



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: 11/15/2011
Placement: Departmental
Estimated Time: 45 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Chandra L. Wallar, County Executive Officer
Director(s) Robert Geis, CPA, Auditor-Controller
Contact Info: Tom Alvarez & Julie Hagen
568-3432 568-2126
SUBJECT: Fiscal Year 2011-2012 First Quarter Budget and Financial Update

County Counsel Concurrence

As to form: N/A

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 2011-2012 Financial Status Report as of September 30, 2011, showing the status of appropriations and financing for all departmental budgets adopted by the Board of Supervisors.

Summary Text:

The fiscal year 2011-2012 first quarter fiscal report, for the quarter ending September 30, 2011, provides a snapshot for the Board of the County's financial position relative to the adopted budget through the first quarter of the fiscal year. The first quarter report is a key report for the Board of Supervisors as it provides early indication if actual revenues and expenditures are tracking the adopted budget.

Background:

Financial Status Report

The County Executive Office and Auditor-Controller staff conducted Monthly Projection (MoPros) meetings with departments during which actual performance was compared to budget for the first three months of this fiscal year. There are several major differences (variances) between budgeted and actual amounts through September 2011.

Over the last few years this report in general highlights the following thresholds for variances: 1) for General Fund departments as well as Discretionary General Fund revenues, the narrative discusses projected variances greater than \$300,000 per department as shown in the Financial Summary Report (first page, Attachment A) and 2) for non-General Fund departments, the narrative discusses projected

variances over \$500,000 per fund as shown in the Financial Summary Report (pages 2 through 13, Attachment A). The Financial Summary Report takes actual revenues and expenditures for the first three months, adds department projections for the next nine months, and compares these totals to budgeted amounts to produce a projection for the end of the fiscal year; this projection is the far right column of the report.

While generally we discuss individual departmental variances in this report, we would also like to focus on overall variances, the economy driven accounts, significant state events including realignment and redevelopment, and our risk management insurance funds.

GENERAL FUND SUMMARY

The General Fund had a projected net positive variance of \$2.87 million at September 30, 2011. This is basically generated by positive general revenues and salary and benefit savings across departments.

General Revenues show a positive variance of \$0.82 million due to unanticipated revenues related to the receipt of four years of excess Vehicle License Fees (VLF) of \$751 thousand previously held by the State of California. These VLF payments had been suspended and have now resumed and an additional amount for FY 2010-11 of \$179 thousand was received in October and future payments are expected to be approximately \$200 thousand each fiscal year.

Other variances in general revenues are reflective of the economy and provide a few interesting trends. Property transfer tax and supplemental tax are tracking behind our estimates which are leading indicators for next year property tax growth indicating continued slow growth in the real estate sector. Local retail sales taxes are also trending behind our budget estimates for the first quarter. However, robust transient occupancy taxes (TOT) are \$242 thousand ahead of our estimates and are making up for the negative variances in the other economic driven accounts. Year over year TOT is up 17% for the first quarter.

In general we are hopeful that general revenues will continue to show an increasing positive variance throughout the fiscal year.

The other significant factor across most all departments are positive variances in the salary and benefit accounts resulting in a positive variance of \$1.26 million. With the soft hiring freeze continuing the requirement to have CEO/HR approval for new positions and the reduction in recruitment staff in HR, new hires are taking longer to bring on board and funded staff positions are remaining vacant. In addition, there are savings from the start of negotiated concessions.

Overall, the adopted General Fund budgets appear to be stable through the first quarter. Departments generally are controlling expenditures and revenues are projected to be slightly up which should enable the General Fund to end the year balanced and will preserve savings and fund balance that the County would be able to utilize next fiscal year to partially balance upcoming fiscal challenges.

REALIGNMENT 2011

In the first quarter the State has implemented realignment 2011 that provides \$5.6 billion in revenue to counties, which is funded by Statewide sales tax of 1.0625% estimated at \$5.1 billion and \$453 million in VLF funds. These revenues are projected to grow in future years to provide funding at the local level. The distribution is guided by multiple formulas and at the County level; we currently expect to receive \$43.3 million. A majority of the revenue is substitute funding for existing programs, \$38.5 million, and also includes new funding for Local Community Corrections programs of \$4.8 million. The revenue to the County general fund is expected to be \$18.1 million and the revenue to County special revenue funds is expected to be \$25.2 million. The Board should expect to see numerous budget adjustments as we budget and account for new programs and adjust revenue accounts for existing programs. Our budget

concern will be whether realignment 2011 program revenues provide enough funding for the revenue swap and sufficient revenue for the Local Community Corrections program. We will monitor this through future quarterly reports as the budget and accounting is further developed. For this report we are assuming no negative or positive impacts on the adopted budget except for funding for new programs for Local Community Corrections of \$4.8 million.

SPECIAL REVENUE FUNDS

Five special revenue funds have reportable variances and one additional fund had a significant budgetary transaction.

Capital Outlay (0030) has a negative overall fund variance of \$2.951 million. There are two elements to this variance. The first relates to General Services projects that were anticipated to occur in the first quarter but have been delayed for a variety of reasons. These projects are still anticipated to be completed within this fiscal year and thus the variance is a timing difference. The second variance is in the Parks Department which shows a negative projected variance in revenues of \$1.620 million in the Capital Outlay (0030) Fund. These revenue variances are timing differences for capital projects that incurred reimbursable costs in the prior year and are awaiting payment from Federal and State sources. The Parks Department has submitted requests for reimbursements and anticipates receipt of these payments by the end of the 2nd Quarter.

Health Care (0042) has a projected net positive variance of \$953 thousand. This is primarily a variance due to salary savings and payment delays relating to Maddy and Medical Indigent Adult services. A budget revision will be prepared for the Maddy funding as legislation signed recently has extended the funding source that was not known or included in the budget during the June hearings; thus these appear to be permanent differences.

The Mental Health Services Fund (0044) has a projected net negative variance of \$5.4 million due to two timing differences. The first variance is due to the reimbursement of Medi-Cal services of approximately \$2 million. Reimbursements from the State often take six months or more. This delay requires a large year end accrual which fully reverses in July and creates a negative balance. As these accrued payments are received during the year, the negative Medi-Cal revenue balance will diminish. The second element is a negative variance in transfers in from the General Fund (\$3.4 million) related to accrued cost report settlement liabilities from prior years. The actual timing of payments is difficult to predict and \$3.4 million of the estimated balance is currently estimated to be paid in FY 2012-13 rather than FY 2011-12. Thus, these funds will remain in the General Fund for an additional year.

The Mental Health Services Act (0048) has a projected negative variance of \$6.5 million due to the reimbursement of Medi-Cal related services as described above (a timing difference). All Medi-Cal funds are received in the Mental Health fund 0044 and transferred to fund 0048 at various times during the year. The next scheduled transfer will occur in Q2 of FY 2011-12 and will reduce this timing difference.

Social Services Fund (0055) has a positive variance of \$688 thousand and is due to the Department receiving a one-time repayment of assistance payments resulting from the State tax intercept process. In addition, expenditures for Foster Care placement were lower than projected due to fewer placements than expected as of September 30, 2011.

Court Activities (0069) has a positive variance of \$909 thousand due to timing delays in receiving and paying for contractual services and Court Attorney charges. It is anticipated that this variance will be eliminated as the Fiscal Year progresses.

Redevelopment Fund (3100)

The County budgeted \$1.953 million for a one-time payment to the State that will be required if AB27X-1 is determined constitutional by the California Supreme Court.

INTERNAL SERVICE FUNDS

Workers' Compensation Self Insurance Fund (1911) has a projected positive variance of \$493 thousand resulting from the FY 2011-12 premium lower than budgeted amount. However, the most recent actuarial report indicates that the fund has a deficit balance of approximately \$4 million and rates will be rising in FY 2012-13.

County Liability Self Insurance Fund (1912) has a projected positive variance of \$576 thousand due to actual premiums for excess property and liability insurance being less than anticipated and actual paid losses on claims are lower than budgeted. In addition, the most recent actuarial report indicates that this fund has sufficient funds to provide for the ultimate liabilities.

Fiscal and Facilities Impacts: Impacts are stated above in this Board letter.

Attachments:

- A – Signal Chart
- B – Financial Summary Report
- C – PowerPoint presentation

Authored by: Tom Alvarez & Bob Geis

cc: Each Department Director
Assistant County Executive Officers and CEO Fiscal and Policy Analysts
Recognized Employee Organizations

Quarterly Financial Update		● Actuals Are Generally Tracking Budget
Signal Chart		▲ Actuals Materially Vary from Budget
For Quarter ending September 30, 2011		■ Actuals Expected to End Year in Deficit
General Fund		
● Board of Supervisors		
● County Executive Office		
● County Counsel		
● District Attorney		
● Probation		
● Public Defender		
▲ Courts		
● Fire		
● Sheriff		
● Public Health		
● Agriculture Commissioner		
● Parks		
● Planning and Development		
● Public Works		
● Housing & Commt. Devmnt.		
● Auditor Controller		
● Clerk-Recorder-Assessor		
● General Services		
● Human Resources		
● Treasurer-Tax Collector		
● General County Programs		
● Debt Service		
Other Funds		
Fire		
● Fire Protection		
Sheriff		
● Inmate Welfare		
Public Health		
▲ Health Care		
● Tobacco Settlement		
ADMHS		
■ Mental Health Services		
● Substance Abuse and Crime Prevention		
● Mental Health Services Act		
● Alcohol and Drug Programs		
Social Services		
▲ Social Services		
● IHSS Public Authority		
● ARRA - WIA		
Child Support		
● Child Support Services		
	Other Funds	
	Parks	
	▼ Capital	
	● Providence Landing CFD	
	Planning and Development	
	● Fish and Game	
	● Petroleum	
	● CREF	
	● IV RDA	
	Public Works	
	● Roads	
	● Resource Recovery and Waste Mgt.	
	● CSA 3 - Goleta	
	● Flood Control	
	● North County Lighting	
	● Laguna Sanitation	
	● Water Agency	
	Housing & Commt. Devmnt.	
	● CDBG	
	● Affordable Housing	
	● HOME	
	● Municipal Energy Financing	
	● Orcutt CFD	
	General Services	
	▼ Capital	
	● Special Aviation	
	● Vehicles	
	● Medical Malpractice Insurance	
	■ Workers' Comp Insurance	
	▲ County Liability Insurance	
	● Information Technology	
	● Communications	
	● Utilities	
	Human Resources	
	● County Unemployment Insurance	
	● Dental Insurance	
	Treasurer-Tax Collector	
	● Debt Service	
	General County Programs	
	● First Five	
	● Public and Educational Access	
	● Criminal Justice Facility Const.	
	● Courthouse Construction	