

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

(1) DEPARTMENT County Administrative Office		(2) MEETING DATE 3/6/2012	(3) CONTACT/PHONE 805/781-5011	
(4) SUBJECT Fiscal Year 2011-12 Second Quarter Financial Report including an update on the implementation of AB 109 State Public Safety Realignment.				
(5) RECOMMENDED ACTION 1. Receive, review, and file the Fiscal Year 2011-12 Second Quarter Financial Report; 2. Accept cash donations and approve a budget adjustment in the amount of \$2,221.00 from the Parks gift trust fund to the FC 305- Parks operating budget. 3. Accept cash donations and approve a budget adjustment in the amount of \$34,947.66 from the Library Gift Trust Fund to the FC 377- Library operating budget. 4. Approve a budget adjustment in the amount of \$598.00 from the Social Services Gift Trust Fund to the FY 2011-12 Social Services Administrative operating budget; 5. Accept a contribution in the amount of \$100,000 from the Atascadero Friends of the Library and an associated budget adjustment to move the funds into the Atascadero Building Expansion Designation. 6. Approve an appropriation transfer in Fund Center 140 - County Fire to move \$100,000 from Services and Supplies to Capital Outlay and amend the fixed asset list to include three replacement utility vehicles. 7. Approve a budget adjustment in the amount of \$15,000 from General Fund Contingencies to Fund Center 111-County Counsel to help pay for outside counsel to advise on proceedings related to the potential relicensing of the Diablo Canyon Nuclear Power Plant, and represent the County in the Los Osos bankruptcy matter. Recommendations 2 through 7 require a four-fifths (4/5) vote of the Board.				
(6) FUNDING SOURCE(S) General Fund	(7) CURRENT YEAR FINANCIAL IMPACT \$15,000 for County Counsel from General Fund Contingencies		(8) ANNUAL FINANCIAL IMPACT N/A	(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. 30 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: <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? N/A		(17) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date <u>Q1 Report, Nov. 22, 2011 (Item #9)</u>	
(18) ADMINISTRATIVE OFFICE REVIEW This item was prepared by the County Administrative Office.				
(19) SUPERVISOR DISTRICT(S) - ALL DISTRICTS				

County of San Luis Obispo



TO: Board of Supervisors

FROM: County Administrative Office/Geoff O'Quest

DATE: 3/6/2012

SUBJECT: Fiscal Year 2011-12 Second Quarter Financial Report including an update on the implementation of AB 109 State Public Safety Realignment.

RECOMMENDATION

It is recommended that the Board of Supervisors:

1. Receive, review, and file the Fiscal Year 2011-12 Second Quarter Financial Report;
2. Accept cash donations and approve a budget adjustment in the amount of \$2,221.00 from the Parks gift trust fund to the FC 305- Parks operating budget.
3. Accept cash donations and approve a budget adjustment in the amount of \$34,947.66 from the Library Gift Trust Fund to the FC 377- Library operating budget.
4. Approve a budget adjustment in the amount of \$598.00 from the Social Services Gift Trust Fund to the FY 2011-12 Social Services Administrative operating budget;
5. Accept a contribution in the amount of \$100,000 from the Atascadero Friends of the Library and an associated budget adjustment to move the funds into the Atascadero Building Expansion Designation.
6. Approve an appropriation transfer in Fund Center 140 - County Fire to move \$100,000 from Services and Supplies to Capital Outlay and amend the fixed asset list to include three replacement utility vehicles.
7. Approve a budget adjustment in the amount of \$15,000 from General Fund Contingencies to Fund Center 111- County Counsel to help pay for outside counsel to advise on proceedings related to the potential relicensing of the Diablo Canyon Nuclear Power Plant, and represent the County in the Los Osos bankruptcy matter.

Recommendations 2 through 7 require a four-fifths (4/5) vote of the Board.

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 2011-12. 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, 2011 through December 31, 2011.

The report is divided into eight sections:

- **Section 1** - an overview of the County's financial position at the second quarter, 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 during the second quarter.
- **Section 4** - miscellaneous financial items for the Board's consideration, such as requests from departments for acceptance of gift funds and donations and discharge of bad debt.
- **Section 5** - an update on all of the Federal stimulus funding received as of the end of the second quarter of FY 2011-12.
- **Section 6** - an update on the implementation of the 2011 Public Safety Realignment Plan approved by the Board of Supervisors on October 11, 2011.
- **Section 7** - an update on the Capital Improvement Projects (CIP) managed by the General Services Agency.
- **Section 8** - an update on the Capital Improvement Projects (CIP) managed by the Public Works Department.

Executive Summary

The overall spending levels and revenue receipts at the end of the second quarter for FY 2011-12 were generally consistent with prior years. General Fund expenditures were 43% of budget, while General Fund revenues were realized at 37% of budget. The 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 historically realized later in the fiscal year.

Items of note in the first quarter:

Variances noted last quarter or that have emerged as of the second quarter are noted below, and in Section 1 of the attached report.

Sheriff's Office – Fund Center 136

The Sheriff's Office projects that it will now end the year at or below its budgeted level of General Fund support for FY 2011-12 due to unanticipated revenue from Prop 172 revenue (the ½ cent sales tax for public safety), which is forecast to end the year approximately \$800,000 (7%) higher than budgeted. Previously, at the end of the first quarter, the Sheriff's Office had projected that it might end the year approximately \$300,000 over its budgeted level of General Fund support due to unbudgeted expenditures for garage charges and fuel costs. The Sheriff's expenditure budget may need to be adjusted before year end to accommodate these and other unbudgeted expenditures.

Planning and Building Department – Fund Center 142

The Planning and Building Department's budget situation has improved and, as of the end of the second quarter, the Department reports its budget is now on track to end the year at or below its budgeted level of General Fund support for FY 2011-12. At the end of the first quarter it was reported that overall revenues were projected to fall short of budgeted levels by approximately \$439,000 (8%). This would have resulted in an estimated \$300,000 unbudgeted impact to the General Fund at year end. The Department projects that this impact will now be offset by two factors: (1) improved revenue expectations, mainly due to \$73,000 in fees from some large projects that are now underway, and (2) \$231,000 of additional expenditure savings now expected by year end.

Department of Social Services – Fund Center 180

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 \$500,000 (14%) 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.

Reprographics – Fund Center 406

Reprographics has reduced its projected gap between revenue and expense from \$92,000, as reported in the first quarter, to \$58,000, due to an uptick in revenue. As discussed in the first quarter, the long term outlook for Reprographics continues to indicate a decline in the demand for Reprographics' copy and print services and related revenues. The General Services Agency has studied this problem and has made plans to phase out the Reprographics Division over the next 12 to 18 months. A consolidated contract with a copy and print vendor will be established within 12-18 months for use by all County departments. This timeline will allow sufficient time to make an orderly transition from in-house services to a private provider. This change is expected to save \$200,000 or more, compared to FY 2009-10 figures.

Airports – Fund Center 425

At the end of the second quarter, operational revenues and expenditures for Airports are projected to be below budgeted levels at year end. Enplanements in the first half of the fiscal year have declined 3% compared to same 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, Human Resources, and the Auditor-Controller's Office compiled data from departments and other sources for the report.

Financial Considerations:

In the First Quarter Financial Report the potential unbudgeted impact to the General Fund was estimated to be as much as \$600,000, due to a projected revenue shortfall from building permit application fees and greater than budgeted fuel and garage costs for the Sheriff's Office. As of the end of the second quarter, the issues have been mitigated by improvements in projected revenue and salary savings, and no year-end impact to the General Fund is currently projected.

A total of \$37,769.66 in gift funds and donations are recommended to be accepted on behalf of Parks and Recreation, the Library, and the Department of Social Services (DSS) and the Board is asked to approve the requested transfers of gift funds to their respective operating budgets.

In addition, three budget adjustments are requested. First, the Library is requesting a budget adjustment to correct a funding source miscoding in the amount of \$100,000. This error occurred in the contract for design services with the Ravatt Albrecht and Associates approved by the Board on October 10, 2011, item 10. Second, County Fire is requesting a budget adjustment to move \$100,000 from Services and Supplies to Capital Outlay and amend the fixed asset to enable the purchase of three replacement utility vehicles. Third, County Counsel is requesting a budget adjustment of \$15,000 from General Fund Contingencies to help pay for outside counsel to advise on proceedings related to the potential relicensing of the Diablo Canyon Nuclear Power Plant, and represent the County in the Los Osos bankruptcy matter. The hiring of outside counsel for these matters was approved by the Board in closed session on October 25, 2011 and February 7, 2012, respectively.

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 for Fiscal Year 2011-12.

cc: Department Heads

ATTACHMENTS

- SECTIONS 1-6 FY 2011-12 Q2 Financial Report
- SECTION 7 - FY 2011-12 Q2 GSA Capital Project Update
- SECTION 8 - FY 2011-12 Q2 Public Works Capital Project Update
- Parks Q2 FY 11-12 Donation Acceptance Memo
- Social Services Q2 FY 11-12 Donation Acceptance Memo
- Library Q2 FY 11-12 Donation Acceptance Memo
- Library Q2 FY 11-12 Budget Adjustment Memo
- Co Fire Q2 FY 11-12 Budget Adjustment Memo