

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

(1) DEPARTMENT Administrative Office	(2) MEETING DATE 3/5/2013	(3) CONTACT/PHONE Emily Jackson, Administrative Analyst	
(4) SUBJECT Submittal of the Fiscal Year 2012-13 Second Quarter Financial Report.			
(5) RECOMMENDED ACTION It is recommended that the Board: <ol style="list-style-type: none"> 1. Receive, review, and file the Fiscal Year 2012-13 Second Quarter Financial Report; 2. Accept cash donations in a total amount of \$35,580.30 on behalf of the Department of Social Services, Library, Parks and Airports and approve associated adjustments as outlined in Section 4 of the FY 2012-13 Second Quarter Financial Report; 3. Approve a budget adjustment in the amount of \$550,000 from General Fund contingencies to offset unbudgeted expenditures for a multiple defendant capital murder trial in FC 135 – Public Defender; 4. Approve a budget adjustment in the amount of \$28,894 from FC 290 - Community Development contingencies to the FC 290 operating budget; 5. Approve a budget adjustment in the amount of \$40,787 from unanticipated revenue to FC 377 - Library to support the San Luis Obispo Literacy Council; 6. Approve a budget adjustment in the amount of \$240,000 from the FC 138 -Emergency Services Nuclear Power Plant Preparedness trust fund to the FC 138 operating budget; 7. Approve a budget adjustment in the amount of \$330,000 from the designated fund balance in FC 230 - Capital Projects to Operating Transfers Out, also in FC 230 - Capital Projects to allow the transfer of funds for a maintenance project authorized in the FY 2012-13 budget in Fund Center 200 - Maintenance Projects; 8. Amend the fixed asset list for FC 140 - County Fire to add equipment in the amount of \$100,000 for the countywide emergency radio repeater network; 9. Approve a budget adjustment in the amount of \$18,000 in FC 425 - Airports to transfer Tax Reduction Reserve revenue and capital outlay expenditures from the Parking Lot Upgrade project to the Terminal Upgrade project; 10. Approve requests by Public Works- Special Services and the Department of Social Services for relief from accountability for uncollectable debt in the amounts of \$2,497.99 and \$56,071.80 respectively, as outlined in Section 4 of the FY 2012-13 Second Quarter Financial Report; 11. Approve a request from the General Services Agency to declare 18 vehicles as surplus, authorize their removal from the County fleet, and authorize their sale to recover salvage value in accordance with County Code Section 2.36.030(5). <p>Recommendations 2 through 9 require a 4/5ths vote.</p>			
(6) FUNDING SOURCE(S) General Fund Contingencies	(7) CURRENT YEAR FINANCIAL IMPACT \$550,000	(8) ANNUAL FINANCIAL IMPACT N/A	(9) BUDGETED? No
(10) AGENDA PLACEMENT { } Consent { } Presentation { } Hearing (Time Est. ___) {x} Board Business (Time Est. <u>20 min</u>)			
(11) EXECUTED DOCUMENTS { } Resolutions { } Contracts { } Ordinances {x} N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: multiple {x} 4/5th's Vote Required { } N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY { } N/A Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW			
(18) SUPERVISOR DISTRICT(S) All Districts -			

County of San Luis Obispo



TO: Board of Supervisors
FROM: Emily Jackson, Administrative Analyst
DATE: 3/5/2013
SUBJECT: Submittal of the Fiscal Year 2012-13 Second Quarter Financial Report.

RECOMMENDATION

It is recommended that the Board:

1. Receive, review, and file the Fiscal Year 2012-13 Second Quarter Financial Report;
2. Accept cash donations in a total amount of \$35,580.30 on behalf of the Department of Social Services, Library, Parks and Airports and approve associated adjustments as outlined in Section 4 of the FY 2012-13 Second Quarter Financial Report;
3. Approve a budget adjustment in the amount of \$550,000 from General Fund contingencies to offset unbudgeted expenditures for a multiple defendant capital murder trial in FC 135 – Public Defender;
4. Approve a budget adjustment in the amount of \$28,894 from FC 290 - Community Development contingencies to the FC 290 operating budget;
5. Approve a budget adjustment in the amount of \$40,787 from unanticipated revenue to FC 377 - Library to support the San Luis Obispo Literacy Council;
6. Approve a budget adjustment in the amount of \$240,000 from the FC 138 -Emergency Services Nuclear Power Plant Preparedness trust fund to the FC 138 operating budget;
7. Approve a budget adjustment in the amount of \$330,000 from the designated fund balance in FC 230 - Capital Projects to Operating Transfers Out, also in FC 230 - Capital Projects to allow the transfer of funds for a maintenance project authorized in the FY 2012-13 budget in Fund Center 200 - Maintenance Projects;
8. Amend the fixed asset list for FC 140 - County Fire to add equipment in the amount of \$100,000 for the countywide emergency radio repeater network;
9. Approve a budget adjustment in the amount of \$18,000 in FC 425 - Airports to transfer Tax Reduction Reserve revenue and capital outlay expenditures from the Parking Lot Upgrade project to the Terminal Upgrade project;
10. Approve requests by Public Works- Special Services and the Department of Social Services for relief from accountability for uncollectable debt in the amounts of \$2,497.99 and \$56,071.80 respectively, as outlined in Section 4 of the FY 2012-13 Second Quarter Financial Report;
11. Approve a request from the General Services Agency to declare 18 vehicles as surplus, authorize their removal from the County fleet, and authorize their sale to recover salvage value in accordance with County Code Section 2.36.030(5).

Recommendations 2 through 9 require a 4/5ths vote.

DISCUSSION

Overview

This report is intended to provide the Board of Supervisors and the public with an overview of the County's financial performance through the Second Quarter of Fiscal Year 2012-13. The financial report presented to the Board contains exception reporting (i.e. no mention is made if the financial status of the fund center is within expected parameters). This Financial Report contains an overview of the drivers behind the significant variance between budgeted and actual use of

general fund dollars in the second quarter time frame of October 1, 2012 through December 31, 2012.

The report is divided into five sections:

- **Section 1-** provides an overview of the County's financial position at the end of the second quarter, as well as brief summaries of noteworthy departmental fiscal and operational issues.
- **Section 2-** provides a big picture analysis of second 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 summary of all personnel changes approved by the Board of Supervisors, or made administratively by the Human Resources Department during the second quarter.
- **Section 4-** provides a summary of miscellaneous financial items for the Board's consideration, such as requests from departments for acceptance of gift funds and donations, discharge of bad debt and miscellaneous budget adjustments (details are provided in Attachments #2-5).
- **Section 5-** provides an update on the capital improvement projects and maintenance projects managed by the General Services Agency and Public Works department (details are provided in Attachment #6).

Executive Summary

The overall spending levels and revenue receipts at the end of the second quarter for FY 2012-13 were generally consistent with prior years. General Fund expenditures were 44% of budget, while General Fund revenues were realized at 36% of budget. This level of realization of revenue is typical for the second quarter due to the time lag involved in billing cycles and the receipt of reimbursements. Some of the largest revenue sources, such as property taxes, are realized later in the fiscal year.

Variances noted last quarter or that have emerged as of the second quarter are noted below:

Property Tax Administrative Fee Refund

In a recent case filed by the City of Alhambra and numerous other cities within Los Angeles County, the California Supreme Court has upheld a lower appellate court ruling which concluded that a portion of the Property Tax Administrative Fee (PTAF) charged by the County of Los Angeles to the incorporated cities is not allowable. The appellate court ruling overturned a previous superior court ruling in favor of Los Angeles County. Specifically, the court held that a portion of property tax revenue received in lieu of Vehicle License Fees (VLF) and Sales and Use Tax may not be included in the calculation for determining each city's share of property tax revenue, which is used as the basis for allocating the appropriate PTAF to cities. Based on these rulings, the County of San Luis Obispo will be refunding a total of approximately \$1.9 million of PTAF including interest to the incorporated cities in San Luis Obispo County by the end of the fiscal year.

Information Technology- Agreement with Court to Defer Mainframe Costs

As a result of an agreement with the Superior Court to defer mainframe computer costs in FY 2012-13 and FY 2013-14, Information Technology (IT) will experience a decline in revenues of approximately \$900,000 over the two years. This loss of revenue is not expected to cause significant service level impacts in IT in the current year. However, this loss of revenue in the FY 2013-14 IT budget may impact the department's ability to provide services and its capacity to address new IT projects. Additional information can be found in Section 1 of the report.

Public Defender

At the end of the second quarter, Public Defender expenditures are over budget by approximately \$400,000. This is due to the impact of a multiple defendant murder case. As in past years, expenditures for this case have not been included in the adopted budget. A budget adjustment in the amount of \$550,000 is requested from General Fund contingencies to offset these costs. Three of the defendants have pled guilty so their cases will not go to trial. The cases for the two remaining defendants will proceed to trial and are expected to be completed in March or April. Additional information can be found in Section 1 of the report.

Social Services

At the end of the second quarter, the Department of Social Services is reporting that expenditures for Foster Care/Adoptions may exceed budgeted levels by as much as \$669,000 at year end. This anticipated overage is due to several different factors, including an increase in both Foster Care and Adoptions caseloads, a continued

decrease in the number of cases that are federally eligible, and the implementation of Extended Foster Care, which extended foster care benefits to youth up to age 21. Expenditure levels may change during the second half of the year if there are changes to caseloads, but it is likely that a budget adjustment will be needed at third quarter to increase expenditure appropriations and bring in additional 1991 Realignment funds to cover the increased expenditures, without any need for additional general fund. Additional information can be found in Section 1 of the report.

OTHER AGENCY INVOLVEMENT/IMPACT

All departments contributed to the development of this report. The Administrative Office, Human Resources, and the Auditor-Controller's Office compiled data from departments and other sources for the report.

FINANCIAL CONSIDERATIONS

Approval of the above recommendations will have a total impact to the General Fund of \$550,000 as the result of the adjustment for the Public Defender for the multiple defendant capital case.

Approval of the recommendations will also allow for a total of \$35,580.30 in gift funds and donations to be accepted on behalf of Airports, Parks, Library, and Social Services; and will discharge a total of \$58,569.79 of bad debt on behalf of the Public Works Department and Department of Social Services.

RESULTS

This report provides the Board of Supervisors and the public with an overview of the County's financial position at the end of the second quarter of Fiscal Year 2012-13.

ATTACHMENTS

1. Attachment 1- FY 2012-13 Second Quarter Report
2. Attachment 2- Section 4- Acceptance of Gift Funds
3. Attachment 3- Section 4- Requests for Relief From Accountability
4. Attachment 4- Section 4- Miscellaneous Budget Adjustments
5. Attachment 5- Section 4- Declaration of Surplus Vehicles
6. Attachment 6- Section 5- Capital Projects Update