



**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: Auditor-Controller
County Executive Office
Department No.: 061 & 012
For Agenda Of: August 23, 2016
Placement: Departmental
Estimated Time: 20 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Theodore A. Fallati, CPA, CPFO, Auditor-Controller
Directors (s) Mona Miyasato, County Executive Officer
Contact Info: Betsy Schaffer, CPA, Assistant Auditor-Controller x2102
Tom Alvarez, CPA, Budget Director x3432

SUBJECT: Fiscal Year 2015-2016 Financial Status Report

County Counsel Concurrence

As to form: N/A

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: No

As to form: N/A

Recommended Action:

That the Board of Supervisors receive and file, per the provisions of Government Code Section 29126.2, the June 30, 2016 Financial Status Report showing the status of appropriations and financing for all department budgets adopted by the Board of Supervisors.

Summary Text:

The financial results of operations for fiscal year (FY) 15-16 reflect *steady improvement* for the County entity. This Financial Status Report is intended to give the Board an overview of the financial operations in FY 15-16 and provide the Board with a preliminary unaudited review of the results of operations. The Comprehensive Annual Financial Report (CAFR) is being finalized and will provide audited results of the fiscal year.

To help in the readability of this report for variances greater than \$5 million, we rounded without decimals to the closest million and, for percentages, we rounded to a whole percentage or one decimal where appropriate.

Discussion:

Economic Indicators

The UCSB Economic Forecast (Forecast) publication of May 2016 includes the following observations about national, state and local economy.

“The US economy continues to improve in most areas, despite the headwinds from the rest of the world, the strong dollar, and the declining oil prices.”

“The California economy continues to grow, albeit sluggishly. The unemployment rate now stands at 5.5%, somewhat higher than the US rate of 5%. State real GDP increased 3.3% during the first three quarters of 2015. Housing prices over the past year increased about 6.1% in California, surpassing the 4.3% growth in the United States as a whole.”

“Total employment in Santa Barbara County grew by 5,558 from January 2015 through January 2016, the fastest growth since 2012. The County unemployment rate also fell to 5.1%. The fastest growth was in the leisure and hospitality sector, growing by 5.8% the past year and 15% over the past three years. Real Wage growth was 2%, the highest it has been since 2010.”

“The US economy, as well as California and Santa Barbara County, all continue to improve on most measures. The growth has been slow coming out of the recession, but the recovery is now mature and will likely continue at the current pace over the next year.

The momentum of the national, state and local economy drives the County’s significant revenue sources comprised of property, sales and transient occupancy taxes; payments for state and federal programs, and charges for services. We are experiencing *Steady Improvement* in our revenues that seem to be in line with the economic recovery of California. This level of growth is needed for the County to fulfill its commitments to high priorities, such as the future Northern Branch Jail operations, deferred capital maintenance, public safety, fire protection services, and negotiated employee contracts.

Financial Overview – Governmental Funds

For all governmental funds, the County recorded revenues of \$852 million, expenditures of \$828 million and a net other financing sources/uses reduction of \$1.2 million which resulted in a positive \$23 million addition to existing fund balances. A prior period adjustment of \$5.0 million due to an accounting change related to the First 5 fund reduced the net fund balance increase to \$18 million for a combined ending balance for all governmental funds of \$299 million. The financial position or fund balance increase in the Governmental Funds over last year of 7% or \$18 million was mainly due to a 6% or \$16 million fund balance increase in the General Fund and 1% or \$2 million net increase in the Special Revenue Funds.

Revenues

In fiscal year 15-16, revenues increased 4% when compared to the prior year.

Taxes, which provide the County with most of its discretionary revenue, increased \$12 million or 4% to \$281 million or 33% of total County funding. The major categories of Taxes show the following results:

- Total property tax accounts increased \$10 million or 4% to \$245 million.
- Local retail sales tax increased \$0.9 million or 12% to \$9 million mostly due to the midyear restoration of the .25% previously shifted to the State during the 2004 Triple Flip to pay off State issued bonds.
- Transient Occupancy Taxes increased \$0.5 million or 6% to \$9 million.
- Certain leading indicators of *future* property tax growth tend to be property transfer taxes and supplemental property taxes. Property transfer taxes decreased \$0.1 million or 4% to \$4 million, while supplemental property taxes decreased \$0.2 million or 6% to \$3.5 million. The decrease in supplemental tax is, in part, due to the backlog of supplemental bills resulting from the implementation of a new property tax system. These indicators support a relatively flat growth rate used in the 5-year forecast.

Licenses, permits, and franchises, increased \$0.6 million or 5% to \$14 million primarily due to building and permit revenue.

Fines, forfeitures and penalties - decreased \$0.4 million or 4% to \$9 million, generally due to a decrease in collections of delinquent property tax penalties.

Intergovernmental revenue - increased by \$5 million or 1% to \$345 million.

There were increases in:

- State Grants received by Behavioral Wellness of \$5 million,
- Local Realignment 2011 that funds Public Safety and Mental Health Services of \$6 million, and
- Social Services benefits revenue of \$3 million.

These increases were offset by a \$6 million reduction in SB 90 revenue due to a one-time payment for pre-2004 State Mandated Claims in the prior year, and a \$3 million current year reduction in the Highway Users Tax.

Charges for services - increased \$19 million or 12% to \$181 million.

- The largest increases were \$7 million of Medi-Cal Programs, \$6 million of Fire Protection Services, and \$2 million each in Pharmacy Services, Property Tax Administration Reimbursement, and Cost Allocation Services.

COUNTY OF SANTA BARBARA, CALIFORNIA STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED June 30, 2016 (in thousands)													
	General	Roads	Public Health	Social Service	Behavioral Wellness	Flood Control District	Afford Housing	Fire Protect District	Capital Projects	Other Gov Funds	Total Current Year	Prior Year	%
Revenues													
Taxes	\$ 212,808	\$ 7,621	\$ --	\$ --	\$ --	\$ 10,178	\$ --	\$ 45,750	\$ --	\$ 4,922	\$ 281,279	\$ 269,412	4.4%
Licenses, permits, & franchise	13,595	525	57	83	--	--	--	22	--	--	14,282	13,660	4.6%
Fines, forfeitures, & penalties	5,119	--	568	11	4	--	--	--	--	3,458	9,160	9,581	-4.4%
Use of money and property	2,481	159	185	206	216	475	50	68	32	937	4,809	4,902	-1.9%
Intergovernmental	77,351	18,216	20,320	149,298	50,142	1,347	1,832	3,881	1,410	21,631	345,428	340,807	1.4%
Charges for services	66,547	477	48,115	47	34,315	3,444	607	22,444	384	4,642	181,022	161,637	12.0%
Other	4,446	309	4,139	747	409	166	2,431	16	1,182	2,304	16,149	19,033	-15.2%
Total revenues	382,347	27,307	73,384	150,392	85,086	15,610	4,920	72,181	3,008	37,894	852,129	819,032	4.0%
Expenditures													
Current:													
Policy & executive	16,484	--	--	--	--	--	--	--	--	--	16,484	15,563	5.9%
Public safety	207,579	--	--	--	--	--	--	63,361	1,136	16,098	288,174	281,211	2.5%
Health & public assistance	10,616	--	73,620	157,764	92,807	--	--	--	--	17,104	351,911	343,584	2.4%
Community resources	40,830	35,123	--	--	--	17,291	3,572	--	1,153	8,411	106,380	93,443	13.8%
General gov & support	48,947	--	--	--	--	--	--	--	117	10,400	50,104	47,357	5.8%
General county programs	2,656	--	--	--	--	--	--	--	--	23	2,679	3,190	-16.0%
Debt service:													
Principal	1	--	--	--	--	--	--	--	--	3,763	3,764	15,318	-75.4%
Interest	--	--	--	--	--	--	--	--	--	2,111	2,111	2,516	-16.1%
Capital outlay	--	--	--	--	--	--	--	--	6,229	--	6,229	8,353	-25.4%
Total expenditures	327,113	35,123	73,620	157,764	92,807	17,291	3,572	63,361	8,635	48,550	827,836	810,535	2.1%
Excess(deficiency) revenue over (under) expenditures	55,234	(7,816)	(236)	(7,372)	(7,721)	(1,681)	1,348	8,820	(5,627)	(10,656)	24,293	8,497	
Other Financing Source(Use)													
Transfers in	5,100	4,482	7,146	7,969	9,866	15	--	1,363	4,772	13,822	54,535	60,305	
Transfers out	(44,441)	(4)	(1,776)	(79)	(2,330)	(55)	(538)	(4,350)	(183)	(2,179)	(55,935)	(61,278)	
Proceeds sale capital assets	24	68	--	--	2	53	--	58	--	--	205	347	
Long-term debt issued	10	--	--	--	--	--	--	--	--	--	10	9,925	
Other financing source(use)	(39,307)	4,546	5,370	7,890	7,538	13	(538)	(2,929)	4,589	11,643	(1,185)	9,299	
Net change in fund balances	15,927	(3,270)	5,134	518	(183)	(1,668)	810	5,891	(1,038)	987	23,108	17,796	
Fund balances - beginning	99,117	21,421	25,461	3,960	8,148	67,788	6,055	11,133	11,542	26,419	281,044	263,248	
Prior period adjustment	--	--	--	--	--	--	--	--	--	(4,720)	(4,720)	--	
Fund balances - ending	\$ 115,044	\$ 18,151	\$ 30,595	\$ 4,478	\$ 7,965	\$ 66,120	\$ 6,865	\$ 17,024	\$ 10,504	\$ 22,686	\$ 299,432	\$ 281,044	

Expenditures

Expenditures increased by \$17 million or 2% to \$828 million.

Salary and benefits - increased by \$22 million or 5% to \$517 million for the governmental fund types, which accounts for 62% of total expenditures -

- The major increases in salaries and benefits are comprised of:
 - regular salaries, contractors on payroll and extra help increased \$11 million or 4%
 - retirement cost increased \$1 million or 1% to \$121 million
 - health insurance increased \$2 million or 9% to \$29 million
 - reimbursable overtime costs increased \$2 million for fire incident responses
 - workers compensation insurance costs increased \$2 million or 11% to \$16 million
- The Countywide average annual full-time equivalent (FTE) count (see chart below) was up 91 FTE. The Department of Behavioral Wellness, funded by Federal and State programs added 35 FTE. Public Health also funded mainly by Federal and State programs added 17 FTE. The Fire Department funded mainly by property tax revenues added 18 FTE. Community Services and General Services increased 6 and 5 FTE, respectively.

Change in Average FTE Count				
	6/30/15	6/30/16	Change	%Chg
<u>Health & Public Assistance</u>				
Behavioral Wellness	326.3	360.9	34.6	10.6%
Public Health	492.7	509.5	16.8	3.4%
Social Services	888.4	897.5	9.1	1.0%
First 5, Children & Families	14.0	14.0	0.0	0.0%
Child Support Services	77.0	73.3	(3.8)	-4.9%
			<u>56.7</u>	
<u>Public Safety</u>				
Fire	242.0	260.2	18.2	7.5%
District Attorney	132.2	136.0	3.8	2.8%
Public Defender	68.0	70.2	2.2	3.3%
Probation	335.5	334.3	(1.2)	-0.4%
Sheriff	637.1	632.7	(4.4)	-0.7%
			<u>18.6</u>	
<u>General Gov & Support Services</u>				
General Services	113.4	118.0	4.6	4.1%
Clerk-Recorder-Assessor	96.8	100.6	3.8	3.9%
Treasurer-Tax Collector	40.4	41.5	1.1	2.7%
Human Resources	24.4	25.0	0.6	2.4%
Auditor-Controller	50.6	49.9	(0.7)	-1.4%
			<u>9.4</u>	
<u>Policy & Executive</u>				
County Executive Office	33.4	35.4	2.1	6.2%
County Counsel	37.4	38.1	0.8	2.0%
Board of Supervisors	19.9	20.5	0.6	3.0%
			<u>3.4</u>	
<u>General County Programs</u>				
General County Programs	0.9	0.9	0.0	n/a
			<u>0.0</u>	
<u>Community Resources/Facilities</u>				
Community Services	93.6	99.7	6.2	6.6%
Planning & Development	81.6	82.7	1.1	1.3%
Agricultural Commissioner	32.1	32.7	0.6	2.0%
Public Works	267.1	262.6	(4.5)	-1.7%
			<u>3.4</u>	
Total	4,104.8	4,196.2	91.4	2.2%

Other Operational Expenditures – that include services and supplies and other charges increased by \$4 million to \$307 million. There was a \$10 million increase in Services and Supplies, and Other Charges decreased by \$6 million. Significant expenditures in this area include:

- \$48 million in public assistance payments,
- \$43 million in various professional and contractual services across all departments,
- \$37 million in Behavioral Wellness community based organization service contracts payments,
- \$25 million in departmental payments to the Internal Service Funds,
- \$10 million in contributions to the State for the Superior Court MOU,
- \$6 million of utilities, and
- a wide array of additional services used or supplies purchased.

Debt Service Principal and Interest – Debt Service payments of \$6 million included principal of \$4 million and interest of \$2 million on the County's long term debt.

Capital Expenditures – Capital Expenditures of \$6 million consisted mainly of \$4 million of various structures and structure improvements and \$2 million of land improvements for the Cuyama pool.

General Fund

The General Fund of the County provides the Board of Supervisors with its major sources of discretionary budget authority. The General Fund ended the year with a total fund balance of \$115 million, an increase of \$16 million over the prior year. This is largely due to setting aside \$6 million in the new jail operations account, \$3 million in restricted Local Realignment funds to be spent next fiscal year, and 1.6 million in Federal payments in lieu of taxes (PILT) received late in the fiscal year. The Residual fund balance that resulted from the closing of the fiscal year was \$6.6 million.

Significant ending fund balance component accounts included the Strategic Reserve of \$29.9 million, Contingency of \$3.3 million, New Jail Operations of \$13.8 million, Local Realignment 2011 of \$9.5 million and Program Restoration of \$1.7 million. Unassigned fund balance is \$7.6 million to begin the new 16-17 fiscal year. \$2.1 million of Unassigned fund balance has been appropriated in the FY 16-17 budget that will reduce to \$5.5 million. The Program Restoration account was also appropriated in the FY 16-17 budget. During the FY 16-17 first quarter financial report, the CEO will present recommendations for the appropriation of Unassigned fund balance.

Cash Balances

- The ending cash account balance of the General Fund at \$90 million is 9% greater than last year. The County did not issue a Tax and Revenue Anticipation Note (TRAN) for FY 15-16 because of its improved cash position and will not need to issue a TRAN in FY 16-17.

Budget to Actual Operating Results

Budget to Actual operating results were positive in the General Fund by \$6.6 million.

- Taxes performed better than budget estimates by \$2.5 million due to higher than expected Property Taxes and Transient Occupancy Taxes (TOT).
- The \$0.8 million budgetary shortfall in Licenses, Permits and Franchises is primarily in the Planning and Development Department permit revenue.

Budget to Actual Comparison-Fiscal Year Ended 6/30/2016				
General Fund				
	Adjusted Budget	Actual	Variance	% of Budget
Revenues				
Taxes	210,275,985	212,807,751	2,531,766	101.2%
Licenses, Permits and Franchises	14,417,709	13,595,052	(822,657)	94.3%
Fines, Forfeitures, and Penalties	4,098,821	5,118,506	1,019,685	124.9%
Use of Money and Property	2,060,682	2,481,887	421,205	120.4%
Intergovernmental Revenue-State	71,549,947	70,150,702	(1,399,245)	98.0%
Intergovernmental Revenue-Federal	6,154,793	5,732,431	(422,362)	93.1%
Intergovernmental Revenue-Other	609,590	1,467,829	858,239	240.8%
Charges for Services	69,195,008	66,546,842	(2,648,166)	96.2%
Miscellaneous Revenue	4,006,565	4,446,229	439,664	111.0%
Revenues	382,369,100	382,347,229	(21,871)	99.99%
Expenditures				
Salaries and Employee Benefits	264,546,269	259,318,445	5,227,824	98.0%
Services and Supplies	52,074,567	48,293,532	3,781,035	92.7%
Other Charges	19,537,315	18,688,783	848,532	95.7%
Capital Assets	2,022,658	812,788	1,209,870	40.2%
Expenditures	338,180,809	327,113,548	11,067,261	96.7%
Other Financing Sources & Uses				
Other Financing Sources	5,925,384	5,135,312	(790,072)	86.7%
Other Financing Uses	45,389,034	44,441,417	947,617	97.9%
Other Financing Sources & Uses	(39,463,650)	(39,306,105)	157,545	99.6%
Changes to Fund Balances				
Decrease to Nonspendables	442,015	442,015	0	
Decrease to Restricted	4,426,079	2,197,182	(2,228,897)	
Decrease to Committed	21,987,807	18,164,924	(3,822,883)	
Decrease to Fund Balances	26,855,901	20,804,120	(6,051,781)	
Increase to Nonspendables	1,530,489	1,530,489	0	
Increase to Restricted	7,822,610	6,778,809	1,043,801	
Increase to Committed	22,227,443	21,775,644	451,799	
Increase to Fund Balances	31,580,542	30,084,942	1,495,600	
Net Financial Impact	0	6,646,754	6,646,754	

- Fines, Forfeitures and Penalties outperformed budget by \$1 million due to unanticipated collections of penalties on delinquent property taxes.
- Actual Intergovernmental Revenue and Charges for Services came in less than estimated. However, there were some corresponding expenditure savings because these revenues are generally for reimbursable expenditures. Public Safety Prop 172 came in \$1.5 million lower than anticipated due to a reduction in Sales Tax in part as a result of lower gasoline prices and an allocation formula change. Charges for Services also came in less than budgeted by \$2.6 million mostly in Environmental Resource Services revenue.
- Salaries and Benefit savings of \$5.2 million were generated by unfilled budgeted positions and partially offset by overages in extra help and overtime. There was a \$5 million savings in Services and Supplies and Capital Asset expenditures, but it should be noted that there were some corresponding revenue shortfalls because these expenditures are generally for reimbursable costs. Additionally, Restricted and Committed fund balances were not drawn down as much as were budgeted by \$6 million due to these expenditure savings.

Net Financial Impact

General Fund

The Annual Financial Summary Report shown below for the General Fund shows the Net Financial Impact of the various General Fund departments and is a measure of how departments performed against the budgeted revenue estimates and appropriations. The causes of the Net Financial Variances in the General Fund departments listed on the Report are described in general for variances that exceeded \$200 thousand. The overall year end result is a \$6.6 million increase to unassigned fund balance.

Annual Financial Summary-General Fund Fiscal Year Ended: 6/30/2016							
Department	Sources			Uses			Net Financial Variance
	Adjusted Budget	Sources Actual	Sources Variance	Adjusted Budget	Uses Actual	Uses Variance	
Board of Supervisors	3,017,300	2,992,784	(24,516)	3,017,300	2,992,784	24,516	0
County Executive Office	7,185,400	6,826,707	(358,693)	7,185,400	6,793,711	391,689	32,996
County Counsel	7,488,480	7,383,798	(104,682)	7,488,480	7,362,722	125,758	21,076
District Attorney	22,860,602	22,505,333	(355,269)	22,860,602	22,505,333	355,269	0
Probation	57,037,732	56,055,445	(982,287)	57,037,732	55,975,598	1,062,134	79,846
Public Defender	11,044,299	10,928,143	(116,156)	11,044,299	10,928,142	116,157	0
Sheriff	126,874,530	125,983,154	(891,376)	126,874,530	125,841,895	1,032,635	141,259
Public Health	12,080,596	11,027,675	(1,052,921)	12,080,596	11,027,675	1,052,921	0
Agricultural Commissioner/W&M	5,251,725	4,788,359	(463,366)	5,251,725	4,787,951	463,774	407
Parks	14,085,208	13,559,478	(525,730)	14,085,208	13,559,478	525,730	0
Planning & Development	18,474,975	14,814,013	(3,660,962)	18,474,975	14,322,294	4,152,681	491,719
Public Works	6,255,654	5,676,257	(579,397)	6,255,654	5,676,257	579,397	0
Housing/Community Development	3,389,187	3,117,880	(271,307)	3,389,187	3,085,438	303,749	32,442
Community Services	4,285,230	4,246,290	(38,940)	4,285,230	4,246,290	38,940	0
Auditor-Controller	8,682,824	8,549,577	(133,247)	8,682,824	8,197,129	485,695	352,449
Clerk-Recorder-Assessor	17,365,467	16,381,515	(983,952)	17,365,467	16,214,355	1,151,112	167,160
General Services	17,392,201	17,413,975	21,774	17,392,201	17,342,871	49,330	71,104
Human Resources	5,264,893	4,710,584	(554,309)	5,264,893	4,704,783	560,110	5,801
Treasurer-Tax Collector-Public	7,826,728	7,010,906	(815,822)	7,826,728	6,785,479	1,041,249	225,428
General County Programs	35,042,865	34,760,055	(282,810)	35,042,865	34,653,350	389,515	106,704
General Revenues	232,502,679	237,421,039	4,918,360	232,502,679	232,502,678	1	4,918,362
Total General Fund	623,408,575	616,152,966	(7,255,609)	623,408,575	609,506,212	13,902,363	6,646,754

Multiple Departments

All of the General Fund Departments ended the year with a positive or zero Net Financial Variance. Some departments required a draw on fund balance components and others moved their savings into fund balance for future uses.

Planning & Development

Planning & Development ended with \$492 thousand of savings from Salaries and Benefits and Contractual Services.

Auditor-Controller

Auditor-Controller ended the year \$352 thousand positive due to increased Property Tax Administration Reimbursements along with Salaries and Benefits savings resulting from positions not being filled for the entire year.

Treasurer Tax Collector

The Treasurer Tax Collector ended with a positive net financial variance of \$225 thousand due to savings in Salaries and Benefits and Services and Supplies.

General Revenues

General Revenues ended the year with a positive variance of \$4.9 million. This variance is due to unanticipated revenue from property taxes, TOT, delinquent property tax penalties, RDA dissolution distributions, and Payments in Lieu of Taxes (PILT).

Annual Status – All Funds

The following funds are major special revenue funds or proprietary funds that have significant variances over \$500,000.

Major Funds: (see financial statement on page 3):

Roads Operations and Capital Maintenance (Funds 0015, 0016, 0017, 0019)

The Roads Funds ended the year with an overall decrease to Restricted Fund balance of \$3.3 million. Their operating plan budgeted to use fund balance to complete projects. The fund recorded \$35 million of expenditure activity for our local roads, bridges and infrastructure.

Public Health (Fund 0042)

The Public Health Department ended the fiscal year positive with a \$5 million increase to fund balance and expenditures for Public Health programs of \$74 million. This positive variance was the result of higher revenues from greater than anticipated Medi-Cal eligible clients and local MediCal health plan incentives.

Social Services (Fund 0055)

These Federal and State funded social safety net programs are among the largest in the County with expenditures of \$158 million with a 4% or \$6 million increase over the prior year. This increase is the result of Federal and State funded programs and the fund ended with a \$0.5 million increase to fund balance.

Behavioral Wellness (Fund 0044, 0048, 0049)

These funds ended the year with a combined \$0.2 million draw on and a positive \$8 million fund balance. The funds recorded \$93 million in expenditure activity. The positive balances are in the Mental Health Services Act fund (0048) and Alcohol and Drug Program fund (0049). The Mental Health Fund (0044) ended the year with effectively a zero balance and had been subsidized by \$5.5 million of General Fund contributions during the FY 15-16 year to cover high in-patient bed costs.

Flood Control District (Multiple Funds)

The Flood Control District Funds ended the year with a \$1.7 million decrease to fund balance due to an increase in expenditures to provide flood protection and water conservation. These funds had expenditures of \$17 million and have significant fund balances of \$66 million. This accumulated balance will be reduced by two large capital flood control projects scheduled over the next few years.

Affordable Housing (Fund 0064, 0065, 0066, 1940, 3122)

The five affordable housing program funds had a net increase in fund balance of \$0.8 million and annual expenditures of \$4 million. These are primarily project driven funds and accumulate funding for housing projects and programs in future cycles.

Fire Protection District (Fund 2280)

The Fire Protection District ended the year with a positive change to fund balance in the amount of \$5.9 million. Property Taxes were \$0.4 million greater than budget estimates, State fire contract reimbursements and other reimbursable incident revenue exceeded estimates by \$2.9 million and salary and services and supply savings were \$2 million. The District expended \$63 million on local fire protection and emergency response.

Capital Projects Funds (Funds 0030, 0031, 0032)

The capital project funds had expenditures of \$8.6 million that were incurred for general county projects of \$4 million, Parks projects of \$2 million, and the North County Jail project of \$1.8 million.

Non Major Funds:

Workers' Compensation Self Insurance (Fund 1911)

The Workers' Compensation Fund finished with a \$0.3 million draw and a retained deficit of \$2.8 million. There is a deficit recovery plan to recover the deficit over a seven year period (beginning fiscal year 12-13) and the fund is ahead of that schedule. The long term outstanding claims liabilities were reduced by \$1.5 million from \$12.7 million to \$11.2 million.

County Liability-Self Insurance (Fund 1912)

The Liability Fund had a retained earnings decrease of \$2 million due to a planned reduction of accumulated excess retained earnings. The Unreserved Retained Earnings in this fund were reduced from \$2.9 million to a target of \$1 million.

Concluding Observations

Operations

The financial results of operations for FY 15-16 reflect steady improvement of County finances. With countywide employment increasing and a continuing rebound of the housing market the County is building its foundation for the future with long term funding commitments to the Northern Branch Jail facility and its operating costs, fire protection financing, deferred capital maintenance, unfunded retirement liabilities and negotiated employee contracts. These commitments address important priorities and rely on increasing revenue growth in the coming years.

1. The County has implemented its plan to increase funding by 18% of unallocated discretionary General Fund revenues for deferred maintenance of its buildings and infrastructure, forecasting a total of over \$100 million in expenditures over a ten year period. The FY 15-16 amount was \$1.3 million
2. The County FTE count was up 91 FTE in FY 15-16 compared to the prior year, 80% in Federal and State funded Social Services, Behavioral Wellness and Public Health programs and the remaining 20% in Public Safety programs and General Government and Support programs.
3. The County continued to shift general fund tax allocations to the Fire Protection District for a fourth year under the multi-year plan to make the District self-sufficient. The FY 15-16 increment amount was \$1.7 million and the current percentage is at 15.66% of the 17% target.
4. The State's finances have improved and are impacting the County positively in most areas. Positive State revenue growth increased financial resources that support the State funded programs and are for Public Safety and Public Health, Behavioral Wellness and Social Services programs. However, the reduction in the property tax, gasoline tax and sales tax related to the drop in oil prices is having a negative effect in areas such as road maintenance and Prop 172 Public Safety revenue.
5. The County has recovered \$1.9 million in cost reimbursements from the oil spill that occurred on May 19, 2015. According to a report from the responsible party, the spill, which occurred on the Gaviota coast and is referred to as the "Refugio Oil Spill," released an estimated 101,000 gallons of oil with a portion of the release migrating into the Pacific Ocean.
6. The County moderately increased its General Fund cash position by 9% ending at \$90 million and continued to eliminate the need for a short-term borrowing (TRAN) for the next year.

Fund Balances

7. The County was able to end the year with an \$18 million increase in overall governmental fund balances for all funds.
8. The County has met its target for funding the Strategic Reserve at 8% of General Fund revenues and ended the year at \$29.9 million in this account.
9. The General Fund also ended the year with the following fund balance components:
 - \$13.8 million in the New Jail Operations account,
 - \$9.5 million in the Local Realignment 2011 account,
 - \$7.6 million in General Fund Unassigned fund balance, and
 - \$3.3 million in the General Fund Contingency account.

Looking Forward

10. The continuing drought, now in its 4th record-setting year, has reduced local reservoirs to extremely low levels which may have financial implications on all sectors of the local economy as water purveyors pursue higher cost alternate water sources.
11. The County has completed requirements to commence construction of the Northern Branch Jail which includes project management, match funding, accounting, administration, and reporting for which the County secured an \$80 million AB 900 State funding grant. Construction contracts of \$86 million have been awarded for this project that is expected to break ground in the Fall of 2016. The County continues to set aside funding in the New Jail Operations account (\$6.1 million in FY 2015-16).
12. The County is moving forward with the Tajiguas Resource Recovery Project (TRRP). This project is estimated to cost \$125 million and will be funded with Solid Waste revenue bonds. 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 project will provide an additional 20 years of disposal capacity, reduce greenhouse gas, and generate green energy.
13. The SBCERS pension portfolio returned 1.38% for the fiscal year that is 6.12% below the current assumed rate of return for the plan of 7.50%. This will result in an increase to the plan's unfunded liability and will increase the member organizations' contribution rates in FY 17-18. A potential reduction in the assumed rate of return is being considered by the retirement board this fall and, if approved, would also increase future contribution rates. Actuarial studies will need to be performed to determine the actual increases.
14. Early indicators are that for budget years FY 16-17 and FY 17-18 local Property Taxes, Transient Occupancy Tax, and Retail Sales taxes will continue to increase in the 3-5% range.

Mandates and Service Levels: Government Code Section 29126.2

Fiscal and Facilities Impacts: None

Special Instructions: None

Attachments: None