

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Administrative Office		(2) MEETING DATE 5/22/2012		(3) CONTACT/PHONE Emily Jackson 781-5011	
(4) SUBJECT Submittal of the Fiscal Year 2011-12 Third Quarter Financial Report.					
(5) RECOMMENDED ACTION It is recommended that the Board of Supervisors: 1) Receive, review, and file the Fiscal Year 2011-12 Third Quarter Financial Report; 2) Approve miscellaneous budget adjustments totaling \$1,521,515 (summarized on page 18 of the attached report) resulting from unbudgeted year-end costs. The recommended financing for the adjustments consists of \$358,750 from General Fund contingencies and the remaining \$1,162,765 from unanticipated revenues and expenditure savings from within departmental budgets; 3) Approve an appropriation totaling \$141,459 from Public Facilities Fees - Library collected during FY 2011-12 to make the annual loan payment, and increase the Designated Fund Balance-Library Cambria in the General Government Building Replacement Fund by a corresponding amount; 4) Increase the Designated Fund Balance- Library Cambria in the General Government Building Fund by \$70,430, the amount of the Cambria Library loan repayment amount in FY 2009-10; 5) Amend the Fixed Asset list for Fund Center 140- County Fire, as outlined in the staff report from County Fire on pages 19-20 of the attached report; 6) Amend the Fixed Asset list for Fund Center 136- Sheriff-Coroner, as outlined in the staff report from the Sheriff-Coroner on pages 21-23 of the attached report, and approve corresponding budget adjustments; 7) Amend the Fixed Asset list for Fund Center 137- Animal Services to replace one high capacity washer with two smaller industrial washers and a water heater, as outlined on pages 24-25 of the attached report; 8) Accept cash donations and approve a budget adjustment in the amount of \$33,337.73 from the Library's Gift Trust Fund to the Fund Center 377 - Library operating budget; 9) Accept cash donations and approve a budget adjustment in the amount of \$6,719 from Park's Gift Trust Fund to the Fund Center 305 - Parks operating budget; 10) Accept a contribution of \$200 made to Fund Center 139- Probation from the California Association of Probation Service Administrators; 11) Accept donations and approve a budget adjustment in the amount of \$1,579 from the Social Services Gift Trust Fund to the Fund Center 180 - Social Services Administrative operating budget; 12) Approve a request from the Public Works Department for relief from accountability for uncollectable Engineering Checking and Inspection Agreement charges in the amount of \$1,535; 13) Approve a request from the General Services Agency to declare 18 vehicles as surplus, authorize their removal for the County fleet, and authorize their sale to recover salvage value in accordance with County Code Section 2.36.030(5). Recommendations 2 through 13 require a 4/5 th vote of the Board.					
(6) FUNDING SOURCE(S) General Fund Contingencies		(7) CURRENT YEAR FINANCIAL IMPACT \$358,750		(8) ANNUAL FINANCIAL IMPACT \$0.00	
(9) BUDGETED? No					
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input checked="" type="checkbox"/> Board Business (Time Est. 45 min.)					
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A			(12) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: multiple <input checked="" type="checkbox"/> 4/5th's Vote Required <input type="checkbox"/> N/A		
(13) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) n/a			(14) W-9 <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes		
(15) LOCATION MAP N/A		(16) BUSINESS IMPACT STATEMENT? No		(17) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date _____	
(18) ADMINISTRATIVE OFFICE REVIEW					
(19) SUPERVISOR DISTRICT(S) All Districts -					

County of San Luis Obispo



TO: Board of Supervisors

FROM: Administrative Office / Emily Jackson
781-5011

DATE: 5/22/2012

SUBJECT: Submittal of the Fiscal Year 2011-12 Third Quarter Financial Report.

RECOMMENDATION

It is recommended that the Board of Supervisors:

1. Receive, review, and file the Fiscal Year 2011-12 Third Quarter Financial Report;
2. Approve miscellaneous budget adjustments totaling \$1,521,515 (summarized on page 18 of the attached report) resulting from unbudgeted year-end costs. The recommended financing for the adjustments consists of \$358,750 from General Fund contingencies and the remaining \$1,162,765 from unanticipated revenues and expenditure savings from within departmental budgets;
3. Approve an appropriation totaling \$141,459 from Public Facilities Fees - Library collected during FY 2011-12 to make the annual loan payment, and increase the Designated Fund Balance-Library Cambria in the General Government Building Replacement Fund by a corresponding amount;
4. Increase the Designated Fund Balance- Library Cambria in the General Government Building Fund by \$70,430, the amount of the Cambria Library loan repayment amount in FY 2009-10;
5. Amend the Fixed Asset list for Fund Center 140- County Fire, as outlined in the staff report from County Fire on pages 19-20 of the attached report;
6. Amend the Fixed Asset list for Fund Center 136- Sheriff-Coroner, as outlined in the staff report from the Sheriff-Coroner on pages 21-23 of the attached report, and approve corresponding budget adjustments;
7. Amend the Fixed Asset list for Fund Center 137- Animal Services to replace one high capacity washer with two smaller industrial washers and a water heater, as outlined on pages 24-25 of the attached report;
8. Accept cash donations and approve a budget adjustment in the amount of \$33,337.73 from the Library's Gift Trust Fund to the Fund Center 377 - Library operating budget;
9. Accept cash donations and approve a budget adjustment in the amount of \$6,719 from Park's Gift Trust Fund to the Fund Center 305 - Parks operating budget;
10. Accept a contribution of \$200 made to Fund Center 139- Probation from the California Association of Probation Service Administrators;
11. Accept donations and approve a budget adjustment in the amount of \$1,579 from the Social Services Gift Trust Fund to the Fund Center 180 - Social Services Administrative operating budget.
12. Approve a request from the Public Works Department for relief from accountability for uncollectable Engineering Checking and Inspection Agreement charges in the amount of \$1,535;
13. Approve a request from the General Services Agency to declare 18 vehicles as surplus, authorize their removal for the County fleet, and authorize their sale to recover salvage value in accordance with County Code Section 2.36.030(5).

Recommendations 2 through 13 require a 4/5th vote of the Board.

DISCUSSION

This report provides the Board of Supervisors and the public with an overview of the County's financial performance through the end of the third quarter of Fiscal Year 2011-2012. This report is divided into six sections, as follows:

Section 1 - Provides an overview of the County's financial position at the end of the third quarter. A brief summary of noteworthy financial or operational issues by fund center is also provided. Comments are not provided for fund centers reporting no issues in the third quarter.

Section 2 - Provides a big picture analysis of third quarter revenue receipts by category (e.g., taxes, charges for services, etc.) and fund (e.g., General Fund, Road Fund, etc.) as well as a review of contingency, designation and reserve activity.

Section 3 - Provides a listing of all personnel changes approved by the Board of Supervisors during the third quarter.

Section 4 - Provides miscellaneous financial items for the Board's consideration, such as requests from departments for acceptance of gift funds and donations, requests for relief from accountability, miscellaneous budget adjustments, and a request from the General Services Agency to declare vehicles surplus and authorize their disposal.

Section 5 - Provides an update on the Capital Improvement Projects (CIP) managed by the General Services Agency and Public Works Department.

Section 6 - Provides an update on all County projects funded with American Reinvestment and Recovery Act (ARRA) funds through the end of the third quarter of FY 2011-12.

Section 7 - Provides the annual Debt Review from the Auditor-Controller. The report confirms that the County is in compliance with legal debt limitations and comments on the County's overall debt.

Section 8 - Provides an update on the implementation of the 2011 Public Safety Realignment Plan approved by the Board of Supervisors on October 11, 2011.

Executive Summary

Overall spending levels and revenue receipts as of the end of third quarter of FY 2011-12 are similar to those from the third quarter of FY 2010-11. In the General Fund, expenditures are 66% of budget and revenue is 58% of budget. For All Funds, expenditures are 60% of budgeted levels and revenues are 57% of budget—both higher as compared to the same period last year. Revenue levels are typical for the third quarter due to the time lag involved in billing cycles and the receipt of reimbursements, and because some of the largest revenue sources are historically realized closer to the end of the fiscal year.

The third quarter report is typically when County departments make year-end adjustments. Approximately \$1.98 million in unbudgeted expenditures is projected through year end. County departments report that they expect to absorb a majority of this through a combination of salary savings generated by staff vacancies, reductions in services and supplies costs, and unanticipated revenue. The balance of the expenditures is proposed to be covered with \$358,750 worth of General Fund Contingencies.

Similar to last year, there is a very minimal amount of prevailing wage adjustments for departments to absorb. This is due to the nearly complete implementation of the Board's major initiatives for the County's labor program, including: 1) pension cost sharing, 2) the implementation of a 2nd tier pension plan, and 3) the elimination of formulaic wage increases. The only department with a prevailing wage cost to absorb in FY 2011-12 is the Sheriff-Coroner, which must absorb \$461,776, due to a previously negotiated, retroactive wage increase for members of the Deputy Sheriffs' Association (DSA). The Sheriff-Coroner has sufficient salary savings to absorb this increased cost, therefore no prevailing wage expense is included in the total amount of budget adjustments recommended for approval.

The table below provides a summary of third quarter expenses and financing sources:

ADDITIONAL EXPENSE	AMOUNT
Prevailing Wage Expense	\$461,776
Other Expense	\$1,521,515
TOTAL EXPENSE	\$1,983,291
FINANCING SOURCES	AMOUNT
Expenditure Savings	\$623,342
Unanticipated Revenue	\$1,001,199
General Fund Contingencies	\$358,750
TOTAL FINANCING SOURCES	\$1,983,291

Noteworthy issues identified as of the end of the third quarter, as well as noteworthy budget adjustments are summarized below:

County Counsel

County Counsel is requesting a budget adjustment in the amount of \$150,000 from General Fund Contingencies. The funding will be used to pay for outside counsel to defend against litigation initiated by the Deputy County Counsels' Association (DCCA) and the San Luis Obispo Government Attorneys' Union (SLOGAU). The litigation centers on the assertion by the unions that they have a vested right in the method of allocation of pension cost increases, as well as the methodology by which prevailing wage is calculated, and that therefore, those topics are not subject to bargaining. The County's position is that pension cost sharing and the method for determining prevailing wage adjustments are mandatory subjects of bargaining. The hiring of outside counsel for this matter was previously approved by the Board in closed session.

Court Operations

At the end of the third quarter, the Court Operations fund center is projected to end the year with a General Fund contribution that is approximately \$320,000 less than budgeted. This is due to shortfalls in revenue from County Motor Vehicle Criminal Fines, State Penalty Assessments, and Traffic School fees. More detailed information on Court Operations revenues is included in Section 1 of the report.

Public Defender

At the end of the third quarter, it is projected that the Public Defender budget will end the year approximately \$575,000 over its budgeted level of General Fund support, due both to a projected revenue shortfall and greater than budgeted expenditures. Revenue is expected to end the year approximately \$375,000 under budget due to a decrease in adult defendant reimbursement fees, as well as a projected decline in reimbursement revenue from the State for the defense of crimes committed at the California Men's Colony (CMC) and the Atascadero State Hospital (ASH). Expenditures are expected to end the year approximately \$200,000 over budget due to a major multiple-defendant murder trial that is currently making its way toward the trial phase.

A budget adjustment of \$200,000 from General Fund Contingencies to the Public Defender budget is requested in order to ensure sufficient appropriation through the end of the fiscal year. More detailed information about the status of the Public Defender budget is included in Section 1 of the report.

Community Development

The Planning and Building Department is requesting a budget adjustment to transfer \$8,750 from General Fund Contingencies to the Community Development budget to support homeless services programs. Earlier in the year, the County provided \$5,000 to the Community Action Partnership of San Luis Obispo (CAPSLO) to set up

warming stations at the Prado Day Center on nights when the temperature drops to a level unsafe for homeless individuals to sleep outside. To date, the warming station at the Prado Day Center has been open for 18 nights. In addition, it is recommended that the County match a \$3,750 contribution from the City of San Luis Obispo for the pilot Safe Parking program at the Prado Day Center. CAPSLO's total cost for this 6 month pilot program, which will accommodate five vehicles, is \$10,000.

Social Services

The combined financial status of the Department of Social Services' four fund centers is projected to be below its budgeted level of General Fund support at year end. However, expenditures for the In Home Supportive Services (IHSS) program have run higher than budgeted and could exceed budgeted levels by as much as \$523,000 (13.5%) over the budgeted \$3.86 million for the County's share of IHSS by year end. The increase is driven by a higher than anticipated increase in care hours, and has prompted the Department to institute changes to more closely monitor the approval of increased hours and new case authorizations. In spite of these unanticipated expenditures, the Department projects it will end the year within its budgeted level of General Fund Support. More detailed information about the status of the Department of Social Services' budget is included in Section 1 of the report.

Airports

At the end of the third quarter, operational revenues and expenditures for Airports continue to be below budgeted levels. It is projected that at year end, operational expenditures will exceed revenues by approximately \$58,200. Enplanements through the third quarter have decreased by 2.5% compared to the same time period last year. The drop off in enplanements is largely due to reductions in the number of seats offered by US Airways, and is expected to last until sometime after July 1, 2012.

OTHER AGENCY INVOLVEMENT/IMPACT

All departments contributed to the development of this report. The Administrative Office and the Auditor-Controller's Office compiled data from departments and other sources into the report. The Human Resources Department provided a summary of Board approved position allocation list changes for the second quarter of this fiscal year. The General Services Agency and the Public Works Department prepared the capital improvement and maintenance update reports for the projects they manage. The Auditor-Controller has prepared the Annual Debt Review.

FINANCIAL CONSIDERATIONS

Approval of the above recommendations will allow for budget adjustments to various fund centers totaling approximately \$1.52 million, including three requests for General Fund Contingencies totaling \$358,750. Approval is also requested to accept \$41,836 in gift funds and donations on behalf of the Library, Parks, Probation Department and the Department of Social Services; and discharge \$1,535 of bad debt on behalf of the Public Works Department.

RESULTS

This report provides the Board of Supervisors and public with an overview of the County's financial position through the third quarter of FY 2011-12.

ATTACHMENTS

1. Fiscal Year 2011-12 Third Quarter Financial Report.