



## Finances not as bleak during quarter report

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During Santa Barbara County's budget deliberations in June, members of the Board of Supervisors took the advice to significantly lower their expectations with regard to local revenues and the state's budget.

They were reminded of that decision Tuesday, when county staff reported that in the first quarter, supplemental property tax and sales tax revenue streams are down, interest earnings are lower than expected, and Proposition 172 funds are soft.

Considering all the threats to a balanced budget - dwindling revenue, foreclosures, rising unemployment and the state's massive deficit - county staff concluded Tuesday that revenues and expenditures should even out by the end of the fiscal year.

Also, there should be no need for mid-year service reductions, other than those prompted by state cuts and loss of grant funding, said Jason Stilwell, county director of budget and research.

"This fragility appears to be manageable based on first-quarter trends," he said. "However, any new developments, such as a mid-year state budget session or further economic crises, could require" the board to start cutting staff and services or transferring funds.

The fiscal year ends June 30, and the county is required by law to adopt and commence with a balanced budget.

The past two years have forced difficult decisions from the board, such as salary reductions and staff and service cuts, and for the 2010-11 budget, county staff have predicted a \$16.6 million deficit.

And that amount will likely grow as more of the state's budget impacts become apparent, Stilwell has said.

But for now, certain departments did end the first quarter with a negative variance, which is a negative balance after reports take actual revenues and expenditures for the first three months, project the next nine months and compare them to the budgeted amount.

Public safety departments that rely on Prop. 172 funds found the months of July through September particularly difficult, according to the staff report presented to the board Tuesday.

Proposition 172 revenues are derived from a half cent sales and use tax dedicated to the sheriff, police, fire, district attorneys and probation.

The first quarter showed them down 5 percent, and "staff is closely monitoring this important source of revenue to determine if these lower figures purport a trend for the year," Stilwell said.

On Tuesday, the supervisors focused on a \$3.8 million negative variance in the mental health services fund, even though county staff explained the budget gap as a timing difference that would sort itself out in the second quarter.

"I've been uneasy and dissatisfied with every report from ADMHS (the Alcohol, Drug and Mental Health Services Department) ... it's like a dog and pony show," said Supervisor Joni Gray, echoing the sentiments of other board members.

In the past two years, the ADMHS has gotten a new director, received approximately \$6 million from the supervisors to cover its budget shortfall, and revealed that it may owe up to \$30 million to the state for Medi-Cal billing issues.

Plans were set in motion to determine whether an analysis or audit of the department would be in order.

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