, and Human Resources ended the year with slightly

negative variances, reflecting the use of department staff participating in the pandemic response including contact tracing, Emergency Operations Center support, and other direct activities outside the normal scope of responsibilities. The larger deficit in the Community Services – Parks Division, as well as a portion of the Sheriff’s deficit, are also attributable to the pandemic and discussed more below. County Counsel also ended the year with a slight negative variance, which was primarily the result of attorney staff working on unreimbursed cannabis permitting activities, including ordinance revisions and permit appeals.

Special Revenue Funds are required to end the year balanced, so those funds are not included in this update. However, Courts Special Services (Fund 0069) required additional funding from the General Fund of \$500k during the fiscal year due to continued decline in fine, fee and penalties revenues and increased County-responsible costs for indigent defense, particularly for the Matador multi-defendant trial. In addition, some special revenue departments, including Public Health and Behavioral Wellness, experienced significant impacts due to COVID-19 but were able to use fund balances to avoid ending the year with deficits. Public Health used \$2 million in fund balance and Behavioral Wellness used \$6 million to cover COVID-19 revenue and expenditure impacts.

Background:

FOURTH QUARTER REPORT

In this report, the year-end financial results for the fiscal year-end are compared to the annual adjusted budget. The major differences (variances) between budgeted and actual amounts through June 30, 2020, are discussed below.

This report highlights General Fund departments (including Discretionary General Revenues) with variances greater than \$200k per department, shown in the Financial Summary Report (Attachment A). As mentioned above, this report does not discuss Special Revenue Funds, which are all required to end the year with a balanced budget.

Attachment A uses actual revenues and expenditures for the fiscal year 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 Attachment A).

Discussion:

GENERAL FUND SUMMARY (Attachment A)

The General Fund had a year-end net positive variance of \$3.8 million. Those departments with significant net financial impacts are discussed in detail below.

Probation had a positive variance of \$851k, 1.2% on a total \$68.2 million adjusted budget, primarily as the result of \$2.6 million in salary savings due to staffing vacancies, offset by \$1.6 million less in anticipated State Revenues and \$178k less in charges for services.

Sheriff ended the fiscal year with a negative variance of \$4.4 million, 2.75% on a total \$160 million adjusted budget. This is a significant increase over last year’s \$1.1 million deficit, which represented 0.7% on a total \$149.7 million budget. The main driver of the Sheriff’s deficit was spending on overtime not being completely offset by salary savings from vacant positions.

- According to the Sheriff’s Office, a significant factor was the time it takes to train employees until they are able to work unsupervised. The department utilized almost 35,000 hours (the equivalent of almost 17 FTE) of training officer time in FY 2019-20, mostly in Custody. When new staff undergoes academy and on-the-job training, which can take a year or more, they receive full pay

and benefits, but are not yet a “working asset,” and are unable to cover a Post position unsupervised. Much of the FTE equivalent of 17 positions related to training required backfill of staff, which utilized some level of overtime.

- Sworn staff who were out on worker’s compensation leave due to injury accounted for 19,000 hours (the equivalent of 9 FTE) that had to be backfilled, requiring some amount of overtime. Additionally, when sworn staff are out on worker’s compensation, they are entitled to full pay.
- When there are not enough positions filled, or positions are filled but not “working assets” as in the case of training and worker’s compensation mentioned above, the Sheriff must use overtime to provide the minimum level of staffing necessary to staff all Post positions. In FY 2019-20, the Sheriff’s Office utilized about 75,200 hours of minimum staffing overtime, at a cost of \$5.0 million. Some of this cost was offset by salary savings, if positions were vacant, but for the two scenarios above, salary savings does not exist to offset the overtime used.
- The overtime expenditures also included \$740k spent on disasters and mutual aid to other jurisdictions over the course of the fiscal year, with no likely reimbursements.
- COVID-19 related expenses of \$150k for services and supplies, \$513k of overtime, and lost revenue of about \$115k, exacerbated the issue.
- Revenue shortfalls across multiple sources, including cannabis business licenses, state and federal sources, and charges for services, exacerbated the issue. Expenditures exceeding the budgeted amount in a variety of other categories, such as for investigations, vacation payouts, equipment and supplies purchases, and the costs of guarding inmates brought to the hospital, also played into the Sheriff’s \$4.4 million deficit.
- It is not uncommon for departments to have unanticipated costs during the fiscal year; to prevent ending the year in a negative financial position, departments are expected to attempt to reduce or defer other expenses.

Planning & Development ended the fiscal year with a negative variance of \$229k, or 0.9%, on a total adjusted budget of \$23.8 million. As reported in the Q3 Budget Update, cannabis cultivation project appeals have largely driven the revenue gap as the department does not fully recover staff costs for work related to such appeals. Costs are marginally offset by a fixed appeal fee paid by the appellant (with some exceptions); the balance of costs are not recoverable from permit revenues. The department’s General Fund allocation supports its operational costs that are not otherwise recovered through fees or surcharges, and the unrecoverable cost of cannabis cultivation project appeals were therefore borne by the General Fund.

Community Services-Parks Division ended the fiscal year with a negative variance of \$398k, 2.3% on a total \$17.6 million adjusted budget, due to COVID-19 impacts to revenue, mostly decreased camping and hookup fees, but also in park concessions and all group activities (Weddings, Special Events, Veteran’s Buildings, Group Camping and Day Use rental areas). The total losses were \$716k but the department used fund balance to mitigate some of the impact, with the remainder of \$398k borne by the General Fund.

Auditor-Controller ended the fiscal year with a positive variance of \$700k, 7.6% on a total budget of \$9.2 million, due primarily to salary savings from unfilled positions. **Treasurer-Tax Collector** also ended the year with a positive variance due primarily to salary savings, \$607k, or 6.7%, on a total budget \$9.1 million budget, also due to unfilled positions.

General Revenues ended the year with a net positive year-end variance of \$6.5 million, 2.3% on a \$284.3 million adjusted budget, shown in detail in the table below. This variance was due primarily to higher than budgeted Current Year Secured Property Taxes, Prior Year Unsecured Property Taxes, RDA Distributions, Interest Income, and Payment In Lieu of Taxes, offset by lower than budgeted Transient Occupancy Taxes. Cannabis Tax Revenue collected for the fiscal year came in \$6.6 million above the adopted budget, which was included in the General County Programs fund balance. Of this amount, \$3.6 million had already been projected and appropriated at the FY 2020-21 budget hearings.

The Current Year Secured Property Taxes collected exceeded the budgeted amount due to the assessed value of properties exceeding initial projections as the real estate market continues to thrive despite the impacts of the pandemic. Payment In Lieu of Taxes is received, but not typically budgeted until the following year, given uncertainties surrounding federal funding. The amount received at the end of this fiscal year, provided by the Federal Government for federal lands located within County boundaries, was around \$2 million and contributed to General Revenues’ \$6.5 million surplus. Unanticipated revenues were offset by reductions to revenues negatively impacted by COVID-19, namely Transient Occupancy Tax. Due to the stay-at-home order mandate imposed in California, most hotels in the unincorporated area of the County temporarily closed their doors as travel throughout the state slowed. Transient Occupancy Taxes paid by operators slowed proportionately beginning in March and remain below pre-COVID-19 levels, ending the year \$3 million below budget.

Discretionary General Revenue Summary (in thousands):			
Source	Adjusted FY 2019-20	Actuals FY 2019-20	Variance Proj vs. Adjusted
Property Tax - Current Secured	\$ 140,630	\$ 142,843	\$ 2,213
Property Tax - Prior Unsecured	0	804	804
RDA RPTTF Resid Distributions	9,449	10,580	1,131
Cannabis Tax	12,182	12,182	0
Transient Occupancy Tax	13,214	10,182	(3,032)
Interest Income	1,500	2,639	1,139
Payments in Lieu of Taxes	19	2,036	2,017
All Other Revenues	107,268	109,539	2,271
Total Discretionary Revenues	\$ 284,262	\$ 290,805	\$ 6,543
Increase to Cannabis Fund Balance*	\$ 12,182	\$ 12,182	\$ -
All Other Transfers	272,080	272,080	0
Net Fiscal Year End Variance	\$ -	\$ 6,543	\$ 6,543

*This \$12.2 million does not represent available fund balance, but rather the total cannabis revenue received and fund balanced in FY 2019-20. Budgeted draws deplete this balance. Current available unallocated cannabis fund balance is about \$3.4 million.

Fiscal and Facilities Impacts:

Impacts are stated above in this Board letter.

Attachments:

A – Financial Summary Report – General Fund

Authored by:

Richard Morgantini, Fiscal & Policy Analyst