

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

(1) DEPARTMENT Administrative Office	(2) MEETING DATE 11/25/2014	(3) CONTACT/PHONE Leslie Brown (805) 781-5011	
(4) SUBJECT Submittal of the FY 2014-15 First Quarter Financial Report and request to approve various financial actions as detailed in Section 4 of the report. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board of Supervisors: <ol style="list-style-type: none"> <li>1. Receive, review, and file the FY 2014-15 First Quarter Financial Report;</li> <li>2. Authorize a budget adjustment to increase revenue and appropriations in Fund Center 290 – Community Development by \$750,000 to reflect recaptured HOME funds from the U.S Housing and Urban Development Department for allocation to the Courtland Street Apartments Project;</li> <li>3. Approve the creation of a designation within the General Fund: “Prop 172 Solar”; and authorize a corresponding budget adjustment in the amount of \$4,270,609 from FC 101 – Non-Departmental Revenue to the Prop 172 Solar Designation to reserve these funds for future public safety use;</li> <li>4. Accept cash donations and authorize a budget adjustment in the amount of \$20,119.90 from the Library Gift Trust Fund to FC 377 – Library operating budget;</li> <li>5. Accept gift funds in the amount of \$897.20 and authorize a budget adjustment to move the funds from the Social Services Gift Trust Fund to the FC 180 – Social Services Administrative operating budget;</li> <li>6. Approve a request from the Department of Social Services for relief from accountability for uncollectable debt in the amount of \$20,790.44 for the CalWORKs, CalFresh and General Assistance programs;</li> <li>7. Approve a request from the General Services Agency to declare 42 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).</li> <li>8. Amend the Fiscal Year 2014-15 Fixed Asset list for FC 407- Fleet Services to add a replacement van to the Department of Social Service’s fleet.</li> </ol> <p>Recommendations 2 through 5 require a 4/5<sup>ths</sup> vote.</p>			
(6) FUNDING SOURCE(S) Donations	(7) CURRENT YEAR FINANCIAL IMPACT \$21,017 in gift funds	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT { } Consent    { } Presentation    { } Hearing (Time Est. ___)    { <b>X</b> } Board Business (Time Est. <u>10 min.</u> )			
(11) EXECUTED DOCUMENTS { } Resolutions    { } Contracts    { } Ordinances    { <b>X</b> } N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: 1415045, 1415046, 1415044, and 1415047 { } 4/5 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 This item was prepared by the Administrative Office			

(18) SUPERVISOR DISTRICT(S)

All Districts

# County of San Luis Obispo



TO: Board of Supervisors

FROM: Administrative Office / Leslie Brown  
(805) 781-5011

DATE: 11/25/2014

SUBJECT: Submittal of the FY 2014-15 First Quarter Financial Report and request to approve various financial actions as detailed in Section 4 of the report. All Districts.

## **RECOMMENDATION**

It is recommended that the Board of Supervisors:

1. Receive, review, and file the FY 2014-15 First Quarter Financial Report;
2. Authorize a budget adjustment to increase revenue and appropriations in Fund Center 290 – Community Development by \$750,000 to reflect recaptured HOME funds from the U.S Housing and Urban Development Department for allocation to the Courtland Street Apartments Project;
3. Approve the creation of a designation within the General Fund: “Prop 172 Solar”; and authorize a corresponding budget adjustment in the amount of \$4,270,609 from FC 101 – Non-Departmental Revenue to the Prop 172 Solar Designation to reserve these funds for future public safety use;
4. Accept cash donations and authorize a budget adjustment in the amount of \$20,119.90 from the Library Gift Trust Fund to FC 377 – Library operating budget;
5. Accept gift funds in the amount of \$897.20 and authorize a budget adjustment to move the funds from the Social Services Gift Trust Fund to the FC 180 – Social Services Administrative operating budget;
6. Approve a request from the Department of Social Services for relief from accountability for uncollectable debt in the amount of \$20,790.44 for the CalWORKs, CalFresh and General Assistance programs;
7. Approve a request from the General Services Agency to declare 42 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).
8. Amend the Fiscal Year 2014-15 Fixed Asset list for FC 407- Fleet Services to add a replacement van to the Department of Social Service’s fleet.

Recommendations 2 through 5 require a 4/5<sup>th</sup> 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 first quarter of FY 2014-15, which spans from July 1 through September 30, 2014. The financial report presented to the Board primarily contains exception reporting; in other words, in most cases no mention is made if the financial status of the fund center is within expected parameters. There are a few departmental fiscal issues of note that are included in this report even though the department expects to fully mitigate any impacts these issues may have on the General Fund.

The report (found in Attachment 1) is divided into five sections:

- **Section 1** - an overview of the County's financial position at the end of the first quarter of FY 2014-15, as well as brief summaries of noteworthy departmental fiscal and operational issues;
- **Section 2** - an update on the Status of Funds, Contingencies and Reserves;
- **Section 3** - a listing of all personnel changes approved by the Board of Supervisors and administrative personnel changes approved by the Human Resources Director during the first quarter;
- **Section 4** - miscellaneous financial items for the Board's consideration, such as requests from departments for acceptance of gift funds and donations, discharge of bad debt, various budget adjustments and surplus of aged Fleet vehicles;
- **Section 5** - an update on the capital improvement and maintenance projects managed by the General Services Department and Public Works Department (See Attachment 2).

### Executive Summary

The overall spending levels and revenue patterns for the first quarter are similar to those from the first quarter of FY 2013-14 for All Funds. General Fund expenditure levels are comparable to the same time in the prior fiscal year, however revenues were realized at a lower rate in FY 2014-15. This comparative decrease in the amount of revenue realized for the General Fund is primarily due to a timing difference in the recording of Current Unsecured Taxes, which resulted in a reduction of approximately \$2.2 million in revenue posted in the first quarter of FY 2014-15, compared to the prior year. It is important to note that this is simply a timing difference and the revenue will be realized in the second quarter of this fiscal year. Additionally, the County has realized a reduction of approximately \$1.16 million in sales tax and permit revenue generated from the two large solar plants in the Carrizo Plain. One plant has completed construction and the second plant is nearing completion.

It is important to note that the relatively low level of revenue realized for the General fund (7%) is typical for the first 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 historically realized later in the fiscal year.

### **Items of note in the first quarter:**

Given that only three months have elapsed in the fiscal year, it is typical that few significant variances have emerged. All departments are reporting that their budgets are on track and expect to remain within their budgeted level of General Fund support at the end of the year. However, there are some issues and information of note that deserve mention in this report.

#### Proposition 172 – Public Safety Revenue

Included in this report is a request to create a General Fund designation for revenue generated by a temporary increase in Prop 172 Public Safety revenue due to the construction of the two solar plants in the Carrizo Plain. Each year the County receives Public Safety revenue from the state, drawn from the half-cent sales tax dedicated to public safety per Proposition 172. This Public Safety revenue is collected and deposited into a state fund, where it is allocated based on a pro-rata share or "allocation factor" determined by the previous year's county sales, divided by total state sales. In recent years the County's allocation factor has increased as a result of the sales tax paid on the construction of two large solar projects in the Carrizo Plain. Once the construction of these two plants is completed, the County's share of Prop 172 revenue is expected to decrease back to historical levels.

In FY 2013-14, a total of \$4,270,609 was received, over and above the historical norm. Because the increase is temporary and outside of historical revenue trends (thus effectively one-time revenue), these funds have not been passed on to the public safety departments' operating budgets. Staff is requesting that a designation be created, to be named "Prop 172 Solar", to set these funds aside. Funds collected in FY 2014-15 (and possibly FY 2015-16) that exceed the County's historical share of the statewide Prop 172 fund will also be deposited in this designation, totaling perhaps \$1 million to \$2 million in additional revenue.

As with other designations, any future use of these funds would be subject to the approval of the Board of Supervisors. While funds must be expended to support public safety, their use would be at the discretion of the Board.

### County Fire

Recent changes to the compensation rates charged by Cal Fire, a State agency, will result in an unanticipated increase of approximately \$763,700 in expenditures for staffing costs in the FY 2014-15 County Fire budget. Two changes to Cal Fire staffing rates were made in September, after the Board had adopted the County's FY 2014-15 budget: the cost of employee benefits was increased by CalPERS which is expected to increase employee compensation costs by approximately \$405,700, and Firefighter wages are increasing as a result of collective bargaining spurred by the increase to the State minimum wage. These salary increases are expected to increase costs up to approximately \$358,000. However, County Fire will carefully manage its budget for the remainder of the year in an effort to offset the increase with expenditure savings within its existing budget.

### Community Development

In FY 2007-08 the County allocated \$750,000 of HOME funds for a site acquisition in Cambria. This project failed to meet required timelines and the funds were returned to the County by the subrecipient of the HOME funds, and returned to the Department of Housing and Urban Development (HUD) by the County. HUD made this amount available for reallocation and on June 17, 2014 the Board approved the reallocation of the \$750,000 to the Courtland Street Apartments Project (a 35 unit low income housing project) by People's Self Help Housing. The Department of Housing and Building is now requesting that the Board approve a budget adjustment to reflect the recaptured funds from HUD.

Additional detail on these issues as well as other issues of note is included in Section 1 of the attached 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. The General Services Department and the Public Works Department prepared the attached updates on capital and maintenance projects.

### **FINANCIAL CONSIDERATIONS**

Approval of the recommendations will allow for a total of \$21,017.10 in gift funds and donations to be accepted on behalf of the Library and Social Services. The Board is asked to approve a transfer of gift funds received by the Library, and Social Services to their respective FY 2014-15 operating budgets. In addition, the Board is asked to approve various budget adjustments that will have no impact on the General Fund.

### **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 first quarter for Fiscal Year 2014-15.

### **ATTACHMENTS**

1. Sections 1-5 of the FY 2014-15 Q1 Report
2. Memos from Departments related to budget adjustments
3. Capital and Maintenance Project Reports from the General Services and Public Works Departments