

ATTACHMENT B



Fiscal Outlook Report - Update

County of Santa Barbara

November 13, 2012 Report; March 2013 Update

INTRODUCTION

The Update to the Fiscal Outlook Report is composed of the following sections:

1. *Fiscal Issues*
2. *FY 2013-14 Projected Budget Gap*

The purpose of this report is to provide updated financial estimates of Fiscal Issues that we have become aware of since the report was originally presented on November 13, 2012. We have not performed a complete review of all items as we did during the original report; however, we have revised amounts based on any new information that has come to our attention.

The ***Fiscal Issues*** section identifies significant issues that will potentially impact the County within the next two years. The issues are organized into two tiers according to expected likelihood of occurrence. Tier 1 issues can be estimated and are expected to occur within the referenced periods; Tier 2 issues will probably occur within the next two years; however, there may be remaining uncertainties or other funding may already exist to address this issue.

The issues contained in this report were originally selected based on an analysis of the areas in which the County faces a potential loss of, or reduction in, local, State or federal funding; unfunded mandates; infrastructure needs; delays in State reimbursements; audit liabilities; and costs associated with pension benefits and the retiree health program.

The Fiscal Issues are included as Exhibit A and summarized in table form with the following column headings:

- FY 2013-14 Impact
 - i. As of Nov 2012
 - ii. As of Mar 2013
 - iii. Fav (Unfav) Variance
- FY 2014-15 Impact
 - i. As of Nov 2012
 - ii. As of Mar 2013
 - iii. Fav (Unfav) Variance
- Onetime or Ongoing

We have not updated the narrative sections of the Fiscal Issues that were previously included in the original report; however, we have included the original report with narratives for reference.



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The ***FY 2013-14 Projected Budget Gap*** section shows the changes in revenue and expenditure assumptions that are expected to occur in the next fiscal year. The FY 2013-14 projected budget gap calculation does not include the fiscal issues that are unlikely to occur in the next fiscal year or already have identified funding sources such as grants or reserve funds. The budget gap calculation also excludes the costs associated with addressing fiscal issues on which the Board of Supervisors has yet to take action.

The Projected Budget Gap is included in Exhibit B and summarized in table form with the following column headings:

- FY 2013-14 Projected Budget Gap
 - i. As of Nov 2012
 - ii. As of March 2013
 - iii. Fav (Unfav) Variance

It is currently anticipated that there will be a budget gap of \$10.8 million in FY 2013-14 compared to the previously reported \$12.4 million gap presented in November 2012. The details of this change can be seen on Exhibit B. Therefore, in order to maintain current service levels—including services currently funded by one-time sources, which would require identification of new funding sources to continue in the next fiscal year—approximately \$10.8 million in revenue increases or expenditure reductions will be needed to produce a structurally balanced FY 2013-14 budget. The budget gap can be solved through a combination of strategies including ongoing measures such as increasing efficiencies, increasing revenues, and decreasing levels of service, or one-time measures such as utilizing prior year savings and existing fund balance. Recommended solutions will be proposed in May as part of the budget process.

Exhibit A

2012 Fiscal Outlook Report Update March 2013 Update to November 13, 2012 Report Fiscal Issues

Tier 1 Issues: Expected occurrence within the next two fiscal years (dollars in millions)								
Issue		FY 2013-14 Impact			FY 2014-15 Additional Impact			Onetime or Ongoing
		As of Nov 2012	As of March 2013	Fav (Unfav) Variance	As of Nov 2012	As of March 2013	Fav (Unfav) Variance	
1	Pension Fund Stability	\$ 6.7	\$ 6.7	\$ -	\$ 5.0	\$ 13.7	\$ (8.7)	Ongoing
2	Expiration of Concession and Other Salary Changes	3.7	3.7	-	0.8	0.8	-	Ongoing
3	Health insurance	2.0	2.0	-	3.3	2.6	0.7	Ongoing
4	Workers' Compensation	1.9	1.8	0.1	-	0.4	(0.4)	Ongoing
5	Assessor Funding Gap	1.6	1.6	-	0.4	0.2	0.2	Ongoing
6	New Northern Branch Jail -Operating Fund	1.3	1.3	-	1.3	1.3	-	Ongoing
7	Retiree Healthcare	0.7	0.7	-	0.7	0.7	-	Ongoing
Total		\$ 17.9	\$ 17.8	\$ 0.1	\$ 11.5	\$ 19.7	\$ (8.2)	

Tier 2 Issues: Probable occurrence within the next two fiscal years (dollars in millions)								
Issue		FY 2013-14 Impact			FY 2014-15 Additional Impact			Onetime or Ongoing
		As of Nov 2012	As of Mar 2013	Fav (Unfav) Variance	As of Nov 2012	As of Mar 2013	Fav (Unfav) Variance	
8	Social Services Mandate Match *	\$ 4.2	\$ 4.4	\$ (0.2)	Unknown	Unknown	Unknown	Ongoing
9	Property Tax Administration Fee	4.1	4.2	(0.1)	0.5	0.5	-	Onetime + \$0.5M Ongoing
10	Mental Health and Partner Agencies Medi-Cal Billing Exposure *	2.8	2.8	-	-	-	-	Onetime
11	Mental Health Services Act	2.5	-	2.5	-	-	-	Onetime
12	Deferred Maintenance Backlog	2.0	2.0	-	2.0	2.0	-	Ongoing
13	Public Health Declining Revenue *	2.0	3.0	(1.0)	1.5	1.5	-	Ongoing
14	2005 Emergency Storm Damage Repair - Second FEMA Appeal – Audit Report **	1.1	1.1	-	-	-	-	Onetime
15	Fire Department Increased Salary/Benefit Costs ***	1.6	1.9	(0.3)	0.2	0.9	(0.7)	Ongoing
16	ADMHS Cost Report Settlement Issues	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	Onetime
17	Health Care Reform Act (ADMHS, DSS, PH)	Unknown	Unknown	Unknown	Unknown	Unknown	Unknown	Ongoing
Total		\$ 20.3	\$ 19.4	\$ 0.9	\$ 4.2	\$ 4.9	\$ (0.7)	

* Existing Fund Balance available to solve imbalance in FY 2013-2014.

** The \$1.1 million represents the remaining disputed balance. The Department has fund balance to cover the potential \$1.1 million FEMA assessment; however, there would be some impact to road maintenance operations.

*** Fire Department figures in the November 2012 column have been revised to accurately display the Department's structural imbalance. Departmental Fund Balance is available to balance FY 13-14 but is projected to be exhausted in FY 14-15.

Exhibit B

2012 Fiscal Outlook Report Update March 2013 Update to November 13, 2012 Report Fiscal Year 2013-2014 Projected Budget Gap

FY 2013-14 Projected Budget Gap			
	As of Nov 2012	As of March 2013	Fav (Unfav) Variance
GAP SUMMARY:			
Revenue Changes	\$ 8.1	\$ 7.9	\$ (0.2)
Expenditure Changes	(17.9)	(17.8)	0.1
Use of One Time	(2.6)	(0.9)	1.7
Projected Budget Gap	\$ (12.4)	\$ (10.8)	\$ 1.6
Detail of Revenue Changes			
State/fed reimbursement for S & B increases	\$ 5.7	\$ 5.6	\$ (0.1)
State Redevelopment Agency Dissolution	2.5	2.7	0.2
Property Tax Revenues	2.5	2.9	0.4
Fire District Property Tax Transfer	(0.9)	(0.7)	0.2
All Other Revenues	(1.7)	(2.6)	(0.9)
	<u>\$ 8.1</u>	<u>\$ 7.9</u>	<u>\$ (0.2)</u>
Detail of Expenditure Changes			
Pension Fund Stability	\$ 6.7	\$ 6.7	\$ -
Expiration: Concessions & Salary Changes	3.7	3.7	-
Health insurance	2.0	2.0	-
Workers' Compensation	1.9	1.8	0.1
Assessor Funding Gap	1.6	1.6	-
New Northern Branch Jail	1.3	1.3	-
Retiree Healthcare	0.7	0.7	-
	<u>\$ 17.9</u>	<u>\$ 17.8</u>	<u>\$ 0.1</u>