

SANTA BARBARA COUNTY BOARD AGENDA LETTER



Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:
Prepared on: 11/12/04
Department Name: CAO & Auditor/Controller
Department No.: 012 & 061
Agenda Date: 11/23/04
Placement: Departmental
Estimate Time: 30 minutes
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Michael F. Brown, County Administrator
Robert Geis, CPA, Auditor-Controller

STAFF CONTACT: Ken Masuda and Brian Richard
568-3411 568-2181

SUBJECT: FY 04-05 Budget Update & FY 05-06 Budget Workshop # 1

Recommendation(s):

That the Board of Supervisors:

- A. Accept and file, per the provisions of Government Code Section 29126.2, the Fiscal Year 2004-05 Financial Status Report as of September 30, 2004, showing the status of appropriations and financing for all departmental budgets adopted by the Board of Supervisors.
- B. Receive a report on general impacts of approved November 2004 Propositions on the County budget.
- C. Rescind the temporary hiring freeze effective November 24, 2004.
- D. Approve Budget Principles for use in development of the FY 05-06 Operating Budget.
- E. Receive an updated 5-year financial forecast, focusing on discretionary General Fund revenues and projected salary and benefit changes.

Alignment with Board Strategic Plan:

[An efficient government able to anticipate and respond effectively to the needs of the community.](#)

Executive Summary

This report is divided into 3 sections. Section A reviews the financial status of the County as of 09/30/04. Section B is a brief discussion of the impact of approved Propositions on the County budget. Section C contains our recommendation to rescind the hiring freeze which has been in effect for the past eleven months. Section D discusses our recommended Budget Principles. These principles, with the exception of a new principle related to the reallocation of Proposition 172 revenues are the same as those used in FY 03-04. Adopted principles will again be used by departments and the County Administrator's Office to shape the FY 05-06 Proposed Budget.

The final section presents our updated 5-year financial forecast. The forecast is updated several times each year, the previous update was included in the Proposed Budget. Forecast figures have been updated to reflect actual instead of projected FY 04-05 revenues, and to include new information on employee COLAs and other benefits including future retirement costs based on the latest retirement fund actuarial study.

Discussion:

A. Financial Status Report as of September 30, 2004

Staff has conducted Monthly Projection (MOPROs) meetings with departments during which their actual performance was compared to their budget for the first three months of this fiscal year. During these meetings differences (variances) between budgeted and actual amounts were identified.

The following narrative highlights major variances, defined as follows: 1) for General Fund departments as well as Discretionary General Fund revenues, the narrative discusses projected variances over \$100,000 as shown in the Projected Annual Status Report, General Fund (Attachment A) and 2) for non-General Fund departments, the narrative discusses projected variances over \$500,000 per fund as shown in the Projected Annual Status Report, by Fund Type (Attachment B). Both these reports take actual revenues and expenditures for the first three months, add department projections for the next nine months, and compare these totals to budgeted amounts.

1. County General Fund

Status of General Fund Departments:

Using the Projected Annual Status Report as a reference, brief descriptions, by department, of large variances between budgeted and estimated actual amounts as of 9/30/04 follows. None of the departmental variances are a cause for immediate concern.

- County Counsel. The \$177,000 negative variance is mainly due to the way that expected revenue has been distributed, rather than a real lag in revenue receipts. This will be corrected before the mid-year review.
- Probation. The department's \$482,000 positive variance is largely due to all estimated salary expenses being divided equally for twelve months rather than recognizing that the new Santa Maria Juvenile Hall positions will only be paid for half a year. Thus, this positive variance will shrink in future status reviews.
- Public Defender. This department's \$191,000 negative variance is on the revenue side. The main cause of the negative variance is due to incorrect budgeting of anticipated Proposition 172 revenues. In addition, some legal fee revenues are significantly behind prior year numbers. However, unanticipated revenue from the extension of juvenile dependency services, approved by the Board in September, should offset current revenue shortfalls.
- Fire. Of the \$446,000 positive variance, \$275,000 is due to an error in accounting for the \$270,000 received from the Indian Gaming Special Distribution Fund. State contract revenues are \$90,000 ahead of anticipated first quarter payments; however, no change is anticipated in the full fiscal year payment.
- Public Works. A lag in reimbursement from other Public Works funds to the Public Works general fund budget is the primary reason for the \$364,000 negative variance. This variance is not a cause for concern.

- Auditor-Controller. The \$107,000 positive variance is due to salary savings from vacant positions and savings in professional services contracts.
- Clerk-Recorder-Assessor. The \$543,000 net positive variance reflects delays in payments and reimbursements on the Santa Barbara Hall of Records remodel.
- General Services. The \$213,000 net positive variance cannot be attributed to one, or even a few significant factors. Utility costs are one area we will be watching throughout the year.
- Human Resources. Almost half of the \$204,000 positive variance is due to salary savings as both the Director and Assistant Director positions were vacant during the first quarter of this year.
- General County Programs. The largest single factor accounting for the net positive \$249,000 variance is a \$123,000 interest expense payment on short-term debt that had not been paid in September as projected.

Other areas of note include:

- While the Agricultural Commissioner has no notable variances in his county budget, he did indicate that the State has not been hiring replacements for retiring Cooperative Extension Advisors. As a result, both the Home Economics and Field Crops/Strawberries Advisor positions are unfilled at the present time.
- The Sheriff's Department currently does not have a significant overall General Fund variance. However, **Jackson trial overtime costs** could have a considerable financial impact during the second half of this fiscal year. While there are a number of variables involved in the following cost calculation, the cost impacts, if there is a trial, are substantial:
 - Unbudgeted overtime is estimated to cost \$200,000 per week at 4 trial days per week if 50 additional deputies are required each day. Half that number of deputies would cost \$100,000 per week.
 - If the case goes to trial and if it starts in late January as scheduled, it is estimated that the trial would take at least 16 weeks and at these weekly rates would cost between \$1.6 and \$3.2 million.
 - While the potential availability of State funding has been explored, it is considered very unlikely that the County would receive reimbursement for these trial costs.

Status of General Fund Discretionary Revenue:

These revenues are a negative \$2,645,000 through September. Reasons for this variance were discussed during our October 12 presentation. The adopted budget included vehicle license fee (VLF) revenues and, as the Board knows, the County will receive no VLF revenue this year. This results in a first quarter negative variance of \$3.7 million. Due to the "triple flip," retail sales tax revenue also lags budgeted amounts by \$198,000. Partially offsetting these losses are Teeter Fund revenues—payments of penalties on delinquent property tax payments of \$737,000, and higher than anticipated transient occupancy tax (TOT) revenue (\$112,000) and property transfer tax payments (\$266,000).

Summary

The General Fund, when all of the plusses and minuses are accounted for, has an estimated net negative variance of approximately \$923,000 through September 30, 2004. While, at this point, it is too early to tell exactly how the year will end, the CAO's Office will take and will recommend to the Board any necessary actions to insure that the fiscal year ends with a positive balance. As indicated in our October report, which discussed the loss of additional property tax revenue to the State for two years and the related Vehicle License Fee (VLF)-property tax swap, there are

options available to correct the negative revenue picture. A more complete picture of our current year and future year financial picture will be available when we present our 2nd Quarter Report in February 2005.

2. Special Revenue Funds and Other Funds

- Children and Families First (Fund 0010). The \$801,000 net positive variance is largely on the expenditure side. Billings from contractors are behind the budgeted schedule, thus, payments are significantly less than expected.
- Roads (Fund 0015). While this fund shows a net positive \$598,000 variance, there is no one significant factor contributing to the difference between planned and actual expenditures or revenues.
- Mental Health (Fund 0044). As in previous years, the Alcohol, Drug, and Mental Health Services (ADMHS) Department budget variance is composed of a diverse set of circumstances resulting in a net negative variance of \$1.26 million. Revenues show a negative variance of \$8.13 million. This is primarily due to delays in receiving cost reimbursements and because some of the revenues accrued (counted) in FY 03-04 have not yet been received. Revenues, both amounts reimbursed and amounts claimed, are closely monitored by the department. For example, of the \$3.68 million negative Medi-Cal revenue variance, \$3.26 million is due to anticipated payments that have not yet been received. The balance, \$420,000, is due to current year claims being less than projected. On the whole, the revenue variance is currently seen as being caused by reimbursement delays rather than actual revenue losses. Expenditures through September 30 are \$6.87 million less than expected, largely because of delays in payments to contract organizations. This represents a combination of billing delays and delays in the completion of service contracts for the new fiscal year.
- Substance Abuse and Crime Prevention (Fund 0047). This fund, administered by ADMHS, was set up to receive and disburse Proposition 36 funds. The \$688,000 negative variance is due to two factors: 1) the State has changed its allocation procedure and now sends one lump sum payment, instead of monthly payments (a single annual payment of \$2,017,825 was received in October, no payments were received in the first quarter), 2) transfers from this fund to the mental health fund (above) will now be made quarterly, rather than in January and June to improve cash flow in the mental health fund.
- Court Activities (Fund 0069). The number of traffic citations has increased, which has increased revenue in various accounts; revenues in general are a positive \$164,000. The \$566,000 positive variance on the expenditure side is due to a combination of delayed payments to contract attorneys (alternate public defender), a hold on the final payment to the vendor for the interactive voice response system, and an error in the distribution of payment amounts going to the State for the Court MOE.
- Flood Control – Orcutt Area Drainage (Fund 2420). The \$521,000 variance is due to a delay in the Kovar Basin Expansion project.
- Flood Control – South Coast Flood Zone #2 (Fund 2610). Similarly, this \$2.32 million variance is due primarily to a delay in the Carpinteria Salt Marsh project. The project is now expected to start in late October to early November.
- General Services – Communications Services (Fund 1919). The \$659,000 negative variance is caused by a budgeting error; the release of retained earnings for equipment purchases was scheduled too early in the fiscal year.

Net Impact on the General Fund

The County makes a direct General Fund Contribution to only three of the funds—Mental Health, Roads, and Court Activities—listed here. Based on available data, there is nothing currently seen that would cause the General Fund to have to contribute more money to these funds. One area of potential impact is the Public Health fund where the costs of care, feeding, and transportation of horses formerly at the Gardner Ranch may require additional General Fund dollars.

B. Impact of Approved November Propositions on the County Budget

Propositions 1A (local government revenues) and 63 (income tax for mental health) will both have positive impacts on the County's fiscal future. Propositions 64 (lawsuits related to unfair business competition) and 69 (increased DNA sampling) appear to have no negative impact over time.

Proposition 1A. In the current fiscal year, the State has taken additional local discretionary revenues for State purposes, reduced State allocations for specific programs, and continued deferring reimbursements for the local cost of State mandated programs at a cost to the County of an estimated \$8.9 million. Proposition 1A prohibits the State from further shifting of property, sales, and vehicle license fee revenues away from local governments, and it requires either reimbursement of local costs for State mandated programs or suspension of the mandate requirement. It does not, however, prohibit the State from reducing allocations for specific programs such as social services administration, child welfare services, or various categorical programs funding public safety. The County is vulnerable in these areas, in FY 2005-06 and future years. Current year impacts are summarized in the following table. Proposition 1A ends the taking of discretionary local revenues after FY 05-06 and says that the State cannot borrow any money from local governments until the deferred SB-90 reimbursements are fully paid.

Impact of Proposition 1A on State Budget Reductions*

All dollar amounts in millions

Type of State Impact	Taking Discretionary Local Revenues including Special District taxes**	Reducing State Allocations for Specific Programs	Deferring SB-90 Reimbursements for State-mandated programs	Totals
Fiscal Year 2004-05 Impacts	5.0	2.1	1.8	\$8.9
Proposition 1-A Impact	No further shift of property, sales, and VLF to the State, except for emergency loans	No Prop. 1-A impact. Significant potential for future State funding reductions	In the future, the State must pay for mandates or suspend them. Prior year unpaid claims (above) are to be repaid beginning in FY 2006-07 over a period of years	

*Does not include prior ERAF shifts, i.e., legislation enacted prior to fiscal year 2004-05 which takes property taxes from cities, counties, and special districts, to pay for schools. **County ERAF shift loss** from prior legislation, all funds, from 1992-93 through 2004-05, with fiscal year 2004-05 being an estimate = **\$427.304 million**.

**Discretionary Local Revenue = property tax, sales tax, vehicle license fees (VLF)

Proposition 63 provides additional funding for county mental health programs and prohibits the state and counties from reducing their financial support for mental health programs below FY 2003-04 levels. More specifically, Proposition 63:

- Establishes a State income tax surcharge of 1% on taxpayers with annual taxable incomes of more than \$1 million effective January 1, 2005
- Statewide, the surcharge is expected to generate:
 - FY 04-05: \$254 Million
 - FY 05-06: \$683 Million
 - FY 06-07: \$690 Million
- The new funding, however, will NOT be distributed on a pro-rata basis. (Santa Barbara County's "proportionate share" would be about 1% of the total funds generated.) Counties will compete, based on 3-year plans demonstrating local need, in a process that will be defined by the State Department of Mental Health. Two documents are expected: 1) a draft public planning process recommended for all counties and 2) a draft allocation formulation process to be used by the State
- Money must be used to expand county mental health services; neither the State nor counties can use this money to supplant FY 03-04 funding levels
- The State is specifically prohibited from reducing its general fund support, entitlements, and formula distributions of funds now dedicated for mental health services
- The State will allocate FY 04 – 05 funds in the following manner:
 - 45% for education & training
 - 45% for capital facilities & technology needs
 - 5% for state implementation of the plan
 - 5% for local planning
- Program costs will be eligible for funding starting in FY 05 – 06, and amounts targeted for capital facilities and technology needs will drop to 10%.

Proposition 64 restricts the ability of private individuals to file lawsuits related to unfair business competition. One section of this proposition limits the use of any monetary penalties recovered by the State Attorney General or local government prosecutors to the enforcement of consumer protection laws. This limitation may require that penalty revenue in any fiscal year which is in excess of costs for that year be placed in a designation restricted to use in civil/consumer activities in future years.

Proposition 69 expands the collection of DNA samples to include any adult or juvenile convicted of any felony offense and certain non-felony offenses, and adults arrested or charged for certain felony offenses. The resulting expanded workload at the jail, and its cost, is supposed to be offset by additional penalty revenues assessed by the Superior Court.

C. Rescinding the Hiring Freeze

Almost a year ago, on December 9, 2003, in recognition of the unsettled State budget situation, the Board approved a temporary hiring freeze, with exceptions for staffing of 24-hour facilities and elections. Given subsequent events, including the State's 2004-05 budget and passage of Proposition 1A, it is recommended that the Board rescind its action implementing the hiring freeze.

Attachment C is a summary chart which shows staffing vacancies for each pay period from December 10 through October 24. Starting from a base of approximately 400 vacant positions in December, the number of vacancies steadily increased, reaching 463 in early July. This peak was just prior to the net deletion of 36 positions with adoption of the FY 2004-05 budget.

D. Principles for Development of the FY 2005-06 Budget

The proposed principles (Attachment D) will be used by departments and the County Administrator's Office in development of the FY 05-06 proposed budget. The principles, which have been reviewed by department heads, are identical to those used in development of the FY 04-05 budget, except that a principle to accommodate the Proposition 172 funding shift has been added.

This new principle reads as follows:

For the District Attorney, Public Defender, Probation, Sheriff, and Parks departments, an amount of General Fund contribution equal to each department's proportionate loss of Proposition 172 (Public Safety Sales Tax) revenue due to the annual shift of 1.5% of Proposition 172 revenue to Fire, will be added to their General Fund contribution base amount beginning in FY 05-06 and continuing over a five year period.

E. Five Year Financial Forecast

We are providing an update (Attachment E) to the financial forecast included in the Proposed Budget. As usual, the forecast focuses on changes in discretionary general fund revenues and the general fund share of total salary and benefit costs. The following are **significant changes to the forecast since the Proposed Budget was published**:

The FY 03-04 base was changed to reflect actual rather than estimated discretionary revenues. This increase in the base year, by approximately \$5 million, resulted in net increases (after adjusting for one-time occurrences) in all future years. As a result of this change, and in spite of expenditure increases indicated below, the FY 05-06 forecast changes from slightly negative to positive.

Cash benefit allowance increases of \$20 per pay period are under consideration for both FY 05-06 and FY 06-07, for all employees.

Incremental changes in retirement costs due to payment to the fund for unrecognized losses have been adjusted to reflect the latest (10/04) actuarial estimates. Amounts in years after FY 05-06 are lower than projections provided to the Board in October. Reasons for these differences will be explained as part of our presentation.

FY 04-05 and subsequent year expenditures have been increased to reflect new appropriations approved by the Board since the FY 04-05 budget was adopted. These are: 1) General Fund cost of the Proposition 172 revenue shift to Fire, 2) the commitment to fund \$4 million in Fire capital improvements with General Fund dollars, and 3) four School Resource Deputies in the Sheriff's Department.

In addition, the forecast includes the following likely future on-going increases in General Fund contribution: 1) For debt service on the ADMHS Children's clinic in Goleta, 2) for Animal Services as part of a study of service levels, costs, and appropriate oversight, and 3) for anticipated increased cost of janitorial services beginning with FY 06-07.

Cost of living adjustment (COLA) assumptions remain unchanged from the Proposed Budget chart. That is, the amounts remain at 2% for FY 05-06 and 3% for future years. The fixed benefits (cash allowance) increase is as stated above. Increases matching projected employee health insurance cost increases remain as stated in the Proposed Budget.

In addition to the recognized and quantified cost increases, there are **other potential FY 05-06 impacts** that bear watching. First, as indicated in our Proposition 1A analysis, the proposition does not protect the county from State reductions of funding for non-mandated activities. One example is Probation TANF/State General Fund payments, which are budgeted at \$2,794,000 this year. This money funds vocational, educational and "life skills" services to juveniles on Probation, principally those in institutions. Another area of concern is the potential costs of cases in litigation. The litigation designation is our reserve for payments in high impact cases. Each year the amount in the designation is assessed based on cases outstanding. Fortunately, we have not had to add funds to the litigation designation for the past three years. However, it appears likely that additional funds will be needed in FY 05-06.

The forecast will be updated again once MOUs have been negotiated with employee organizations. It is anticipated that the next update will be presented in February, 2005.

Mandates and Service Levels: Quarterly reports are not mandated. They are a part of the ongoing effort of our two departments to keep the Board informed as to the financial condition of the County.

Fiscal and Facilities Impacts: Actual and hypothetical impacts are stated in this letter, its attachments, and the updated Five Year Forecast.

Cc: Each Department Head
Deputy County Administrative Officers
CAO Analysts
Recognized Employee Organizations

Attachments A, B, C, D, and E

ATTACHMENT A

Projected Annual Status Report

0001 General Fund Type: General

As Of: 09/30/2004
Accounting Period: CLOSED

Attachment A

Department	Financing Sources			Financing Uses			Variance: Favorable/ (-)Unfavorable
	Projected Actual	Annual Adj Budget	Projected Variance	Projected Actual	Annual Adj Budget	Projected Variance	
011 Board of Supervisors	3,500.00	3,500.00	0.00	2,047,452.90	2,044,676.00	-2,776.90	-2,776.90
012 County Administrator	1,224,647.10	1,216,842.00	7,805.10	2,945,119.15	3,011,146.00	66,026.85	73,831.95
013 County Counsel	3,245,865.11	3,500,112.00	-254,246.89	5,881,950.47	5,958,952.00	77,001.53	-177,245.36
021 District Attorney	6,982,579.19	6,934,967.00	47,612.19	14,318,465.43	14,311,346.00	-7,119.43	40,492.76
022 Probation	20,922,873.86	20,858,913.29	63,960.57	35,656,592.22	36,074,514.29	417,922.07	481,882.64
023 Public Defender	2,618,723.78	2,834,494.00	-215,770.22	7,611,632.52	7,636,235.00	24,602.48	-191,167.74
031 Fire	34,368,968.72	33,841,053.00	527,915.72	36,339,280.61	36,257,590.00	-81,690.61	446,225.11
032 Sheriff	53,077,748.93	53,381,626.57	-303,877.64	78,353,811.77	78,586,254.57	232,442.80	-71,434.84
041 Public Health	504,352.08	498,178.98	6,173.10	2,360,470.67	2,355,481.98	-4,988.69	1,184.41
051 Agriculture & Cooperative Ext	1,727,801.14	1,657,287.00	70,514.14	3,234,021.28	3,243,733.00	9,711.72	80,225.86
052 Parks	6,787,519.48	6,766,455.42	21,064.06	9,784,742.09	9,799,496.42	14,754.33	35,818.39
053 Planning & Development	14,313,135.27	14,705,194.14	-392,058.87	18,352,819.92	18,704,886.14	352,066.22	-39,992.65
054 Public Works	3,254,730.08	3,804,662.00	-549,931.92	3,995,060.61	4,180,490.00	185,429.39	-364,502.53
055 Housing & Community Develo	1,394,145.00	1,393,045.00	1,100.00	2,316,366.72	2,352,985.00	36,618.28	37,718.28
061 Auditor-Controller	2,462,959.76	2,453,271.00	9,688.76	5,737,547.26	5,835,042.00	97,494.74	107,183.50
062 Clerk-Recorder-Assessor	11,631,061.90	11,858,725.00	-227,663.10	16,835,479.18	17,606,995.00	771,515.82	543,852.72
063 General Services	8,149,057.11	8,186,903.00	-37,845.89	15,872,417.24	16,123,665.00	251,247.76	213,401.87
064 Human Resources	1,987,344.81	1,978,049.00	9,295.81	3,239,628.74	3,434,712.00	195,083.26	204,379.07
065 Treasurer-Tax Collector-Publi	2,830,101.59	2,808,003.00	22,098.59	5,457,903.75	5,489,199.00	31,295.25	53,393.84
990 General County Programs	6,868,803.63	6,968,806.00	-100,002.37	68,841,286.57	69,191,245.00	349,958.43	249,956.06
991 General Revenues	144,119,318.02	146,765,012.32	-2,645,694.30	169,319.32	169,318.32	-1.00	-2,645,695.30
Fund Totals	328,475,236.56	332,415,099.72	-3,939,863.16	339,351,368.42	342,367,962.72	3,016,594.30	-923,268.86

ATTACHMENT B

Projected Annual Status Report - Fund Type

As Of: 09/30/2004
Accounting Period: CLOSED

Fund Type/Fund	Financing Sources			Financing Uses			Variance: Favorable/ (-)Unfavorable
	Projected Actual	Annual Adj Budget	Projected Variance	Projected Actual	Annual Adj Budget	Projected Variance	
General							
0001 General	328,629,467.56	332,569,330.72	-3,939,863.16	339,505,599.42	342,522,193.72	3,016,594.30	-923,268.86
<i>Fund Type Totals</i>	<u>328,629,467.56</u>	<u>332,569,330.72</u>	<u>-3,939,863.16</u>	<u>339,505,599.42</u>	<u>342,522,193.72</u>	<u>3,016,594.30</u>	<u>-923,268.86</u>
Special Revenue							
0010 Children and Families First	5,530,068.32	5,723,507.00	-193,438.68	5,101,648.40	6,096,664.00	995,015.60	801,576.92
0015 Road	32,190,967.87	31,926,178.37	264,789.50	32,043,545.89	32,377,477.37	333,931.48	598,720.98
0040 Public and Educational Acces	223,698.50	267,959.00	-44,260.50	267,041.16	268,581.00	1,539.84	-42,720.66
0041 Fish and Game	20,506.89	19,502.00	1,004.89	20,705.50	25,243.00	4,537.50	5,542.39
0042 Health Care	72,124,452.89	72,133,542.28	-9,089.39	71,824,173.18	72,133,542.28	309,369.10	300,279.71
0043 CA Health-Indigents Program	140,464.52	269,913.00	-129,448.48	139,909.81	269,926.00	130,016.19	567.71
0044 Alcohol,Drug,&Mental Hlth Sv	54,040,875.43	62,178,474.00	-8,137,598.57	55,919,366.03	62,795,639.00	6,876,272.97	-1,261,325.60
0045 Petroleum Department	276,603.26	264,329.00	12,274.26	283,919.94	267,488.00	-16,431.94	-4,157.68
0046 Tobacco Settlement	8,328,277.82	8,273,260.86	55,016.96	8,309,845.90	8,273,260.86	-36,585.04	18,431.92
0047 Substance Abuse & Crime Pr	1,806,923.07	2,283,341.00	-476,417.93	2,497,760.69	2,285,803.00	-211,957.69	-688,375.62
0052 Special Aviation	1,358,917.81	1,275,685.00	83,232.81	1,395,156.76	1,479,620.00	84,463.24	167,696.05
0055 Social Services	105,676,569.28	106,504,172.00	-827,602.72	106,503,603.91	107,386,344.00	882,740.09	55,137.37
0056 SB IHSS Public Authority	5,056,650.97	5,050,691.00	5,959.97	5,028,744.81	5,050,691.00	21,946.19	27,906.16
0057 Child Support Services	9,756,162.07	9,838,756.00	-82,593.93	9,545,868.14	9,874,515.00	328,646.86	246,052.93
0061 Fisheries Enhancement	27,271.13	27,352.95	-81.82	60,307.73	57,088.95	-3,218.78	-3,300.60
0062 Local Fishermen Contingency	36,091.33	34,600.00	1,491.33	44,058.54	51,055.00	6,996.46	8,487.79
0063 Coast Resource Enhanceme	1,115,057.32	1,086,394.00	28,663.32	1,810,517.01	1,715,327.00	-95,190.01	-66,526.69
0065 Affordable Housing	3,157,964.58	3,373,596.00	-215,631.42	3,378,140.00	3,374,471.00	-3,669.00	-219,300.42
0066 Home Program	4,033,004.03	4,028,500.00	4,504.03	4,029,573.42	4,032,073.00	2,499.58	7,003.61
0069 Court Activities	15,685,277.16	15,521,165.76	164,111.40	14,954,464.64	15,521,166.76	566,702.12	730,813.52
0070 Crim Justice Facility Constrt	1,147,679.49	1,120,000.00	27,679.49	1,120,048.00	1,120,048.00	0.00	27,679.49
0071 Courthouse Construction SB6	1,284,156.69	1,216,831.93	67,324.76	1,224,008.16	1,217,640.93	-6,367.23	60,957.53
0075 Inmate Welfare	1,920,811.33	1,923,634.00	-2,822.67	1,865,670.99	1,947,925.00	82,254.01	79,431.34
2120 CSA 3	735,534.71	819,136.00	-83,601.29	852,894.79	902,191.00	49,296.21	-34,305.08
2130 CSA 4	26,738.69	26,600.00	138.69	29,048.09	29,078.00	29.91	168.60
2140 CSA 5	77,942.46	77,600.00	342.46	81,893.83	81,459.00	-434.83	-92.37
2170 CSA 11	364,010.37	359,550.00	4,460.37	618,208.02	734,864.00	116,655.98	121,116.35
2185 Mission Canyon Swr Svc Chg	334,521.17	327,500.00	7,021.17	306,071.00	327,524.00	21,453.00	28,474.17
2220 CSA 31	169,390.45	108,225.00	61,165.45	135,825.21	111,883.00	-23,942.21	37,223.24
2230 CSA 32	20,250,416.00	20,250,416.00	0.00	20,250,416.00	20,250,416.00	0.00	0.00
2242 CSA 41	25,367.76	25,350.00	17.76	26,206.32	25,460.00	-746.32	-728.56

Attachment B

Projected Annual Status Report - Fund Type

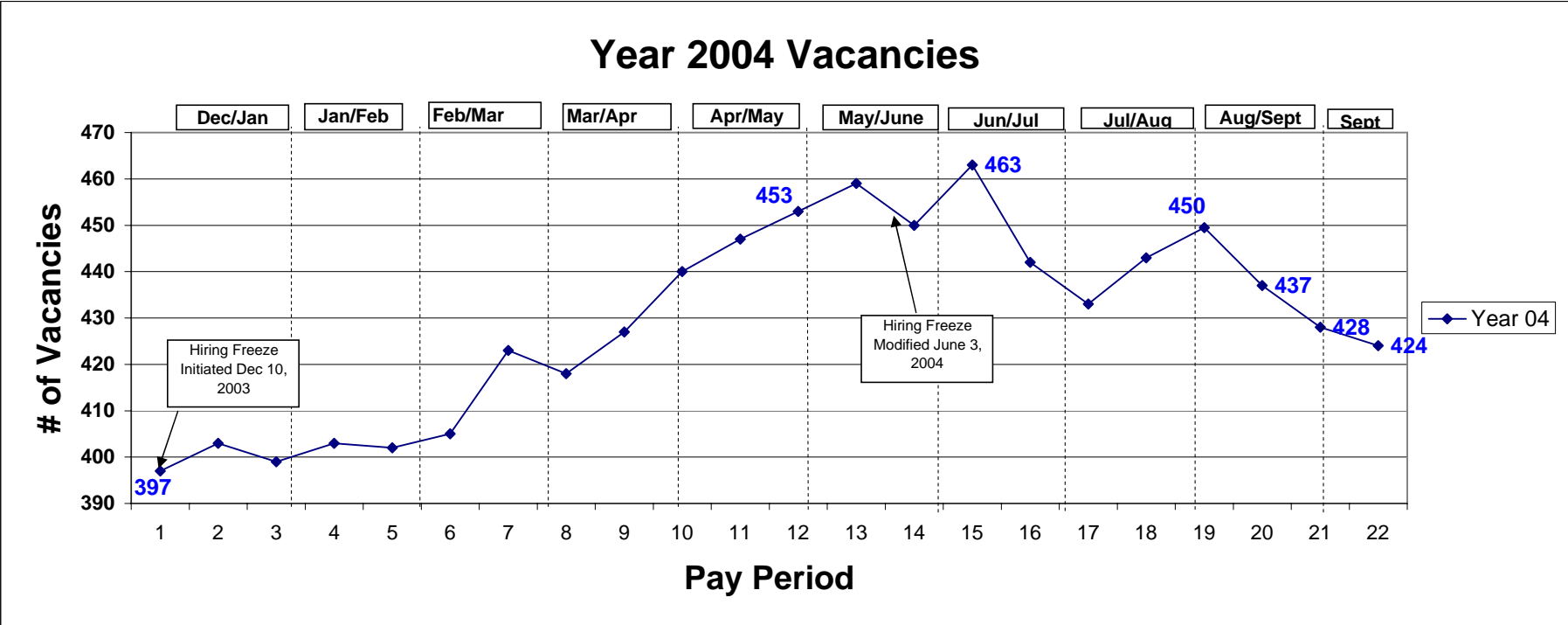
As Of: 09/30/2004
Accounting Period: CLOSED

Fund Type/Fund	Financing Sources			Financing Uses			Variance:
	Projected Actual	Annual Adj Budget	Projected Variance	Projected Actual	Annual Adj Budget	Projected Variance	Favorable/ (-)Unfavorable
Special Revenue							
2270 Orcutt CFD	22,023.97	14,581.00	7,442.97	15,377.05	14,584.00	-793.05	6,649.92
2280 Fire Protection Dist	22,957,664.89	22,861,856.97	95,807.92	22,923,475.21	22,912,404.97	-11,070.24	84,737.68
2400 Flood Ctrl/Wtr Cons Dst Mt	4,919,975.74	5,074,865.00	-154,889.26	5,282,497.59	5,504,900.00	222,402.41	67,513.15
2420 SBFC Orcutt Area Drainage	548,355.98	534,865.00	13,490.98	31,583.99	539,352.00	507,768.01	521,258.99
2430 Bradley Flood Zone Number	24,613.86	23,250.00	1,363.86	33,382.20	34,386.00	1,003.80	2,367.66
2460 Guadalupe Flood Zone Numb	63,296.35	61,270.00	2,026.35	78,891.72	101,051.00	22,159.28	24,185.63
2470 Lompoc City Flood Zone 2	390,066.26	377,595.00	12,471.26	357,840.63	377,836.00	19,995.37	32,466.63
2480 Lompoc Valley Flood Zone 2	198,287.89	194,265.09	4,022.80	457,193.81	458,788.09	1,594.28	5,617.08
2500 Los Alamos Flood Zone Num	80,775.64	78,155.00	2,620.64	99,219.07	95,358.00	-3,861.07	-1,240.43
2510 Orcutt Flood Zone Number 3	257,890.93	250,475.00	7,415.93	246,497.77	259,379.00	12,881.23	20,297.16
2560 SM Flood Zone 3	2,541,730.03	2,518,658.60	23,071.43	3,016,506.00	2,875,761.60	-140,744.40	-117,672.97
2570 SM River Levee Maint Zone	199,602.29	191,685.00	7,917.29	199,374.86	220,481.00	21,106.14	29,023.43
2590 Santa Ynez Flood Zone Num	258,862.08	254,305.00	4,557.08	263,881.02	263,963.00	81.98	4,639.06
2610 So Coast Flood Zone 2	8,283,349.54	8,150,697.00	132,652.54	7,787,729.67	9,977,274.00	2,189,544.33	2,322,196.87
2670 North County Lighting Dist	426,810.91	426,015.00	795.91	451,396.09	458,550.00	7,153.91	7,949.82
2700 Mission Lighting District	4,943.66	4,855.00	88.66	5,251.94	5,468.00	216.06	304.72
3000 Sandyland Seawall Maint Dist	75,562.19	75,000.00	562.19	81,766.82	79,154.00	-2,612.82	-2,050.63
3050 Water Agency	2,916,172.86	2,936,910.00	-20,737.14	3,454,085.92	3,456,092.00	2,006.08	-18,731.06
3060 Water Agency Special	505,752.00	719,000.00	-213,248.00	995,494.73	872,810.00	-122,684.73	-335,932.73
3100 SB RDA - Isla Vista Proj	1,222,387.80	1,208,180.00	14,207.80	1,342,783.90	1,277,063.00	-65,720.90	-51,513.10
3102 SB RDA Housing-Isla Vista P	658,387.22	660,000.00	-1,612.78	704,510.00	704,510.00	0.00	-1,612.78
<i>Fund Type Totals</i>	393,478,885.46	402,952,245.81	-9,473,360.35	397,497,381.86	410,573,630.81	13,076,248.95	3,602,888.60
Debt Service							
0036 Municipal Finance Debt Svc	6,708,223.01	6,840,732.61	-132,509.60	6,859,918.17	6,866,060.61	6,142.44	-126,367.16
3108 SB RDA - Debt Svc	449,913.24	401,252.46	48,660.78	406,285.84	403,146.46	-3,139.38	45,521.40
<i>Fund Type Totals</i>	7,158,136.25	7,241,985.07	-83,848.82	7,266,204.01	7,269,207.07	3,003.06	-80,845.76
Capital Projects							
0030 Capital Outlay	26,584,512.78	26,158,507.93	426,004.85	26,422,373.85	26,393,068.93	-29,304.92	396,699.93
0035 Municipal Finance Capital Pr	1,672,921.79	1,230,044.00	442,877.79	1,415,012.76	1,237,033.00	-177,979.76	264,898.03
<i>Fund Type Totals</i>	28,257,434.57	27,388,551.93	868,882.64	27,837,386.61	27,630,101.93	-207,284.68	661,597.96
Enterprise							

Projected Annual Status Report - Fund Type

As Of: 09/30/2004
Accounting Period: CLOSED

Fund Type/Fund	Financing Sources			Financing Uses			Variance:
	Projected Actual	Annual Adj Budget	Projected Variance	Projected Actual	Annual Adj Budget	Projected Variance	Favorable/ (-)Unfavorable
Enterprise							
1930 Refuse Disposal Enterprise	26,757,486.35	26,411,534.00	345,952.35	26,406,394.96	26,411,575.00	5,180.04	351,132.39
1935 County Transit	41,500.27	32,295.00	9,205.27	40,039.74	32,295.00	-7,744.74	1,460.53
2870 Laguna Co Sanitation-Genera	7,033,882.18	6,830,179.00	203,703.18	6,908,682.70	6,830,179.00	-78,503.70	125,199.48
<i>Fund Type Totals</i>	33,832,868.80	33,274,008.00	558,860.80	33,355,117.40	33,274,049.00	-81,068.40	477,792.40
Internal Service							
1900 Vehicle Operations/Maintena	8,026,932.60	7,629,135.00	397,797.60	7,799,304.82	7,629,134.00	-170,170.82	227,626.78
1910 Medical Malpractice Self Ins	931,775.27	920,783.00	10,992.27	919,415.36	920,783.00	1,367.64	12,359.91
1911 Workers' Comp Self Insuranc	15,900,976.63	16,037,483.00	-136,506.37	15,723,822.49	16,037,485.00	313,662.51	177,156.14
1912 County Liability-Self Insuranc	5,899,306.47	5,888,133.00	11,173.47	6,041,877.10	5,888,133.00	-153,744.10	-142,570.63
1913 County Unemp Ins-Self Ins	696,908.17	681,000.00	15,908.17	503,322.02	681,000.00	177,677.98	193,586.15
1914 Dental Self-Insurance Fund	2,986,586.12	2,672,907.00	313,679.12	2,568,141.31	2,672,907.00	104,765.69	418,444.81
1915 Information Technology Srvcs	6,191,589.71	6,399,237.00	-207,647.29	6,194,053.42	6,399,236.00	205,182.58	-2,464.71
1919 Communications Services-IS	3,194,993.11	3,857,297.00	-662,303.89	3,854,523.90	3,857,297.00	2,773.10	-659,530.79
<i>Fund Type Totals</i>	43,829,068.08	44,085,975.00	-256,906.92	43,604,460.42	44,085,975.00	481,514.58	224,607.66
All Funds Total	835,185,860.72	847,512,096.53	-12,326,235.81	849,066,149.72	865,355,157.53	16,289,007.81	3,962,772.00



Attachment D

Proposed FY 05-06 Budget Principles (New Principle in Blue)

1. Each department's base General Fund contribution for FY 05-06 will be the adopted contribution for FY 04-05 reduced by Board adopted ongoing General Fund contribution reductions and one-time expenditures and revenues and increased by Board adopted ongoing General Fund contribution increases.
2. To the base General Fund contribution amount will be added the proportional impact of approved COLAs, equity adjustments, and employee benefit increases not included in the adopted FY 04-05 amount. For example, if the COLA, equity, and benefit cost impacts total \$100, and the General Fund contribution makes up 30% of the department's funding sources, then the increase would be no more than \$30. Adjustments may be made for capped revenue amounts and 100% revenue offset expenditures. All General Fund contribution increases are subject to the availability of funds.
3. For the District Attorney, Public Defender, Probation, Sheriff, and Parks departments, an amount of General Fund contribution equal to each department's proportionate loss of Proposition 172 (Public Safety Sales Tax) revenue due to the annual shift of 1.5% of Proposition 172 revenue to Fire, will be added to their General Fund contribution base amount beginning in FY 05-06 and continuing over a five year period.
4. For departments receiving General Fund contribution amounts, no budget submission will be considered complete unless the requested General Fund contribution is equal to or less than the County Administrator's approved budget target amount. Any requested amount over the County Administrator's approved budget target amount will be submitted as a Budget Adjustment Request.
5. Where not prohibited by law, departments must maximize the use of non-General Fund revenue, existing designations, and trust funds, before using General Fund contribution amounts to fund programs.
6. Departments will continue to review, refine, and extend performance measures that measure the level/amount/unit cost of program services provided.
7. Funding sources available for appropriation, excluding undesignated fund balance, shall be at least equal to recommended funding uses. As a general rule, the year-end undesignated General Fund balance should not be used to fund on-going operations, but could be used to fund designations such as the Strategic Reserve and the General Fund Contingency.

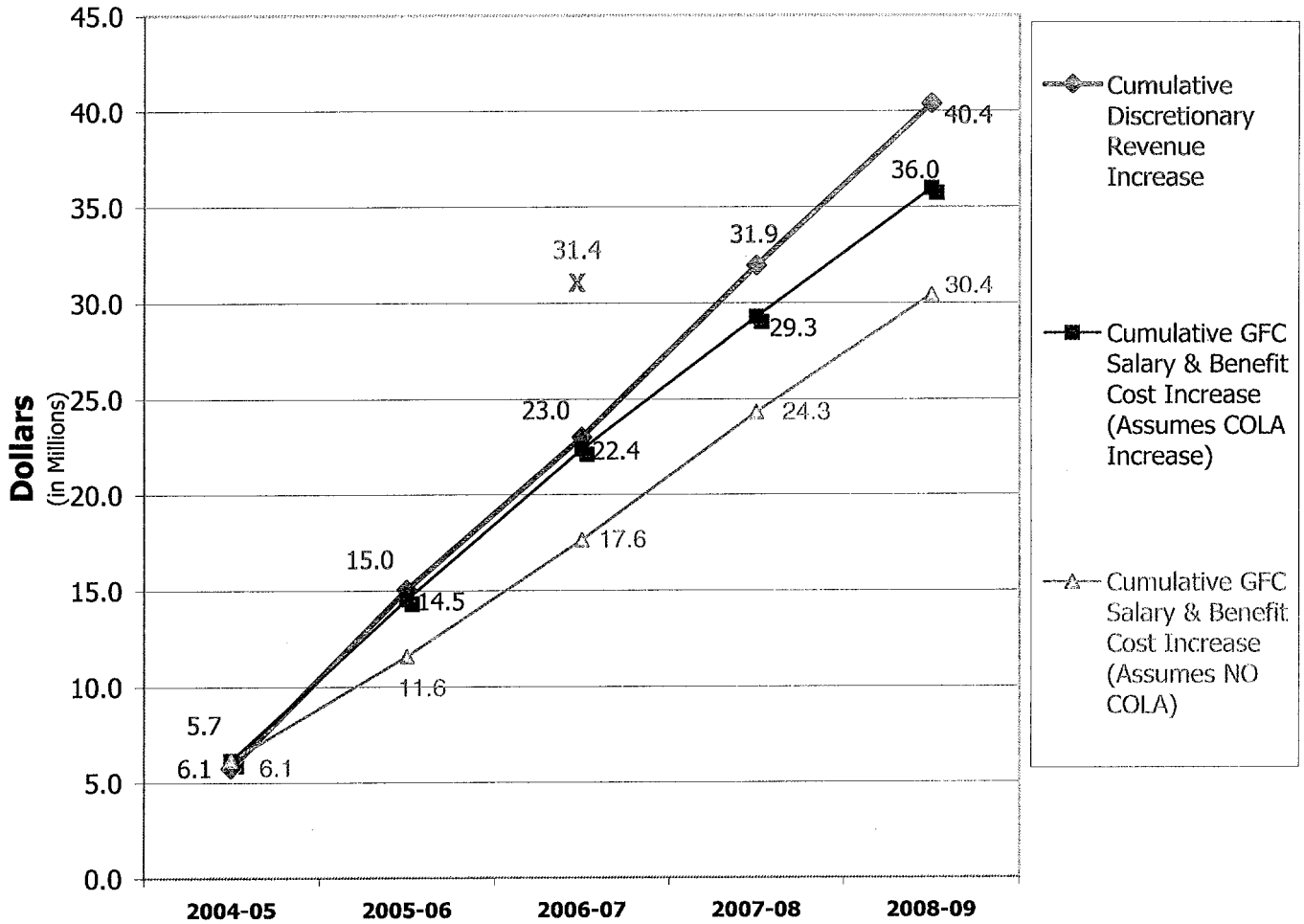
Attachment D

8. The \$1.5 million annual strategic reserve contribution, provided to build a reserve approximately equal to 30 days working capital (\$25 million), will be continued if funds are available.
9. The \$2 million designation for capital maintenance and repair, the \$500,000 for new capital projects, and the \$500,000 for roads/concrete repair will be continued, subject to review and prioritization during the budget process.
10. The full cost of county services will be calculated in all cases where fees are charged and/or service contracts (such as with cities or by one department to another) are negotiated.
 - a. For charges to outside agencies, such as cities, full cost includes cost allocation charges unless prohibited by law.
 - b. For charges from County internal service funds and special revenue funds, full cost includes cost allocation charges.
 - c. For other charges between County departments, full cost includes departmental overhead but does not include cost allocation charges.
11. In all cases, unless precluded by law, contracts, or current Board policy, full costs shall be recovered. As with budget reductions or enhancements, a provider department shall inform and discuss cost calculation changes with user departments prior to budgeting the change.
12. On any proposed budget adjustment (reduction or enhancement), the department proposing the change shall consider impacts on other departments, and discuss possible impacts with these departments, so that all positive and negative impacts can be considered before the reduction or enhancement is formally proposed to the County Administrator.
13. Departments are encouraged to identify new revenue sources and to develop proposals, which would generate new revenues, to pay for services provided to county residents and visitors.

ATTACHMENT E

ATTACHMENT E

Net Revenue & Expenditure Forecast



Changes to expenditure projections from Proposed Budget Document

Fixed Benefits	Added \$20 pay period beginning in July of FY 05-06, and an additional \$20 pp July of FY 06-07
Retirement Costs	Incremental changes in costs due to payment to the fund for unrecognized losses have been adjusted to reflect the latest (10/04) actuarial estimates
Health Insurance	FY 04-05 amount adjusted to reflect actuals, future year totals modified to show all health costs under health (earlier chart showed a portion under fixed salary and benefit costs)
School Resource Deputies	Added funding commitment for 4 deputies approved by the Board in August.
Proposition 172 Fire Backfill	Added General Fund backfill of Proposition 172 funding shift to Fire
Fire Capital Debt Service	Added General Fund contribution to Fire capital projects
Other potential on-going expenditures	Animal services - increase GF contribution; Janitorial Services - increase GF contribution; Debt Services on new buildings - increase GF contribution
Potential one-time expenditures	Michael Jackson trial; Isla Vista Bluffs buildings

Changes to revenue projections from Proposed Budget Document

All revenues	The FY 03-04 base was changed to reflect <u>actual</u> rather than <u>estimated</u> discretionary revenues. This increase in the base year, by approximately \$5 million, resulted in net increases (after adjusting for one-time occurrences) in all future years.
FY 2006-07 revenues	Above the \$23 million projected number is another number, \$31.4 million, marked with an "X" that represents the possible State repayment of "borrowed" Vehicle License Fee revenue in August, 2006.

FIVE-YEAR FY 2004-05 through 08-09 Salary and Benefit Costs

Given historical Salary and Benefit Costs (adjusted for one-time events), a moderate increase is projected in FY 2004-05 followed by further moderate increases in growth ranging from 5.3% in FY 2006-07 to 3.9% in FY 2008-09. The table below shows that salary and benefit cost growth averages \$17.6 million or 4.6% annually for the next five years. Following the table is a summary of assumptions about and factors behind these projections.

<i>Salary & Benefit Costs (Dollars in Millions)</i>	<i>FY03-04 Estimated</i>	<i>FY04-05 Projected</i>	<i>FY05-06 Projected</i>	<i>FY06-07 Projected</i>	<i>FY07-08 Projected</i>	<i>FY08-09 Projected</i>	<i>Average Annual Growth</i>
Variable Salary & Benefit Costs (COLAs)	294.1	12.0	6.4	9.9	10.2	10.5	9.8
Fixed Salary & Benefit Costs	35.9	0.0	2.6	5.3	5.3	5.3	3.7
Retirement Fund Unrecognized Losses	3.3	3.2	7.2	3.7	1.6	-0.8	3.0
Health Insurance Minimum Premium Chg.	0.5	0.1	2.3	2.5	2.8	3.1	2.2
Workers Compensation in Excess of COLAs	0.1	0.9	1.5	1.7	1.8	2.0	1.6
TOTAL	333.9	16.2	20.0	23.1	21.7	20.1	20.2
Dollar Change Per Year		16.2	20.0	23.1	21.7	20.1	20.2
Cumulative change from FY 03-04 Est		16.2	36.2	59.4	81.1	101.1	
GROWTH RATES:							
Variable Salary & Benefit Costs (COLA)	-	4.1%	2.1%	3.2%	3.1%	3.1%	3.1%
Fixed Salary & Benefit Costs	-	0.0%	7.2%	7.2%	0.0%	0.0%	2.9%
Retirement Fund Unrecognized Losses	-	9.6%	16.7%	7.4%	3.0%	-1.4%	7.0%
Health Insurance Minimum Premium Chg.	-	1.2%	15.0%	15.0%	15.0%	15.0%	12.2%
Workers Compensation in Excess of COLAs	-	5.7%	10.0%	10.0%	10.0%	10.0%	9.1%
TOTAL % Change from Prior Yr		4.8%	4.8%	5.3%	4.7%	3.9%	4.7%
Cumulative change		16.2	36.2	59.4	81.1	101.1	
GFC Increase @ 30% Proportionality		4.9	10.9	17.8	24.3	30.3	
Approved Specific Costs							
Santa Maria Juvenile Hall (net)		0.98	1.50	1.65	1.82	2.00	
Sheriff School Resource Deputies		0.30	0.44	0.45	0.47	0.48	
Proposition 172 Fire Backfill		0.00	0.40	0.83	1.28	1.76	
Fire Debt Service		0.00	0.34	0.34	0.34	0.34	
In-home Support Services Salaries*		0.00	0.68	0.7	0.72	0.75	
Anticipated Specific Costs							
ADMHS Debt Service		0.00	0.13	0.13	0.13	0.13	
Animal Services contribution increase			0.17	0.17	0.17	0.17	
Janitorial Services increase			0.00	0.28	0.28	0.28	
Total Cumulative GFC Increase		6.14	14.53	22.36	29.25	35.97	

*No added General Fund cost in 04-05.

The salary and benefit cost increases shown in the table are **for illustration only**.

A 1% COLA, including adjustments to benefits that increase when COLAs increase, costs roughly \$3.5 million. General Fund Contribution increase, assuming additional department revenue is available in proportion to budgeted amounts, is roughly \$1 million.

FIVE-YEAR FY 2004-05 through 08-09 DISCRETIONARY REVENUE PROJECTIONS

Given historical revenue patterns (adjusted for one-time events) and available forecasts for local and state economic data, a moderate increase in discretionary revenues is projected in FY 2004-05 followed by further moderate increases in growth ranging from 6.0% in FY 2005-06 to 4.84% in FY 2008-09. The table below shows that discretionary revenue growth should average \$8.1 million or 5.67% annually for the next five years. Following the table is a summary of assumptions about and factors behind these revenue projections.

<i>Revenue Source (Dollars in Millions)</i>	<i>FY03-04 Actual</i>	<i>FY04-05 Projected</i>	<i>FY05-06 Projected</i>	<i>FY06-07 Projected***</i>	<i>FY07-08 Projected</i>	<i>FY08-09 Projected</i>	<i>Average Annual Growth</i>
AMOUNTS RECEIVED:							
Secured Property Tax	\$74.289	\$80.789	\$87.454	\$92.614	\$98.449	\$104.060	\$5.954
Unsecured & Unitary Property Tax	6.436	6.198	6.198	6.260	6.385	6.513	0.015
Retail Sales Tax	9.108	9.163	9.510	9.967	10.516	10.779	0.334
Transient Occupancy Tax	5.448	4.947	5.071	5.197	5.327	5.461	0.003
Motor Vehicle License Fees*	21.507	28.900	30.562	32.432	34.482	36.551	1.913
Franchise Fees	2.76	2.492	2.599	2.685	2.765	2.848	0.018
Other Revenue**	19.963	16.891	17.060	17.231	17.403	17.577	-0.477
TOTAL	139.511	149.380	158.454	166.386	175.328	183.789	8.856
	139.511	145.251	154.560	166.386	175.328	183.789	
Dollar Change Per Year		\$9.869	\$9.074	\$7.932	\$8.942	\$8.461	\$8.856
VLF - Prop. Tax Swap Net Loss		-4.129	-3.894				
Net Real Revenue Growth		\$5.740	5.180				\$8.030
Cumulative Change			\$15.05	\$22.98	\$31.92	\$40.38	
GROWTH RATES:							
Secured Property Tax	8.61	8.75	8.25	5.90	6.38	5.70	7.00
Unsecured & Unitary Property Tax	-4.96	-3.70	0.00	1.00	2.00	2.00	0.26
Retail Sales Tax	2.38	0.60	3.80	4.80	5.50	2.50	3.44
Transient Occupancy Tax	23.17	-9.20	2.50	2.50	2.50	2.50	0.16
Motor Vehicle License Fees	-20.14	34.37	5.75	6.12	6.32	6.00	6.05
Franchise Fees	27.18	-9.71	4.30	3.30	3.00	3.00	3.40
Other Revenue**	11.20	-15.39	5.10	5.50	5.90	5.30	1.28
TOTAL % Change from Prior Yr	2.64	7.07	6.07	5.01	5.37	4.83	5.67

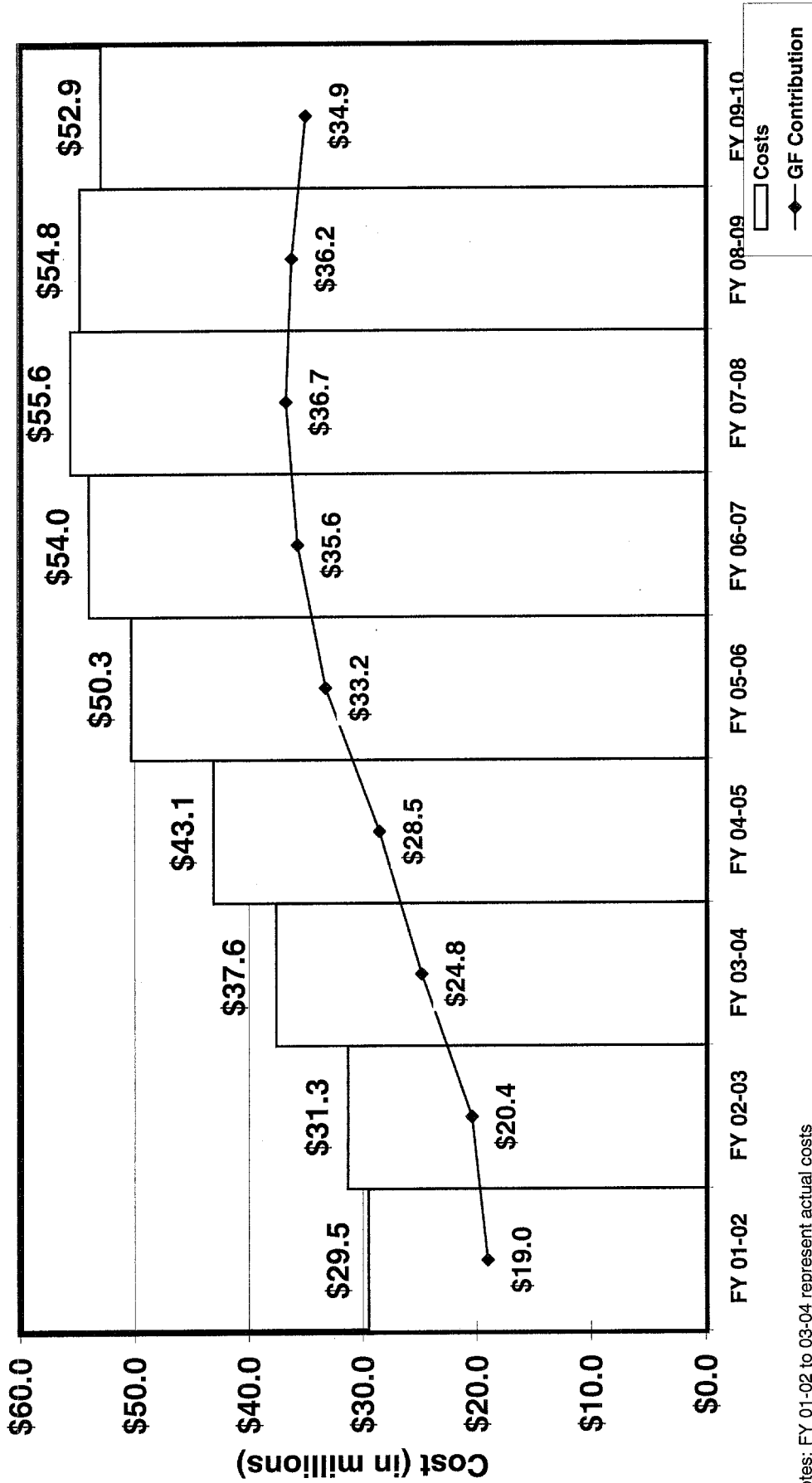
* Projected amounts are estimates of what we would have received had VLF for County General Fund continued into FY 04-05 and beyond. These amounts are the basis for future property tax revenue from ERAF.

** Includes Supplemental Property Taxes, Interest earnings, interfund revenue transfers, miscellaneous reimbursements such as Federal Payment In Lieu Of Taxes and State agricultural preserve (Williamson Act) payments.

*** Does not include VLF one-time loan repayment of \$8.415 million scheduled for August 2006. Does not include proposed five-year payback of mandate claims beginning in FY 2006-07.

County receives 40% of TOT from hotels in the City of Goleta through FY 2011-12. Current amount (FY 03-04) is \$1.4 million. Beginning in FY 2012-13, County will receive none of this revenue.

Projected Retirement Costs
(No merit or COLA increases)



Notes: FY 01-02 to 03-04 represent actual costs
 FY 04-05- LI 6400 6450- Adopted Budget
 FY 05-06 to 09-10- Salaries at 04-05 level
 Retirement Cost growth per Actuarial Report 10-21-04