



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

(1) DEPARTMENT Administrative Office	(2) MEETING DATE 5/14/2019	(3) CONTACT/PHONE Lisa Howe / 805-781-5011
(4) SUBJECT Submittal of the FY 2018-19 Third Quarter Financial Status Report and request to approve various financial actions as detailed in Section 4 (one or more actions require 4/5 votes). All Districts.		
(5) RECOMMENDED ACTION It is recommended that the Board: <ol style="list-style-type: none"> 1. Receive, review, and file the FY 2018-19 Third Quarter Financial Status Report; 2. Accept cash donations in the amount of \$6,205 on behalf of Animal Services; 3. Accept cash donations in the amount of \$272,828.54 on behalf of Social Services; 4. A cash donation in the amount of \$858.15 on behalf of Veterans Services; 5. Accept cash donations in the amount of \$2,513.50 on behalf of Parks & Recreation; 6. Request to accept cash donations in the amount of \$42,036 and approve a budget adjustment to appropriate the gift funds in FC 377 - Library, by 4/5 vote; 7. Accept a request by the Department of Social Services for Relief of Accountability in the amount of \$46,447.47 for uncollectable debt for the CalWORKs, CalFresh, and General Assistance debts; 8. Approve a budget adjustment in the amount of \$55,000 for FC 110 – Clerk-Recorder from unanticipated revenue for unanticipated expenses associated with the new voting system and the continued implementation of the Tyler Technologies project, by 4/5 vote; 9. Approve a budget adjustment in the amount of \$33,244 for FC 116 – Central Services, of which \$14,636 is from General Fund contingencies and \$18,608 is from salary savings to cover unbudgeted increase in lease payments for property rented on behalf of the Department of Social Services, by 4/5 vote; 10. Approve a budget adjustment in the amount of \$402,057 for FC 136- Sheriff-Coroner from unanticipated revenue for salary and benefit expenses, minor improvements to the new Behavioral Health Unit, and for a contract with Goodwill Central Coast, by 4/5 vote; 11. Approve a budget adjustment for FC 136- Sheriff-Coroner in the amount of \$120,425 from the Ventura County Sheriff's Office to reimburse the Sheriff-Coroner's Office overtime costs and payments to outside agencies related to the Woosley Fire in November 2018, by 4/5 vote; 12. Approve a budget adjustment in the amount of \$3,550,352 for FC 136-Sheriff-Coroner from General Fund contingencies for unbudgeted salaries and benefit expenses, by 4/5 vote; 13. Approve a budget adjustment in the amount of \$150,000 to move funds CSA 10 Public Facility Fees to FC 140 – County Fire for Station 16 Estero Bay project by 4/5 vote and amend the fixed asset list for FC 140 by a corresponding amount for project and equipment costs; 14. Approve a budget adjustment in the amount of \$132,471 for FC 143 - Court Operations from General Fund contingencies to fulfill the Maintenance of Effort obligation to the State for maintenance of the courthouse facilities, by 4/5 vote; 15. Approve a budget adjustment for FC 166- Behavioral Health in the amount of \$600,000 from a transfer of appropriation from FC 160- Public Health to FC 166 for unbudgeted expenses and due to a revenue shortfall, by 4/5 vote; 16. Approve a budget adjustment in the amount of \$800,000 for FC 181 - Foster Care and Adoptions Assistance from unanticipated revenue to fund additional expenditures due to unanticipated state guidelines, by 4/5 vote; 17. Approve a budget adjustment for FC 185 - General Assistance in the amount of \$105,206 of which \$85,350 is from unanticipated revenue and \$19,856 is from a transfer of appropriation from FC 182- CalWORKS for unbudgeted expenses, by 4/5 vote; 18. Approve a budget adjustment in the amount of \$57,927 from FC 30504 - San Miguel Park maintenance project and Santa Margarita Paving & Electrical project to El Chorro Phase I project to FC 30504 - Parks, by 4/5 vote; 19. Approve a budget adjustment in the amount of \$160,000 from Parks contingencies to FC 30502 - Parks, by 4/5 vote; 20. Approve a budget adjustment in the amount of \$20,000 from FC 30504 - Lopez Sewer Clarifier to Lopez Parks Reserves, by 4/5 vote; 21. Approve a budgeted adjustment in the amount of \$2,000 using unanticipated revenue from fines, forfeitures, and penalties for FC 331 - Fish and Game to fund projects from FY 2017-18 that were inadvertently charged to the FY 2018-19 budget, by 4/5 vote; 22. Approve a budget adjustment for FC 427 – Parks and Recreation – Golf in the amount of \$479,799 from General Fund contingencies for Dairy Creek Debt Service, by 4/5 vote; 23. Approve a grant application to, and acceptance of, a California State Library/Library Science Technology Act grant in the amount of \$8,000 and authorize a corresponding budget adjustment by 4/5th vote; 24. Approve a grant application to, and acceptance of, a California Library Association grant in the amount of \$6,000 and authorize a corresponding budget adjustment, by 4/5th vote; 		

<p>25. Approve a budget adjustment in the amount of \$292,827 to establish the budget for County Service Area No. 10 (Cayucos) after the dissolution of the Cayucos Fire Protection District and Activation of Fire Authority for County Service Area No. 10 (Cayucos) effective December 2018, by 4/5 vote;</p> <p>26. Approve a budget adjustment in the amount of \$600,000 from Solar Mitigation Fund to Simmler Community Building project, by 4/5 vote;</p> <p>27. Approve a budget adjustment in the amount of \$1,799,000 to transfer the budget from existing Project 350125 - Countywide FCA in FC 200 - Major Maintenance Projects to fund five new capital projects in FC 230 - Capital Projects, by 4/5 vote;</p> <p>28. Approve a budget adjustment in the amount of \$352,000 from FC 24502 – Capital Project 360464 – Price Canyon Phase II to FC 24502 - Capital Projects 300610, 300456 and 300430, by 4/5 vote;</p> <p>29. Approve a budget adjustment in the amount of \$23,075,169 to FC 101-Non-departmental Revenue using SB 1090 proceeds by 4/5 vote to fund the following new designations in General Fund in the current and future fiscal years as SB 1090 proceeds are received: 1) Designation FB-SB1090 Economic Development for \$3,990,000, 2) Designation FB-SB1090 Safety for \$4,500,000, 3) Designation FB-SB1090 Affordable Housing for \$6,400,000, 4) Designation FB-SB1090 Infrastructure for \$4,998,000, 5) Designation FB-SB1090 Roads for \$1,175,038, and 6) Designation FB-SB1090 Library for \$2,012,131;</p> <p>30. Approve a budget adjustment in the amount of \$12,311,798 using SB 1090 proceeds in FC 101 Non-departmental Revenue to 1) appropriate \$192,000 in FC 102-Non-departmental Other Financing Uses to distribute SB1090 funds to the City of Grover Beach, and 2) appropriate \$12,119,798 in FC 102-Non-departmental Other Financing Uses for operating transfers to the Tax Reduction Reserve Fund in the current and future fiscal years as SB 1090 proceeds are received by 4/5 vote;</p> <p>31. Approve a budget adjustment in the amount of \$300,000 to FC 104 – Administrative Office using the new designation titled Designation FB-SB1090 Economic Development to provide funding for the development of a Central Coast Jobs Roadmap and Action Plan approved by the Board on April 23, 2019, by 4/5 vote;</p> <p>32. Approve a budget adjustment in the amount of \$12,119,798 to FC 268-Tax Reduction Reserve Fund (TRRF) using operating transfers from FC 102 Non-departmental Other Financing Uses in the current and future fiscal years to fund a new designation titled Designation FB-SB1090 TRRF, by 4/5 vote;</p> <p>33. Declare various office furniture surplus and authorize their donation to Casa of Hope as a means of disposal according with County Code section 2.36.030(5); and</p> <p>34. Declare eight (8) vehicles and various office furniture surplus and authorize disposal.</p>			
<p>(6) FUNDING SOURCE(S)</p> <p>Various (\$4,177,258 General Fund contingencies)</p>	<p>(7) CURRENT YEAR FINANCIAL IMPACT</p> <p>\$324,441.19 gifts and donations;</p> <p>\$46,447.47 discharge bad debt;</p> <p>\$57,533,073 miscellaneous adjustments</p>	<p>(8) ANNUAL FINANCIAL IMPACT</p> <p>N/A</p>	<p>(9) BUDGETED?</p> <p>No</p>
<p>(10) AGENDA PLACEMENT</p> <p><input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input checked="" type="checkbox"/> Board Business (Time Est. <u>30 Min</u>)</p>			
<p>(11) EXECUTED DOCUMENTS</p> <p><input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A</p>			
<p>(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR)</p> <p>N/A</p>	<p>(13) BUDGET ADJUSTMENT REQUIRED?</p> <p>BAR ID Number: 1819146; 181917; 1819155; 1819163; 1819157; 1819159; 1819165; 1819167; 1819162; 1819169; 1819156; 1819158; 1819142; 1819137; 1819130; 1819149; 1819029; 1819135; 1819141; 1819168; 1819136; 1819147; 1819148</p> <p><input checked="" type="checkbox"/> 4/5th's Vote Required <input type="checkbox"/> N/A</p>		
<p>(14) LOCATION MAP</p> <p>N/A</p>	<p>(15) BUSINESS IMPACT STATEMENT?</p> <p>N/A</p>	<p>(16) AGENDA ITEM HISTORY</p> <p><input checked="" type="checkbox"/> N/A Date _____</p>	
<p>(17) ADMINISTRATIVE OFFICE REVIEW</p> <p>This item was prepared by the Administrative Office</p>			
<p>(18) SUPERVISOR DISTRICT(S)</p> <p>All Districts</p>			



COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: Administrative Office / Lisa Howe

DATE: 5/14/2019

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RECOMMENDATION

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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 third quarter of FY 2018-19, which spans from January 1 through March 31, 2019. 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.

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 third quarter of FY 2018-19, 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 a listing of all administrative personal changes made by the Human Resources Department during the third 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, and various budget adjustments;
- **Section 5** – an update on the capital improvement and maintenance projects managed by Public Works, Parks and Recreation, Airports, and Central Services; and
- **Section 6** – the annual Debt Review from the Auditor-Controller-Treasurer-Tax Collector-Public Administrator (ACTTCPA). The report confirms that the County complies with legal debt limitations and comments on the County's overall debt.

Executive Summary

The overall spending levels and revenue patterns in the third quarter are, for the most part, on par with the prior fiscal year as shown in Table 1 below. The minor variances shown do not reflect any trends and are not a concern as of this status report. The first quarter of FY 2017-18 included transfers into the Pension Obligation Bond Fund to pre-pay a large balloon payment for the 2009 Series A Pension Obligation Bonds.

For the General Fund, at the end of the third quarter of FY 2017-18, revenue was 60% realized while expenditures were 64% of budget. General Fund revenue, at the end of the third quarter of FY 2018-19, was 60% realized and expenditures were 61% of budget. For FY 2017-18, third quarter revenue for Governmental Funds were 59% realized and expenditures were 60% of budget. For the third quarter of FY 2018-19, All Governmental Funds revenues and expenditures were 57% and 56% of budget, respectively.

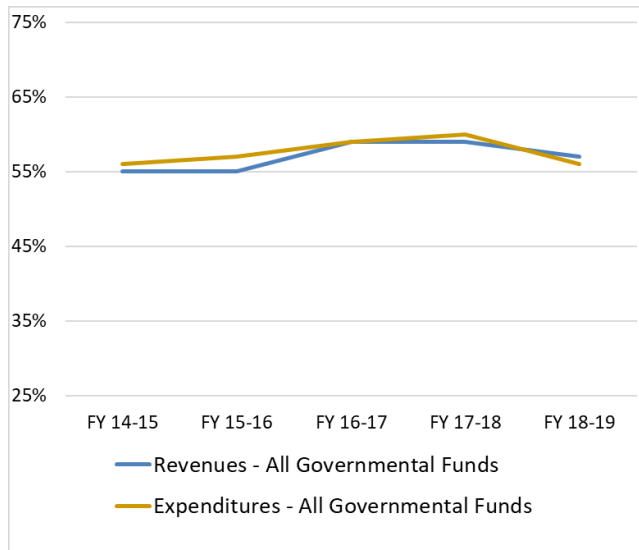
The charts below show the percentage of budgeted expenditures made and revenue realized as of the end of the third quarter over the last five fiscal years for both All Governmental Funds and the General Fund.

Table 1

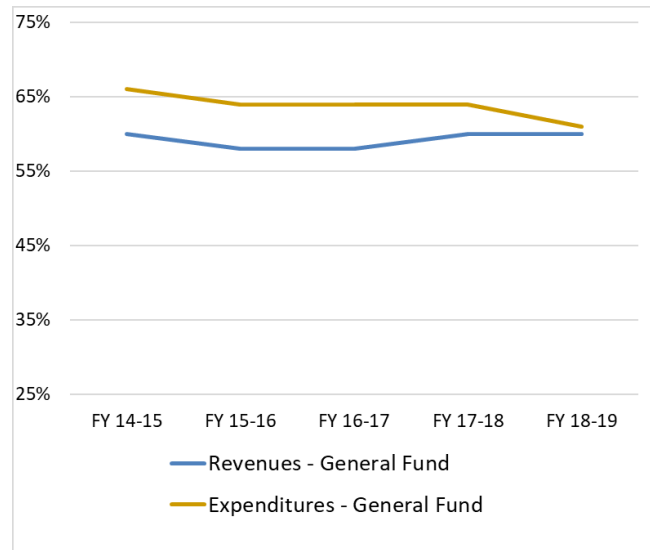
Expense & Revenue Governmental Funds Comparison		
	Third Quarter 2017-18	Third Quarter 2018-19
Expenditures	60%	56%
Revenue Realized	59%	57%
Expense & Revenue General Fund Comparison		
	Third Quarter 2017-18	Third Quarter 2018-19
Expenditures	64%	61%
Revenue Realized	60%	60%

% of Total Budget at the end of the Third Quarter

All Governmental Funds



General Fund



Section 2 of the attached report provides information on variations in revenue receipts by type compared to the prior year, as well as the status of contingencies and reserves and the status of revenues and expenditures compared to the budget for all fund centers. It is important to note that this level of revenue is typical for the third 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 late in the fiscal year.

The third quarter is typically when County departments request year-end adjustments. Approximately \$12.1 million in unbudgeted expenditures are projected through year end. Of the \$12.1 million in unbudgeted expenditures, approximately \$6 million (50%) is due to wage and benefit adjustments granted but not budgeted in FY 2018-19. Based on the evaluation of the financial information provided by departments for the third quarter, most departments report that they anticipate remaining within their budgeted General Fund level for the year despite the unbudgeted salary and benefit expense. The majority of departments are able to absorb the unbudgeted salary and benefit adjustments granted because the County's practice is to not assume a position vacancy rate in the budget ; however, as shown in Section 3 of the report, the County naturally maintains an employee vacancy rate throughout the year (at the end of the third quarter the vacancy rate was 7.78%). In addition, any new hires throughout the year are often hired in at a lower step level than the former employee the new hire is replacing. All departments except for the Sheriff-Coroner expect to absorb the unbudgeted wage and benefit increases with expenditure savings or unanticipated revenue. As noted in the recommended actions, the Sheriff - Coroner is requesting a budget adjustment in the amount of \$3,550,552 from General Fund contingencies to address unbudgeted overtime costs, which have prevented the Office from being able to absorb the cost of unbudgeted salary and benefit increases. Due to the timing of the approved labor contract increases, which total an estimated \$2.7 million in FY 2018-19 for the Sheriff-Coroner, the expenses were not included in the current year budget. The Sheriff-Coroner's overtime expense is projected to be over budget by more than \$3 million. The increased overtime cost is driven largely by Sheriff's Deputy vacancies, which necessitate additional work hours by existing employees.

County departments report that they expect to absorb 64% or approximately \$7.8 million of the \$12.1 million in unbudgeted expenditures through a combination of salary savings generated by staff vacancies, savings in services and supplies, and unanticipated revenue. The balance of the expenditures, \$4,329,580, is proposed to be covered with contingencies. Of the \$4,329,580, of contingencies, \$4,177,258 is requested from General Fund contingencies, and \$152,322 is requested from Parks contingencies.

Impact to General Fund contingencies

As stated above, section 2 of the report includes an update on the Status for Funds, Contingencies, and Reserves. General Fund contingencies were budgeted at \$24,834,343 in FY 2018-19, and as of March 31, 2018 General Fund contingencies were at \$23,578,582. A total of \$695,023 or 2.8% of the \$24,834,343 originally budgeted, was approved to be used during the First Quarter Financial Status Report for unanticipated legal expenses, and costs related to the Women's' Jail Expansion Project. As part of the Second Quarter Financial Status Report, the Board approved a budget adjustment in the amount of \$560,738 from General Fund contingencies to FC 305 - Parks and Recreation to maintain the current resource levels. As part of the Third Quarter Financial Status Report, the Board is being asked to approve various budget adjustments in the amount of \$4,177,258 from General Fund contingencies. The table below provides a detailed list of the approved and requested usage of General Fund contingencies.

Table 2: Approved, Requested and Potential Usage of General Fund Contingencies

Board Approval Date	Department	Detail	Amount
Approved - 12/4/2019 First Quarter Financial Status Report	County Counsel	Unbudgeted expenditures for legal services	\$395,023
	Public Works	Sheriff-Women's Jail Expansion	\$300,000
Approved - 3/12/2019 Second Quarter Financial Status Report	Parks and Recreation	Parks Operational Shortfall – Parks New Cost Recovery Policy	\$560,738
Requested – 5/14/2019 Third Quarter Financial Status Report Request	Sheriff-Coroner	Unbudgeted overtime expenses and salary and benefit increases	\$3,550,352
	Parks and Recreation – Golf Courses	General Fund subsidy needed to make debt service payment for Dairy Creek Golf Course	\$479,799
	Central Services	Unbudgeted expenditures due to renegotiated lease agreement for the Department of Social Services	\$14,636
	Court Operations	Additional payment required for MOE contract with the State for Court maintenance	\$132,471
Total projected change to budgeted level of General Fund contingencies			\$5,433,019

Assuming approval of the recommended use of General Fund contingencies noted above for the Sheriff-Coroner, Golf Courses, Central Services and Court Operations, the amount of General Fund contingency use in FY 2018-19 will be approximately 22% of the adopted General Fund contingency budget and will significantly outpace prior years. The table below summarizes the amount of General Fund contingencies used to balance the operating budget mid-year in each year back to FY 2008-09:

Table 3: Historical use of General Fund Contingency

Fiscal Year	Budgeted General Fund Contingency	Use of General Fund Contingency	% Used at Year end
FY 2008-09	18,198,500	3,775,624	20.75%
FY 2009-10	15,131,691	1,294,777	8.56%
FY 2010-11	14,489,051	1,243,000	8.58%
FY 2011-12	14,567,086	848,750	5.83%
FY 2012-13	15,043,207	821,329	5.46%
FY 2013-14	15,551,002	317,982	2.04%
FY 2014-15	19,111,875	1,328,435	6.95%
FY 2015-16	21,678,095	921,389	4.25%
FY 2016-17	23,391,046	319,581	1.37%
FY 2017-18	24,103,422	2,938,176	12.19%
FY 2018-19	24,834,343	5,433,019	21.88%

Impact to Fund Balance Available

In preparation of the FY 2019-20 Recommended Budget, the Auditor-Controller-Treasurer-Tax Collector's Office projected that the County's General Fund would have a Fund Balance Available (FBA) of \$30.6 million at year-end, which is included as a funding source for the FY 2019-20 Recommended Budget. The FBA is the amount of money available at the end of one fiscal year for financing a portion of the budgetary requirements for the upcoming fiscal year. It is comprised of the unspent General Fund contingencies at the end of the year, plus any remaining General Fund dollars unspent or not encumbered by the various County departments at year end. The largest component of FBA is estimated to be unused General Fund contingencies, in the amount of \$19.4 million (after accounting for the recommended use of \$4.2 million in General Fund contingencies, noted below). Non-departmental revenue is projected to be \$5.1 million higher than was budgeted in the current fiscal year. This includes mostly tax-related revenue sources such as property, sales, transient occupancy, and unitary taxes. Additionally, it is anticipated that most other departments will be able to contribute General Fund support savings for FY 2018-19.

Based on what departments have reported and given the numerous variables at play, it is anticipated that FBA available for financing a portion of the budget for the upcoming fiscal year is likely going to be within \$500,000 of the \$30.6 million budgeted for FY 2019-20. It is worth emphasizing that FBA varies significantly from year to year and is difficult to forecast because it is influenced by every line item in the overall budget (there are over a thousand line items). Additionally, contributions to FBA from contingencies or departmental expenditure savings are reduced when prevailing wage increases are granted mid-year. If FBA comes in lower at the end of the current fiscal year than what is budgeted as a financing source for FY 2019-20, staff will have to return to the Board with General Fund reduction recommendations in order to balance the budget for FY 2019-20. If FBA comes in higher at the end of the current fiscal year than what is budgeted as a financing source for FY 2019-20, staff will return to the Board with recommendations for the use of the one-time funds.

Items of note in the third quarter:

With nine months elapsed in the fiscal year, most departments are reporting that their budgets are on track and that they expect to remain within their budgeted level of General Fund support at the end of the year; however, there are some notable issues to report. Section 1 of the report includes status reports on Parks and Recreation, Sheriff's Office, Health Agency, Social Services, Court Operations, and Central Services.

The table below provides a high-level summary of notable issues included in the report.

Table 4: Summary of Notable Issues Included in The Attached Report

Department	Issue	Impact to General Fund support	Service Level Impact	Included in the Q2 Report
Parks and Recreation	Parks Operational Shortfall	\$0	None anticipated	Yes
Sheriff's Office	Projecting to exceed budgeted expenditures by \$3.6 million due to overtime expenses and unbudgeted salary and benefit	\$3.6 million	None anticipated	Yes
Health Agency - Behavioral Health	Revenue shortfall and unbudgeted expenditures	\$0	None anticipated	Yes

Social Services – Foster Care and Adoptions	Higher than anticipated expenditures due to rate increases, new state guidelines, and caseload growth	\$0	None anticipated	Yes
Social Services - General Assistance	Increase in General Assistance expenditures	\$0	None anticipated	Yes
Parks and Recreation – Golf Courses	General Fund subsidy needed to make debt service payment for Dairy Creek Golf Course	\$479,799	None anticipated	Yes
Central Services	Unbudgeted expenditures	\$14,636	None anticipated	No
Court Operations	Additional payment required for Maintenance of Effort (MOE) contract with the State for Court maintenance	\$132,471	None anticipated	No

Impact of Position Allocation List Changes

As stated above, Section 3 of the report includes a listing of all personnel changes approved by the Board of Supervisors during the third quarter. As of the end of the third quarter, there have been 83.25 FTE additions and 85.50 FTE deletions in FY 2018-19 for a net change of -2.25 FTE positions. It is estimated that these position changes have an increased budgetary impact of \$1,071,905 for FY 2018-19 and \$2,449,999 moving into FY 2019-20. The General Fund support impact for FY 2018-19 is estimated at -\$45,454 for FY 2018-19 and \$10,966 for FY 2019-20.

OTHER AGENCY INVOLVEMENT/IMPACT

All departments contributed to the development of this report. The Administrative Office, Human Resources, and the Auditor-Controller Treasurer-Tax Collector Public Administrator's Office compiled data from departments and other sources for the report and prepared the Annual Debt Review. The Public Works Department prepared the attached updates on capital and maintenance projects, in coordination with Parks and Recreation, Airports, and Central Services.

FINANCIAL CONSIDERATIONS

Approval of the recommendations will allow for a total of \$324,441.19 in gift funds and donations to be accepted on behalf of Animal Services, Social Services, Veterans Services, Parks and Recreation, and Library. The Board is asked to approve a transfer of gift funds received by the Library to the Library's FY 2018-19 operating budget, and to relieve accountability for uncollectable debt in the amount of \$46,447.47 for Social Services.

The Board is asked to approve miscellaneous budget adjustments totaling \$57,533,073 from various departments of which \$4,177,258 is requested from General Fund contingencies and \$160,000 is from Parks contingencies.

RESULTS

This report fulfills the Board of Supervisors ongoing budget administration policy requirement and provides the Board of Supervisors and the public with an overview of the County's financial position at the end of the third quarter for Fiscal Year 2018-19.

ATTACHMENTS

1. Attachment 1 - FY 2018-19 Third Quarter Financial Report
2. Attachment 2 - Memos from departments
3. Attachment 3 - Updates on Capital and Maintenance projects
4. Attachment 4 – Annual Debt Review
5. Attachment 5 - PowerPoint presentation