

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

(1) DEPARTMENT Auditor - Controller	(2) MEETING DATE 9/18/2012	(3) CONTACT/PHONE Andrea McGarvey 781-5045 Teresa Andrews-Hurliman 781-5038	
(4) SUBJECT Submittal of a resolution approving 2012/2013 Final Budget Actions.			
(5) RECOMMENDED ACTION It is recommended that your Board approve, by 4/5 vote, the attached resolution which:  Adopts final appropriations, reserves, designations and contingencies for the 2012/2013 fiscal year pursuant to direction given in Board Resolution No. 2012-161 relative to the determination of the June 30, 2012 final fund balances.			
(6) FUNDING SOURCE(S) Various	(7) CURRENT YEAR FINANCIAL IMPACT \$21.3 Million for a total Final Budget of \$491 Million	(8) ANNUAL FINANCIAL IMPACT N/A	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT { } Consent { } Presentation { } Hearing (Time Est. _____) { x } Board Business (Time Est. <u>20</u> )			
(11) EXECUTED DOCUMENTS { x } Resolutions { } Contracts { } Ordinances { } N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? NO BAR ID Number: N/A { } 4/5th's Vote Required { } N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY { } N/A Date <u>September 6, 2011</u>	
(17) ADMINISTRATIVE OFFICE REVIEW  Please refer to the memo from the County Administrative Office included as part of this staff report for additional information.			
(18) SUPERVISOR DISTRICT(S) All Districts -			

# County of San Luis Obispo



TO: Board of Supervisors

FROM: Gere W. Sibbach  
Auditor - Controller

DATE: 9/18/2012

SUBJECT: Submittal of a Resolution approving 2012/2013 Final Budget Actions

## **RECOMMENDATION**

It is recommended that your Board approve, by 4/5 vote, the attached resolution which:

Adopts final appropriations, reserves, designations and contingencies for the 2012/2013 fiscal year pursuant to direction given in Board Resolution No. 2012-161 relative to the determination of the June 30, 2012 final fund balances.

## **DISCUSSION**

During the first week of August, 2012, the County's books were officially closed and final fund balances were determined. Estimated fund balances were adjusted in accordance with Board Resolution 2012-161. In cases where there is excess fund balance the amounts are applied towards contingencies, reserves and designations or appropriations. In cases where there is a deficiency in fund balance the applicable amount is taken from reserves/designations, contingencies or appropriations.

Fund Balance Available is affected by increases to budgeted expenditures and revenue, increases and decreases in encumbrances, repayment of internal financing loans, adjustments for receivables not guaranteed to be collected and actual expenditures and revenues.

### **General Fund: Fund Balance Available (FBA)**

Estimated Fund Balance Available (FBA) of \$20.7 million was used to provide funding for the 2012/13 fiscal year budget. However, final actual FBA exceeded estimates by a total of \$11.1 million. The net increase included \$4.9 million from operations, establishing a designation for sales tax related to solar plant projects of \$(.5) million, adjusting receivables by \$(1.4), internal financing repayment of \$.6 million for a total of \$3.6 million. Additionally, a one-time loan repayment of \$7.45 million was recorded bringing total excess FBA to \$11.1 million.

### **Explanation of one time loan repayment:**

Governmental fund balance is simply the net difference between total assets and total liabilities. However, for budgetary purposes, we subtract certain amounts to arrive at "fund balance available" which is a resource for the next budget year. One of the items that we subtract is restricted loans to other funds, since we cannot spend that cash until the repayment is actually received.

Over past years, the General Fund lent \$7.45 million to the Los Osos sewer project fund. In order to prevent spending the same money twice, we restricted that amount and reduced the General Fund balance available. In June of 2011, the Sewer Project borrowed from outside sources and repaid the \$7.45 million to the General Fund. This was properly anticipated in

the 2010-2011 budget, and when the repayment was received the fund balance was increased. However, the Auditor's Office failed to remove the \$7.45 million restriction and return it to fund balance available.

Approximately a year later, in the process of closing the books for 2011/2012, it was discovered that the fund balance restriction should have been removed. Therefore, we reported to the County Administrator a one-time \$7.45 million increase in fund balance available and we are now reporting the increase to your Board at this time. This should have been reported a year earlier, but unfortunately in the bustle of the 2011 year-end closing it was missed.

**Recommendation for excess Fund Balance Available:**

Recommended additional FBA is intended to be one-time and not a commitment to ongoing, additional allocations due to the one-time nature of the additional FBA.

The \$3.6 million difference is recommended to be added to designations, contingencies and appropriations as follows:

General Fund:	Fire Equipment Replacement Designation	250,000
General Fund:	Appropriation-Contributions to Other Agencies	62,500
Road Fund:	Appropriation-Pavement Management	1,500,000
Parks Fund:	Parks Projects Designation	600,000
Community Development:	Appropriation-Professional Services	18,000
Capital Projects Fund:	Solar/energy Designation (new)	<u>1,199,787</u>
Total adjustments:		\$3,630,287

The \$7.45 million difference is recommended to be added to designations as follows:

General Fund:	Pension Obligation repayment Designation	4,000,000
Capital Projects Fund:	Facility Planning Designation	<u>3,450,000</u>
Total adjustments:		\$7,450,000

It is recommended that \$4,000,000 be added to the Pension Obligation repayment Designation as a partial funding mechanism to repay bonds that will mature in the future.

See the memo below from the Administrative Office for additional details on the recommendations.

**Differences in estimated and actual FBA:**

The list below highlights the main differences between estimated FBA and actual ending\_FBA (note: this schedule compares what was originally estimated for FBA and actual or ending FBA). The comparison between budget and actual will be presented to the Board in the fourth quarter report scheduled for September 18, 2012.

Differences in estimated and actual FBA:

Expenditure savings:	\$14.5	million
Non-Departmental revenue:	2.9	million
Department revenue shortfall:	(12.1)	million
Contingency difference:	(.4)	million
Internal financing	.6	million
Adjustment for receivables	(1.4)	million
Establish Solar Plant Sales Tax designation	<u>(.5)</u>	million
Differences in estimated and actual from operations:	\$3.6	million

Internal financing:	<u>7.5</u>	million
Total differences:	\$11.1	million

**General Fund Contingencies:**

- General Fund Contingencies ended the year at \$13.7 million or approximately \$.4 million lower than estimated.

**Non-Departmental revenue:**

• Non-Departmental revenue: was estimated to be \$146 million – actual Non-Departmental revenue was \$149 million. This schedule details what was estimated from what was realized. (Actual Non-Departmental revenue was approximately \$4.8 million greater than budget). The increase in Property Tax from estimate is because the delinquency rate fell by 1% from the prior year to less than 1.8%. Each 1% of delinquencies equals approximately \$1 million in general fund revenue. Sales tax revenue was higher than estimates due to several one-time projects that were not anticipated including solar plant sales tax, reallocation of sales tax from prior periods, higher than estimated payments related to utility projects and a 7% increase in general sales tax. For details of major revenue accounts in Non-Departmental revenue see chart below.

**Non-Departmental Revenue**

	<i>Estimated</i>	<i>Actual</i>	<i>Difference</i>
Property Taxes - Secured	84,163,644	85,152,390	988,746
Property Taxes - Unitary	7,581,438	7,579,341	(2,097)
Supplemental Current Secured	1,000,000	863,818	(136,182)
Sales and Use Tax	6,000,000	7,370,278	1,370,278
Property Transfer Tax	1,500,000	1,437,561	(62,439)
Transient Occupancy Tax	6,100,000	6,449,832	349,832
Property Taxes in lieu of Sales Tax and VLF	29,179,913	28,673,712	(506,201)
Interest Revenue	160,000	376,928	216,928
Franchise Fees	2,799,649	2,781,080	(18,569)
Supplemental Roll 5% Admin	300,000	292,685	(7,315)
Federal Aid – In-Lieu BLM	1,020,000	1,069,926	49,926
Others	6,271,820	7,026,107	973,767
Total Non-Departmental Revenue	146,076,464	149,073,658	2,997,194

**Other Funds: Fund Balance Available (FBA)**

See Exhibit 1 for the original estimated and final FBA for all funds. See Exhibit 2 for final 2012/13 balances of reserves, designations and contingencies.

**OTHER AGENCY INVOLVEMENT/IMPACT**

The Auditor-Controller’s Office and the Administrative Office have coordinated changes in contingencies, designations/reserves or appropriations with affected departments.

**FINANCIAL CONSIDERATIONS**

The final budget document reflects balanced financing sources and requirements of approximately \$491 million.

## **RESULTS**

Intended results are to meet County Budget Act requirements for filing the San Luis Obispo County final budget with the State Controller's Office no later than December 1, 2012.

## **ATTACHMENTS**

1. Exhibit 1 and 2: Proposed Versus Actual Fund Balances and Reserves and Designations for FY 2012/2013
2. FY 2012/13 Final budget resolution

# County of San Luis Obispo



TO: Board of Supervisors

FROM: Jim Grant, County Administrator

DATE: September 18, 2012

SUBJECT: 2012-13 Final Budget Actions

The Auditor-Controller's Office is responsible for estimating Fund Balance Available (FBA) as part of the proposed budget process and for calculating the actual FBA after the books close at the end of the fiscal year. An estimated FBA of \$20.7 million was used in calculating the FY 2012-13 proposed General Fund budget. However, when the County's books closed in August, actual FBA for the General Fund was \$11.1 million higher than estimated. Please refer to the Auditor's Office staff report for an explanation of how estimated and actual FBA is calculated and why the variance occurred.

The Administrative Office has the responsibility of making recommendations to your Board regarding the use of any additional General Fund FBA. As noted above and in the Auditor's Office staff report, FBA was \$11.1 million higher than anticipated. The additional FBA is broken into two categories- "standard" FBA and the portion related to the repayment of the General Fund loan to the Los Osos wastewater project. The additional FBA is recommended to be allocated as follows:

Standard FBA of \$3,630,287:

- \$1,500,000 to FC 245 – Roads:
  - \$825,000 to pavement management
  - \$675,000 to maintenance
- \$600,000 to Parks Projects designation
- \$250,000 to Fire Equipment Replacement designation
- \$18,000 to FC 290 - Community Development (intended for Economic Vitality Corporation (EVC) via contract increase)
- \$62,500 to FC 106 – Contributions to Other Agencies
  - \$50,000 intended for SLO County Visitors and Conference Bureau (VCB) via contract increase
  - \$12,500 increase to District Community Project Funds (\$2,500 per District)

- \$1,199,787 to FC 230 – Capital Projects for the creation of the new Solar/Energy designation

The additional funding for Parks is intended to help fund future Parks' projects or major maintenance projects which are currently on a backlog list.

During budget hearings, the VCB requested an additional \$50,000 in order to continue its implementation of the SLO Uniquely Cluster of the Economic Strategy. Additionally, as part of the budget process, the EVC requested additional funds to help fund its operations. It is recommended that \$18,000 of FBA be set aside to potentially fund this request. Staff is working with the EVC regarding their plans for the use of these funds.

It is recommended that District Community project funds be increased by \$12,500, \$2,500 per supervisorial district, in order to offset reductions made in prior years.

On August 28, 2012, staff provided an update to your Board regarding countywide energy policies and strategies. It was proposed that staff investigate options for installing solar panels on county buildings and land. It is recommended that \$1,199,787 of the additional FBA be set aside in a new reserve/designation in order to help fund future projects.

Additional FBA of \$7,450,000 related to the repayment of the Los Osos loan:

- \$4,000,000 to the Pension Obligation Bond (POB) repayment designation
- \$3,450,000 to FC 230 - Capital Projects, Facilities Planning designation

The POB repayment designation is located in the General Fund. These funds will be used to help pay down the POB bonds.

The allocation to the capital projects designation is intended to be set aside in order to help fund future projects included in the County's capital projects plans (5 year plan).

The allocation of the additional FBA is intended to be one-time and not a commitment to ongoing, additional allocations due to the one-time nature of FBA.