

SANTA BARBARA COUNTY BOARD AGENDA LETTER



Clerk of the Board of Supervisors
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Agenda Number:

Prepared on: May 13, 1999
Department: Auditor-Controller
Department Number: 061
Agenda Date: May 25, 1999
Placement: Administrative
Estimate Time:
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Robert W. Geis, CPA
Auditor-Controller

STAFF CONTACT: Michael Struven
Financial Reporting Division Chief

SUBJECT: Third Quarter Financial Status

Recommendation(s):

That the Board of Supervisors:

Accept and file, per the provisions of Government Code Section 29126.2, the Fiscal Year 1998-99 Financial Status Report as of April 30, 1999, showing the status of appropriations and financing for all departmental budgets adopted by the Board of Supervisors.

Alignment with Board Strategic Plan:

The recommendation(s) are primarily aligned with actions required by law or by routine business necessity.

Executive Summary and Discussion:

We are filing the FY 98-99 Financial Status Report as of April 30, 1999 to apprise the Board of the County's financial condition after ten months of the fiscal year. The key point of interest is the growth in the economy that continues to increase our general revenue accounts. This growth and the sound spending plan adopted by your Board will produce positive financial results in most of the County funds. One major exception is the Worker's Compensation fund which has a deficit retained earnings balance. This must be addressed with a plan to clear the deficit.

The focus of the following key points will be on the general fund and general revenues. However, because of the economy, other funds that provide key services like the fire districts, realignment driven funds, etc. are also performing strong which can take pressure off the general fund.

Key Points of Fiscal Interest

- General Fund property tax revenues were budgeted to increase 4.1% or \$2 million but based on year-to-date results are now predicted to increase by an *additional* 2.3%, and \$1.3 million. Supplemental property taxes and property transfer taxes, reflecting an active real estate market and increasing home values in the County, are up \$417 thousand and \$307 thousand over our estimates for the first ten months, respectively. Compared to the prior year actual the fiscal year growth rate is 6.4%.
- The 1% retail sales taxes are up an additional \$356 thousand over our *estimates* for the first ten months. Compared to prior year *actual*, the growth rate is zero. However, point of sales transactions have grown 4% in the unincorporated area. Revenue from our audit program in the prior year and a city fund transfer from the movement of a car dealership to the city obscure the true growth rate.
- Hotel occupancy tax is up \$200 thousand. Compared to prior actual there is an 8% growth rate.
- Motor Vehicle In-Lieu Taxes are up by \$706 thousand over the budget estimate for the first ten months. This is a 6% growth rate over prior year actual.
- Interest earnings are down \$284 thousand for the first ten months. Earnings will be down approximately 8% compared to the prior year actual.
- Salary savings in the General Fund are approximately \$344 thousand negative over the first ten months.
- A key issue at the close of the fiscal cycle is the expected general fund balance carryover. The current balance is estimated at \$5.8 million. Analyzing prior trends and the current year accounts lead us to believe that this positive carryover will materialize

Other Key Points of Interest Non-General Fund

- As of June 30,1998, the risk management fund had a deficit of approximately \$3.9 million, which primarily relates to the worker's compensation program. The claims liabilities will be increased an *additional* \$5.1 million based on the latest actuarial studies which will increase the deficit. The County must have a plan to extinguish this deficit over a reasonable period.
- Exxon, the largest County taxpayer, has significant outstanding assessment appeals for oil and gas related property. The assessment appeals board made a decision favorable to the local agencies for the first four years of the appeal. This decision may be appealed to Superior Court and additional assessment board appeals for subsequent years are still outstanding. At this time we are recommending no change to the current impound accounts.

Our Financial Information Network (FIN) is designed to accurately track revenues and expenditures on monthly basis and project results by adding actual receipts and expenditures in past months to remaining future estimates. This system is designed to produce accurate management information and to allow informed management decision-making. *The attached reports are available to you on FIN at the end of each month.*

