



**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: 12/2/14
Placement: Departmental
Estimated Time: 30 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Mona Miyasato, County Executive Officer
Director(s) Robert Geis, CPA, Auditor-Controller
Contact Info: Tom Alvarez and Julie Hagen
568-3432 568-2126

SUBJECT: Fiscal Year 2014-2015 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 2014-2015 Budget and Financial Status Report as of September 30, 2014, showing the status of appropriations and financing for all departmental budgets adopted by the Board of Supervisors.

Summary Text:

The Fiscal Year 2014-2015 Budget and Financial Update for the First Fiscal Quarter, ending September 30, 2014, provides a snapshot of the County's financial position relative to the adjusted budget for the first three months of this fiscal year for the Board's review.

Background:

The County Executive Office and Auditor-Controller Office staff conducted Operational Review Meetings (ORMs) with departments, including financial reviews, whereby actual financial results were compared to the adjusted budget for the first three months of this fiscal year. The major differences (variances) between budgeted and actual amounts through September 30, 2014, are discussed below.

This report highlights the following variances that exceed the thresholds:

1) General Fund departments (including Discretionary General Revenues) with projected variances greater than \$300,000 per department; shown in the Financial Summary Report (Attachment A) and

2) Non-General Fund departments with projected variances over \$500,000 per fund; shown in the Financial Summary Report (Attachment B).

Both reports use actual revenues and expenditures for the first three months of FY 2014-15, 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 reports Attachment A and Attachment B).

GENERAL FUND SUMMARY (Attachment A)

The General Fund had a projected net negative variance as of \$1.3 million at September 30, 2014. This is the result of a negative \$2.2 million variance in the Sheriff's Department, a negative \$279 thousand variance in General Revenues (timing), partially offset by favorable results in several departments, including Public Health \$379 thousand; Human Resources \$209 thousand and General County Programs \$207 thousand.

General Revenues currently show a negative variance of \$279 thousand when compared to the Adjusted Budget as a result of Supplemental Property Taxes being down by \$300 thousand. The Supplemental Property Tax variance is expected to be a timing difference as the issuance of these bills was delayed due to implementation of the new Property Tax system. The system is operational and regular tax bills have successfully been issued. It is expected that the Supplemental bills, which have been backlogged since May 2014, could be sent in December 2014. In addition, the final tax roll from last June is expected to result in approximately \$1.7 million of additional/unbudgeted Property Tax revenues that were not recorded or projected as of September 30, 2014. Thus, General Revenues are expected to finish the year in a positive position.

Significant individual General Fund department variances (Attachment A, negative \$1.3M) are discussed below:

There are two reportable departments; Sheriff, and Public Health. The unfavorable results for General Revenues were discussed above.

The Sheriff's Department has a projected negative variance of \$2.2 million, comprised of Salaries and Employee Benefits (S&B) projected to be over budget by \$2.0 million and Intergovernmental Revenues –State under budget by \$0.2 million.

Salaries and Employee Benefits are projected to be approximately \$2.0 million (2.0%) over budget for the year based on first quarter actuals, when compared to the total annual FY 2014-15 budget of \$101.7 million. Within Salaries and Employee Benefits, overtime is projected to be \$2.5 million over budget while non-overtime S&B accounts are currently projected to be \$0.5 million under budget. Over budget costs include annual vacation and overtime payouts of \$325 thousand and \$387 thousand respectively, and filling funded vacancies within custody and law enforcement operations as explained below.

As vacancies within custody and law enforcement operations are filled, they require the usage of overtime to backfill 24/7 post positions. In FY 2013-14 the Department started to fill such vacancies; however, this has negatively impacted the budget as both overtime of existing staff and regular salaries of the new staff are being incurred simultaneously during the training period (6 months training for a Custody Deputy and 9 months for a Deputy). In prior years, new hires were limited and funded vacancies created salary savings. Further information on this matter will be presented in the Fiscal Outlook Report under Sheriff Staffing Levels & Overtime.

Sheriff Department Services and Supplies are projected to finish the year \$0.2 million under budget compared to the FY 2014-15 budget of \$13.4 million.

The Sheriff is measuring and monitoring new hires and overtime usage and will be responsible for maintaining departmental expenditure levels within the Board approved budget appropriations per Board adopted policy and procedure '*Budgetary Control & Responsibility*' as the following abbreviated excerpt states:

Budget Controls and Accountability

- 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.

The Public Health Department (Fund 0001) has a projected positive variance of \$337 thousand due to the receipt of a pass-through lump sum payment from the State of Federal monies for the administration and enforcement of the California Safe Drinking Water act and related laws. The Department is preparing a Budget Revision to place these funds to Committed Fund Balance for future use.

SPECIAL REVENUE AND OTHER FUNDS SUMMARY (Attachment B, +\$3.1 million excluding the General Fund)

The Health Care Fund (0042) has a projected positive variance of \$2.4 million. This is the result of successful program changes made by the Public Health Department in their Contract Pharmacy Program increasing revenues by \$875 thousand. In addition there has been higher than anticipated revenue from Medi-Cal (\$493 thousand) and 1991 Realignment (\$392 thousand) combined with salary savings of \$613 thousand.

The Mental Health Services Fund (0044) is currently displaying a negative variance of \$1.4 million. The primary cause of the variance is inpatient contract bed costs in excess of budget. Inpatient contract beds remain in high demand as has been the trend for the last few years. Although the demand has been high, forecasting the costs are difficult as the usage varies without consistency. The Department is currently projecting the Inpatient cost on the year to be a negative \$2.5 million, but the Department expects some offsets with higher revenues and payment from the state of pre-2004 SB 90 claims (unreimbursed but mandated expenses). These offsets reduce the current year-end projection to a negative \$1.4 million variance, but that could be better or worse by the end of the fiscal year. We will continue to monitor and report on this situation.

In addition, ADMHS is currently implementing Crisis Triage units in all regions and later this year will be starting a South County Crisis Stabilization Unit and Crisis Residential Unit. The full effect of these teams likely won't be felt until FY 2015-16, but the programs are anticipated to ultimately reduce the

inpatient demand over the long term. Further information on the Inpatient impact will be presented in the Fiscal Outlook Report.

The Workers Compensations Self Insurance Fund (1911) has a positive variance of \$582 thousand which is due to a lower than anticipated insurance premiums. However, there will be a second quarter premium adjustment payable of \$196 thousand so this positive variance will decrease to \$386 thousand.

General Fund Revenues and Expenditures by Category (vs. by Department):

In addition to viewing variances by department, they are also reviewed by category or accounting object level. The table below displays FY 2014-15 General Fund Budgeted and Projected amounts by category:

Object Level	FY 2014-15 Adjusted Budget	FY 2014-15 Projected Actual	FY 2014-15 Projected \$ Variance	FY 2014-15 Projected % Variance
Fund 0001 -- General				
Revenues				
05 -- Taxes	\$ 200.0	\$ 199.8	\$ (0.2)	-0.1%
10 -- Licenses, Permits and Franchises	14.3	14.0	(0.3)	-1.9%
15 -- Fines, Forfeitures, and Penalties	4.4	4.4	0.0	0.2%
20 -- Use of Money and Property	2.0	1.9	(0.1)	-5.6%
25 -- Intergovernmental Revenue-State	64.7	64.1	(0.5)	-0.8%
26 -- Intergovernmental Revenue-Federal	4.0	4.0	0.1	1.5%
27 -- Intergovernmental Revenue-Other	0.7	0.7	(0.0)	-0.1%
30 -- Charges for Services	61.6	60.5	(1.1)	-1.8%
45 -- Miscellaneous Revenue	3.2	3.4	0.1	3.8%
Revenues	\$ 355.0	\$ 352.9	\$ (2.0)	-0.6%
Expenditures				
50 -- Salaries and Employee Benefits	\$ 257.2	\$ 257.6	\$ (0.4)	-0.2%
55 -- Services and Supplies	49.9	48.7	1.2	2.5%
60 -- Other Charges	19.4	19.4	(0.0)	-0.1%
65 -- Capital Assets	1.9	2.0	(0.1)	-2.9%
Expenditures	\$ 328.3	\$ 327.6	\$ 0.7	0.2%
Other Financing Sources & Uses	\$ (33.8)	\$ (33.6)	\$ 0.2	-0.6%
Intrafund Transfers	-	(0.0)	(0.0)	0.0%
Changes to Fund Balances	7.2	7.0	(0.2)	-3.3%
Subtotal	\$ (26.6)	\$ (26.7)	\$ (0.1)	0.2%
Net Financial Impact	\$ -	\$ (1.3)	\$ (1.3)	
<i>Note: Totals may include rounding differences</i>				

Revenues:

General Fund revenues are trending below the FY 2014-15 Budget; however, as mentioned previously, increases in Property Tax revenue accounts are expected which should offset the variance. The under budget performance in Intergovernmental Revenue – State (-\$500 thousand) is primarily the result of lower Public Safety – Prop 172 revenues (-\$425 thousand) and impacts several departments. Prop 172 revenues are based on sales taxes and can vary significantly from month to month. The other revenue category with a large dollar variance is Charges for Services (-\$1.1 million, 1.8%). These revenues

typically reflect cost recovery for expenses incurred and when they are under budget there is usually an offsetting reduction to budgeted costs.

Expenditures:

Overall, the General Fund departments are tracking favorably to budget through the first three months resulting in a projected year end favorable operating expenditure variance of \$1.0 million as of September 30, 2014. The majority of the favorable variance is +\$1.2 million in Services and Supplies, partially offset by an unfavorable variance of \$350 thousand in Salaries and Benefits. The unfavorable variance in Salaries and Benefits reflects a favorable \$1.6 million variance from all departments excluding the Sheriff's Department, offset by the negative \$2.0 million Sheriff's Department variance previously discussed.

Fiscal and Facilities Impacts:

Impacts are stated above in this Board letter.

Key Contract Risks:

None

Attachments:

- A – Financial Summary Report – General Fund
- B – Financial Summary Report – Special Revenue and Other Funds
- C – PowerPoint presentation

Authored by:

John Jayasinghe, CEO Fiscal and Policy Analyst, 568-2246
Richard Morgantini, CEO Fiscal and Policy Analyst, 568-3351
Joseph Toney, CEO Fiscal and Policy Analyst, 568-2060

CC:

Department Directors
Assistant County Executive Officers and CEO Fiscal and Policy Analysts
Recognized Employee Organizations

Quarterly Financial Update Signal Chart

For Quarter ending September 30, 2014

- Actuals Are Generally Tracking Budget
- ▲ Actuals Materially Vary from Budget-Positive
- ▼ Actuals Materially Vary from Budget-Negative
- Actuals Expected to End Year in Deficit

General Fund	Other Funds
● Board of Supervisors	Parks
● County Executive Office	● Capital
● County Counsel	● Providence Landing CFD
● District Attorney	Planning and Development
● Probation	● Fish and Game
● Public Defender	● Petroleum
● Courts	● CREF
	● RDA Successor Agency
■ Sheriff	Public Works
▲ Public Health - EHS, AS, HazMat	● Roads: Funds 0015, 0016, 0017, 0019
● Agriculture Commissioner	● Resource Recovery and Waste Mgt.
● Parks	● CSA 3 - Goleta
● Planning and Development	● Flood Control
● Public Works	● North County Lighting
● Housing & Commt. Devmnt.	● Laguna Sanitation
● Community Services Dept.	● Water Agency
● Auditor Controller	Housing & Commt. Devmnt.
● Clerk-Recorder-Assessor	● CDBG
● General Services	● Affordable Housing
● Human Resources	● HOME
● Treasurer-Tax Collector	● Municipal Energy Financing
● General County Programs	● Orcutt CFD
● Debt Service	General Services
	● Capital
Other Funds	● Special Aviation
Fire	● Vehicles
● Fire Protection	● Information Technology
Sheriff	● Communications
● Inmate Welfare	● Utilities
Public Health	CEO-Human Resources
▲ Health Care	● County Unemployment Insurance
● Tobacco Settlement	● Dental Insurance
ADMHS	● Medical Malpractice Insurance
■ Mental Health Services	▲ Workers' Comp Insurance
● Substance Abuse and Crime Prevention	● County Liability Insurance
● Mental Health Services Act	Treasurer-Tax Collector
● Alcohol and Drug Programs	● Debt Service
Social Services	General County Programs
● Social Services	● Public and Educational Access
● IHSS Public Authority	● Criminal Justice Facility Const.
	● Courthouse Construction
Child Support	First Five
● Child Support Services	● First Five Child & Families Comm.
Sheriff	RDA Sucessor Agency
● Capital Projects - Jail	● Sucessor Agency Housing