



County of El Dorado

330 Fair Lane, Building A
Placerville, California
530 621-5390
FAX 622-3645
www.edcgov.us/bos/

Legislation Text

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Development Services recommending the Board authorize the Chair to sign the Fiscal Year 2009-10 budget transfer decreasing General Fund contingency by \$272,037 to backfill revenues within the planning fee special revenue account that have been over-recognized in multiple fiscal years. (4/5 vote required) (Est. Time: 15 Min.)

FUNDING: General Fund.

BUDGET SUMMARY:		
Total Estimated Cost		\$272,037
Funding		
Budgeted	\$	
New Funding	\$	
Savings	\$	
GF Contingency	\$272,037	
Total Funding Available	\$272,037	
Change To Net County Cost		\$272,037

Fiscal Impact/Change to Net County Cost: The decrease in General Fund contingency results in less fund balance available to carry forward into FY 2010-11.

Background: The DSD established a Special Revenue Account 7729302 (Account) in 2004 to handle deposits on Planning Time and Material (T&M) projects. Funds were initially moved into this account in 2006 after the T&M process was established by the Planning Services Fee Schedule adopted by Board Resolution 58-2006.

There were numerous challenges in the establishment of a working T&M process. In order to implement this new process, multiple computer programs were revised or created. Unfortunately, the Land Management Information System (LMIS) utilized in DSD does not have a time tracking function or the capability to create bills. Therefore DSD created a separate time tracking and billing system utilizing an ACCESS database. In late 2009 it became apparent that there was a fundamental problem in the database system. The Account was not reconciling with the County financial system resulting in insufficient cash in the account to cover billable time.

In April 2010 the Internal Auditor within the Chief Administrative Office in addition to DSD staff was assigned to focus on the Planning T&M process and reconciliation of this Account. By July 2010, the overall problem was identified and the Planning T&M ACCESS computer system adjusted to address the problem going forward.

The primary problem was that transfers of revenue from the Account were sometimes recognized twice. This occurred because the ACCESS database did not adequately differentiate fees collected as fixed fees from those collected as T&M deposits. Monies collected as a fixed fee are deposited directly into DSD's General Fund accounts. Monies collected as T&M deposits are put in the Special Revenue Account and transferred into the DSD General Fund account only when time is billed against the application. To further confuse this issue some projects were submitted prior to the T&M process or were started as fixed fee and then converted to T&M. In these cases the monies initially recognized as a fixed fee were erroneously carried forward into the T&M account and recognized a second time when time was billed against the application. Another problem noted was that some projects were split or linked. The database did not properly "follow the money" between these multiple project numbers which also impacted revenue recognition.

A thorough reconciliation of each permit application has been completed and the Account is short is \$272,037. DSD has not processed transfers out of this account since January 2010 when the problem was identified. The Account must be made whole so that T&M revenue recognition can occur in FY 2009-10 (approximately \$248,000) and subsequent fiscal years.

Revenues were over-recognized in multiple fiscal years. Attachment A includes a breakdown of these revenues by Fiscal Year. If revenues had been recognized properly, DSD would have had less revenue at these points in time and would have required additional General Fund support at those points in time to cover their costs.

DSD has significantly reduced staff over the past two years which included major reductions in the fiscal and administrative division of DSD. These decisions were made by the Department and supported by the Chief Administrative Office to address immediate budget reduction needs. However, DSD and the CAO were working on various alternative, long term solutions to the fiscal management needs of the Department. Without adequate fiscal management in place, it has been difficult to resolve issues such as this T&M revenue over recognition. This Account is not the only Special Revenue Account that is being reconciled within the department. The added burden of computer systems, such as LMIS, not built to handle a T&M billing system have exacerbated the problem and make reconciliation to the County financial system very difficult. The newly created central administrative unit for EMD/DSD/AQMD will be responsible to finalize these reconciliations, maintain a balanced account, and will provide fiscal management going forward.

Reason for Recommendation: The problem began in FY 2006-07 with a \$211,553 over recognition of revenue. Another \$53,652 was over recognized in FY 2007/08 and \$7,550 in FY 2008/09. Subsequently, in January 2010, because of the slowdown economy, the Account was noticeably overdrawn.

Now that a thorough reconciliation of each permit application has been done the Account is short \$272,037. The Account must be made whole so that T&M revenue recognition can occur in FY 2009-10 (approximately \$248,000) and subsequent fiscal years.

DSD has begun the next steps in the reconciliation process which includes further review of each individual application and determination of a plan of action to reconcile cash on hand with fixed fees and time and materials billings. The Chief Administrative Office will be meeting with DSD to determine the status of these reconciliations and a final report will be forwarded to the Board of Supervisors.

Action to be taken following Board approval: Approved budget transfer will be forwarded to the Auditor's office for processing.

Contact: Roger Trout x5369