



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

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

Department Name: CEO
Department No.: 012
For Agenda Of: 11/5/19
Placement: Administrative
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: Majority

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

SUBJECT: Fiscal Year 2019-2020 First Quarter Budget Update

County Counsel Concurrence

As to form: NA

Auditor-Controller Concurrence

As to form: NA

Recommended Actions:

That the Board of Supervisors

- a) Receive and file the Fiscal Year 2019-2020 1st Quarter Budget and Financial Status Report as of September 30, 2019, showing the status of appropriations and financing for departmental budgets adopted by the Board of Supervisors.

Summary Text:

The Fiscal Year 2019-2020 Budget and Financial Update for the first quarter ending September 30, 2019, provides an early look at the County's financial position relative to the FY 2019-20 adjusted budget. The County is projected to have a positive \$2.4 million financial position relative to the budget in the General Fund. Special Revenue and Other Funds are generally tracking to budget with no reportable variances.

The \$2.4 million net positive variance in the General Fund is due to positive variances in most General Fund departments, including a reportable net positive variance of \$1.7 million in General Revenues. These positive variances are offset by small negative variances in a few departments, as well as a reportable negative variance of \$669K in the Sheriff's Department. The reportable variances are explained later in this report.

Background:

FIRST QUARTER REPORT

In this report, projected financial results for the fiscal year end are compared to the annual adjusted budget. The major differences (variances) between budgeted and actual amounts through September 30, 2019, are discussed below.

This report highlights the variances that exceed the following thresholds:

- 1) General Fund departments (including Discretionary General Revenues) with projected variances greater than \$300K per department; shown in the Financial Summary Report (Attachment A) and;
- 2) Special Revenue and Other Funds with projected variances greater than \$500K per fund; shown in the Financial Summary Report (Attachment B).

Both Attachments A and B use actual revenues and expenditures for the first three months of FY 2019-20, and then add departmental projections for the next nine months to arrive at the “Projected Actual” columns. These annual Projections are then compared to Adjusted Budgets for both Sources and Uses to produce a “Net Financial Projected Variance” for the end of the fiscal year (shown in the far right column of the Attachment A and Attachment B reports).

BUDGET POLICY

Departments are responsible for maintaining expenditure levels within the Board-approved budget appropriations per Board-adopted policy and procedure *‘Budgetary Control & Responsibility’* as the following abbreviated excerpt states:

- A. If expenditures are projected to exceed appropriations, the department head responsible for the budget shall perform one or more of the following steps in the following order:
 - 1) Lower the expenditure level to maintain overall expenditures within the total amount budgeted,
 - 2) Request a transfer from fund balance within the same department and fund under the department head's control (if available for appropriation),
 - 3) Prepare a transfer request from General Fund Contingency and an agenda item for the Board of Supervisors with a memo to the County Executive Office, providing adequate justification.

In addition, the County Budget Act, Section 29121, California Government Code, places liability for over-expenditure upon the department director authorizing the expenditure:

Except as otherwise provided by law, obligations incurred or paid in excess of the amounts authorized in the budget unit appropriations are not a liability of the county or dependent special district, but a personal liability of the official authorizing the obligation.

GENERAL FUND SUMMARY (Attachment A)

As of September 30, 2019, the General Fund had a projected year-end net positive variance of \$2.4 million. This is the result of favorable results in most General Fund departments, including a reportable variance in General Revenues, as well as a reportable negative variance in the Sheriff’s Office.

General Revenues (Department 991) projects a positive year-end variance of \$1.7 million, 0.6% over total budgeted revenues, due primarily to an increase in anticipated Cannabis Tax revenue. Given that the County’s Cannabis program is still new and a limited amount of tax collection data is available, staff took a conservative approach to budgeting for FY 2019-20. In FY 2018-19, actual Cannabis Tax revenue received totaled \$6.7 million. However, because fourth quarter revenues were not known until after adoption of the FY 2019-20 budget, \$5.6 million was budgeted in FY 2019-20. As of this report, staff anticipates FY 2019-20 actuals to be more consistent with FY 2018-19 actuals received and have therefore increased current fiscal year projections accordingly. The table below provides detail on General Revenues.

| Discretionary General Revenue Summary (in thousands): | | | |
|--|--------------------------------|---------------------------------|---------------------------------------|
| Source | Adjusted FY 2019-20 | Projected FY 2019-20 | Variance Proj vs. Adjusted |
| Property Tax - Secured and In-lieu of VLF | \$ 199,842 | \$ 199,842 | \$ - |
| Property Tax - Supplemental | 2,217 | 2,217 | 0 |
| RDA RPTTF Resid Distributions | 9,449 | 9,449 | 0 |
| Transient Occupancy Tax | 13,214 | 13,214 | 0 |
| Use of Money and Property | 1,535 | 1,548 | 13 |
| Cannabis Tax | 5,615 | 7,000 | 1,385 |
| All Other Revenues | 44,127 | 44,308 | 181 |
| Total Discretionary Revenues | \$ 275,999 | \$ 277,578 | \$ 1,579 |
| Transfer to Non-GF Departments | \$ 34,395 | \$ 34,325 | \$ (70) |
| Intrafund Transfer Out (GFC) | 241,604 | 241,604 | 0 |
| Projected Fiscal Year End Variance | \$ - | \$ 1,649 | \$ 1,649 |

Sheriff’s Department (Department 032) is projecting a negative variance of \$669k, 0.4% on a total budget of \$156.1 million, mostly due to overtime expenses expected to exceed salary savings in the Salaries & Benefits object level. While overtime across many programs in the Sheriff’s Office are contributing to this issue, a large portion, \$200k, is the result of overtime worked by Sheriff staff on the Conception Boat disaster. After only one quarter, the Sheriff’s Office has expended \$3.1 million, or 86.3%, of a \$3.6 million overtime budget. The extent to which this problem grows or shrinks over the remaining three quarters will depend on the level of salary savings that materializes to offset these costs, and on the ability of the Sheriff’s Office to control overtime expenditures.

SPECIAL REVENUE AND OTHER FUNDS SUMMARY (Attachment B)

There are no reportable variances in the Special Revenue Funds.

Fiscal and Facilities Impacts:

Impacts are stated above in this Board letter.

Attachments:

A – Financial Summary Report – General Fund

B – Financial Summary Report – Special Revenue and Other Funds

Authored by:

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