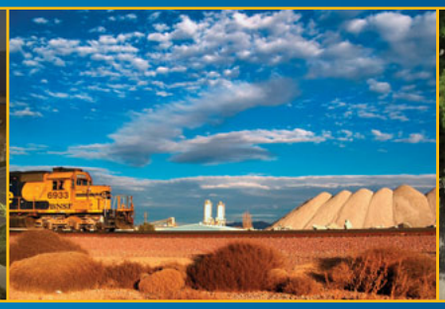
COUNTY OF SAN BERNARDINO

2013-14

EXECUTIVE SUMMARY



GOVERNMENT FINANCE OFFICERS ASSOCIATION

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COUNTY OF
SAN BERNARDINO

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May 24, 2013

I hereby submit for the Board's consideration the 2013-14 Recommended Budget, guided by the Countywide Vision. The Countywide Vision calls for the creation of a "complete county" that capitalizes on its many assets to collaboratively establish a sustainable system of economic opportunity, education, well-being and amenities. The Countywide Vision and the Board adopted County Goals and Objectives provide County government with clearer direction as it makes budget decisions.

In this document you will see that the County departments built their 2013-14 Recommended Budget to achieve these County Goals and Objectives. In addition, as part of our continuing effort to align resources with operational priorities, each department has developed performance measures that tie directly to these approved County Goals and Objectives. These measures will reflect progress on long-term multi-year initiatives or the accomplishments of shorter-term goals and will be monitored and reported in the quarterly budget reports.

The 2013-14 Recommended Budget of $4.0 billion has been balanced and is consistent with policy direction received from the Board of Supervisors. No reserves are being used to fund ongoing costs. There is limited use of one-time sources to fund costs as part of a multi-year plan to address the five-year structural deficit, which is consistent with County policy. The 2013-14 Recommended Budget addresses the following key issues:

- Funding the existing earned leave liability;
- Underfunded programs/projects, in Land Use Services and Public Works
- Shortfalls in County Fire and County Museum;
- Removal of potential hazards and reduced liability in Planning, Code Enforcement, and Capital Improvement Program;
- Underfunded services, in Clerk of the Board and Purchasing
- Facility needs, such as the County Buildings Acquisition and Retrofit Project and the Sheriff/Coroner/Public Administrator's Crime Lab and Aviation Facility.

It is important to note that this County fiscal plan does not include any potential impacts of the 2013-14 State Budget, which are unknown at this time.

THE BUDGET IN BRIEF

This budget book presents the general fund, restricted funds, capital project funds, special revenue funds, enterprise funds and internal service funds of the County. The total spending authority for these funds in 2013-14 is $4.0 billion. The general fund spending authority totals $2.5 billion and is funded by Countywide discretionary revenues (primarily property taxes), departmental revenues, and other funding sources of the General Fund. Of this $2.5 billion, only $498.9 million is truly discretionary.

	Spending Authority (In Millions)		
	2012-13 Modified	2013-14 Recommended	Change
General Fund	$ 2,318.6	$ 2,473.7	$ 155.1
Restricted Funds	111.4	32.2	(79.2)
Capital Project Funds	203.6	186.4	(17.2)
Special Revenue Funds	594.0	584.6	(9.4)
Enterprise Funds	673.3	545.5	(127.8)
Internal Service Funds	186.8	190.7	3.9
	$ 4,087.7	$ 4,013.1	$ (74.6)

For 2013-14, the $155.1 million increase in spending authority for the General Fund is primarily the result of increases in the Human Services and Law and Justice operational groups. The Human Services Administrative Claim is increasing due to additional funding received in the Transitional Assistance Department to provide increased eligibility and employment services. The Human Services – Subsistence Units are increasing due to increased caseload for children living in foster homes and group care facilities. Health Administration is increasing to fund Intergovernmental Transfers to the State for Medi-Cal Care capitation rate. Department of Behavioral Health is increasing due to increases in participants of the Low Income Health Plan (LIHP) and Medi-Cal expansion, which are funded with additional state and federal funding. Law and Justice is increasing due to retirement rate increases for staffing and to accommodate the continued realignment of responsibility for specific state prisoners and parolees form the state to the County (2011 Public Safety Realignment).

The $79.2 million decrease in Restricted Funds is a result of a budget change in which all realignment funds will be budgeted consistently. Realignment funds do not directly incur expenses or provide service. These funds are strictly transferring money to the operating budget units of the department that incur the expenditures which are funded by realignment revenue. This budget change now reflects transfers to departments as an abatement to revenue in order to not duplicate expense and revenue recognition in the realignment funds.

The decrease of $127.8 million in Enterprise Funds is primarily due to a change in the presentation of the budget by Solid Waste Enterprise Funds – Consolidated, which results in the amount representing available net assets set-aside for future use no longer being shown in budgeted contingencies, as well as the prepayment of outstanding debt in 2012-13.

	Budgeted Staffing		
	2012-13 Modified	2013-14 Recommended	Change
General Fund	13,200	13,499	299
Other Funds	5,923	5,990	67
	19,123	19,489	366

Budgeted staffing for 2013-14 is 19,489, a total increase of 366 positions from the 2012-13 Modified Budget. General Fund staffing has been increased by 299 positions, from 13,200 to 13,499 primarily resulting from increased staffing for Human Services' Transitional Assistance Department, due to increased funding for the Department as caseloads continue to grow, as well as the possible effects of the Affordable Care Act and Medi-Cal expansion. In addition, Sheriff/Coroner/Public Administrator, District Attorney, and Behavioral Health have added staffing in order to address additional workload associated with 2011 Realignment.

The staffing in all other funds has been increased by 67 positions from 5,923 to 5,990, primarily resulting from Arrowhead Regional Medical Center's (ARMC) commitment to meet regulatory requirements, reduce overtime premium costs and achieve service goals. Behavioral Health is increasing positions for the expansion of recovery services, triage mental health services, clinical assessment services, community crises services and administrative support.

HIGHLIGHTS OF 2013-14 RECOMMENDED BUDGET

Following are highlights of programmatic and budgetary proposals included in the Recommended Budget as they relate to the 2013-14 County Goals as adopted by the Board of Supervisors on February 26, 2013.

Create, Maintain, and Grow Jobs and Economic Value in the County

- A key strategy of the Economic Development Agency (EDA) is to continue to support businesses coming into and currently existing in the County, by ensuring that Workforce Investment Act (WIA) funding assists with layoff aversion, business services and training for specific workforce skills. Through these efforts, EDA will work to keep existing businesses thriving and create an environment that is appealing to businesses looking to relocate.

Improve County Government Operations

- $300,000 in additional discretionary general funding (net county cost) is to be allocated to the Clerk of the Board to support two new positions and to support the remote videoconferencing locations in the cities of Joshua Tree and Hesperia ($196,000). New staff will improve the ability of the department to meet customer service expectations as well as better manage the department's fiscal and budgetary duties. The videoconferencing program, piloted in 2010 and expanded by order of the Board of Supervisors in January 2013, will allow greater access for constituents in High Desert communities to participate in Board of Supervisors Meetings. The remaining increase of $104,000 is recommended one-time funding to support three positions responsible for processing assessment appeal caseload which remains high due to trends in the local housing and commercial property markets.

- The addition of the two positions in the Assessor-Big Bear district office, will serve to expand public office hours in both the Big Bear and Twin Peaks district offices from two to five days per week. This is proposed to be funded with departmental sources and no additional discretionary general funding (net county cost).

- The addition of 10 Public Service Employees in the Auditor-Controller/Treasurer/Tax Collector Office to implement a paid summer internship program that will employ newly graduated students or students in the last year of school. The participants make valuable contributions to the organization while gaining valuable "hands-on" experience. This is proposed to be funded with departmental sources and no additional discretionary general funding (net county cost).

- In 2011-12, the Board of Supervisors set aside $30.0 million to facilitate the County Buildings Acquisition and Retrofit Project including the purchase of new buildings, the seismic retrofit and modernization of certain existing buildings, and the demolition of older facilities where additional investment is not recommended. An additional $10.0 million was included in 2012-13 to support additional square footage requirements and fund furniture, fixtures, and equipment. Acquisition of space was completed in 2012-13. In 2013-14, the County is planning to revitalize the County Government Center campus and County office buildings to strategically invest in the future. In addition, $4.5 million is proposing to be added in 2013-14 to acquire existing office space near the Victorville Courthouse.

- In an effort to streamline the permitting process, a $700,000 allocation of one-time discretionary general funding (net county cost) is recommended to purchase new permitting software for Land Use Services, which will allow interfaces between Land Use Services, Public Works, and County Fire.

- An additional one-time allocation of discretionary general funding of $833,147 is suggested for Land Use Services; $360,000 to enable the continuation of the Medical Marijuana enforcement program, $273,147 to provide funding for the demolition/rehabilitation program and $200,000 for legal costs.

- The Recommended Budget for Land Use Services – Planning Division includes five positions for the Mining Program, which are funded through increased fee revenues, as the current staffing is inadequate to effectively and efficiently process mining applications and limit County liability. Properly staffing the Mining Program will ensure compliance with state and federal laws since all mines are inspected at least annually.

- The Environmental Health Division of Public Health will continue to conduct Industry Roundtables intended to assist and support the businesses they regulate.

Operate in a Fiscally Responsible and Business-like Manner

- The 2013-14 budget for the Sheriff/Coroner/Public Administrator consolidates the ongoing expenses and revenues of four Special Revenue Funds within the Department's General Fund, providing for more effective budget management and accurate reporting of these functions.

- The addition of five new positions (offset by the deletion of two existing vacant positions) in Purchasing will provide assistance and training to departments, decrease cycle time for

purchase orders and contracts, enhance management of Countywide contracts, reduce the number of retroactive contracts, and resume vendor activities. The positions include two Buyer IIs, one Buyer III, one Staff Analyst I, and one Staff Analyst II.

- In 2012-13, Fleet Management and County Fire completed the merger of vehicle services, optimizing space requirements. For 2013-14, the merging of parts inventories will increase parts room efficiency, reduce inventories, and utilize economies of scale to reduce costs.

- For 2013-14, Fleet Management-Garage and Motor Pool have established separate budget units to begin financing the earned leave program to meet their long term leave liabilities.

- Assessments of buildings and allocation of resources to address deferred maintenance and major repairs of the County's building assets were completed in 2012-13 and are being refined in 2013-14.

- Investment of capital resources to reduce energy costs through the energy efficiency program partnership with Southern California Edison (SCE) and Southern California Gas (SCG) through various implementation projects have been completed with others in process. From 2009 through 2012, incentives received from the two utilities to help finance these projects totaled $889,900 and the estimated annual savings from reduced energy usage totaled $835,000. In May 2013, the Board approved a continuation of the energy efficiency program partnership with SCE and SCG. Various projects are planned for 2013-14.

- Human Resources proposed, and with approval from the Board of Supervisors, implemented several cost saving measures with all non-represented groups, which are reflected in the 2013-14 Recommended Budget. These measures were successfully negotiated with all but one bargaining unit during the current bargaining cycle that began in April 2011. The cost saving measures include: 1) step increment reductions from two steps to one step for all employees, 2) eliminated, for all employees, the employer pickup of the required employee contribution to the San Bernardino County Employees' Retirement Association in the amount of up to seven percent of earnable compensation, 3) changed percentage-based County contributions for health insurance premiums to fixed amount for all employees, and 4) converted the County contribution toward health insurance costs from pensionable Flex Benefits to non-pensionable Medical Premium Subsidies. The Board of Supervisors adopted the provisions of the advisory arbitration award that recommended implementing the same cost saving measures listed above to the one bargaining unit that did not agree to these measures during negotiations.

- With the recent California Supreme Court decision pertaining to ABx1 26, a one-time allocation of $300,000 to the Economic Development Agency is recommended in 2013-14 to fund costs associated with Oversight Boards and the dissolution of Redevelopment Agencies.

Ensure Development of a Well-Planned, Balanced, and Sustainable County

- Public Works -– Transportation proposes to complete $10.0 million in Transportation Proposition 1B projects in 2013-14, which includes $7.0 million in pavement condition improvements, contribution towards the Yucca Loma/Yates Road widening project, paving of Hatchery Drive in Moonridge, a storm drain and drainage improvements on Phelan

Road, and grant matching contributions for Valley Boulevard and Cedar Avenue new median construction.

- The proposed Public Works – Transportation budget will sustain the County Pavement Management Program in a good to very good condition, in part by doing surface treatments on 9.4 miles and rehabilitating and overlaying 15.9 miles of roads. A one-time contribution of $4.5 million from the General Fund will help construct the Glen Helen Parkway grade separation, Yates Road realignment, and support the department's operation activities.

- The County Museum budget reflects major reductions in sources of revenue ($766,000) that are being driven by a downturn in federal and state contracts. As a result, nine positions have been deleted from the budget. Historically County Museum's one-time sources have been renewed or were replaced with other one-time sources; however, these one-time sources (federal and state) are becoming more difficult to secure at the present time and are forecasted to remain lean in the near future. In response to these lost revenues, the 2013-14 Recommended Budget was developed conservatively on the basis of minimal reliance upon one-time sources. Discretionary general funding (net county cost) has been increased by $241,000 ($200,000 is a one-time increase only for 2013-14) as a measure to buy time for the Department to develop a sustainable revenue base and will fund 4 positions in 2013-14 which were previously slated for deletion due to the reduction in revenue sources. The staffing level reductions will create significant service level reductions in the areas of educational and live animal programs, Geological Sciences, weekend programing, and dedicated facility security.

- The County Library proposes to enhance service in 2013-14 by replacing outdated computer hardware and software over the next several years, restoring the Library's material budget and adding high demand items to the collection, including an expanded digital book collection.

- The recommended budget would allow the Regional Parks Department to continue to address aging and deferred maintenance needs in water, sewer and electrical infrastructure at Prado, Mojave Narrows and Glen Helen Parks. Improvements will continue at Calico Ghost Town for OHV Camping. Negotiations for two large Operations and Management/Concession contracts are ongoing for Moabi and Lake Gregory Parks. All of these efforts are intended to improve the user experience provided to the Regional Park's patrons and reduce the departments' reliance on the County's General Fund.

- The 2013-14 Recommended Budget reflects an additional one-time allocation of $1.6 million for Land Use Services - Planning Division to begin updating the General Plan, create more specific plans to better reflect the unique character of all areas of the County, and to amend the development code and master plans. These revisions will ensure the most appropriate standards are being applied in all areas of the County and will be accomplished over a three year period with additional funding required estimated at $5.4 million in future years.

Maintain Public Safety

- Construction commenced in June 2011 on the Sheriff/Coroner/Public Administrator's Adelanto Jail Expansion Project, which is projected to add 1,392 jail beds to the County's Adelanto Detention Center (ADC) by late December 2013. This would bring the total beds

at ADC to 2,098. In order to help fund the $127.5 million project, the Sheriff/Coroner/Public Administrator pursued and was awarded $88.0 million from the state as part of its Assembly Bill (AB) 900 County Jail Lease-Revenue Funding Program. The Sheriff/Coroner/Public Administrator is proposing to implement a phased approach using AB 109 growth funds to begin staffing the facility in 2013-14. This will result in the use of 928 of the 2,098 beds at the new facility. The use of 928 beds at the new jail will provide for expanded levels of service in the High Desert, which includes a new booking area and the ability to house female, protective custody, and high security inmates. The Sheriff/Coroner/Public Administrator will be including a quarterly budget adjustment in 2013-14 to implement this phased approach.

- The addition of five Sheriff's Custody Specialists and five Deputy Sheriffs funded with AB 109 (Public Safety Realignment) revenue in order to enhance the success and improve the supervision of inmates participating in the Department's Electronic Monitoring Program.

- In 2012-13, Architecture and Engineering negotiated a ground lease for 8 acres of land on which to construct approximately 55,000 square feet of maintenance and hangar space and approximately 10,000 square feet of office space to move the Sheriff/Coroner/Public Administrator's aviation operations from the Rialto Airport to the San Bernardino International Airport (SBIA). The new lease and operating expenses for the facility will be funded from the termination of existing leases. In 2013-14, the construction cost of $9.6 million is recommended to be funded with $4.5 million from discretionary general funding, $4.1 million from the City of Rialto for relocation expenses, and $1.0 million from federal asset forfeiture money.

- Ongoing funding of $20.0 million has been proposed for the 800 MHz Upgrade project to address the aging public safety 800MHz digital radio system and infrastructure requirements. In 2012-13, $4.75 million was redirected to the High Desert Government Center (HDGC) Public Safety Operations Center (PSOC) for infrastructure to support the 800 MHz upgrade and a consultant contract was issued in the amount of $250,000 to Motorola to assist in the planning and implementation of the system upgrade. The assessment by Motorola is expected to be completed by August 2013 and the acquisition/lease of microwave sites, tower construction, upgrades, and equipment will be underway in 2013-14.

- In 2012-13, the Board approved $1.3 million for design services to expand and remodel the existing Sheriff's Crime Lab. A design contract was awarded in May 2013 to expand the facility by approximately 20,000 square feet. The 2013-14 recommended capital improvement program budget proposes the addition of $15.7 million from discretionary general funding for construction of the expansion.

- The Recommended Budget proposes a $1.2 million increase in the ongoing County Fire subsidy for operational needs, bringing the total general fund subsidy to $18.8 million.

Provide for the Health and Social Services Needs of County Residents

- The County successfully implemented its Low Income Health Program, ArrowCare, effective January 1, 2012, which is intended to be a bridge to healthcare reform in 2014. This program covers childless adults ages 19-64 who are not otherwise covered by Medi-Cal. By implementing this program, the County's goal is to provide coverage to this population through the health departments so that the County will be the provider of choice

in 2014. In 2013-14, the Arrowhead Regional Medical Center (ARMC), Behavioral Health, Public Health, and Transitional Assistance departments propose to continue their collaborative relationships to offer fully integrated care to County residents. Current ArrowCare recipients (approximately 28,000) are expected to transition to Medi-Cal as part of the Medi-Cal expansion under healthcare reform effective January 1, 2014.

- During 2012-13, the Community Vital Signs Initiative, spearheaded by the Departments of Public Health, Behavioral Health and Arrowhead Regional Medical Center, continued its efforts towards improving the wellness of the County, and ultimately achieving the goals of the Countywide Vision. The initiative continues to work with a vast array of invested stakeholders. In 2013-14, it is proposed that Community Vital Signs reach out to hundreds of stakeholders representing healthcare, the business sector, the planning community, community and faith-based organizations, local jurisdictions, and policy makers to align strategies and develop shared goals and measures for achieving a collective impact.

- The Public Defender expanded its Juvenile Accountability program in 2012-13 to the Victorville community. In 2013-14, continued expansion of the program via collaboration with the Department of Behavioral Health and other Law and Justice agencies is proposed to reduce recidivism and increase self-sufficiency of the youth entering adulthood in our communities.

- Human Services (HS) continues to provide quality service to its clients despite the tremendous burdens brought upon by the economic downturn. As a result, state and federal funding increases are proposed in the HS - Administrative Claim, primarily in Transitional Assistance programs, and subsistence programs of CalWORKs, AFDC-Foster Care, and Aid to Adoptive Children to assist residents in need. HS departments are anticipated to serve 67,300 newly enrolled due to healthcare reform, 4,500 additional CalWORKs cases (15% increase), 4,690 additional Medi-Cal cases (3.1% increase) and 6,100 additional Cal FRESH cases (15% increase) over the prior year.

- For 2013-14, Preschool Services Department (PSD) funding will be affected by the Federal Sequestration by approximately $2.1 million. Due to the lag time with receipt of the notification from the Office of Head Start, the 2013-14 recommended budget does not include this reduced funding source. PSD will be recommending budget adjustments in the first quarter budget report that will impact operations through varied reductions such as, but not limited to, reduced number of children served, closure of PSD sites, and reduced amount of vendor contracts for preschool services.

- The Department of Aging and Adult Services (DAAS) will be impacted by the Federal Sequestration. DAAS proposes to reduce $560,000 in revenue from their 2013-14 Recommended Budget, which will impact operations through varied service reductions to seniors such as, but not limited to, reduced meals for the Nutrition Program, reduced contract providers for the Family Caregiver Program, and reductions to the number of contracted providers for legal services, adult daycare and other activities as part of Supportive Service programs for Seniors.

- Child Support will continue to provide a high level of service to its client base and is proposing to include the restoration of $500,000 in funding that was reduced in the Governor's May Revision for 2012-13. State and federal funding will assist with offsetting increases in salary and retirement costs.

Pursue County Goals and Objectives by Working with Other Government Agencies

- Animal Care and Control and Environmental Health Divisions at Public Health will continue to look at partnerships with other governmental agencies and the business sector to develop long term strategies for improving how they function in 2013-14. In 2012-13, the Animal Care and Control Division successfully worked with the Town of Apple Valley to develop a long term solution to address the animal care and control needs of individuals living in the High Desert.

CHALLENGES IN FISCAL YEAR 2013-14 AND BEYOND

In the coming years, the County faces the challenge of continuing to provide quality services to its residents while managing the impacts of revenues not increasing sufficiently to cover increased costs. In addition to the general economy, other major challenges facing the County include state budget impacts.

State Budget

On January 10, 2013, Governor Brown released his $138.6 billion 2013-14 Proposed State Budget, which included $97.7 billion in State General Fund expenditures and a $1.1 billion reserve. The Governor announced that the budget is projected to remain balanced for the foreseeable future, as a result of the tough spending cuts enacted over the past two years and new temporary revenues expected under the passage of Proposition 30.

While the Governor's 2013-14 Budget Plan contains no significant reductions to County-administered programs, several outstanding issues left to be addressed in the 2013-14 budget are of ongoing concern to the County, including unidentified proposals for the implementation of the Federal Health Care Reform and the potential sweep of 1991 Realignment funding.

Based on a preliminary review of the May Revise, the state proposes to redirect 1991 Realignment funding for indigent care as health care coverage grows. The County is estimated to lose up to $11.0 million in this redirection. The 2011 Realignment funding is not stable due to less than expected revenue growth in AB 109 Public Safety Realignment and the allocation formula being revised in 2014-15. While some state funding reductions are anticipated, adjustments for these impacts will be made in the quarterly budget reports, after the fiscal year 2013-14 State Budget is adopted and impacts are confirmed.

Federal Budget

As a result of Federal Sequestration, the following County departments have been significantly impacted: Preschool Services, Public Health, Community Development and Housing, Aging and Adult Services, and Workforce Development. The departments have either built their 2013-14 Recommended Budget with these federal reductions or will be proposing to make adjustments in a future quarterly budget report. These federal reductions will impact departmental staffing levels and the County services they provide**.**

Retirement Costs

Due to the 2008-09 market losses, the County will still experience high retirement contribution rates over the next two fiscal years to ensure retirement liabilities will be funded at a proper level. The County's Retirement Fund is required to earn 7.75% each fiscal year in order to adequately fund retirement liabilities. The County is continuing to actively seek to reduce future retirement costs through proposed compensation reductions and implementing the state approved pension reform.

CONCLUSION

The County fiscal plan developed by the County Administrative Office outlines measures to address the anticipated cost increases for the next four years so that both the Board and staff can shift their focus to rebuilding the County. The 2013-14 Recommended Budget focuses on major policy issues and key projects that require additional funding in an economic climate that continues to cause reductions in County programs and local government. The County is committed to making the most of its funding to provide necessary public services in an effective and efficient manner and fulfilling its role in the achievement of the Countywide Vision.

GREGORY C. DEVEREAUX
Chief Executive Officer

CONTENTS OF 2013-14 RECOMMENDED BUDGET

There are two workbooks for the 2013-14 Recommended Budget, both are user friendly for the public, Board of Supervisors, and departments. The first workbook is 2013-14 Recommended Budget Executive Summary and the second workbook is 2013-14 Recommended Budget. Both workbooks have tabbed sections that are described below:

The first workbook, 2013-14 Recommended Budget Executive Summary, is a summary of the 2013-14 Recommended Budget, which begins with a memo from the Chief Executive Officer (CEO), and includes the following sections:

- **County Fiscal Plan**, which summarizes the CEO's plan to address the five-year forecast and the detailed changes in ongoing discretionary general funding and the ongoing cost to maintain services in the 2013-14 fiscal year.

- **Identified Needs**, which summarizes the ongoing and one-time discretionary general funding available and the recommended ongoing and one-time costs for 2013-14 and identifies future needs that are currently set-aside in contingencies that the County will have to address.

- **County Budget Summary**, which shows total requirements and total sources included in the 2013-14 Recommended Budget with comparative numbers from the 2012-13 modified budget. Also included is total budgeted staffing recommended for 2013-14 with comparative numbers from the 2012-13 modified budget.

- **Discretionary General Funding**, which summarizes how the general fund is funded in 2013-14 as well as the balances of unallocated discretionary sources (contingencies) and reserves.

The second workbook, 2013-14 Recommended Budget, begins with a **County Budget Overview,** which provides information about the County and the budget process and explains to the reader how the workbook functions. There is a tab for each budget group and behind each tab is all the budget unit details within that budget group.

For each department the following is included:

- **Department's Mission Statement**.

- **Department's Organizational Chart**, which includes the names of key personnel of the department, what functions the department performs and budgeted staffing counts by function included in their 2013-14 Recommended Budget.

- **Department's 2012-13 Accomplishments**.

- **Department's Performance Measures to meet the 2013-14 County Goals and Objectives**.

- **Summary of Budget Units**, which summarizes the 2013-14 Recommended Budget by requirements, sources, net county cost, fund balance, net budget and staffing for all budget units under the direction of a specific department and/or group. This section also includes a five-year trend for each budget unit listed.

For each departmental budget unit the following details are included:

- **Description of Major Services**, provides information regarding the main functions of each budget unit.

- **Budget at a Glance,** lists the budget unit's 2013-14 requirements, sources, budgeted staffing, and percentage of net county cost, if any.

- **Requirements Less Reimbursements and Sources\Reimbursements pie charts**, illustrate what percentage of 2013-14 budgeted expenditure authority is spent on staffing expenses, operating expenses, etc., as well as, the percentage of the 2013-14 budgeted sources that come from net county cost, reimbursements, taxes, fee/rate supported revenues, etc.

- **Budgeted Staffing Analysis and 5-Year Staffing Trend**, displays the budget unit's current staffing trend, including regular and limited term positions and associated staffing expenses for the current and two prior fiscal years, and illustrates with a bar graph the budgeted staffing amounts for the past four fiscal years and the upcoming fiscal year.

- **Analysis of 2013-14 Recommended Budget**, includes line item budget amounts by requirements such as staffing expenses, operating expenses, etc. and line items by revenue sources for the most recent and upcoming fiscal year, as well as actual results for the past three fiscal years, and current year estimates.

- **Major Expenditures and Revenue in 2013-14 Recommended Budget,** provides explanations of major departmental expenditures and sources included in the 2013-14 Recommended Budget.

- **Budget Changes and Operational Impact,** briefly describes any major budget unit program impacts, and highlights the 2013-14 budget including significant changes in requirements and sources from the prior year modified budget.

- **Staffing Changes and Operational Impact,** briefly highlights budgeted staffing changes and operational impacts for 2013-14, including significant changes from prior year budgeted staffing.

- **2013-14 Position Summary**, identifies by functions all the classifications budgeted in 2013-14 and separates them by type, regular and limited term, as well as by status, filled, vacant or new when the budget was built.

Long Term Fiscal Planning

Long-term fiscal planning is an effective tool for creating sustainable budgets and providing fiscal stability beyond the annual budget horizon. Long-term financial planning is a strategic process that provides governments with the insights and information needed to establish multi-year budget solutions and fiscal policies and actions that maintain good fiscal health. The County creates a five-year operating forecast for the purpose of providing the Board of Supervisors with a framework for use in decision-making in order to maintain and continue the fiscal health of the County to ensure and enable a plan for the provision of services and capital assets.

The forecast is updated annually and is not a budget. It does not establish policy or priorities, it simply summarizes fiscal capacity. The forecast identifies key factors that affect the County's fiscal outlook and assesses how difficult balancing the budget may be in the future. It helps the County to understand the fiscal challenges ahead and the need to establish priorities.

The forecast is developed using a baseline environment, that is, revenues and expenditures are projected based primarily on trend analysis, specific circumstances and present level of services provided by the County. This forecast is not a prediction of what is certain to happen but rather a projection of what will occur in the absence of any mitigating actions or changing circumstances. As such, this plan highlights significant issues or problems that must be addressed in order to maintain a structurally balanced budget.

Significant Ongoing Issues Impacting the General Fund

Retirement costs are anticipated to increase due to market losses incurred by the County's pension system.

Costs relating to memoranda of understanding with employee groups are projected to increase. The increase in the forecast reflects only current negotiated agreements between the County and employee representation units, and includes costs for budgeted positions.

Due to less property tax revenue to be received by County Fire and rising pension costs, an increase in General Fund subsidy is required to maintain needed fire services and replace fire vehicles.

Additional staffing for the Adelanto Detention Center Expansion will require a significant amount of funding beginning in Fiscal Year 2013-14.

Table 1 summarizes the County's Five-Year Fiscal Forecast as it relates to ongoing expenditures funded with ongoing discretionary revenue in the County's General Fund. The Five-Year Fiscal Forecast represents future incremental costs and changes in revenues for the referenced fiscal year. The forecast reflects that revenues are beginning to increase due to projected increases in assessed valuation and Proposition 172 sales tax revenue. However, cost increases continue to cause structural issues that need to be addressed.

TABLE 1
FIVE-YEAR FISCAL FORECAST
FISCAL YEARS 2013-14 THROUGH 2017-18
(dollars in millions)

	2013-14	2014-15	2015-16	2016-17	2017-18
Ongiong Carryover From Fiscal Year 2012-13	$ 9.4				
Assessed Valuation Change	1.5%	2.0%	2.0%	2.0%	2.0%
Ongoing Revenue Change:					
Property Tax	$ 8.8	$ 8.2	$ 8.1	$ 8.3	$ 8.4
Proposition 172	11.1	6.3	6.0	6.9	7.0
Other Revenue	(2.1)	0.2	1.4	1.3	1.4
Total Ongoing Revenue Change	$ 17.8	$ 14.7	$ 15.5	$ 16.5	$ 16.8
Change in Ongoing Costs:					
Retirement	$ (11.3)	$ (11.7)	$ (7.9)	$ (7.8)	$ (5.9)
Other MOU Costs	(0.9)	(2.3)	(2.5)	(2.3)	(2.6)
County Fire Subsidy Costs	(1.2)	(0.8)	0.0	0.0	0.0
Earned Leave Program	(3.7)	0.0	0.0	0.0	0.0
Other Costs	(10.1)	(5.5)	(4.3)	(5.9)	(4.9)
Total Change in Ongoing Costs	$ (27.2)	$ (20.3)	$ (14.7)	$ (16.0)	$ (13.4)
Yearly Ongoing Available/(Budget Gap)	$ -	$ (5.6)	$ 0.8	$ 0.5	$ 3.4

Table 2 shows the recommended solutions for the structural deficit identified in the Five-Year Fiscal Forecast above. The Five-Year Forecast solutions represent incremental mitigations for the referenced fiscal year.

TABLE 2
FIVE-YEAR FORECAST SOLUTIONS
REMAINING STRUCTURAL DEFICIT
FISCAL YEARS 2013-14 TO 2017-18
($ in millions)

	2013-14	2014-15	2015-16	2016-17	2017-18
From Five Year Financial Forecast Table 1:					
Yearly Ongoing Available/(Budget Gap)	**$ -**	**$ (5.6)**	**$ 0.8**	**$ 0.5**	**$ 3.4**
Ongoing Mitigations:					
SBPEA Medical after MOU term	$ 0.0	$ 2.0	$ 2.1	$ 2.3	$ 2.6
Proposed SBPEA Reductions	0.0	9.4	0.0	0.0	0.0
Total Ongoing Mitigations	$ -	$ 11.4	$ 2.1	$ 2.3	$ 2.6
Excess Ongoing Financing Available/ (Mitigations Still Needed)	**$ 0.0**	**$ 5.8**	**$ 2.9**	**$ 2.8**	**$ 6.0**

As reflected in the table above, the recommended solutions for the remaining structural deficit for fiscal years 2013-14 through 2017-18 include:

San Bernardino Public Employees Association ("SBPEA") Medical After Memorandum of Understanding ("MOU") Term – Removal of annual increases in other MOU costs that occur from 2014-15 through 2017-18. This cost represents increased medical-related benefits for the County's largest union that will automatically take effect if not addressed in the next round of negotiations.

Proposed SBPEA Reductions – The County is seeking concessions from the eight bargaining units represented by SBPEA, whose existing contract expires in Fiscal Year 2014-15, in an attempt to reduce salary and benefit costs. These concessions, if achieved, will generate $9.4 million in savings.

As of May 2013, with the exception of the eight bargaining units represented by SBPEA whose MOUs remain effective until June 28, 2014, all bargaining units and unrepresented employees have accepted or, in one instance had imposed, a substantial reduction or elimination of the employer pick-up of employees' contributions to the retirement benefit plan. Continuation of this benefit reduction is contingent upon the acceptance of such concession by the SBPEA Units.

The Five-Year Forecast Solutions resolve the structural deficit identified in the five-year fiscal forecast presented above. However, this forecast does not include the cost of staffing the expansion of the Adelanto Detention Center, which has been deferred until the County has available money or until non-General Fund sources are found to fund these costs. In addition to these costs, the County has identified other ongoing costs that are not included in the five-year forecast due to lack of available funding. These costs are identified in Table 3.

TABLE 3
ONGOING COSTS NOT FUNDED IN ONGOING BUDGET PLAN
FISCAL YEARS 2013-14 TO 2017-18
($ in millions)

	2013-14	2014-15	2015-16	2016-17	2017-18
Five Year Forecast Solutions Table 2:					
Excess Ongoing Funding Available/ (Mitigations Still Needed)	**$ 0.0**	**$ 5.8**	**$ 2.9**	**$ 2.8**	**$ 6.0**
Ongoing Costs not funded in Ongoing Budget Plan:					
Earned Leave Program	$ (0.7)	$ -	$ -	$ -	$ -
Adelanto Detention Center Expansion Staffing	0.0	(17.8)	(14.3)	0.0	0.0
Pavement Management Program	(0.4)	(1.7)	(2.3)	(0.9)	0.2
Annual Ongoing Costs Not Funded in Ongoing Budget Plan	**$ (1.1)**	**$ (19.5)**	**$ (16.6)**	**$ (0.9)**	**$ 0.2**
Total Ongoing Costs not Funded in Ongoing Budget Plan	**$ (1.1)**	**$ (13.7)**	**$ (13.7)**	**$ 1.9**	**$ 6.2**
Cumulative Ongoing Excess/(Deficit)	**$ (1.1)**	**$ (14.8)**	**$ (28.5)**	**$ (26.6)**	**$ (20.4)**

As reflected in the table above, the County has identified other ongoing costs that are not included in the ongoing budget plan. These costs are:

Earned Leave Program Costs – In a given fiscal year an employee can have paid time off earned but not used that is carried forward to future years until taken or cashed out. The County currently has a significant existing liability created by these leave balances from prior years. In prior years, departments were required to fund payments made to employees of these existing leave balances at separation or retirement within their

department allocations, which would often require departments to leave budgeted positions vacant for extended periods of time. In Fiscal Year 2011-12, the County allocated ongoing sources of $3.5 million to begin setting aside funding for the portion of these unused leave balances that will eventually be funded by discretionary sources of the general fund. This allocation will be placed in the Earned Leave Reserve until needed. The current balance in the Earned Leave Reserve is $3.5 million. The 2013-14 Recommended Budget includes a contribution of $7.0 million ($3.5 million for 2012-13 and $3.5 million for 2013-14) to the Earned Leave Reserve to increase the funding available for these leave balances from prior years.

The County estimates that the portion of annual cost of employee paid time off earned but not taken funded by discretionary sources of the general fund is approximately $4.4 million. This amount will be added to the existing liability balance each year. Beginning in Fiscal Year 2013-14, $3.7 million of the $4.4 million ongoing cost is included in the ongoing budget plan (Five-Year Fiscal Forecast). The remaining $0.7 million is not funded on an ongoing basis. However, the 2013-14 Recommended Budget includes the funding of the $0.7 million on a one-time basis using one-time funds until an ongoing source becomes available.

The 2013-14 Recommended Budget appropriates this $4.4 million ($3.7 million ongoing and $0.7 million one-time) in the Contingency for Uncertainties, and identifies it for the Earned Leave Program.

Adelanto Detention Center Expansion Staffing – The County currently estimates that the ongoing cost of staffing the expanded Adelanto Detention Center is $37.5 million. The County has deferred funding this cost until the County has available General Fund monies, or until non-General Fund sources to fund it are identified. It is anticipated that the expanded facility will be ready to open in January 2014. The County has developed a plan to staff 222 of the 1,392 additional beds in the expanded facility. This plan provides the staffing for these beds to be funded in 2013-14 with $5.4 million of AB 109 Public Safety Realignment Revenue. This funding is not included in the 2013-14 Recommended Budget, but will be brought to the Board of Supervisors for approval in Fiscal Year 2013-14 as part of the quarterly budget adjustment process. Staffing for the remaining new beds is not currently funded and is reflected in the ongoing costs not funded in the ongoing budget plan.

Pavement Management Program – The County estimates that an ongoing contribution to the Transportation Department from the County General Fund will be required to sustain County maintained roads in good to very good condition. This ongoing contribution is estimated to increase each year through Fiscal Year 2016-17, when it reaches a total of $5.3 million, and then declines slightly in Fiscal Year 2017-18. This cost is not funded in the ongoing budget plan. However, the 2013-14 Recommended Budget includes the funding of the Fiscal Year 2013-14 cost of $0.4 million on a one-time basis using one-time funds.

2013-14 RECOMMENDED BUDGET

The 2013-14 Recommended Budget is structurally balanced and mitigates a $9.4 million structural deficit using $9.4 million of ongoing sources not allocated in the prior year, as shown in Table 1 entitled “Five-Year Fiscal Forecast.” The tables that follow detail the revenue and expenditure assumptions that are included in the Five-Year Fiscal Forecast for Fiscal Year 2013-14. The tables also address one-time sources and uses for Fiscal Year 2013-14. The ongoing budget information is presented on an incremental basis using the 2012-13 Adopted Budget as the base. The one-time information is presented in actual amounts (rounded). Table 4 reflects changes in discretionary funding sources available for the 2013-14 Recommended Budget.

TABLE 4
CHANGES IN DISCRETIONARY FUNDING AVAILABLE FOR FISCAL YEAR 2013-14
(in millions)

	Ongoing	One-Time
Adjusted Ongoing Discretionary Sources:		
Property Tax	$8.8[1]	--
Sales Tax	2.3[2]	--
Property Transfer Tax	0.9	--
Interest Revenue	(1.2)[3]	--
Property Tax Administration Fee	(2.8)[4]	--
Other	(1.3)	--
Adjusted Ongoing Proposition 172 Revenue	11.1[5]	--
Estimated One-Time Discretionary Sources:		
Use of Reserves	--	$36.3[6]
Operating Transfers In	--	10.6
2012-13 Discretionary Results	--	82.3[7]
Changes in Available Funding	**$17.8**	**$129.2**

(1) The $8.8 million increase in property tax revenue is based on an assessed valuation increase of 1.5%. The County has not budgeted any additional property tax revenue that might result due to the dissolution of Redevelopment Agencies pursuant to ABX1 26, as this amount is not currently estimable. The County continues to budget for pass-through payments consistent with ABX1 26.

(2) The $2.3 million estimated increase in sales tax revenue is based on estimates of a local economist, and increased revenue trends in Fiscal Year 2012-13.

(3) The $1.2 million decrease in interest revenue is due to decreased interest and penalties from the County's Teeter program, and decreasing interest rates earned on investments.

(4) The $2.8 million decrease in Property Tax Administration Fee ("PTAF") revenue is due to the impact of the decision in the PTAF Fee litigation, which decreases the amount of this fee that the County can charge cities in the County for the costs related to the assessment, billing, collection and apportionment of property tax revenues.

(5) The County receives Proposition 172 revenue, which is derived from a half-cent sales tax that provides funding for public safety services. The County allocates its Proposition 172 revenues as follows: 70% to the Sheriff/Coroner/Public Administrator, 17.5% to the District Attorney and 12.5% to the Probation Department. The Fiscal Year 2013-14 Proposition 172 increase of $11.1 million includes $5.8 million of current year revenues in excess of the amount included in the 2012-13 Adopted Budget and growth of $5.3 million projected for Fiscal Year 2013-14.

(6) The use of the $22.9 million Future Space Needs Reserve and the use of $13.4 million of the Teeter Reserve are included in the 2013-14 Recommended Budget. This funding will be combined with other one-time sources to fund one-time projects and to set-aside funding in contingencies for one-time capital projects and other one-time expenditures. The amount released from the Teeter Reserve is the amount that this reserve is funded in excess of the legal requirement.

(7) Projected Fiscal Year 2012-13 discretionary General Fund results include:

(a) Appropriation savings of $48.9 million. This is comprised of $34.5 million in unspent contingency appropriations, projected departmental savings of $10.5 million, and savings of $3.9 million in operating transfers to other funds.

(b) Revenue in excess of budgeted amounts of $44.4 million. This is due to increased property tax revenues of $14.4 million, of which $11.5 million is residual property tax increment not required for the current payment obligations of the dissolved redevelopment agencies. Additional revenue changes include a decrease in property tax administration fee revenue of $2.8 million, and other revenues exceeding budget by $5.4 million. One-time distributions from the dissolved Redevelopment Agencies is projected at $16.4 million, and one-time revenue from excess tax sales proceeds is $11.0 million.

(c) An $11.0 million contribution to the reserve for a new property tax system.

As shown in Table 5 below, the County anticipates ongoing cost increases of $27.2 million and $58.0 million in one-time costs and contingency appropriation.

TABLE 5
CHANGES IN COSTS FUNDED WITH DISCRETIONARY REVENUE
FOR FISCAL YEAR 2013-14
(in millions)

	Ongoing	One-Time
Increase in Ongoing Costs		
Retirement Increases	$ 11.3[1]	--
Other MOU Costs	0.9[2]	--
County Fire Subsidy Costs	1.2[3]	--
Earned Leave Program	3.7[4]	0.7[4]
Other Costs	10.1[5]	--
One-Time Costs		--
Department Allocations	--	$9.3[6]
Operating Transfers Out	--	30.3[7]
Contingency Appropriation	--	8.5[8]
Reserve Contributions	--	9.2[9]
	$ 27.2	**$ 58.0**

(1) Estimated increases in retirement costs caused primarily by market losses incurred by the retirement system.

(2) Approved compensation changes pursuant to negotiated MOU with employee groups of the County.

(3) Increased subsidy to County Fire to maintain needed services. In recent years declining property tax revenues and increasing costs have made it difficult for the fire district to maintain necessary service levels. County Fire has attempted to mitigate the effects of the economic down turn through budget cuts including the transitioning of full-time staffed fire stations to on-call fire stations. However, an additional subsidy is required for 2013-14 to maintain service levels.

(4) Estimated ongoing cost of $4.4 million of employee paid time off earned but not used for the portion of these costs funded by discretionary sources of the general fund. The 2013-14 Recommended Budget appropriates this cost in the Contingency for Uncertainties, and identifies it for the Earned Leave Program. These costs are funded with $3.7 million ongoing and $0.7 million one-time funding.

(5) Other costs include $2.9 million in funding to Human Services for increased costs of foster care and California Children's Services, $2.9 million in funding to Sheriff due to declines in detention revenue, $2.6 million in funding allocations to departments for service enhancements, an additional $1.6 million for insurance and central services costs and $0.1 million for utilities.

(6) Includes $3.0 million in expenditure authority to Economic Development from revenue the department generated in Fiscal Year 2012-13, $2.7 million to the Registrar of Voters for upcoming elections, and $3.3 million to Land Use Services for general plan/development code amendments, new permitting software, code enforcement's medical marijuana costs, legal costs and demolition costs.

(7) Includes $4.5 million to Transportation to help construct the Glen Helen Parkway grade separation, $15.7 million to the Capital Improvement Program to fund construction of the Sheriff's Crime Lab expansion, $4.5 million to the Capital Improvement Program to acquire existing office space near the Victorville Courthouse for the District Attorney and Public Defender who currently lease space, and $4.5 million to the Capital Improvement Program to fund the capital costs to relocate the Sheriff's Aviation Division from the Rialto Airport to San Bernardino International Airport.

(8) $8.5 million allocated to mandatory contingencies (1.5% of locally funded appropriation).

(9) Recommended reserve contributions are $5.7 million to the general purpose reserve. The County Fiscal Plan also includes contributing $3.5 million annually to the Earned Leave Reserve until there is a sufficient balance for the County's earned leave program.

Table 6 summarizes the County's Fiscal Year 2013-14 fiscal plan for discretionary sources and uses:

TABLE 6
COUNTY OF SAN BERNARDINO
SUMMARY OF COUNTY'S FISCAL YEAR 2013-14 FISCAL PLAN
DISCRETIONARY SOURCES AND USES
(in millions)

	Ongoing	One-Time
Ongoing Carryover from Prior Years	$9.4	$ --
Change in Available Funding	17.8	129.2
less: Change in Ongoing Costs/One-Time Costs Funded with Discretionary Revenue	(27.2)	(58.0)
2013-14 Unallocated	$0.0	$71.2

The unallocated amounts in Table 6 above will be budgeted in the Contingency for Uncertainties. $57.8 million of the $71.2 million one-time contingency allocation is set-aside in the 2013-14 Recommended Budget for specific one-time projects and other one-time costs. These set-asides include $18.0 million for jail upgrades, $13.0 million for the new financial accounting system, $10.0 million for animal shelter capital needs, $5.9 million for Rimforest drainage improvements, $5.4 million for land use services general plan/development code amendments, $4.0 million for the County building acquisition and retrofit project, $1.3 million for prior years' Board approved set-asides, and $150,000 to update the County Code/Charter.

The County Fiscal Plan (five-year fiscal forecast) primarily focuses on increases in costs to maintain current services and how much discretionary revenue is available to fund these costs and/or what mitigations are needed. In addition to preparing the five-year fiscal forecast the County Administrative Office also identifies needs within the County that are not currently funded and require funding with ongoing or one-time sources.

ONGOING NEEDS

As reflected in the County Fiscal Plan the 2013-14 Recommended Budget funds $27.2 million in increased ongoing costs ($15.7 million to maintain current services and $11.5 million in increased needs as detailed below).

Ongoing Costs Identified to be Funded
(in millions)

	Ongoing
Earned Leave Program	$3.7
Sheriff/Coroner/Public Administrator – Federal Revenue Losses	2.9
County Fire General Fund Subsidy Increase	1.2
Trial Court Maintenance of Effort – Less Court Fine Revenues	1.2
Special Districts Operate/Maintain Water/Wastewater System at Regional Parks	1.0
Land Development Services – Maintain Current Service Levels	0.3
Surveyor – GIS Parcel Base Map and Corner Records	0.3
Purchasing Improvements	0.3
Clerk of the Board Improvements	0.2
District Attorney Cold Case Prosecution	0.2
Public Defender Caseload	0.1
High Desert Government Center Security	0.1
Additional Ongoing Costs in 2013-14 Recommended Budget	**$11.5**

$3.7 million ongoing for Earned Leave Program

In a given fiscal year an employee can have paid time off earned but not used that is carried forward to future years until taken or cashed out. The County currently has a significant existing liability created by these leave balances from prior years. In prior years, departments were required to fund payments made to employees of these existing leave balances at separation or retirement within their department allocations, which would often require departments to leave budgeted positions vacant for extended periods of time. In Fiscal Year 2011-12, the County allocated ongoing sources of $3.5 million to begin setting aside funding for the portion of these unused leave balances that will eventually be funded by discretionary sources of the general fund. This allocation will be placed in the Earned Leave Reserve until needed. The current balance in the Earned Leave Reserve is $3.5 million. The 2013-14 Recommended Budget includes a contribution of $7.0 million ($3.5 million for 2012-13 and $3.5 million for 2013-14) to the Earned Leave Reserve to increase the funding available for these leave balances from prior years.

The County estimates that the portion of annual cost of employee paid time off earned but not taken funded by discretionary sources of the general fund is approximately $4.4 million. This amount will be added to the existing liability balance each year. Beginning in Fiscal Year 2013-14, $3.7 million of the $4.4 million ongoing cost is included in the ongoing budget plan. The remaining $0.7 million is not funded on an ongoing basis. However, the 2013-14 Recommended Budget includes the funding of the $0.7 million on a one-time basis using one-time funds until an ongoing source becomes available.

The 2013-14 Recommended Budget appropriates this $4.4 million ($3.7 million ongoing and $0.7 million one-time) in the Contingency for Uncertainties, and identifies it for the Earned Leave Program.

$2.9 million ongoing for Sheriff/Coroner/Public Administrator - Federal Revenue Losses
Sheriff/Coroner/Public Administrator has seen reduced revenue associated with State Criminal Alien and Assistance Program (SCAAP) and U.S. Marshall funding totaling $2.9 million.

$1.2 million ongoing for County Fire General Fund Subsidy Increase
County Fire needs an increase in general fund subsidy to maintain needed services. In recent years declining property tax revenues and increasing costs have made it difficult for the fire district to maintain necessary service levels. County Fire has attempted to mitigate the effects of the economic down turn through budget cuts including the transitioning of full-time staffed fire stations to on-call fire stations. However, an additional subsidy is required for 2013-14 to maintain service levels.

$1.2 million ongoing for Trial Court Maintenance of Effort – Less Court Fine Revenues
The County is required to make a capped maintenance of effort (MOE) payment to the state each year for operations of the courts. The County is allowed to retain many fines and forfeitures to help fund their MOE payments with the provision that collections that exceed the amount of the required MOE payments be shared equally between the state and the County. In the upcoming fiscal year, it is anticipated that fines and forfeitures will be reduced requiring additional discretionary general funding of $1.2 million, bringing the total discretionary general funding used to pay the MOE to $11.3 million.

$1.0 million ongoing to Operate/Maintain Water/Wastewater System at Regional Parks
The Regional Parks Department is responsible for ensuring that water and wastewater system operations, maintenance, and management services are being conducted at all County Regional Park locations according to local, state, and federal regulatory requirements. The $1.0 million in ongoing discretionary general funding will allow the Special Districts Department to continue providing water and wastewater system operations, maintenance, and management services for the Regional Parks Department's County-owned water and wastewater systems.

$317,000 ongoing for Land Development Services
In an effort to support the Countywide Vision and streamline the process for private development projects, the Land Development Division was transferred from the Department of Public Works to Land Use Services Department. This Division provides significant public support such as front counter, telephone, research services as well as provides support to the LUSD divisions with a General Fund Subsidy for Land Development. This General Fund Subsidy increased from $283,000 in 2012-13 to $600,000 in 2013-14 (an increase of $317,000) to fund overhead expenses associated with these activities.

$284,543 ongoing for Surveyor Services
The Department of Public Works Surveyor's Division performs two activities for the General Fund: maintenance of the GIS parcel base-map, which is discretionary, and review of Corner Records, which is mandated by the State of California. This General Fund Subsidy increased from $279,903 in 2012-13 to $564,446 in 2013-14 (an increase of $284,543) to charge the General Fund at the Board approved Productive Hourly Rate for staff performing these two tasks.

$250,000 ongoing for Purchasing Improvements
Additional discretionary general funding of $250,000 was allocated to Purchasing Department to add two Buyer IIs and one Buyer III in 2013-14. These positions will provide assistance and training to departments, decrease cycle time for purchase orders and contracts, reduce the number of retroactive contracts, and resume vendor activities.

$196,000 ongoing for Clerk of the Board Improvements
Additional discretionary general funding of $196,000 was allocated to Clerk of the Board to add one Staff Analyst II and one Board Services Specialist and to expand remote video conferencing in 2013-14. New staff will improve the ability of the department to meet customer service expectations as well as better manage the department's fiscal and budgetary duties. The videoconferencing program, piloted in 2010 and expanded by order of the Board of Supervisors in January 2013, will allow greater access for constituents in High Desert communities to participate in Board of Supervisors Meetings.

$158,000 ongoing for District Attorney Cold Case Prosecution

Additional discretionary general funding of $158,000 was allocated to the District Attorney to add one Deputy District Attorney in 2013-14 for the prosecution of cold case homicides in the County**.**

$127,000 ongoing for Public Defender Caseload

Additional discretionary general funding of $127,000 was allocated to the Public Defender to add two Investigator Technicians in 2013-14 for increased workload such as picking up court records, obtaining client signatures on releases of confidential documents, photographing evidence retained by police, and preparing photographs and diagrams for trial. The primary drivers of the workload increases are: 1) the 3-strikes law changes requiring substantial reviews of prior convictions and sentences; 2) compliance with confidentiality laws, which is requiring greater numbers of signed releases; 3) picking up more documents at court rather than having them mailed by court so as to avoid new fees adopted by the court; and 4) felony caseloads are up 13% over the last two years.

$100,000 ongoing for High Desert Government Center Security

Discretionary general funding of $100,000 was allocated to the Sheriff/Coroner/Public Administrator to provide security at the High Desert Government Center.

ONE-TIME NEEDS

As reflected in the County fiscal plan, the 2013-14 Recommended Budget funds $58.0 million in increased one-time costs ($23.5 million per Board policy or direction and $34.5 million in increased needs as detailed below).

One-time Costs Identified to be Funded
(in millions)

	One-time
New Crime Lab	$15.7
Pavement Management Program/Transportation Projects	4.5
Aviation Relocation	4.5
County Buildings Acquisition and Retrofit Project	4.5
Land Use Services Activities	3.3
Earned Leave Program	0.7
Home Ownership Protection Program	0.5
Oversight Board for dissolution of Redevelopment Agencies	0.3
County Museum Bridge Funding	0.2
Sheriff Resident Post Improvements	0.2
Inland Counties Emergency Medical Agency Bridge Funding	0.1
Additional One-time Costs in 2013-14 Recommended Budget	**$34.5**

$15.7 million one-time for New Crime Lab

In 2012-13, the Board approved $1.3 million for design to expand and remodel the existing Sheriff's Crime Lab located at 200 S. Lena Road in San Bernardino. The total estimated project cost is $17.0 million to expand the existing facility approximately 20,000 square feet. $15.7 million is proposed for funding in 2013-14 for the estimated cost of construction for this project.

$4.5 million one-time for Pavement Management Program/Transportation Projects

Public Works – Transportation will sustain the County Pavement Management Program in a good to very good condition, in part by doing surface treatments on 9.4 miles and rehabilitating and overlaying 15.9 miles of roads. A one-time contribution of $4.5 million from the General Fund will help construct the Glen Helen Parkway grade separation, Yates Road realignment, and support the department's operation activities.

$4.5 million one-time for Aviation Relocation

This project will relocate the Sheriff's Aviation Division from Rialto Airport located at 1776 Miro Way to San Bernardino International Airport (SBIA) and will consolidate space currently leased at SBIA into a new facility. The County will construct approximately 55,000 square feet of maintenance and hangar space and approximately 10,000 square feet of office space on approximately 8 acres of land at SBIA. The total estimated cost is $9.6 million and will be funded with $4.1 million from the City of Rialto for relocation, $1.0 million from the Sheriff's Asset Seizure Fund, and $4.5 million from one-time discretionary general funding.

$4.5 million one-time for County Buildings Acquisition and Retrofit Project

Funding of $4.5 million is proposed to be added to the County Buildings Acquisition and Retrofit Project to acquire existing office space near the Victorville Courthouse to locate general funded departments currently in leased space. This budget will acquire and remodel space for the District Attorney and Public Defender.

$3.3 million one-time for Land Use Services activities

$1.6 million to Land Use Services – Planning in 2013-14 will allow the department to begin updating the General Plan, create more specific plans to better reflect the unique character of all areas of the county, and amend the development code and master plans. These revisions will ensure the most appropriate standards are being applied in all areas of the County and will be accomplished over a three year period with additional funding required estimated at $5.4 million in future years.

$100,000 to Land Use Services – Planning will fund the Goldline Plan Review.

$700,000 to Land Use Services - Administration will allow the department to purchase a new permitting software. This new software will allow all of the divisions of Land Use Services, Public Works, and County Fire to interface with each other for the purposes of issuing permits. A new permitting application will also increase the efficiency of the department and help to streamline the permitting process.

$473,147 to Land Use Services – Code Enforcement will fund legal costs of $200,000 and provide funding of $273,147 to the demolition and rehabilitation program. There are 400 properties in this program of which 200 meet the statutory definition of being Dangerous Buildings and the other 200 are in substandard conditions in which properties will probably be abated or repaired by existing or future owners. Since 100 of the Dangerous Buildings pose an imminent threat to public health and safety, $273,147 of discretionary general funding has been allocated to help demolish these buildings.

$360,000 to Land Use Services - Code Enforcement will enable the continuation of the Medical Marijuana enforcement program. This includes supporting a specialized Code Officer to address Medical Marijuana code cases and supporting County Counsel costs specific to Medical Marijuana litigation.

$720,064 one-time for Earned Leave Program

The County estimates that the portion of annual cost of employee paid time off earned but not taken funded by discretionary sources of the general fund is approximately $4.4 million. This amount will be added to the existing liability balance each year. Beginning in Fiscal Year 2013-14, $3.7 million of the $4.4 million ongoing cost is included in the ongoing budget plan (Five-Year Fiscal Forecast). The remaining $0.7 million is not funded on an ongoing basis. However, the 2013-14 Recommended Budget includes the funding of the $0.7 million on a one-time basis using one-time funds until an ongoing source becomes available.

$524,276 one-time for Homeownership Protection Program

This funding will provide support staff and operational costs for the Homeownership Protection and Foreclosure Prevention Program. The support staff will identify all housing funding mechanisms and programs to help families keep their homes.

$300,000 one-time for Oversight Board Costs

With the state's dissolution of local redevelopment agencies in 2011-12, 26 Oversight Boards, each of which includes a County representative and a public representative appointed by the Board of Supervisors, were created within the County to ensure that ongoing redevelopment expenses and assets are managed properly. The County Economic Development Agency will serve as a resource to those appointees to ensure the County's interests are represented on all Oversight Boards. Funding of $0.3 million is needed in 2013-14 to continue to provide this resource.

$200,000 one-time County Museum Bridge Funding

County Museum has major reductions in sources of revenue ($766,000) that are being driven by a revenue downturn. As a result, 9 positions have been deleted from the budget. Historically, County Museum one-time sources have been renewed or were replaced with other one-time sources; however, these one-time sources (federal and state) are becoming more difficult to secure at the present time and are forecasted to remain lean in the near future. In response to this revenue downturn, the 2013-14 Recommended Budget was developed conservatively on the basis of a minimal reliance upon one-time sources. Discretionary general funding has been increased by $241,000 ($200,000 is a one-time increase only for 2013-14) as a measure to buy time for the Department to develop a sustainable revenue base and will fund 4 positions in 2013-14 which were previously slated for deletion due to the reduction in revenue sources. The staffing level reductions will create significant service level reductions in the areas of educational and live animal programs, Geological Sciences, weekend programing, and dedicated facility security. The Department will work with the County Administrative Office to collectively explore service-related solutions and more sustainable revenue sources, and will also work with other government agencies to explore opportunities to transfer the ownership/operation of the Victor Valley Museum to another entity. The remaining 6 historic sites will be open and will operate on their customary schedule.

$150,000 one-time for Sheriff Resident Post Improvements

This project will make various improvements in the total amount of $150,000 to the Resident Deputy Housing at various locations throughout the County. Improvements will include carpet, paint, plumbing, electrical, roofing and heating, ventilation and air conditioning upgrades as required to address deferred maintenance at remote sites.

$100,000 one-time Inland Counties Emergency Medical Agency (ICEMA) Bridge Funding

ICEMA has major reductions in sources of revenue that are being driven by a revenue downturn. The Agency will work with the County Administrative Office to collectively explore service-related solutions and more sustainable revenue sources.

FUTURE ONE-TIME NEEDS

One-time Needs Set-Aside in Contingencies
(in millions)

	One-time
Jail Upgrades	$18.0
Financial Accounting System	13.0
Animal Shelter	10.0
Rimforest Storm Drain Project	5.9
Land Use Services General Plan/Development Code Amendments	5.4
County Buildings Acquisition and Retrofit Project	4.0
Prior Years' Board Approved Set-Asides	1.3
County Code/Charter Update	0.2
Additional One-time Needs Set-Aside in Contingencies	**$57.8**

$18.0 million one-time set-aside for Jail Upgrades

This set-aside of $18.0 million will provide funding for various improvements relating to the AB 109 prison population at the adult detention centers. It is anticipated that approximately $9.0 million of the $18.0

million will be utilized for the Adelanto Detention Center (ADC) Expansion Project. On May 21, 2013 (Item No. 8), the Board of Supervisors authorized an increase in the project budget for the ADC of which $2.0 million represented the County's share of increased cost to be funded by this set-aside. The remaining portion of this set-aside may include the expansion of two housing units and other security improvements at Glen Helen Rehabilitation Center in Devore.

$13.0 million one-time set-aside for Financial Accounting System (FAS)

The new FAS project is a countywide collaborative effort to replace the existing financial accounting system that was implemented over 20 years ago and does not provide either the efficiencies or information for managing County functions that modern systems provide. Currently, $12.0 million in discretionary general funding was allocated to this project. An additional $13.0 million may be needed to complete this project.

$10.0 million one-time set-aside for Animal Shelter

This set-aside of $10.0 million will fund the County's share of the cost to construct a new animal shelter in the valley area of San Bernardino County. It is anticipated that the new facility may be a joint venture with other cities who may wish to participate and contribute to the development of a new facility that will be located in a more populous area and replace the County's aging facility located in Devore.

$5.9 million one-time set-aside for Rimforest Storm Drain Project

Due to severe erosion and land sliding in the Rimforest community a study was performed to evaluate the impact of the drainage on the stability of the slope. The study identified a potential construction project to reroute the drainage back into Little Bear Creek, which flows through Blue Jay and into Lake Arrowhead (Mojave Watershed). This would require construction of storm drain systems along Highway 18 and inside the village of Rimforest. Peak-flow regulation basins would be required to avert runoff damage to Blue Jay and structures along Little Bear Creek. This amount will fund right of way, environmental, and construction. An estimated $400,000 is needed for the design and $5.5 million for the construction and will be transferred to the Public Works Department when needed.

$5.4 million one-time set-aside for Land Use Services activities

$1.6 million to Land Use Services – Planning in 2013-14 will allow the department to begin updating the General Plan, create more specific plans to better reflect the unique character of all areas of the County, and amend the development code and master plans. These revisions will ensure the most appropriate standards are being applied in all areas of the County and will be accomplished over a three year period with additional funding required estimated at $5.4 million in future years.

$4.0 million one-time set-aside for County Buildings Acquisition and Retrofit Project

In 2011-12, $30.0 million was allocated to acquire and complete tenant improvements to existing buildings and to complete the seismic retrofit and modernization of certain existing buildings in San Bernardino. Additional funding of $10.0 million was added in 2012-13 to meet the anticipated need to acquire additional square footage and to include furniture, fixtures and equipment in the budget which were previously planned to be funded by department occupants. Approximately $1.7 million was also transferred from existing CIP projects to this project bringing the total to $41.7 million funded to date. The 2013-14 recommended budget includes the addition of $4.5 million to acquire additional office space near the Victorville Courthouse to locate general funded departments currently in leased space. The estimated total cost of the project is $49.8 million for San Bernardino and $4.5 million for Victorville for a total of $54.3 million. The amount that is not currently funded is approximately $8.1 million. It is anticipated that $4.1 million will be funded from the annual base allocation for the CIP over the next three to four years and $4.0 million has been set-aside in the County's general fund contingencies.

$1.3 million one-time set-aside for Prior Years Board Approved Set-Asides

In previous years the Board set-aside contingencies for County Fires' Waiver Fees/Award for Fires of $1.3 million.

$150,000 one-time set-aside for County Code/Charter Update

The County Code/Charter has not been updated in several years and needs to reflect the current organization.

SUMMARY

	Fiscal Year 2011-12 Final Budget	Fiscal Year 2012-13 Adopted Budget	Fiscal Year 2012-13 Modified Budget	Fiscal Year 2013-14 Recommended Budget
Requirements				
Staffing Expenses	1,452,862,787	1,603,588,346	1,589,438,667	1,640,047,739
Operating Expenses	1,781,588,639	2,029,422,381	2,111,986,026	2,099,598,404
Capital Expenditures	300,711,446	265,714,050	271,393,026	258,662,834
Reimbursements	(202,372,464)	(251,198,177)	(256,122,863)	(249,430,068)
Contingencies	518,458,941	407,649,242	370,984,231	264,171,018
Subtotal Appropriation	3,851,249,349	4,055,175,842	4,087,679,087	4,013,049,927
Operating Transfers Out	257,129,821	251,643,511	275,294,942	234,556,168
Total Requirements	4,108,379,170	4,306,819,353	4,362,974,029	4,247,606,095
Sources				
Taxes	586,717,341	586,840,120	592,121,872	612,349,878
1991 Realignment	205,420,899	209,720,945	210,545,298	207,203,363
2011 Realignment	181,092,265	273,158,048	274,828,832	298,212,880
State, Federal, or Government Aid	1,473,589,346	1,473,579,902	1,485,608,472	1,522,366,548
Fee/Rate	649,085,578	681,785,783	678,022,371	743,615,964
Other Revenue	103,948,926	119,752,262	117,481,231	114,490,199
Operating Transfers In	231,539,329	194,836,516	223,020,176	191,982,004
Fund Balance/Use of Unrestricted Net Assets	635,151,797	708,291,320	708,291,320	445,097,981
General Fund Unassigned Fund Balance	69,913,117	60,449,354	60,449,354	88,680,727
Use of Reserves	5,218,640	5,000,000	19,200,000	36,274,743
Contributions to Reserves	(33,298,068)	(6,594,897)	(6,594,897)	(12,668,192)
Total Sources	4,108,379,170	4,306,819,353	4,362,974,029	4,247,606,095
Budgeted Staffing	19,050	19,071	19,123	19,489

Note: 2011 Realignment has been added as a line in Sources for 2013-14. Previously, this amount was included in the State, Federal, or Government Aid line. This change has also resulted in a change to the Fund Balance/Use of Unrestricted Net Assets line.

The schedule above represents the entire County Budget from the 2011-12 Final Budget through the 2013-14 Recommended Budget. The 2013-14 Recommended Budget for the County includes $4.3 billion in budgeted requirements and sources as well as 19,489 in budgeted staffing. Further detail is provided in the following pages related to the County's Recommended Requirements, Sources, and Budgeted Staffing for the upcoming fiscal year.

APPROPRIATION SUMMARY

The 2013-14 Recommended Budget includes appropriation of $4.0 billion, which is a net decrease of $74.6 million or 1.82% over the 2012-13 Modified Budget. The schedule below lists appropriation, however, it does not include operating transfers out. This schedule shows the change from the prior year modified budget.

	2011-12 Actual	2012-13 Adopted	2012-13 Modified Budget	2013-14 Recommended Budget	Change Between 2012-13 Modified & 2013-14	Percentage Change
Countywide Operations (General Fund)						
Administration	53,691,870	66,833,043	67,969,536	66,665,601	(1,303,935)	(1.92%)
Capital Facilities Leases	16,049,598	13,052,882	13,052,882	13,013,014	(39,868)	(0.31%)
Contingencies	-	34,536,083	38,739,491	84,117,215	45,377,724	117.14%
Countywide Discretionary	1,132,172	7,500,000	21,700,000	7,500,000	(14,200,000)	(65.44%)
Economic Development Agency	2,697,916	3,045,214	3,045,214	3,129,834	84,620	2.78%
Fiscal	53,067,100	58,848,867	58,572,049	59,761,002	1,188,953	2.03%
Human Services	1,136,474,732	1,268,590,394	1,273,458,510	1,379,276,874	105,818,364	8.31%
Law and Justice	693,319,072	751,503,131	747,479,015	765,265,930	17,786,915	2.38%
Operations and Community Services	81,451,907	92,092,967	94,619,791	94,951,551	331,760	0.35%
Total General Fund	**2,037,884,367**	**2,296,002,581**	**2,318,636,488**	**2,473,681,021**	**155,044,533**	**6.69%**
Restricted Funds	-	111,403,025	111,403,025	32,201,061	(79,201,964)	(71.09%)
Capital Project Funds	102,678,982	195,169,667	203,587,992	186,412,518	(17,175,474)	(8.44%)
Special Revenue Funds	347,905,908	587,361,904	593,949,615	584,579,971	(9,369,644)	(1.58%)
Enterprise Funds	521,991,469	670,540,725	673,256,250	545,486,083	(127,770,167)	(18.98%)
Internal Service Funds	157,412,135	194,697,940	186,805,717	190,689,273	3,883,556	2.08%
Subtotal	**1,129,988,494**	**1,759,173,261**	**1,769,002,599**	**1,539,368,906**	**(229,633,693)**	**(12.98%)**
Total Countywide Funds	**3,167,872,861**	**4,055,175,842**	**4,087,639,087**	**4,013,049,927**	**(74,589,160)**	**(1.82%)**

Below are explanations of the major expenditures that are included in the $4.0 billion 2013-14 Recommended budget. Immediately following on page 6 of this County Budget Summary are explanations of notable budget changes from the 2012-13 Modified Budget to the 2013-14 Recommended Budget.

Countywide Operations (General Fund)

The County General Fund contains the following operational groups, which have a total budgeted appropriation of $2.5 billion recommended for 2013-14:

Administration has appropriation of $66.7 million and contains County departments and functions that provide leadership and support for departments that provide direct public services to County residents. The leadership section of this operational group includes the Board of Supervisors ($7.0 million), which is the governing body of County government, and the County Administrative Office ($4.4 million), which directs and coordinates departmental activities according to the law and strategic goals set by the Board of Supervisors. Various support functions include civil legal services provided by County Counsel ($8.7 million), employment and employee related services provided by Human Resources ($7.2 million), and information technology support provided by the Information Services Department ($15.8 million).

Capital Facilities Leases has appropriation of $13.0 million and funds the cost of long-term capital lease payments for major County facilities financed by the General Fund. Lease payments include the Justice Center/Chino Airport Improvements and the West Valley Detention Center.

Contingencies of $84.1 million primarily represents $75.6 million from the County General Fund – Uncertainties Contingencies, which is funding available from 2013-14 sources that have not been allocated to another specific budget unit as well as any unassigned fund balance estimated to be carried over from 2012-13. For 2013-14, funding totaling $57.8 million are being set-aside within contingencies to fund future one-time needs. This includes funding for Jail Upgrades ($18.0 million), the new Financial Accounting System ($13.0 million), the County Animal Shelter ($10.0 million), the Rimforest Drainage Project ($5.9 million), Land Use Services General Plan/Development Code Amendments ($5.4 million), County Building Acquisition and Retrofit Projects ($4.0 million), Prior Year Board Approved Set-Asides ($1.3 million) and County Code/Charter Updates

($0.2 million). The remaining $8.5 million in contingencies is representative of the County's mandatory 1.5% contingency, which per Policy 02-10 is in the general fund to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting County operations that could not have been reasonably anticipated.

Countywide Discretionary of $7.5 million primarily represents expenses related to the County issuing Tax Revenue Anticipation Notes (TRANs), which is a short term note issued by the County to address cash flow needs throughout the year because expenditures are incurred before County property tax revenues are received.

Economic Development Agency has appropriation of $3.1 million and provides services that seek to create, maintain, and grow the economic value of the County. Such services include small business assistance and technical support, permitting assistance, international trade services, and business site selection assistance.

Fiscal has budgeted appropriation of $59.8 million and includes the Auditor-Controller/Treasurer/Tax Collector ($37.0 million) as well as the Assessor/Recorder/County Clerk ($22.8 million). These departments provide services to the public and other County departments related to the establishment and collection of County property taxes along with other fiscal services that ensure the proper reporting and usage of taxpayer funds. Specifically, the Auditor-Controller/Treasurer/Tax Collector processes, safeguards and provides information regarding County financial activities, manages the County treasury pool, collects and distributes property taxes and other obligations owed to County agencies and courts. The Assessor/Recorder/County Clerk performs mandated assessment of properties, recording, and County clerk functions.

Human Services is the largest operational group within the County with appropriation totaling $1.4 billion. This group provides health and social service programs to County residents through a number of County departments. Health services are provided primarily through the Department of Behavioral Health ($150.7 million), Public Health ($78.6 million), and California Children's Services ($21.0 million). Social services are provided primarily through the Human Services Administrative Claim budget unit ($473.7 million), Human Service Subsistence Payments budget units ($511.8 million), Child Support Services Department ($40.1 million), and the Aging and Adult Services Department ($8.9 million).

Law and Justice has appropriation of $765.3 million and provides public safety services to County residents. The Sheriff/Coroner/Public Administrator ($488.5 million) provides law enforcement services for the unincorporated areas of the County and some countywide services ($205.3 million for general operations). Another primary function of the Department is to provide Detention facilities ($160.5 million) for all of the County pre-sentenced inmates as well as sentenced inmates no longer required to go to State prison as a result of the realignment by the State of adult offenders (2011 Realignment). The Department also provides law enforcement services to 14 County cities through contractual agreements ($122.8 million). The Probation Department ($137.4 million) provides supervision of adult and juvenile probationers throughout the County as well as for recently realigned State parolees (2011 Realignment). The District Attorney's Office ($64.4 million) is responsible for prosecuting crimes committed within the County and the Public Defender ($35.1 million) provides legal counsel for indigent defendants within the County.

Operations and Community Services has appropriation of $95.0 million and provides both internal support of County operations as well as external services to the public that promote the quality of life and well-being of County residents. Services that support the general operation of County government include custodial, grounds, and maintenance by Real Estate Services - Facilities Management Division ($13.3 million), the payment of County utilities ($19.6 million), and real estate services ($4.6 million). Departments that provide direct services to the community include Agriculture/Weights and Measures ($6.8 million), Land Use Services ($22.3 million), Registrar of Voters ($8.6 million), Regional Parks ($10.4 million), and the County Museum ($3.1 million).

Restricted Funds

Restricted Funds (General Fund) have appropriation of $32.2 million consist of four limited use budgets – Propositions 172 Half-Cent Sales tax, 1991 Realignment, 2011 Realignment, and Automated Systems Development. Proposition 172 revenue assists in funding the Sheriff/Coroner/Public Administrator, District Attorney, and Probation departments. Realignment assists in funding mental health, social services and health programs within the County. Automated Systems Development is funding that is set aside for the purpose of developing, upgrading, and/or replacing the County Financial Accounting System and other future developments.

Capital Project Funds

Capital Project Funds have appropriation of $186.4 million and are used to account for funding resources designated for the acquisition or construction of major capital facilities. The primary Capital Project Fund for the County is the Capital Improvement Program (CIP) budget unit. Further detail on major capital projects for 2013-14 are shown in the Capital Improvement Program section.

Special Revenue Funds

Special Revenue Funds have appropriation totaling $584.6 million. These funds account for the proceeds of specific sources that are legally restricted to expenditures for specific purposes and are primarily used to fund the following operational units within the County:

Administration has appropriation totaling $4.9 million that is funded by Special Revenue Funds. Specifically, the Human Resources Department receives funds for Commuter Services ($1.4 million) to pay for mobile source air pollution reduction programs for County employees. Additionally, Human Resources receives funding, under its Employee Benefits and Services unit ($3.4 million), to administer the County's health, dental, vision, and life insurance plans as well as its integrated leave programs.

Economic Development has appropriation of $60.2 million, including $38.8 million for Community Development and Housing services funded primarily by federal Community Development Block Grant funds and $21.4 million to the Department of Workforce Development, which is funded by federal Workforce Investment Act revenue to provide services to County residents including job search, skills assessments, vocational training, job readiness skills, and connection to employers.

Fiscal has appropriation of $14.0 million and primarily represent statutory fees collected by the County to assist with services provided by the County Recorder (in the Assessor/Recorder/County Clerk Department). Funds are used to support the creation, retention, and retrieval of information in the County's system of recorded documents.

Human Services has appropriation of $259.1 million, which primarily contains restricted funds for health services provided by the Department of Behavioral Health ($172.5 million) and Public Health ($8.3 million). The largest Special Revenue Fund in the health related operational group is the Mental Health Services Act fund ($148.4 million). Passed by voters on November 2, 2004 (Proposition 63), taxpayers with an annual income exceeding $1 million receive an income tax surcharge of 1% that is to be used to reduce the long-term adverse impact on individuals, families, and state and local budgets resulting from untreated serious mental illness. Human Services also contains the Preschool Services Department ($49.5 million), which administers the Federal Head Start and Early Head Start programs, California Department of Education State Preschool Program, as well as the Child and Adult Food Care Program.

Law and Justice has appropriation of $60.1 million primarily associated with various Sheriff/Coroner/Public Administrator ($28.6 million), Probation Department ($14.9 million), and District Attorney ($11.0 million) restricted funding sources. The Sheriff/Coroner/Public Administrator major Special Revenue Funds include appropriation to operate the Local Automated Fingerprint Identification System (CAL-ID Program - $5.2 million), and utilize federal seized asset funds for various law enforcement related purposes ($9.3 million). The Probation Department's primary Special Revenue Fund is associated with the Juvenile Justice Grant Program ($10.0 million), which allocates state resources to fund programs that address juvenile crime prevention and

focus on public safety. The District Attorney receives a variety of special funds, principally including a Specialized Prosecution fund ($3.5 million) that is used to prosecute crimes such as hazardous waste dumping and consumer fraud and a Workers' Compensation Insurance Fraud Prosecution fund ($2.6 million).

Operations and Community Services appropriation of $184.6 million is primarily for utilization by the Department of Public Works – Transportation ($147.4 million). This department is responsible for the operation, maintenance, and improvement of the County's road system that currently includes approximately 2,768 miles of roadway. Other notable funds include appropriation for the County Library ($17.1 million) and County Airport Capital Improvement programs ($2.9 million).

Enterprise Funds

Enterprise funds have appropriation of $545.5 million. These proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the public be financed or recovered primarily through user charges. There are two main enterprise fund operating groups within the County, as follows:

Arrowhead Regional Medical Center (ARMC) has appropriation of $476.7 million and provides medical services to County residents. ARMC is an acute care facility that provides a full range of inpatient and outpatient services, has three off campus community health centers, and provides Department of Behavioral Health's inpatient activities and numerous specialty activities.

Operations and Community Service's Department of Public Works – Solid Waste Management has appropriation of $68.8 million and is responsible for the operation and management of the County solid waste disposal system, which consists of six regional landfills, nine transfer stations, and thirty-three closed landfills or disposal sites.

Internal Service Funds

Internal Service Funds have appropriation of $190.7 million. These proprietary funds are used to account for the funding of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost reimbursement basis. All Internal Service Funds are located within the Administration operating group, and include these main departments:

Department of Risk Management has appropriation of $93.0 million and administers the County self-insured workers' compensation, public liability, property conservation, safety and risk reduction programs as well as its insured programs.

Information Services Department has appropriation of $53.0 million to run its Computer Operations division, which provides enterprise data center services and a portion of the County communications services to County departments on a 24/7 basis. Additionally, the Department has a Telecommunications Services division that provides for the design, operation, maintenance and administration of the County-operated telecommunications phone network; the County Regional Public Safety Radio System; and the County Wide Area Network that joins approximately 16,600 County users together for the efficient use of technology.

Fleet Management Department has appropriation of $33.6 million in order to provide vehicles, equipment, and related services to officials and employees of the County.

Purchasing Department has appropriation of $11.1 million to provide printing services, mail and courier services, and management of county surplus property and storage for County departments.

APPROPRIATION CHANGES AND OPERATIONAL IMPACT

Countywide Operations (General Fund)

Countywide Operations in the General Fund show an increase in appropriation of $155.1 million over the prior year modified budget, which is a 6.69% change. The largest increases are seen in the Human Services and Law and Justice operational groups as well as Contingencies. Human Services is increasing budgeted appropriation by $105.8 million primarily as a result of the need for increased budget authority of $33.0 million in the Health Administration budget unit related to additional projected intergovernmental transfers to the State. This unit transfers funds to the State, which in turn are used to draw down matching health care funds for ARMC from the federal government. Once the matching funds are received by ARMC, the Medical Center then deposits funds equal to the amount originally transferred to the State back into the Health Administration budget unit and ARMC retains the matching funds. Other health related budget increases are found in the Department of Behavioral Health, which is increasing appropriation by $20.4 million primarily attributed to increases in Low Income Health Plan (LIHP) and Medi-Cal expansion consumers, which are funded with additional state and federal funding. In the area of social services, the Human Services Administrative Claim budget unit is increasing $30.3 million primarily related to additional funding received in the Transitional Assistance Department (TAD) to provide increased eligibility and employment services. TAD is recommending the addition of 158 staff related to mandated program changes and rising caseload. Additionally, Human Services – Subsistence Units are increasing appropriation by $16.8 million primarily related to increased caseload for children living in foster homes and group care facilities.

Law and Justice is increasing appropriation by a net $17.8 million primarily related to both increased staffing costs associated with retirement rate increases as well as to accommodate the continued realignment of responsibility for specific State prisoners and parolees from the State to the County (2011 Realignment). The largest increase in appropriation is seen in the Sheriff/Coroner/Public Administrator ($15.8 million), which is seeing retirement increases associated with rate changes of approximately $11.1 million. The Department also added 23 positions (approximately $3.3 million) at its Detention facilities to assist the Department in dealing with the realignment of State prisoners.

Significant increases totaling $45.4 million are included in Contingencies, which represents the net change from the 2012-13 Modified Budget to the 2013-14 Recommended Budget in funding that is not yet allocated to another specific budget unit. This increase is primarily related to the release of the County's Future Space Needs Reserve ($22.9 million) and from the Teeter Reserve ($13.4 million), as the County no longer has the same level of need associated with these reserves.

Significant reductions are seen in the Countywide Discretionary budget unit totaling $14.2 million due to one-time settlement costs in 2012-13 resulting from a negative ruling for California counties associated with the way counties charge Property Tax Administration Fees.

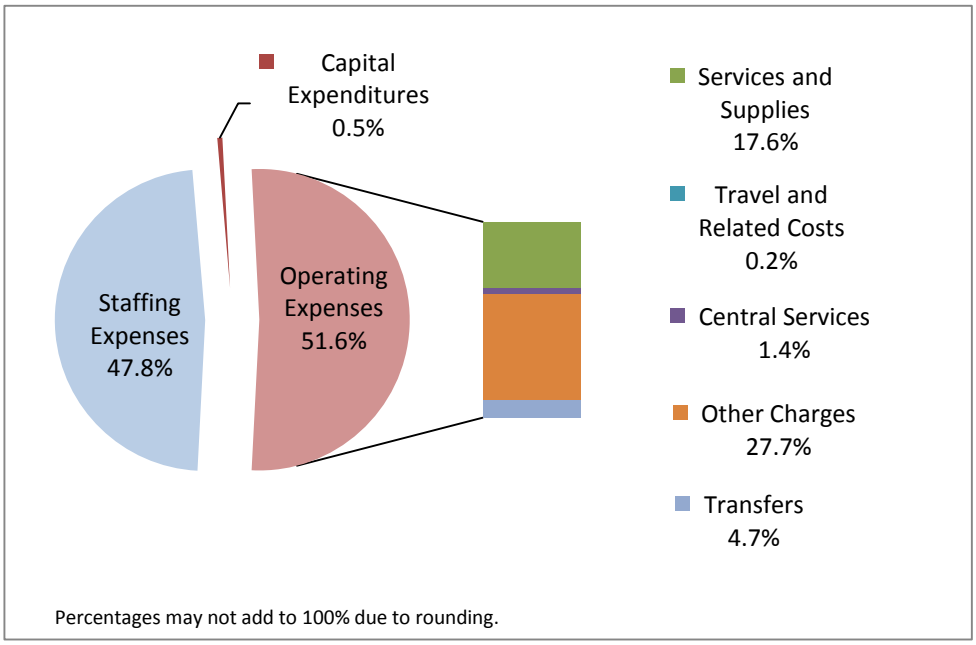
Other County Funds

The total net reduction in appropriation for other County funds is $229.6 million, which is a 12.98% net change. Notable changes include a net $127.8 million reduction in appropriation for **Enterprise Funds**, $79.2 million reduction in **Restricted Funds** and $9.4 million in **Special Revenue Funds**. The reduction in Enterprise Funds is due to a change in the presentation of the budget in the Operations and Community Services Group - Solid Waste Enterprise Funds budget unit. Specifically, the amount representing available net assets set-aside for future use is no longer shown as a requirement, resulting in an $87.8 million decrease in budgeted contingencies. Additionally, Solid Waste is reducing appropriation by $38.7 million due to the County's decision to prepay the outstanding balance of the 2008 Refunding Program Certificates of Participation (Solid Waste COPs) in 2012-13. Restricted Funds are reducing by $79.2 million due to a change in the way the County's Health Realignment fund is budgeted to be consistent with the manner in which the Mental Health and Social Services realignment funds are budgeted. Realignment funds do not directly incur expenses or provide service. These funds strictly transfer money to budget units of the departments that incur the expenditures which are funded by realignment revenue. The County's Health realignment fund will now reflect transfers to departments as an abatement to revenue in order to not duplicate expense and revenue recognition in all of the realignment funds. Special Revenue Funds are reducing by $9.4 million due to a reduction in Economic Development Agency's Department of Community Development and Housing totaling $26.0 million related to one-time payments in 2012-13 associated with the dissolution of the County's former RDA.

GENERAL FUND SPENDING AUTHORITY BREAKDOWN

The spending authority components included in this pie chart are for countywide operations (general fund) and consist of staffing expenses, operating expenses, and capital expenditures. Operating expenses are further divided into the various subcategories of services and supplies, central services, travel and related costs, other charges, and transfers.

Components not incorporated into this pie chart are operating transfers out, which are a funding mechanism between budget units; reimbursements, which are considered a funding source; and contingencies, as no expenditures can be made from this appropriation.



REQUIREMENTS SUMMARY

Total Requirements include appropriation adopted by the Board of Supervisors plus operating transfers out. Operating transfers out are a funding mechanism between budget units and are not appropriation to spend.

TOTAL REQUIREMENTS BY CATEGORY

Requirements	Fiscal Year 2011-12 Final Budget	Fiscal Year 2012-13 Adopted Budget	Fiscal Year 2012-13 Modified Budget	Fiscal Year 2013-14 Recommended Budget
Staffing Expenses	1,452,862,787	1,603,588,346	1,589,438,667	1,640,047,739
Operating Expenses	1,781,588,639	2,029,422,381	2,111,946,026	2,099,598,404
Capital Expenditures	300,711,446	265,714,050	271,393,026	258,662,834
Reimbursements	(202,372,464)	(251,198,177)	(256,122,863)	(249,430,068)
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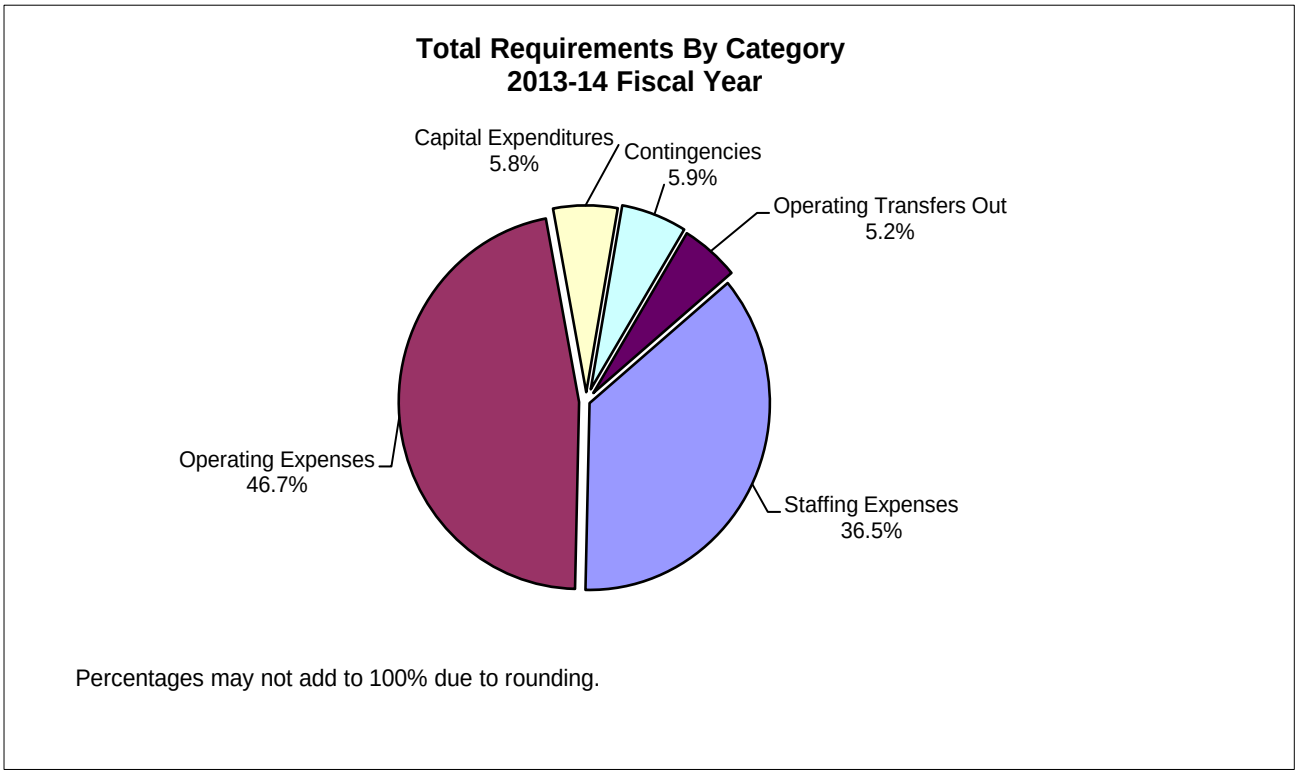
Total	4,108,379,170	4,306,819,353	4,362,934,029	4,247,606,095
Budgeted Staffing	19,050	19,071	19,123	19,489



Below is detail of what is included in the County 2013-14 Recommended Budget as well as significant changes from the 2012-13 Modified Budget by expenditure category for all requirements within the County:

Staffing Expenses represent 36.5% of total requirements within the County, for a total of $1.6 billion. Departments with significant budgeted staffing expenses includes the Sheriff/Coroner/Public Administrator ($402.6 million, 3,577 positions), Human Services Administrative Claim ($313.2 million, 4,408 positions), and Arrowhead Regional Medical Center ($244.2 million, 3,608 positions). Total budgeted salary costs for the County in 2013-14 is $1.1 billion while costs for benefits make up the remaining $576.2 million. The largest benefit related cost for the County is for employee pensions (retirement), which makes up 61% ($350.4 million) of all appropriation associated with employee benefits.

Staffing expenses are increasing by $50.6 million from the prior year primarily due to increased costs for salaries ($27.9 million) and increased retirement costs ($17.5 million). The increases in salaries are related to the addition of 366 positions, most of which are being added to the County's Human Services Departments (217 positions), Arrowhead Regional Medical Center (64 positions), and the Sheriff/Coroner/Public Administrator (53 positions). The increased retirement cost in the County is a result of significant market losses to the County pension fund in 2008-09, which the County is required to pay back over several years. This has increased the retirement rate the County is paying on employee's compensation by approximately 2.3% for General employees and 4.2% for Safety employees. However, the overall retirement increase is $15.7 million less than it would have been due to concessions by employee groups that gave up the County's employer pickup (7% pickup) of the employees' required retirement contribution. Additionally, the County is beginning to see some savings associated with the State Public Employee Pension Reform Act (PEPRA), which reduced retirement benefits for employees originally hired to the County after January 1, 2013. However, the majority of those savings will be realized over several years, as individuals hired to the County before January 1, 2013 are replaced by those hired after that date.

Operating Expenses in the County include costs for services and supplies, internal service fund charges, travel, transfers to other County departments, and other charges. These expenses represent 46.7% of the County requirements, for a total of $2.1 billion. The Human Services operating group makes up approximately half of the County operating expenses with a total appropriation of $1.1 billion. Most of Human Services operating expenses include subsistence payments to help County residents in need throughout the County. Services and supplies appropriation accounts for half of the County operating expenses and includes notable costs for professional and specialized services ($302.2 million), rents and leases ($107.2 million), and medical expenses at ARMC ($55.2 million).

Operating expenses are decreasing a net $12.4 million in 2013-14. The County is recognizing large increased operating costs in Human Services ($87.8 million) related to the need for increased Health Administration budget authority and additional social services being provided (as described on Page 6 of this County Budget Summary). However, there is a net reduction in operating expenses primarily due to one-time non-recurring expenses incurred by the County in 2012-13. This includes decreases in the Department of Community Development and Housing totaling $26.0 million related to one-time payments in 2012-13 associated with the dissolution of the County's former RDA. The Solid Waste Department is reducing operating expenses totaling $40.7 million related to the one-time prepayment of the outstanding balance of the 2008 Solid Waste COPs in 2012-13. The Countywide Discretionary unit is decreasing by $14.2 million related to the one-time PTAF settlement costs in 2012-13 described on Page 6 of this County Budget Summary. Finally, Capital Improvement Program costs are reduced by $11.8 million primarily related to a one-time payment to the State for the new Courthouse in San Bernardino.

Capital Expenditures represent all fixed asset related expenditures with a unit valuation of $5,000 or more and a useful life of one-year or more. This includes costs related to purchases of land, structures and improvements to structures, equipment, vehicles, lease purchases, and capitalized software. These expenses represent 5.8% of County requirements, for a total of $258.7 million. The Capital Improvement Program (CIP) contains most of the County appropriation in this category of expenditures ($186.3 million). Besides structures and improvements to structures ($175.8 million), which is the major budgeted expenditure of the Capital Improvement Program, capitalized software ($15.3 million) is a large expense due to the recommended development, upgrade, and/or replacement of the County Financial Accounting System in the Automated Systems Development budget unit.

Capital expenditures are decreasing a net $12.7 million in 2013-14. This is primarily due to a $4.0 million reduction in Regional Parks – Special Revenue Funds related to revisions in the planned construction of Phase III of the Santa Ana River Trail. Additionally, Arrowhead Regional Medical Center is reducing capital expenditures by $6.6 million in order to bring operations in line with projected sources for the fiscal year.

Reimbursements represent the amount received as a payment for the services provided on behalf of another governmental unit or department. Reimbursements are considered a funding source and total $249.4 million in 2013-14. In 2012-13, the Sheriff/Coroner/Public Administrator established separate budget units for its detentions and contract law enforcement services, resulting in increased reimbursements from those budget units to the Sheriff/Coroner/Public Administrator's main operating unit at that time. In an effort to more accurately account for the costs in these new units, the Sheriff's Department moved the operating expenditures into the correct budget units in 2013-14 rather than reimburse its main operating unit. This change in accounting was the main contributor to the $6.7 million reduction in Reimbursements in 2013-14.

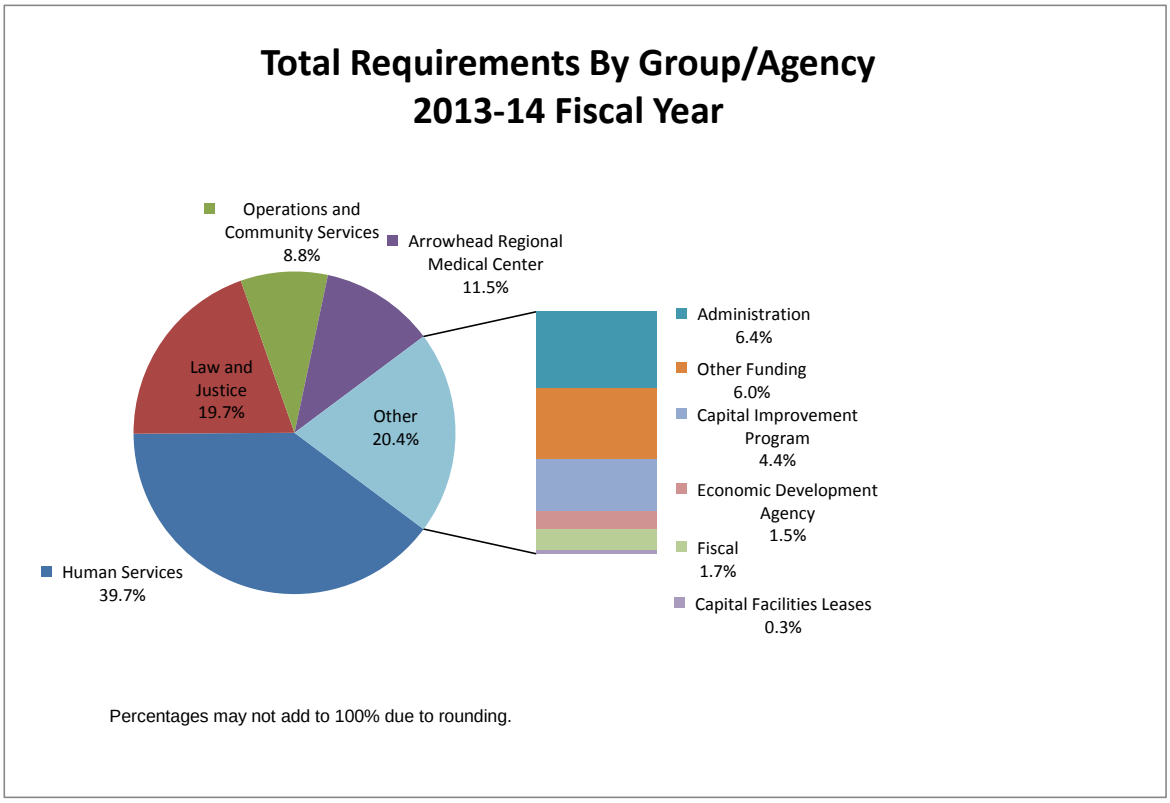
Contingencies of $264.2 million represent unallocated funding available from 2013-14 sources and any unassigned fund balance estimated to be carried over from 2012-13 for all County funds. Besides the County General Fund Contingencies, the Human Services Group accounts for the largest amount of contingencies ($85.7 million), a considerable portion of which represents unallocated Mental Health Services Act funding in the Department of Behavioral Health. Contingencies are decreasing by $106.8 million primarily due to a change in the presentation of the budget by Solid Waste Enterprise Funds – Consolidated unit, which no longer includes available net assets that are set aside for future use as a requirement.

Operating Transfers Out of $234.6 million is a method of providing funding from one budget unit to another for the implementation of a project or program. The most significant usage of Operating Transfers Out is the Countywide Discretionary budget unit, which transfers discretionary general funding to various budget units outside the General Fund for various programs and projects. For 2013-14, significant projects and programs include funding for the Capital Improvement Program ($12.0 million ongoing, $24.9 million one-time), the 800 MHz digital radio system for public safety project ($20.0 million ongoing), as well as funding for County Fire totaling $18.8 million.

TOTAL REQUIREMENTS BY GROUP/AGENCY

	Fiscal Year 2011-12 Final Budget	Fiscal Year 2012-13 Adopted Budget	Fiscal Year 2012-13 Modified Budget	Fiscal Year 2013-14 Recommended Budget
Administration	230,576,012	279,053,010	272,861,937	272,392,085
Capital Facilities Leases	16,108,391	13,052,882	13,052,882	13,013,014
Economic Development Agency	75,995,018	104,909,423	110,205,088	65,651,228
Fiscal	68,542,120	69,833,632	69,589,814	73,762,279
Arrowhead Regional Medical Center	475,757,652	484,623,725	486,777,825	487,316,796
Human Services	1,413,624,302	1,551,764,674	1,558,636,564	1,686,782,777
Law and Justice	774,019,900	823,956,533	820,330,515	835,733,170
Operations and Community Services	484,051,060	494,228,686	517,057,145	371,855,372
Capital Improvement Program	255,731,374	205,243,994	213,818,760	187,568,090
Other Funding	313,973,341	280,152,794	300,603,499	253,531,284
Total	4,108,379,170	4,306,819,353	4,362,934,029	4,247,606,095
Budgeted Staffing	19,050	19,071	19,123	19,489

The above chart lists requirements by group/agency. The Other Funding group includes budget units that are predominately countywide in nature, have no budgeted staffing associated with them, or exist for proper budgetary accounting purposes. Included in this group are contingencies, countywide discretionary, the restricted funds of 1991 and 2011 Realignment, Proposition 172, and Automated Systems Development, and some special revenue funds that incur no expenditures and only appropriate transfers and operating transfers out.



Governmental Fund Types

General Fund: The General Fund is used to account for resources traditionally associated with government, which are not required legally or by sound financial management to be accounted for in another fund. The General Fund is the County's primary operating fund and requirements are separated into discretionary, categorical, and restricted. General Fund – Discretionary are those budget units that the Board of Supervisors predominately have oversight on the sources and requirements. General Fund – Categorical are those budget units that are typically mandated in nature, such as human service programs. General Fund – Restricted Funds consists of Prop 172, 1991 and 2011 Realignment, and Automated Systems Development.

Special Revenue Funds: Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (other than for major capital projects).

Capital Project Funds: Capital Project Funds account for financial resources designated for the acquisition or construction of major capital facilities other than those funded by Enterprise and Internal Service Funds.

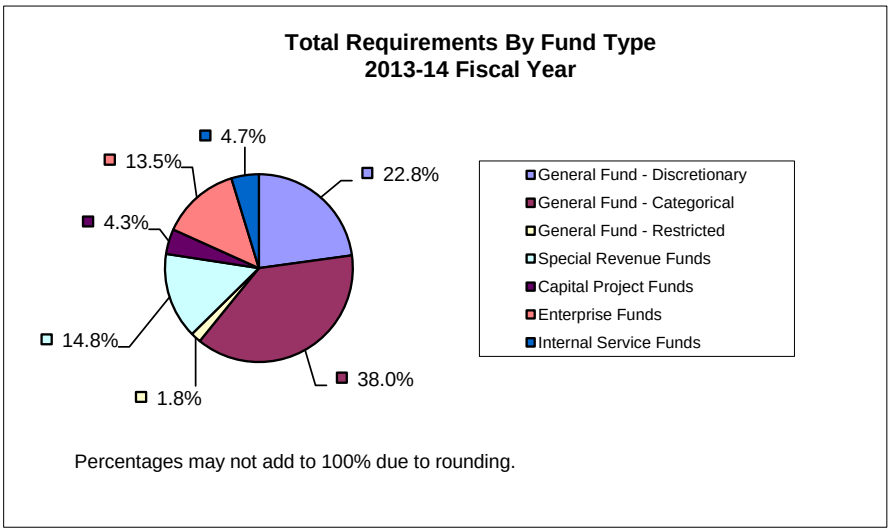
Proprietary Fund Types

Enterprise Funds: Enterprise Funds account for operations that are funded and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be funded or recovered primarily through user charges.

Internal Service Funds: Internal Service Funds account for the funding of goods or services provided by one department or agency to other departments or agencies of the governmental unit on a cost reimbursement basis.

TOTAL REQUIREMENTS BY FUND TYPE

	Fiscal Year 2011-12 Final Budget	Fiscal Year 2012-13 Adopted Budget	Fiscal Year 2012-13 Modified Budget	Fiscal Year 2013-14 Recommended Budget
General Fund - Discretionary	987,644,374	903,501,596	924,771,501	968,663,615
General Fund - Categorical	1,249,038,309	1,500,101,869	1,504,114,081	1,612,949,153
General Fund - Restricted	143,776,878	151,642,093	151,642,093	75,571,061
Special Revenue Funds	617,148,676	629,546,112	637,542,050	628,174,301
Capital Project Funds	255,731,374	216,697,190	225,271,956	187,568,090
Enterprise Funds	686,757,378	698,363,262	720,161,159	574,043,608
Internal Service Funds	168,282,181	206,967,231	199,431,189	200,636,267
Total	4,108,379,170	4,306,819,353	4,362,934,029	4,247,606,095
Budgeted Staffing	19,050	19,071	19,123	19,489



The matrix below lists the group/agency as depicted in the organizational chart of the County. For each group/agency listed, the various fund types utilized are shown with their total requirements (including Operating Transfers Out).

	General Fund	Special Revenue Funds	Capital Project Funds	Enterprise Funds	Internal Service Funds
Administration					
Board of Supervisors	7,046,590				
Board Discretionary Fund	6,372,070				
Clerk of the Board	2,343,659				
County Administrative Office	4,443,803	25,368			
County Counsel	9,303,001				
Finance and Administration	2,814,749				
Human Resources	13,235,148	4,891,013			
Fleet Management					33,896,011
Information Services	15,765,937				55,447,550
Purchasing	2,067,102				11,097,839
Risk Management					100,194,867
Local Agency Formation Commission	288,274				
County Schools	3,159,104				
Capital Facilities Leases					
Capital Facilities Leases	13,013,014				
Arrowhead Regional Medical Center					
Arrowhead Regional Medical Center				487,316,796	
Economic Development Agency					
Economic Development	3,129,834				
Community Development and Housing		41,106,041			
Workforce Development		21,415,353			
Fiscal					
Assessor/Recorder/County Clerk	22,789,523	12,611,172			
Auditor-Controller/Treasurer/Tax Collector	36,978,479	1,383,105			
Human Services					
Aging and Adult Services	9,818,229				
Behavioral Health	152,535,445	172,536,559			
Child Support Services	40,134,968				
Health Administration	110,534,459	38,897,275			
Human Services	985,650,941	16,947,295			
Preschool Services		49,514,614			
Public Health	100,027,940	8,288,561			
Veterans Affairs	1,896,491				
Law and Justice					
County Trial Courts	39,865,726	2,959,882			
District Attorney	64,450,766	10,962,257			
Law and Justice Group Administration	5,000	4,802,529			
Probation	137,368,823	14,872,382			
Public Defender	35,108,960				
Sheriff/Coroner/Public Administrator	488,684,406	36,652,439			
Operations and Community Services					
Agriculture/Weights and Measures	6,797,080	143,417			
Airports	2,910,893	5,413,265			
Architecture and Engineering					
County Library		17,135,845			
County Museum	3,091,973			67,174	
Land Use Services	22,250,336				
Public Works	3,536,654	148,434,292		86,589,419	
Real Estate Services	38,846,839	9,684,797			
Regional Parks	10,420,719	7,837,514		70,219	
Registrar of Voters	8,620,303				
Fish and Game Commission		4,633			
Capital Improvement Program					
Capital Improvement Program			187,568,090		
Other Funding					
All Other Funding (e.g. Countywide Discretionary, Prop 172, Realignment)	251,876,591	1,654,693			
Grand Total:	**2,657,183,829**	**628,174,301**	**187,568,090**	**574,043,608**	**200,636,267**

REVENUE SUMMARY

The 2013-14 Recommended Budget is funded from a variety of sources (revenue, operating transfers in, fund balance, and reserves). This schedule does not include fund balance carried over from the prior year or the use of reserves. It also does not include operating transfers in as they are a mechanism for providing funding from one budget unit to another within the County. This schedule shows the change from the prior year modified budget.

	2011-12 Actual	2012-13 Adopted	2012-13 Modified Budget	2013-14 Recommended Budget	Change Between 2012-13 Modified & 2013-14	Percentage Change
REVENUE FOR ALL COUNTY FUNDS						
Taxes						
Property Related Revenue*	434,318,158	427,272,563	431,189,552	437,385,156	6,195,604	1.44%
Other Taxes*	160,749,830	159,550,557	160,897,320	174,858,091	13,960,771	8.68%
1991 Realignment	208,872,965	172,350,945	173,175,298	169,833,363	(3,341,935)	(1.93%)
2011 Realignment	181,092,265	273,158,048	274,828,832	298,212,880	23,384,048	8.51%
State, Federal or Government Aid	1,145,965,141	1,147,512,077	1,156,534,282	1,190,754,766	34,220,484	2.96%
Fee/Rate	360,969,062	401,495,232	397,731,820	446,726,410	48,994,590	12.32%
Other Revenue	39,418,238	93,492,525	98,379,379	100,609,934	2,230,555	2.27%
Subtotal	**2,531,385,659**	**2,674,831,947**	**2,692,736,483**	**2,818,380,600**	**125,644,117**	**4.67%**
ENTERPRISE FUNDS	505,162,654	505,701,901	509,090,430	518,624,115	9,533,685	1.87%
INTERNAL SERVICE FUNDS	150,065,629	164,321,212	156,781,163	161,234,117	4,452,954	2.84%
Subtotal	**655,228,283**	**670,023,113**	**665,871,593**	**679,858,232**	**13,986,639**	**2.10%**
Total County Budget	**3,186,613,942**	**3,344,855,060**	**3,358,608,076**	**3,498,238,832**	**139,630,756**	**4.16%**

*Property Related Revenue and Other Taxes have been restated to recognize the Sales Tax/Property Tax Swap in Other Taxes. For more information, please refer to the Discretionary General Funding section of the 2013-14 Recommended Budget, Executive Summary book.

Note: 2011 Realignment has been added as a budget line for 2013-14. Previously, this amount was included in the State, Federal, or Government Aid line.

Property Related Revenue

Property related revenue of $437.4 million primarily consists of funding from property taxes and is projected to increase by $6.2 million or 1.44% from the 2012-13 modified budget. This is the result of a projected 1.5% increase in the assessed valuation of properties within the County. This is the first year over the last five that the assessed valuation has increased. For more detail refer to the paragraph titled 'Property Related Revenue' found in the Discretionary General Funding section of the 2013-14 Recommended Budget, Executive Summary book.

Other Taxes

Other taxes of $174.9 million primarily consist of Proposition 172 Half-Cent Sales Tax as well as the County's portion of sales tax and are increasing by a net $14.0 million over the prior year modified budget. This is primarily due to Proposition 172 Half-Cent Sales Tax projected to increase by $11.1 million in 2013-14 as compared to the 2012-13 modified budget amounts.

1991 Realignment

1991 Realignment revenues of $169.8 million are decreasing over the prior year modified budget. This amount does not include Realignment funds allocated to Arrowhead Regional Medical Center of $37.4 million, as this amount in included as part of Enterprise Funds. For more detail refer to the Discretionary General Funding section of the 2013-14 Recommended Budget, Executive Summary book.

2011 Realignment

2011 Realignment revenues of $298.2 million are increasing by $23.4 million over the prior year modified budget (8.51%). For more detail refer to the Discretionary General Funding section of the 2013-14 Recommended Budget, Executive Summary book.

State, Federal or Government Aid

The County receives funding from State, Federal, and Other Government Aid totaling $1.2 billion. The Human Services operational group receives the largest amount of funds from other governments, with $388.0 million from the State and $590.1 million from the Federal Government. There is an overall increase of $34.2 million from the prior year modified budget in the revenue category of state, federal or government aid. This increase is comprised of both increases and decreases in various programs.

Primary increases in State, Federal or Government Aid include:

- **Human Services** operational group increased by a net $54.8 million primarily due to additional funding for CalWORKS, Medi-Cal and Cal Fresh, which is used by the Transitional Assistance Department to provide increased eligibility and employment services. Notably, the Department of Behavioral Health's Mental Health Services Act funding is projected to increase by approximately $9.9 million based on 2012-13 personal income tax surcharge cash distribution being higher than anticipated. This additional funding has been placed in contingencies for 2013-14.
- **Public Works – Transportation Special Revenue Funds** increased $16.4 million over the prior year modified budget primarily related to additional Federal, State, and local funding (San Bernardino Associated Governments – SANBAG) for various projects, including the Glen Helen Parkway grade separation project, Maple Lane drainage improvements, Alabama Street culvert construction, and Yermo Bridge reconstruction.

Significant decreases in State, Federal or Government Aid include:

- **Community Development and Housing** decreased a net $15.4 million primarily as a result of a change in budget presentation where the department is not budgeting funds held by Housing and Urban Development (HUD) which are committed to projects planned to be disbursed in future fiscal years. Additionally, the department completed large multi-year projects in 2012-13 and is expecting a 9% sequestration reduction in its federal allocations.
- The **Capital Improvement Program** budget is decreasing by $11.8 million primarily related to the scheduled completion of the Adelanto Detention Center Expansion Project in 2013-14, which is partially funded utilizing state AB 900 Jail Construction funds.

Fee/Rate

The revenue category of fee/rate includes the following types of revenues: licenses, permits, fines, fees, rates, and other services. Total revenue of $446.7 million is anticipated to increase from the 2012-13 modified budget by $49.0 million.

The following provides the most significant increases in this revenue category.

- **Human Services** Health Administration budget unit is increasing by $32.9 million related to additional projected intergovernmental transfers to the state, which are eventually returned to this budget unit. This unit transfers funds to the state, which are then used to draw down matching health care funds for ARMC from the federal government. Once the matching funds are received by ARMC, the Medical Center then deposits funds equal to the amount originally transferred to the state back into the Health Administration budget unit and ARMC retains the matching funds.
- **Information Services – Application Development** is increasing current service revenues in 2013-14 by a net $5.8 million over the prior year modified budget. This is due to a change in budget presentation to more accurately account for Application Development maintenance charges by placing the actual costs within user departments' budgets rather than solely within this budget unit. This results in additional revenue from County departments and a corresponding reduction of net county cost to this budget unit. In turn, the net county cost was placed within user department budgets to help pay for the Application Development Maintenance charges.

- **Public Works – Transportation Special Revenue Funds** has a net $6.5 million increase showing in current services related to funding from the San Bernardino Redevelopment Agency successor agency for the Cherry Avenue widening project and the Cherry Avenue at Interstate 10 interchange improvement project.

Other Revenue

Other revenue of $100.6 million primarily includes interest earnings, rents and concessions, and tobacco settlement funds. This revenue source is anticipated to increase by a net $2.2 million over the prior year modified budget.

Enterprise Funds

Enterprise Funds revenue totaling $518.6 million are increasing by $9.5 million. The primary change in projected revenue for 2013-14 is in the **Public Works – Solid Waste Management** Department. This Department is increasing revenue by $9.7 million as a result of an increase from out-of-County imported waste coming in under the County's new disposal system operations contract.

Internal Service Funds

Internal Service Funds totaling $161.2 million are increasing by $4.5 million. These funds charge other County departments for specific services. Notable changes in revenue are detailed below:

The **Fleet Management Department** has total revenue of $33.4 million and increased revenues by $5.7 million primarily as a result of the fact that, beginning in 2013-14, shop operations will also include full services maintenance and repairs for County Fire's vehicles and equipment. Therefore, additional revenue is anticipated from County Fire for automotive parts, services performed, and the associated overhead revenue.

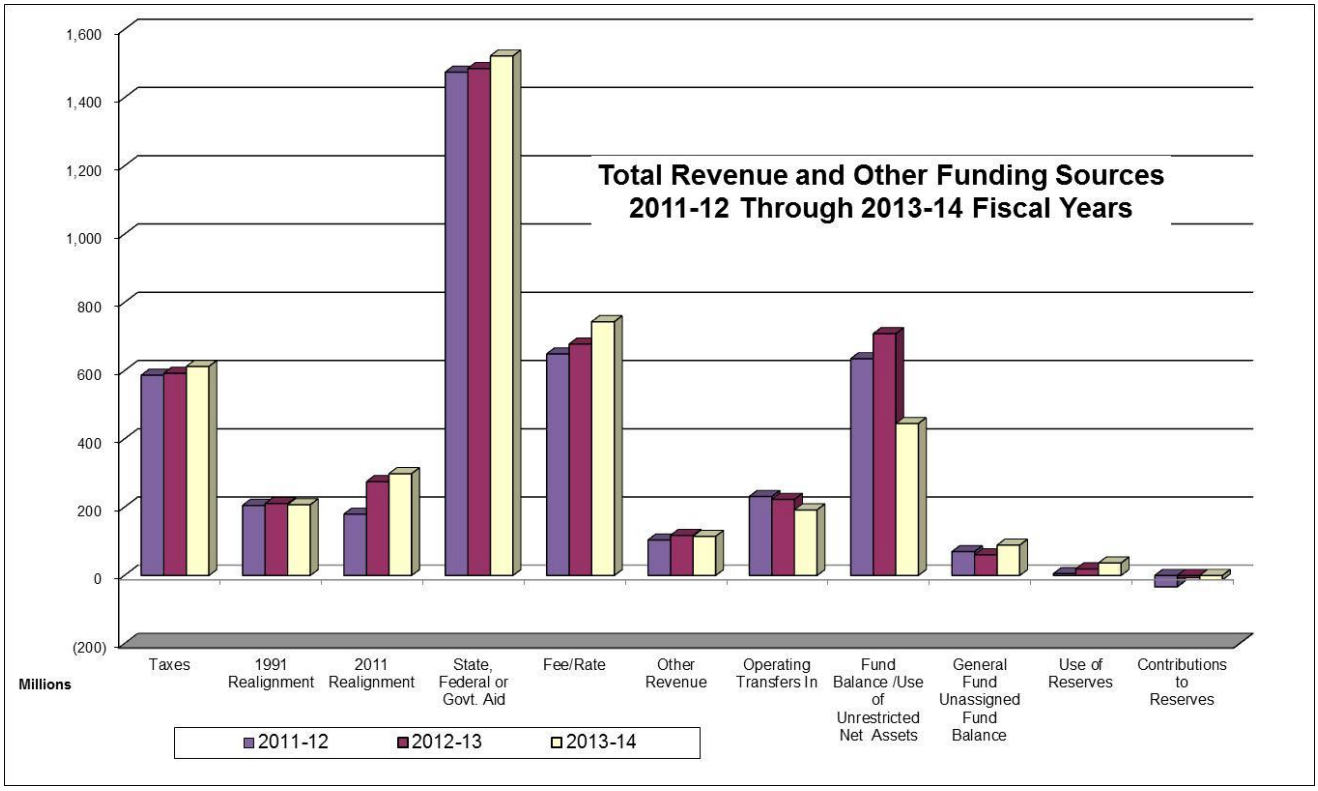
The internal service fund budget units that comprise **Risk Management's** insurance program decreased revenues by $2.3 million. This decrease is a result of diminishing interest earnings as well as less projected insurance recoveries.

TOTAL REVENUE AND OTHER FUNDING SOURCES

	Fiscal Year 2011-12 Final Budget	Fiscal Year 2012-13 Adopted Budget	Fiscal Year 2012-13 Modified Budget	Fiscal Year 2013-14 Recommended Budget
Revenue				
Taxes	586,717,341	586,840,120	592,121,872	612,349,878
1991 Realignment	205,420,899	209,720,945	210,545,298	207,203,363
2011 Realignment	181,092,265	273,158,048	274,828,832	298,212,880
State, Federal or Government Aid	1,473,589,346	1,473,579,902	1,485,608,472	1,522,366,548
Fee/Rate	649,085,578	681,785,783	678,022,371	743,615,964
Other Revenue	103,948,926	119,752,262	117,481,231	114,490,199
Total Revenue	3,199,854,355	3,344,837,060	3,358,608,076	3,498,238,832
Other Funding Sources				
Operating Transfers In	231,539,329	194,836,516	223,020,176	191,982,004
Fund Balance/Use of Unrestricted Net Assets	635,151,797	708,291,320	708,291,320	445,097,981
General Fund Unassigned Fund Balance	69,913,117	60,449,354	60,449,354	88,680,727
Use of Reserves	5,218,640	5,000,000	19,200,000	36,274,743
Contributions to Reserves	(33,298,068)	(6,594,897)	(6,594,897)	(12,668,192)
Total Other Funding Sources	908,524,815	961,982,293	1,004,365,953	749,367,263
Total Revenue and Other Funding Sources	4,108,379,170	4,306,819,353	4,362,974,029	4,247,606,095

Note: 2011 Realignment has been added as a line in Sources for 2013-14. Previously, this amount was included in the State, Federal, or Government Aid line. This change has also resulted in a change to the Fund Balance/Use of Unrestricted Net Assets line.

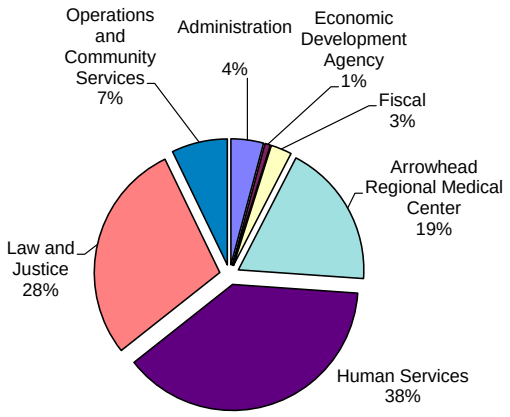
The revenue and other funding sources schedule above includes all County funds. This schedule includes operating transfers in, which are the mechanism for providing funding from one budget unit to another within the County. Additionally, this schedule summary provides the fund balance/use of unrestricted net assets for all non-general funds, the general fund's unassigned fund balance, as well as the use of, and the contributions to, the County reserves as committed in the County fiscal plan.



BUDGETED STAFFING SUMMARY

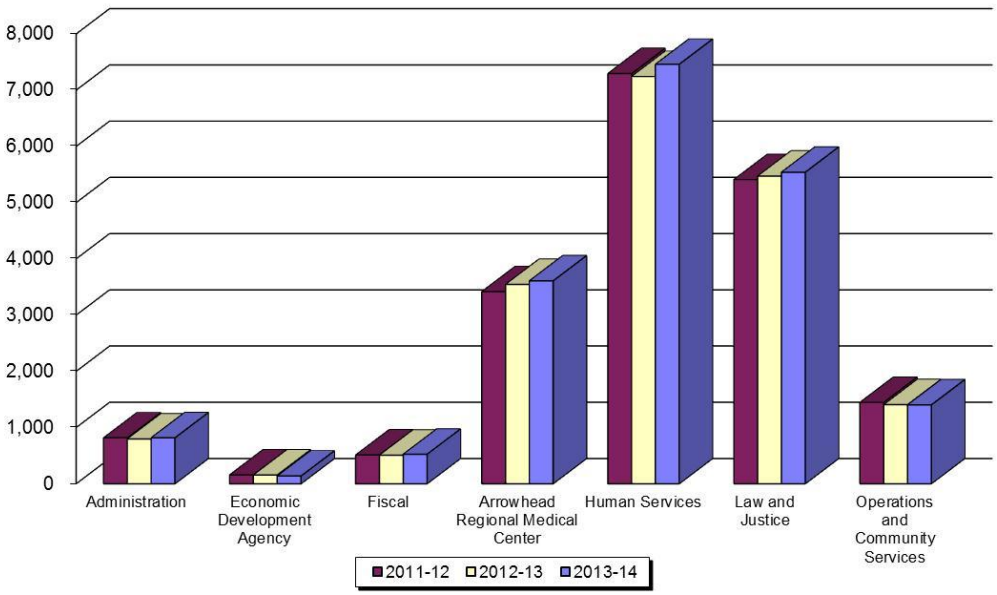
Budgeted staffing is accounted for using headcount; each position, whether full time or part time, is counted as one. The pie chart below depicts the budgeted staffing by group/agency for the 2013-14 fiscal year. The following bar graph illustrates the budgeted staffing for the 2013-14 fiscal year as well as the prior two fiscal years.

Budgeted Staffing By Group / Agency
2013-14 Fiscal Year



Percentages may not add to 100% due to

Budgeted Staffing By Group / Agency
2011-12 Through 2013-14 Fiscal Years



	2012-13 Modified Budget Staffing	Change from Modified Budget: Caseload Driven/ Grant or Special Funded Programs	Change from Modified Budget: All Other Programs	Change from Modified Budget: Total Change	2013-14 Recommended Budget Staffing	Percentage Change
General Fund	13,200	237	62	299	13,499	2.3%
Other Funds	5,923	67	-	67	5,990	1.1%
Total	19,123	304	62	366	19,489	

Budgeted staffing for caseload driven/grant, or special funded programs, increased overall by a net 304 positions. Significant changes from the previous year's final budgeted staffing in caseload driven, grant or special funded programs include the following:

General Fund

- **Human Services Administrative Claim** had a net increase of 193 budgeted positions. The net increase is the result of an additional 158 in the Transitional Assistance Department, as funding for the Department will increase as caseloads continue to grow and the effect of the Affordable Care Act is likely to increase Medi-Cal funding and caseload. Additionally, Human Services – Support is increasing a net 22 positions. Over the last few years, there have been few staffing changes in this division due to overall stagnation of funding available to departments in this budget unit. However, the current expected funding increases and corresponding staffing additions to the Transitional Assistance Department necessitates the additional staffing within the Support Divisions.

- **Behavioral Health** increased budgeted staffing by 20 positions. This is primarily the result of the expansion of the Screening, Assessment, Referral, and Treatment Program (4 positions), the 2011 Public Safety Realignment Program (9 positions), and increased demand for clinical services resulting in 9 new positions.

- **Public Health** decreased budgeted staffing by a net 30 positions. This decrease of vacant positions is the result a reduced need for clinic staffing based on lower than expected clinic visits. Existing staff, both professional and support, is being shifted between clinic sites to align with individual clinic need. The Department does not expect the staffing decrease to negatively affect operations.

- **Sheriff/Coroner/Public Administrator** increased 36 budgeted positions in this category primarily due to a net increase of 31 positions in the Sheriff – Detentions unit. This budget unit is increasing 23 positions utilizing 2011 Public Safety Realignment funding in order to improve monitoring of inmates in the County's Electronic Monitoring Program (10 positions) as well as to provide 13 additional staffing for the Sheriff – Detention Health Services Division. The Department is also adding 8 Inmate Welfare related position as approved by Inmate Welfare Board. Finally, the department's primary operations unit is adding 5 caseload related positions associated with Bureau of Administration operations (3 positions), CAL-ID program (1 position), and Inland Regional Narcotics Enforcement Team (1 position).

- **District Attorney – Criminal Prosecution** increased 12 budgeted positions in the caseload driven, grant or special funded programs category as follows: 8 positions for additional workload associated with public safety realignment (2011 Realignment), 2 positions to provide assistance for the Department's Specialized Prosecution Unit, 1 Deputy District Attorney for the prosecution of cold case homicides, and 1 Deputy District Attorney for the Alcohol and Drug Impaired Prosecution Program.

Other Funds

- **Arrowhead Regional Medical Center (ARMC)** had a net increase of 64 budgeted positions (155 new positions offset by the deletion of 91 positions). The new positions are primarily a result of ARMC's commitment to meet regulatory requirements (79 positions), reduce overtime premium costs (26 positions), and achieve volume related service goals (42 positions). The reduced positions are primarily due to the closure of Home Health (20 positions), postponement of development of an Observation Unit (27) and other operational adjustments (36 positions).

- **The Department of Behavioral Health – Mental Health Services Act** budet unit is increasing by a net 37 positions. This is primarily related to a recommendation to add forty (40) new positions for the expansion of recovery services, triage mental health services, clinical assessment services, community crises services and administrative support.

- **The Department of Workforce Development** is recommending the deletion of a net 18 positions, 4 regular positions and 14 limited term positions. The limited term positions were utilized for staffing special projects tied to temporary funding sources that end in 2012-13. The Department anticipates maintaining current levels of services for its primary mandated tasks of providing employment services to job seekers and businesses.

- **Public Works – Transportation – Road Operations** is decreasing a net 11 positions. This is primarily due to the transfer of 10 Land Development related positions from this budget unit to the Land Use Services Department in order to better serve the development community.

Budgeted staffing for all other programs increased a net 62 positions. Significant changes from the previous year's modified budgeted staffing in all other programs include the following:

General Fund

- **Land Use Services Department** is increasing a net 19 budgeted positions primarily due to the reorganization of 10 Land Development staff from the Department of Public Works to a new Land Use – Land Development budget unit in order to better serve the development community. Notably, the Department's Planning division is also seeking to add 5 positions to bolster the County's Mining Program, which will help to ensure compliance with state and federal mining inspection laws.

- **Auditor-Controller/Treasurer/Tax Collector** (ATC) is recommending to add a net 13 budgeted positions, consisting of 1 Automated Systems Analyst II to help manage IT infrastructure, 10 Public Service Employees for the ATC's summer internship program, and 2 Public Service Employees to provide support and assistance to meet the increased seasonal workload demands of ATC's Controller Division.

- **Sheriff/Coroner/Public Administrator** is recommending to increase a net 17 budgeted positions primarily related to the additional of 13 limited term positions that are required for temporary workload relief due to existing and projected vacancies. Additionally, the Department transferred 1 existing position from its Detentions budget unit and is adding 3 additional employees that will be job sharing within the department.

- **Board of Supervisors** is seeing a net increase of 13 budgeted positions as a result of an understatement of Board staff in the 2012-13 Modified Budget. This is due to the transition of 3rd and 1st District Supervisorial staff, whereby the 2012-13 Modified budget includes the deletion of prior Board member's staff, but does not yet include the addition of newly elected Board members staff. While the newly elected Supervisors begin to add staff upon election, it is through the annual budget process that these positions are added to the budget.

Countywide staffing changes are outlined by County department in the following chart:

BUDGETED STAFFING SUMMARY

Department	2011-12 Final Budget	2012-13 Modified Budget	2013-14 Recommended Budget	Change Between 2012-13 & 2013-14
ADMINISTRATION				
GENERAL FUND				
BOARD OF SUPERVISORS	45	35	48	13
CLERK OF THE BOARD	13	13	15	2
COUNTY ADMINISTRATIVE OFFICE	16	17	17	-
COUNTY COUNSEL	91	89	85	(4)
FINANCE AND ADMINISTRATION	14	14	14	-
HUMAN RESOURCES	73	79	79	-
HUMAN RESOURCES - CENTER FOR EMPLOYEE HEALTH AND WELLNESS	11	11	11	-
INFORMATION SERVICES - APPLICATION DEVELOPMENT	91	94	100	6
PURCHASING	15	17	20	3
SUBTOTAL GENERAL FUND	369	369	389	20
OTHER FUNDS				
FLEET MANAGEMENT - GARAGE	83	81	84	3
FLEET MANAGEMENT - MOTOR POOL	3	3	3	-
HUMAN RESOURCES - COMMUTER SERVICES	3	3	3	-
HUMAN RESOURCES - EMPLOYEE BENEFITS AND SERVICES	28	28	28	-
INFORMATION SERVICES - COMPUTER OPERATIONS	130	122	116	(6)
INFORMATION SERVICES - TELECOMMUNICATIONS SERVICES	97	92	95	3
PURCHASING - PRINTING SERVICES	15	14	15	1
PURCHASING - SURPLUS PROPERTY AND STORAGE OPERATIONS	2	2	2	-
PURCHASING - MAIL/COURIER SERVICES	25	25	25	-
RISK MANAGEMENT - OPERATIONS	61	58	58	-
SUBTOTAL OTHER FUNDS	447	428	429	1
TOTAL ADMINISTRATION	**816**	**797**	**818**	**21**
ECONOMIC DEVELOPMENT AGENCY				
GENERAL FUND				
ECONOMIC DEVELOPMENT	16	15	13	(2)
OTHER FUNDS				
COMMUNITY DEVELOPMENT AND HOUSING	26	18	20	2
WORKFORCE DEVELOPMENT	115	122	104	(18)
SUBTOTAL OTHER FUNDS	141	140	124	(16)
TOTAL ECONOMIC DEVELOPMENT AGENCY	**157**	**155**	**137**	**(18)**
FISCAL				
GENERAL FUND				
ASSESSOR/RECORDER/COUNTY CLERK	216	216	221	5
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR	291	280	293	13
SUBTOTAL GENERAL FUND	507	496	514	18
OTHER FUNDS				
ASSESSOR/RECORDER/COUNTY CLERK - SPECIAL REVENUE FUNDS	4	12	11	(1)
SUBTOTAL OTHER FUNDS	4	12	11	(1)
TOTAL FISCAL	**511**	**508**	**525**	**17**

BUDGETED STAFFING SUMMARY

Department	2011-12 Final Budget	2012-13 Modified Budget	2013-14 Recommended Budget	Change Between 2012-13 & 2013-14
ARROWHEAD REGIONAL MEDICAL CENTER				
OTHER FUNDS				
ARROWHEAD REGIONAL MEDICAL CENTER	3,416	3,544	3,608	64
TOTAL ARROWHEAD REGIONAL MEDICAL CENTER	**3,416**	**3,544**	**3,608**	**64**
HUMAN SERVICES				
GENERAL FUND				
AGING AND ADULT SERVICES - AGING PROGRAMS	48	47	46	(1)
AGING AND ADULT SERVICES - PUBLIC GUARDIAN - CONSERVATOR	18	19	19	-
CHILD SUPPORT SERVICES	435	435	434	(1)
HEALTH ADMINISTRATION	1	2	2	-
BEHAVIORAL HEALTH	507	529	549	20
PUBLIC HEALTH	759	737	707	(30)
PUBLIC HEALTH - CALIFORNIA CHILDREN'S SERVICES	159	161	166	5
HUMAN SERVICES - ADMINISTRATIVE CLAIM	4,221	4,215	4,408	193
VETERANS AFFAIRS	18	18	18	-
SUBTOTAL GENERAL FUND	6,166	6,163	6,349	186
OTHER FUNDS				
HUMAN SERVICES - WRAPAROUND REINVESTMENT FUND	28	6	6	-
BEHAVIORAL HEALTH - MENTAL HEALTH SERVICE ACT	368	367	404	37
PRESCHOOL SERVICES	732	706	700	(6)
SUBTOTAL OTHER FUNDS	1,128	1,079	1,110	31
TOTAL HUMAN SERVICES	**7,294**	**7,242**	**7,459**	**217**
LAW AND JUSTICE				
GENERAL FUND				
DISTRICT ATTORNEY - CRIMINAL PROSECUTION	473	477	488	11
LAW AND JUSTICE GROUP ADMINISTRATION	1	1	1	-
PROBATION - ADMINISTRATION, CORRECTIONS & DETENTION	1,190	1,194	1,193	(1)
PROBATION - JUVENILE JUSTICE GRANT PROGRAM	32	38	38	-
PUBLIC DEFENDER	246	237	243	6
SHERIFF/CORONER/PUBLIC ADMINISTRATOR	3,467	1,648	1,670	22
SHERIFF - DETENTIONS	-	1,301	1,332	31
SHERIFF - LAW ENFORCEMENT CONTRACTS	-	575	575	-
SUBTOTAL GENERAL FUND	5,409	5,471	5,540	69
OTHER FUNDS				
SHERIFF/CORONER/PUBLIC ADMINISTRATOR - PUBLIC GATHERINGS	-	-	-	-
SUBTOTAL OTHER FUNDS	-	-	-	-
TOTAL LAW AND JUSTICE	**5,409**	**5,471**	**5,540**	**69**

BUDGETED STAFFING SUMMARY

Department	2011-12 Final Budget	2012-13 Modified Budget	2013-14 Recommended Budget	Change Between 2012-13 & 2013-14
OPERATIONS AND COMMUNITY SERVICES				
GENERAL FUND				
AGRICULTURE/WEIGHTS AND MEASURES	61	63	63	-
AIRPORTS	24	19	20	1
ARCHITECTURE AND ENGINEERING	16	19	19	-
COUNTY MUSEUM	30	30	21	(9)
LAND USE SERVICES - ADMINISTRATION	27	32	36	4
LAND USE SERVICES - LAND DEVELOPMENT	-	-	9	9
LAND USE SERVICES - PLANNING	20	20	25	5
LAND USE SERVICES - BUILDING AND SAFETY	21	21	21	-
LAND USE SERVICES - CODE ENFORCEMENT	31	27	28	1
LAND USE SERVICES - FIRE HAZARD ABATEMENT	14	15	15	-
PUBLIC WORKS - SURVEYOR	34	26	25	(1)
REAL ESTATE SERVICES (RES)	22	23	23	-
RES - FACILITIES MANAGEMENT DIVISION	103	106	109	3
RES - UTILITIES	2	2	2	-
REGIONAL PARKS	279	259	252	(7)
REGISTRAR OF VOTERS	25	24	26	2
SUBTOTAL GENERAL FUND	709	686	694	8
OTHER FUNDS				
COUNTY LIBRARY	281	279	279	-
COUNTY MUSEUM - MUSEUM STORE	1	1	1	-
PUBLIC WORKS - TRANSPORTATION - ROAD OPERATIONS	364	354	343	(11)
PUBLIC WORKS - SOLID WASTE MANAGEMENT - OPERATIONS	84	81	81	-
REGIONAL PARKS - ENTERPRISE FUNDS	6	5	4	(1)
REGIONAL PARKS - SPECIAL REVENUE FUNDS	2	-	-	-
SUBTOTAL OTHER FUNDS	738	720	708	(12)
TOTAL OPERATIONS AND COMMUNITY SERVICES	**1,447**	**1,406**	**1,402**	**(4)**
TOTAL COUNTY DEPARTMENTS - GENERAL FUND	**13,176**	**13,200**	**13,499**	**299**
TOTAL COUNTY DEPARTMENTS - OTHER FUNDS	**5,874**	**5,923**	**5,990**	**67**
COUNTY DEPARTMENTS GRAND TOTAL	**19,050**	**19,123**	**19,489**	**366**

CAPITAL IMPROVEMENT PROGRAM

The County Capital Improvement Program includes construction, rehabilitation and repair projects for numerous facilities and structures.

The funds listed in the appropriation summary schedule in this County Budget Summary and presented in the schedules below represent projects managed by the Architecture and Engineering Department as well as the Department of Public Works (and "Others"). Architecture and Engineering projects include $186.4 million in projects managed through Capital Funds and $3.6 million in projects managed through Arrowhead Regional Medical Center Enterprise Funds, for a total project budget of $190.0 million. The appropriation for the additional projects administered by the Department of Public Works and other units are found within those Department's budget pages. These schedules do not include operating transfers out.

CAPITAL PROJECTS FUNDS SUMMARY

	Fund CJP	Fund CJV	Sub-Total	ARMC Capital Fund CJE	Total
Requirements					
Noninventoriable Equipment	61,704		61,704		61,704
Contributions to Non-Owned Projects	36,198		36,198		36,198
Improvements to Land	12,708,512		12,708,512	654,844	13,363,356
Structures and Improvements	159,115,423	13,107,113	172,222,536	2,947,751	175,170,287
Equipment	964,259	240,000	1,204,259		1,204,259
Services and Supplies Transfers Out	22,414		22,414		22,414
Vehicles		156,895	156,895		156,895
Total Requirements	172,908,510	13,504,008	186,412,518	3,602,595	190,015,113

CAPITAL PROJECTS ADMINISTRATION

ADMINISTERED BY:	Discretionary General Funding	Other Funding	Total
ARCHITECTURE AND ENGINEERING DEPARTMENT (A&E)			
NEW PROJECTS	56,850,000	7,991,194	64,841,194
CARRYOVER BALANCES	93,564,841	31,609,078	125,173,919
TOTAL PROJECTS ADMINISTERED BY (A&E)	150,414,841	39,600,272	190,015,113
DEPT. OF PUBLIC WORKS (DPW) PROJECTS:			
TRANSPORTATION:			
NEW PROJECTS	4,109,813	13,864,968	17,974,781
CARRYOVER BALANCES	7,817,000	55,343,298	63,160,298
TOTAL PROJECTS ADMINISTERED BY DPW-TRANSPORTATION	11,926,813	69,208,266	81,135,079
SOLID WASTE MANAGEMENT:			
NEW PROJECTS	-	12,034,941	12,034,941
CARRYOVER PROJECTS	-	5,276,506	5,276,506
TOTAL PROJECTS ADMINISTERED BY DPW-SOLID WASTE MANAGEMENT	-	17,311,447	17,311,447
TOTAL PROJECTS DPW	11,926,813	86,519,713	98,446,526
PROJECTS ADMINISTERED BY OTHERS			
NEW PROJECTS	-	871,009	871,009
CARRYOVER BALANCES	-	559,940	559,940
TOTAL PROJECTS ADMINISTERED BY OTHERS	-	1,430,949	1,430,949
TOTAL 2013-14 CIP BUDGET	**162,341,654**	**127,550,934**	**289,892,588**

In the 2013-14 Recommended Budget, $64.8 million in new projects is funded primarily using County discretionary general funding. Major projects include the annual allocation of $20.0 million for the 800 Megahertz (MHz) Upgrade Project; $15.7 million in additional new discretionary general funding to increase the budget from $1.3 million to $17.0 million for a 20,000 square foot expansion of the Sheriff/Coroner/Public Administrator (Sheriff) Crime Lab; $4.5 million to relocate Sheriff's Aviation from the Rialto Airport to 65,000 square feet of new hangar and maintenance space to be constructed at San Bernardino International Airport; and $4.5 million to be added to the County Buildings Acquisition and Retrofit Project to acquire office space to locate general funded departments in close proximity to the Victorville Courthouse. In addition, the base budget for CIP of $12.0 million includes funding of $3.4 million for deferred maintenance at various County and Regional Park facilities; $2.8 million for heating, ventilation and air conditioning upgrades and maintenance; $1.5 million for site infrastructure such as security enhancements, drainage, and oil and air switch replacements; $1.3 million to improve building systems such as elevator modernization, boiler replacements, and fire alarm system upgrades; $1.2 million for interior renovation to improve interiors at the Redlands Museum, detention facilities, and remodel space for efficiencies; $0.9 million to repair and/or replace roofs; and $0.9 million to patch, seal and rehabilitate various parking lots and driveways.

Projects approved in prior years but not yet completed total an additional $125.2 million. The major muli-year carryover projects are the 800 MHz Replacement Project, expansion of the Adelanto Detention Center, and the County Buildings Acquisition and Retrofit Project.

The County has several other capital projects that are accounted for in various special revenue funds belonging to the respective project departments, such as Airports, Regional Parks, and the Department of Public Works-Solid Waste Management and Transportation Divisions.

For a complete listing of capital improvement program highlights in all funds, please refer to the Capital Improvement Program section of the 2013-14 Recommended Budget book.

DISCRETIONARY GENERAL FUNDING

County general fund operations are funded with four major types of sources: departmental revenue, Proposition 172 revenue, Realignment revenues (1991 and 2011 Realignment), and countywide discretionary revenue.

- Departmental revenue includes fees, service charges, and state and federal support for programs such as welfare, health care, and behavioral health.
- Proposition 172 revenue is a permanent extension of a half-cent Local Public Safety Sales Tax approved by California voters on November 2, 1993. Proceeds of this sales tax must be dedicated to public safety. Proposition 172 revenue is restricted and is used solely for funding the Sheriff/Coroner/Public Administrator, District Attorney, and Probation departments.
- 1991 Realignment revenue provides health and welfare funding. In 1991-92, the state approved the Health and Welfare Realignment Program that involves a shift of program responsibilities from the state to the County. This shift is funded through a corresponding shift of dedicated sales tax and vehicle license fee revenue. Realignment revenue is also restricted and used in funding mental health, social services and health programs within the County.
- 2011 Realignment revenue provides public safety, health, and welfare funding. In 2011-12, the state approved what has become known as AB 109 Public Safety Realignment. As part of this realignment, the State addressed prison over-crowding by shifting custodial responsibility of non-violent, non-sex, and non-sex-against-children ('Triple-Nons') offenders to local jails. In addition, the parole function of the state was delegated to county Probation departments. In conjunction with Public Safety Realignment, the State also shifted full financial burden of many social service and mental health programs. The County was responsible for delivery of these programs before realignment but with the shift the state would no longer participate in the share of cost. While the state no longer shares in the cost it has dedicated a portion of the state sales tax (1.0625%) revenue along with a portion of vehicle license fees for these realigned programs.
- Countywide discretionary revenue includes a variety of revenue sources that are not legally designated for a specific purpose or program. The majority of discretionary revenue is property related revenue, primarily property tax. Other revenue sources in this category include: sales and other taxes, net interest earnings, Countywide Cost Allocation Plan (COWCAP) revenue which is a reimbursement for overhead/indirect costs incurred by the general fund, property tax administration revenues, recording fees, other state and federal aid, and other revenue. Additionally, the general fund's available fund balance, use of reserves and operating transfers in, are other funding sources that can be allocated to general fund departments in the same manner as countywide discretionary revenue.

County general fund operations not funded by departmental revenue, Proposition 172 Revenue, and/or Realignment revenue are funded by net county cost (or discretionary general funding). Net county cost is funded by countywide discretionary revenue, which is primarily property tax revenue.

Any countywide discretionary revenue not distributed to departments through their net county cost allocation, contributed to reserves, or transferred to other funds for specific projects/programs, is placed in contingencies. Every year the County of San Bernardino has set aside a prudent dollar amount in contingencies and reserves for two purposes: 1) to ensure that the County can accommodate unforeseen increases in expenditures or reductions in revenues, or other extraordinary events, which would harm the fiscal health of the County; and 2) to be proactive and set aside funds to meet future known obligations or to build a reserve for large capital projects.

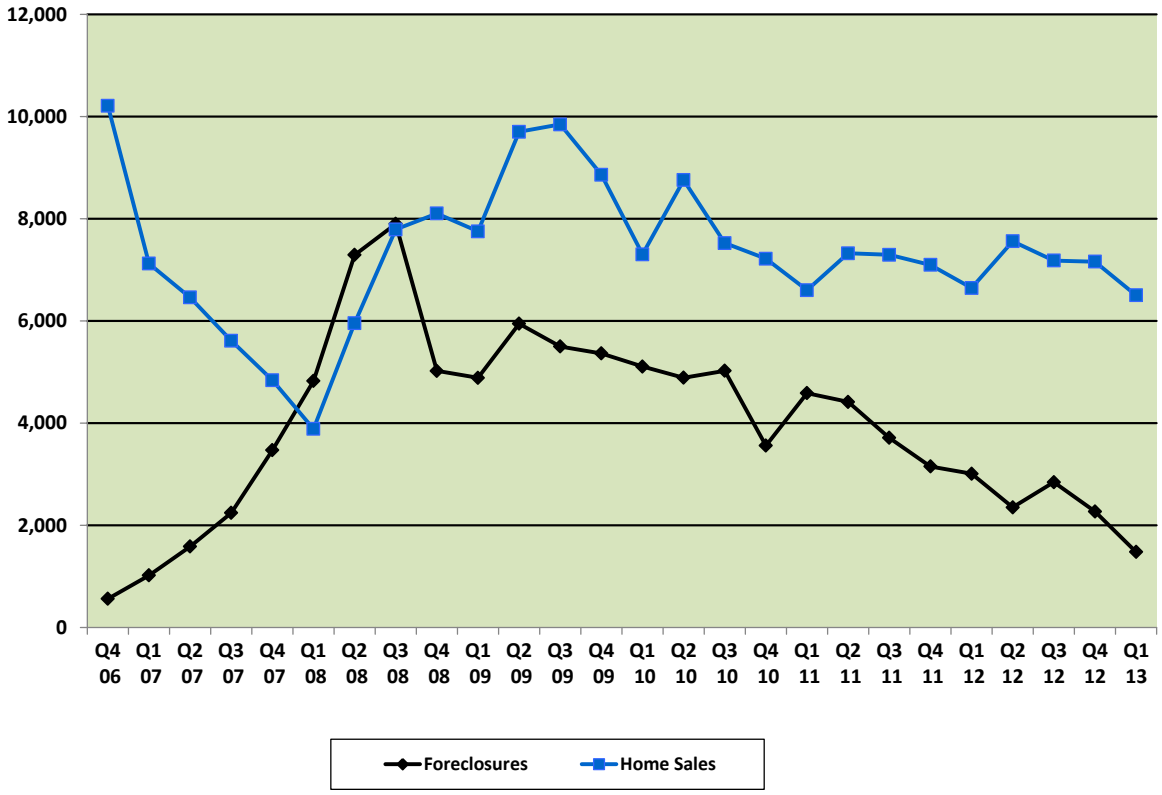
The following sections provide details of:

- The economic indicators that are factored into the County's fiscal plan.
- How these indicators and other factors affect Proposition 172 revenue, Realignment revenue, and countywide discretionary revenue.
- The County Restricted General Fund – Automated Systems Development budget unit.
- How discretionary general funding (net county cost) has been allocated for the fiscal year.
- Information on general fund contingencies and reserves.

ECONOMIC INDICATORS

Property related revenue accounts for approximately 60 percent of the County's discretionary revenue. These revenues have been severely impacted by the mortgage and financial crisis, which has had a significant effect on the housing market within the County. Over the past few years home values have plummeted as foreclosures and notices of default have skyrocketed. Assessed valuation has been negatively affected both by homes selling at prices lower than their current assessed valuation, and by Proposition 8 reassessments, which lower valuations of properties (where no change in ownership has occurred) if the current assessed value of such property is greater than the fair market value of the property. However, as shown in the chart below, foreclosures, which at times outstripped home sales, are now declining rapidly. In addition, as shown in the chart on the next page, the median home price has begun to rise.

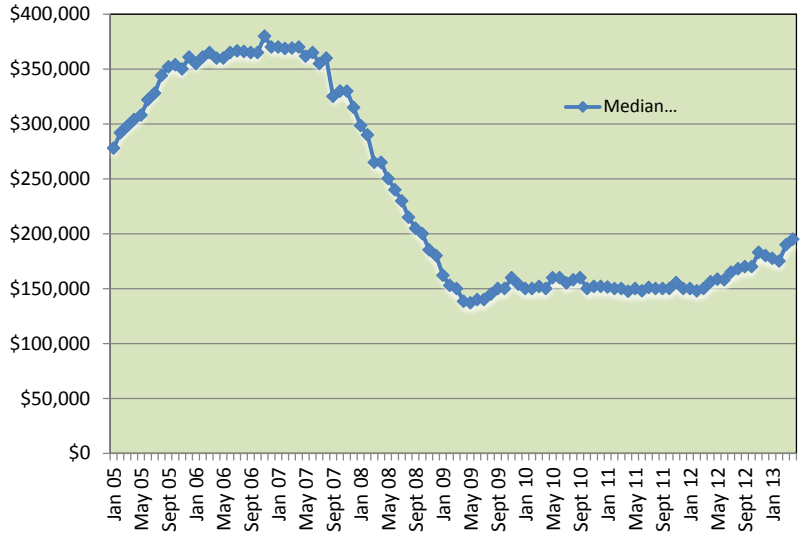
COUNTY OF SAN BERNARDINO
FORECLOSURES/HOME SALES BY QUARTER
QUARTER 4 2006 THROUGH QUARTER 1 2013



Source: County Assessor and Dataquick

2012 foreclosures were down 34.0% from 2011, and for the first quarter of 2013 are down 50.9%. 2012 Notices of Default were down by 17.3% from the prior year, and for the first quarter 2013 are down 64.7%. As foreclosures and notices of default begin to decline rapidly, the County is seeing a rise in the median price of a home. The chart below shows the increase in the median price over the last ten months. Prior to that the median price had been stable, at approximately $150,000, for the 34 month period between September 2009 and June 2012. The median price remains affordable for 76% of local families.

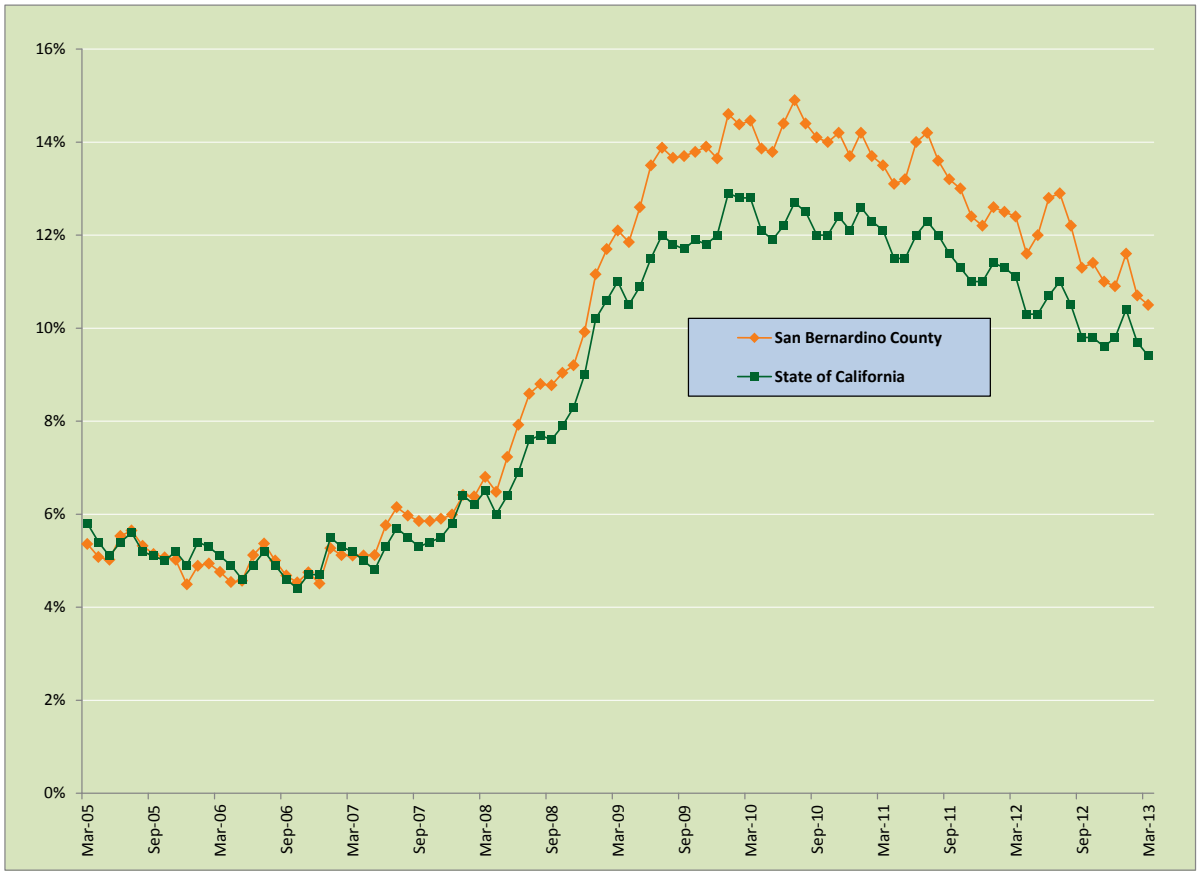
COUNTY OF SAN BERNARDINO
MEDIAN HOME PRICE BY MONTH
JANUARY 2005 THROUGH APRIL 2013



Source: Dataquick

In addition to the decline in property values, the loss of jobs in the County has led to high levels of unemployment, as shown in the chart below. Inland Empire Job losses from 2008 through 2010 totaled 148,500, in large part due to the downturn in the construction sector. County unemployment reached 14.8% in July 2010. However conditions are beginning to improve. 2011 saw job gains of 4,833 followed by a gain of 23,025 in 2012, and job growth for 2013 is forecasted at 28,300. Unemployment has declined but remains high at 10.5% as of March 2013, which compares to unemployment rates for the State and the United States of America which were 9.4% and 7.6%, respectively.

COUNTY OF SAN BERNARDINO
UNEMPLOYMENT RATES
STATE OF CALIFORNIA AND SAN BERNARDINO COUNTY
MARCH 2005 THROUGH MARCH 2013



Source: CA Employment Development Department

AUTOMATED SYSTEMS DEVELOPMENT

The Automated Systems Development budget unit is a restricted general fund that was established in 2011-12 to fund the development, upgrade, and/or replacement of the County's Financial Accounting System (FAS), a core information technology system; and for other future developments.

The new FAS project is a countywide collaborative effort to replace the existing financial accounting system that was implemented over 20 years ago and does not provide either the efficiencies or information for managing County functions that modern systems provide. In 2011-12, the Board of Supervisor's approved a $6.0 million allocation of discretionary general funding to fund this project, and added an additional $6.0 million mid-year. Although it hasn't been placed in this budget unit, an additional $13.0 million in funding has been assigned for this project in County contingencies as part of the 2013-14 Recommended budget. A Request for Information was released in July 2011 and the resulting information was utilized to prepare a scope of services. In 2012-13, the County contracted with the Government Finance Officers Association, which has a history of successful government accounting information system installations, to oversee the Request for Proposal process for the County.

Requirements of $11.9 million represents capitalized software and application development costs associated with the new FAS project.

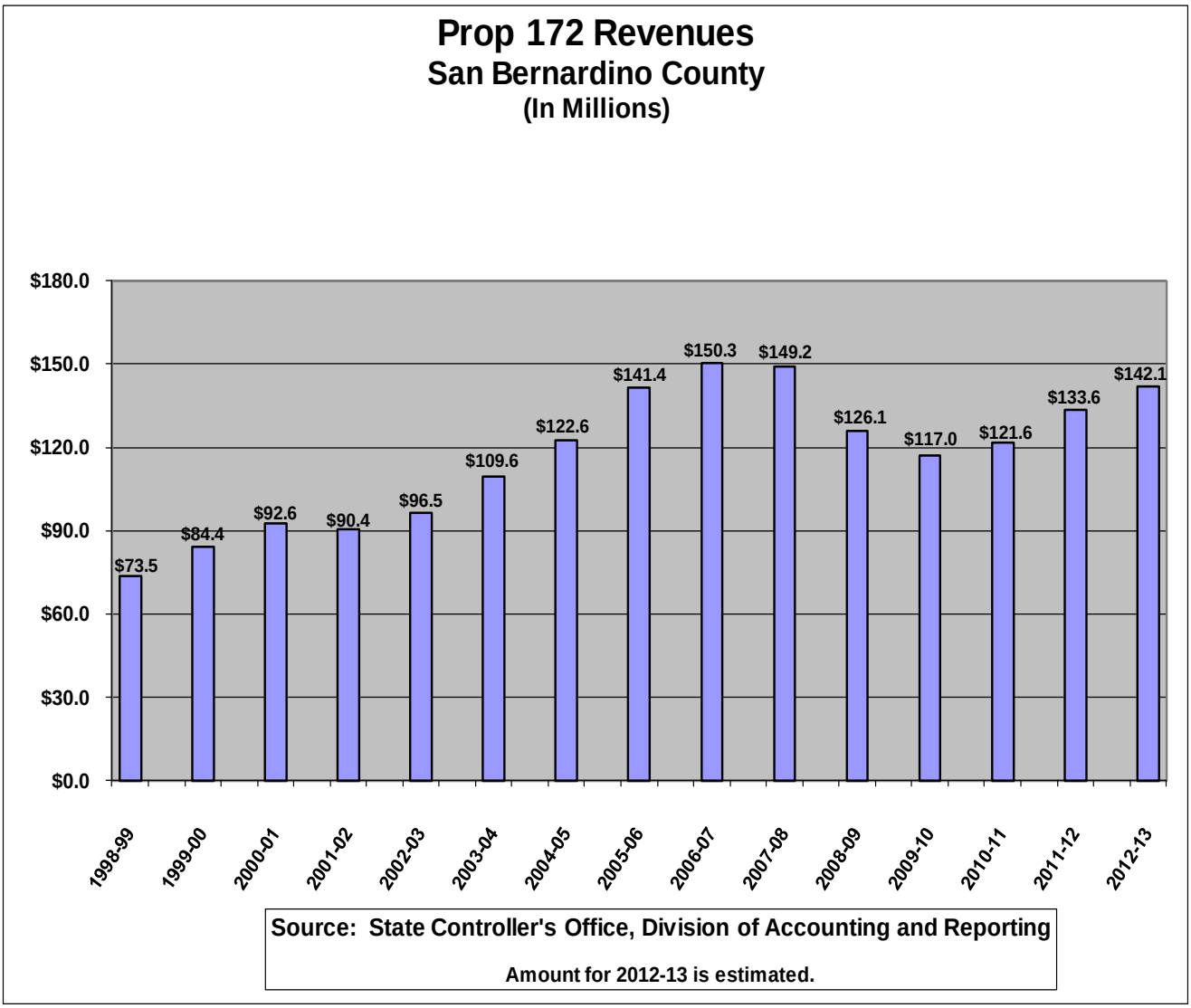
Below is a table detailing budgeted appropriation for this unit in 2013-14.

	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Estimate	2012-13 Modified Budget	2013-14 Recommended Budget	Change From 2012-13 Modified Budget
Requirements							
Staffing Expenses	0	0	0	0	0	0	**0**
Operating Expenses	0	0	0	100,000	500,000	400,000	**(100,000)**
Capital Expenditures	0	0	0	0	11,500,000	11,500,000	**0**
Contingencies	0	0	0	0	0	0	**0**
Total Exp Authority	0	0	0	100,000	12,000,000	11,900,000	**(100,000)**
Reimbursements	0	0	0	0	0	0	**0**
Total Appropriation	0	0	0	100,000	12,000,000	11,900,000	**(100,000)**
Operating Transfers Out	0	0	0	0	0	0	**0**
Total Requirements	0	0	0	100,000	12,000,000	11,900,000	**(100,000)**
Sources							
Taxes	0	0	0	0	0	0	**0**
Realignment	0	0	0	0	0	0	**0**
State, Fed or Gov't Aid	0	0	0	0	0	0	**0**
Fee/Rate	0	0	0	0	0	0	**0**
Other Revenue	0	0	0	0	0	0	**0**
Total Revenue	0	0	0	0	0	0	**0**
Operating Transfers In	0	0	0	0	0	0	**0**
Total Sources	0	0	0	0	0	0	**0**
Fund Balance	0	0	0	100,000	12,000,000	11,900,000	**(100,000)**
				Budgeted Staffing	0	0	**0**

PROPOSITION 172

Proposition 172 (Prop 172), which became effective January 1, 1994, placed a one-half percent sales tax rate in the state's constitution and required that revenue from the additional one-half percent sales tax be used only for local public safety activities, which include but are not limited to sheriff, police, fire protection, county district attorney, and county corrections. Funding from Prop 172 enabled counties and cities to substantially offset the public safety impacts of property tax losses resulting from the State property tax shift to the Educational Revenue Augmentation Fund (ERAF).

The one-half percent sales tax imposed by Prop 172 is collected by the state and apportioned to each county based on its proportionate share of statewide taxable sales. In accordance with Government Code 30055, of the total Prop 172 revenue allocated to San Bernardino County, 5% is distributed to cities affected by the property tax shift and 95% remains within the County. The following chart reflects the annual amount of Prop 172 revenues received by San Bernardino County, excluding the cities' distributions, for the past 15 years.



On August 22, 1995, the County of San Bernardino Board of Supervisors approved the recommendation that defined the following departments as the public safety services designated to receive the County's 95% share of Prop 172 revenue, consistent with Government Code Section 30052, and authorized the Auditor-Controller/Treasurer/Tax Collector to deposit the County's portion of the Prop 172 revenue as follows:

- Sheriff/Coroner/Public Administrator 70.0%
- District Attorney 17.5%
- Probation 12.5%

Prop 172 revenue currently represents a significant funding source for the Sheriff/Coroner/Public Administrator, District Attorney, and Probation departments. Each year, as part of the budget development process, Prop 172 projections are developed based on staff analysis of revenue trends and forecasts provided by an outside economist.

On February 13, 2007, the Board of Supervisors approved a policy which requires the County to maintain an appropriation for contingency for Prop 172 funds targeted at no less than 10% of the current year's budgeted Prop 172 revenues. This 10% contingency was created to ensure funding for these public safety departments should the County experience Prop 172 revenue shortfalls in the future. These contingencies are maintained for each respective department within the Prop 172 restricted general fund.

The chart below illustrates the beginning and ending estimated fund balances of the Prop 172 restricted general fund, budgeted revenue and departmental usage for 2013-14, the required 10% contingency target, and the amount above that target.

	Estimated Beginning Fund Balance	2013-14 Budgeted Revenue	2013-14 Budgeted Usage	Estimated Ending Fund Balance	10% Contingency	Amount in Excess of Required Contingency
Sheriff	16,384,503	102,780,000	(107,690,000)	11,474,503	10,278,000	1,196,503
District Attorney	4,097,825	25,697,500	(26,672,500)	3,122,825	2,569,750	553,075
Probation	5,668,733	18,372,500	(18,337,500)	5,703,733	1,837,250	3,866,483
Total	**26,151,061**	**146,850,000**	**(152,700,000)**	**20,301,061**	**14,685,000**	**5,616,061**

1991 REALIGNMENT

In 1991, the State shifted responsibility for a number of mental health, social services, and health programs to counties. This shift, known as 1991 Realignment, resulted in the creation of two dedicated funding streams to pay for the shifted services: a ½ cent Sales Tax and 24.33% of Vehicle License Fee (VLF) revenues made available by a change in the depreciation schedule for vehicles. Pursuant to SB 1096, Chapter 21, Statutes of 2004, the Vehicle License Fee was reduced from 2.0% of the market value of a vehicle to 0.65% of the market value. SB 1096 also changed the percentage of the VLF revenue allocated to Realignment from 24.33% to 74.9%. This change did not result in increased VLF revenues to 1991 Realignment, but simply reflects the same funding amount expressed as a percentage of the reduced revenue collected. Each of the three service areas identified was required to have their own separate accounts established and each of those service areas receive a different share of statewide 1991 Realignment revenue.

Within the mental health area, the programs the County is now responsible for are: community-based mental health programs, State Hospital services for County patients, and Institutions for Mental Disease. Within the social services area, the programs the County is now responsible for are: the County revenue stabilization program and the County justice subvention program. Within the health area, the programs the County is now responsible for are: AB8 County health services, local health services, medically indigent services, and the County medical services program.

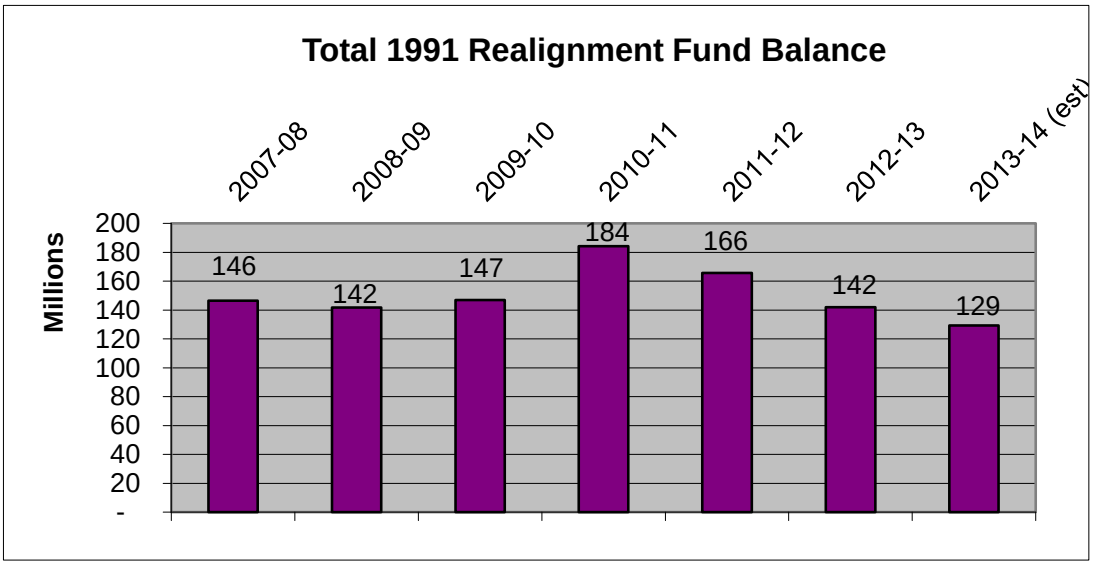
In addition to these program responsibility shifts, a number of programs had changes made to their cost sharing ratios. For example, prior to 1991 Realignment, Foster Care costs were funded by 95% State resources and 5% County resources. Now Foster Care is funded by 40% State resources and 60% County resources, which is a significant impact to the County.

The 1991 Realignment program has some flaws in its design that adversely impact County of San Bernardino revenues. First, San Bernardino County is an “under equity county,” meaning that the County receives a lesser share of revenue relative to other counties based on population and estimated poverty population. Revenue distributions among counties were determined by expenditures in the programs that were transferred just prior to the adoption of Realignment. San Bernardino County was under equity in those programs. 1991 Realignment did attempt to address the inequity issue, but the effort fell short. The County continues to be under equity at this time and barring any legislative action the amount of inequity will increase over time. As growth occurs in the revenue streams, incremental new funding is distributed on existing sharing arrangements between the counties. The counties that are already over equity get a higher percentage of the new revenue while those that are under equity get less.

In addition to the under equity issue is the fact that the demand for the services the County is providing and the revenue streams funding them are both sensitive to the economy. When the economy does poorly, demand for services is high, but revenues under perform. When the economy is doing well, demand for services is reduced, sales taxes and vehicle license fees revenues are high, and growth in these funding streams is experienced. Social Services has priority claim on any sales tax growth received. If the growth is sufficient to cover the increasing Social Services caseload costs, then anything remaining is distributed to the Mental Health and Health 1991 Realignment funds.

Budgetary Note: Financial information presented in this 1991 Realignment budget section is consistent with state reporting requirements for the 1991 Realignment funds. The state’s reporting requirements are not consistent with the County’s implementation of GASB 34 as it relates to revenue accrual. As such, within the County financial accounting system, an adjustment will be made to show the correct revenues in accordance with the County accrual procedures. This is a revenue timing issue only as a result of delays by the state in distributing sales tax growth revenue.

The graph below shows the history of fund balance for all Realignment funds.



During 2008-09, revenue shortfalls of 13.2% and 8.5% in sales tax and vehicle license fee revenue, respectively, offset with decreased departmental usage resulted in a slight decrease in fund balance of $4 million for the period ending June 30, 2009.

During 2009-10, revenue shortfalls continued at 3.69% and 6.73% in sales tax and vehicle license fee revenue, respectively. These shortfalls were offset by even greater departmental savings, resulting in a slight increase in fund balance of $5 million for the period ending June 30, 2010.

During 2010-11, sales tax increased by 3.59% increase while VLF declined by 1.50% as compared to prior year revenue. Those factors would have normally caused a decline in fund balance given departmental needs. However, the 1991 Health Realignment fund experienced a one-time savings due to state legislation regarding hospital fees. The net effect was an increase to overall fund balance of $37 million.

Revenues for 2011-12 came in much stronger than anticipated. State-wide, sales tax increased 10% but VLF continued to decline but at a much smaller rate with a projected decline of 10.2%. At the same time the demands for County services continue to increase as economic recovery and job creation remain sluggish. As a result, departmental usage of realignment funds outpaced revenues by $18 million.

In 2012-13, sales tax revenues have continued to come in strong and are up nearly 8.3% through April. Even more encouraging is that Vehicle License Fees are increasing as well and are up 12.7% through April 2013. However, program costs continue to increase as demands for services remain high. As a result, departmental usage continues to exceed budgeted revenues, resulting in an anticipated decrease in fund balance of $24 million for the period ending June 30, 2013.

For 2013-14, the state is projecting sales tax revenues to experience continued strong growth in the proximity of 9% and is also optimistic about Vehicle License Fees. However, the County is not experiencing a corresponding decrease in demand for services. Current projections predict that 1991 Realignment Fund balances will be drawn down by an additional $13 million in 2013-14. So, while the rate of draw-down is declining, 1991 Realignment will likely experience its' third consecutive year of draw-down in excess of $10 million.

	ACTUAL 2011-12	MODIFIED 2012-13	ESTIMATED 2012-13	RECOMMENDED 2013-14
Beginning Fund Balance	184,193,680	165,673,369	165,673,369	142,056,267
Revenue	195,008,092	176,945,801	179,828,698	194,589,200
Departmental Usage	213,528,403	210,545,297	203,445,801	207,203,363
Ending Fund Balance	165,673,369	132,073,873	142,056,267	129,442,104
Change in Fund Balance	(18,520,311)	(33,599,496)	(23,617,103)	(12,614,163)

For 2013-14, departmental usage of $207.2 million exceeds the revenue projection of $194.6 million, resulting in a net usage of $12.6 million in total fund balance. Expenditure levels continue to be monitored closely, with specific measures being developed to reduce overall departmental usage until such time as revenue growth is realized and fund balance is restored.

SUMMARY OF 1991 REALIGNMENT BUDGET UNITS FOR 2013-14

	Mental Health	Social Services	Health	Total
Estimated Beginning Fund Balance	30,885,611	44,843,958	66,326,698	142,056,267
Budgeted Revenue	46,683,964	96,591,257	51,313,979	194,589,200
Budgeted Departmental Usage	50,909,398	98,981,119	57,312,846	207,203,363
Budgeted 10% Transfers	-	-	-	-
Estimated Ending Fund Balance	26,660,177	42,454,096	60,327,831	129,442,104
Estimated Change in Fund Balance	(4,225,434)	(2,389,862)	(5,998,867)	(12,614,163)
Estimated Ending Fund Balance	26,660,177	42,454,096	60,327,831	129,442,104
10% Contingency Target	4,668,396	9,659,126	5,131,398	19,458,920
Available Ending Fund Balance	21,991,781	32,794,970	55,196,433	109,983,184

The 1991 Realignment budget units do not directly spend funds or provide service. They are strictly funding budget units with the actual expenditures occurring within the operating budget units of the departments that receive Realignment revenue.

The 1991 Realignment legislation does allow for some flexibility in usage of funds at the County level. Upon action by the Board of Supervisors, a County can transfer 10% of a given year's revenue from one fund to another. San Bernardino County has used the provision repeatedly over the years to help support either the health or social services programs. The County did not do a 10% transfer in the prior three fiscal years and is not budgeting one for 2013-14. However, in the event that such transfer is needed, Board of Supervisors approval is required.

The breakdown of the fund balance calculations and departmental usage for each of the three individual 1991 Realignment funds are on the following pages.

Mental Health

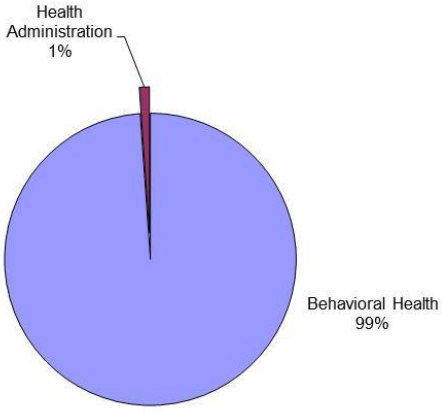
	ACTUAL 2011-12	MODIFIED 2012-13	ESTIMATED 2012-13	RECOMMENDED 2013-14
Beginning Fund Balance	28,858,874	35,095,277	35,095,277	30,885,611
Revenue	50,360,646	52,041,796	46,683,964	46,683,964
Departmental Usage	44,124,243	51,616,492	50,893,630	50,909,398
10% Transfers	-	-	-	-
Ending Fund Balance	35,095,277	35,520,582	30,885,611	26,660,177
Change in Fund Balance	6,236,403	425,305	(4,209,666)	(4,225,434)

For 2013-14, the Mental Health fund is budgeted to decrease $4.2 million in fund balance. The Department of Behavioral Health is perhaps the department most negatively affected by continuing realignment efforts by the State. While sales tax is projected to increase statewide, the allocation provided to the 1991 Mental Health Realignment account is a fixed amount. A strong year in 2010-11 that saw a substantial increase in fund balance should allow the fund to weather the unpredictability of revenue sources over the next few years.

Breakdown of Departmental Usage of Mental Health 1991 Realignment

	ACTUAL 2011-12	MODIFIED 2012-13	ESTIMATED 2012-13	RECOMMENDED 2013-14
Behavioral Health	43,751,603	51,167,106	50,529,987	50,342,753
Health Administration	372,640	449,386	363,643	566,645
Total Departmental Usage	44,124,243	51,616,492	50,893,630	50,909,398

2013-14 Recommended



Social Services

	ACTUAL 2011-12	MODIFIED 2012-13	ESTIMATED 2012-13	RECOMMENDED 2013-14
Beginning Fund Balance	78,805,214	54,109,512	54,109,512	44,843,958
Revenue	88,096,997	75,450,674	88,008,082	96,591,257
Departmental Usage	112,792,699	102,598,525	97,273,636	98,981,119
10% Transfers	-	-	-	-
Ending Fund Balance	54,109,512	26,961,661	44,843,958	42,454,096
Change in Fund Balance	(24,695,702)	(27,147,851)	(9,265,554)	(2,389,862)

Social Services realignment revenue is composed primarily of sales tax. The split is currently 96% sales tax and 4% vehicle license fees.

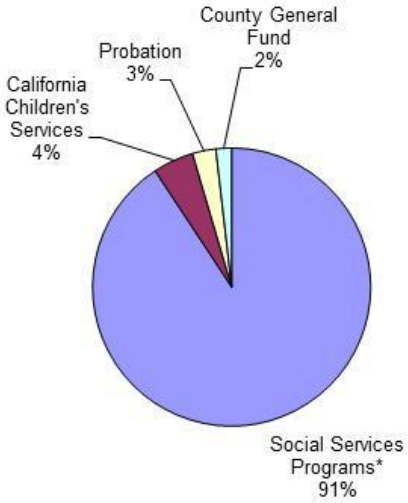
For 2013-14, budgeted expense and ongoing revenue are expected to result in usage of fund balance of $2.4 million. In addition, budgeted departmental usage for 2013-14 continues to outpace revenues, and as such, will be monitored closely to ensure that fund balance is maintained at adequate levels.

Breakdown of Departmental Usage of Social Services 1991 Realignment

	ACTUAL 2011-12	MODIFIED 2012-13	ESTIMATED 2012-13	RECOMMENDED 2013-14
Social Services Programs*	104,673,519	93,521,925	89,247,292	89,807,646
California Children's Services	3,619,550	4,576,970	3,526,714	4,673,843
Probation	2,700,630	2,700,630	2,700,630	2,700,630
County General Fund	1,799,000	1,799,000	1,799,000	1,799,000
Total Departmental Usage	112,792,699	102,598,525	97,273,636	98,981,119

* Soc. Svcs. Programs include: Foster Care (AAB BHI), Administrative Claim Matches (DPA), Aid to Adoptive Children (AAB ATC) and Health Administration Support.

2013-14 Recommended



Health

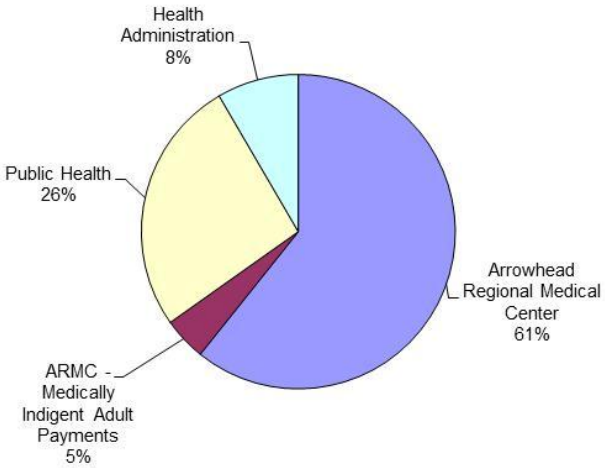
	ACTUAL 2011-12	MODIFIED 2012-13	ESTIMATED 2012-13	RECOMMENDED 2013-14
Beginning Fund Balance	76,529,592	76,468,580	76,468,580	66,326,698
Revenue	56,550,449	49,453,331	45,136,652	51,313,979
Departmental Usage	56,611,461	56,330,281	55,278,535	57,312,846
10% Transfers	-	-	-	-
Ending Fund Balance	76,468,580	69,591,631	66,326,698	60,327,831
Change in Fund Balance	(61,012)	(6,876,950)	(10,141,883)	(5,998,867)

For 2013-14, the Health fund is budgeted to spend $6 million of fund balance. Revenue is projected to increase, however departmental usage continues to outpace revenues. Significant savings in Fiscal Year 2010-11 built a substantial fund balance that should allow the fund to be viable until the economy fully rebounds.

Breakdown of Departmental Usage of Health 1991 Realignment

	ACTUAL 2011-12	MODIFIED 2012-13	ESTIMATED 2012-13	RECOMMENDED 2013-14
Arrowhead Regional Medical Center	34,820,000	34,820,000	34,820,000	34,820,000
ARMC - Medically Indigent Adult Payments	2,550,000	2,550,000	2,550,000	2,550,000
Public Health	11,887,793	14,164,292	13,110,309	15,116,020
Health Administration	7,353,668	4,795,989	4,798,226	4,826,826
Total Departmental Usage	56,611,461	56,330,281	55,278,535	57,312,846

2013-14 Recommended



2011 REALIGNMENT

In 2011, the state addressed prison over-crowding by shifting custodial responsibility of non-violent, non-sex, and non-sex-against-children ('Triple-Nons') offenders to local jails. In addition, the parole function of the state was delegated to county Probation departments; parole revocation hearings were shifted to the local jurisdictions and cases assigned to the District Attorney and Public Defender. The state also realigned Juvenile Re-Entry and Trial Court Security by placing 100% of the financial burden of those programs to the county. The justification for the 'Public Safety Realignment' is that it gives the county flexibility to better provide mental health and social services to the recently incarcerated in the hopes of reducing recidivism and having the net effect of lowering both jail and prison population.

In conjunction with Public Safety Realignment (AB 109), the state also shifted full financial burden of many social service and mental health programs to the County including: Adult Protective Services, Foster Care, Child Welfare Services, Child Abuse Prevention and Intervention, Drug Court, Medi-Cal substance abuse treatment programs, and the Maintenance-of-Effort (MOE) for the CalWORKs. The County was responsible for delivery of these programs before realignment but with the shift the state would no longer participate in the share of cost.

While the state no longer shares in the cost it has dedicated a portion of the state sales tax (1.0625%) revenue along with a portion of vehicle license fees for these realigned programs. However, realignment of sales tax and vehicle license fees also puts the County at the mercy of the business cycle as funding will rise and fall in direct correlation to the state's economy. Exacerbating the potential problem, as with 1991 Realignment, when the economy is doing well demand for services goes down but when the economy begins to slump demand for services rise while revenues decrease. This relationship has been partially mitigated in the past due to the state's share of cost. However, with that no longer being applicable the County is more vulnerable to the market.

Further complicating matters is the state's decision to direct funding from 1991 Realignment for Mental Health Services to the CalWORKs MOE portion of 2011 Realignment. Sales tax and vehicle license fee revenue that used to be directed to the fund for Mental Health matching funds is now going to the CalWORKs MOE fund. The Mental Health funding now comes in the form of a defined monthly amount taken off the top of 2011 Realignment revenues. Government code establishes a statewide amount of $1.121 billion per year directed to the Mental Health Fund with future growth in the CalWORKs MOE fund to be directed to Mental Health as well.

In November 2012, the California voters passed Proposition 30 which increased both Sales and Income Tax. The measure also dedicated a funding stream for 2011 Realignment in the State Constitution. That process has mitigated the revenue stream doubts that existed with the onset of 2011 Realignment but, funding will now, as mentioned earlier, be directly dependent on the health of the economy.

The 2011 Realignment budget units mirror 1991 Realignment in that they do not directly spend or provide service. They are strictly funding budget units with the actual expenditures occurring within the operating budget units of the departments that receive 2011 Realignment revenue.

As with 1991 Realignment, the three service areas of 2011 Realignment (Law Enforcement Services, CalWORKs MOE, and Support Services) have each been assigned its own account. The Law Enforcement Services account has four sub-accounts for Trial Court Security, Community Corrections, the District Attorney and Public Defender, and Juvenile Justice. Human Services transfers funding from the CalWORKs MOE account to the fund used to pay benefits to CalWORKs clients. The Support Services account has two sub-accounts for Behavioral Health and Protective Services. The Department of Behavioral Health allocates the sub-account funding to the Drug Court and the Medi-Cal substance abuse treatment programs while Human Services allocates the Protective Services sub-account to the appropriate social service program. The following pages provide more detail of the three service areas of 2011 Realignment.

OF 2011 REALIGNMENT BUDGET UNITS FOR 2013-14

Total departmental usage of $298.2 million for Fiscal Year 2013-14 is reflected in the table below. Expenditure levels will be monitored closely for accountability should the state implement reporting requirements for 2011 Realignment revenues.

SUMMARY OF 2011 REALIGNMENT BUDGET UNITS FOR 2013-14

	Law Enforcement	CalWORKs MOE	Support Services	Total
Estimated Beginning Fund Balance	$14,532,866	$0	$1,249,435	$15,782,301
Budgeted Revenue	$101,376,195	$53,523,959	$143,312,726	$298,212,880
Budgeted Departmental Usage	$101,376,195	$53,523,959	$143,312,726	$298,212,880
Estimated Change in Fund Balance	$0	$0	$0	$0
Estimated Ending Fund Balance	$14,532,866	$0	$1,249,435	$15,782,301

Historical information on 2011 Realignment funding is included in the table below, and detailed information on the three service areas are included on the following pages.

BUDGET HISTORY FOR ALL 2011 REALIGNMENT BUDGET UNITS

	ACTUAL 2011-12	MODIFIED 2012-13	ESTIMATED 2012-13	RECOMMENDED 2013-14
Beginning Fund Balance	0	15,782,301	15,782,301	15,782,301
Revenue	196,874,566	274,828,832	274,828,832	298,212,880
Departmental Usage	181,092,265	274,828,832	274,828,832	298,212,880
Ending Fund Balance	15,782,301	15,782,301	15,782,301	15,782,301
Change in Fund Balance	15,782,301	0	0	0

LAW ENFORCEMENT SERVICES

As mentioned in the overview, the Law Enforcement Services fund has four (4) sub-accounts: Trial Court Security (administered by the Sheriff's Department); District Attorney/Public Defender (which share the funds equally); Juvenile Justice (administered by Probation); and Community Corrections. The Community Corrections sub-account is administered by the Local Community Corrections Partnership which consists of a membership defined by Penal Code Section 1230 (including the Chief Probation Officer, the Sheriff/Coroner/Public Administrator, the District Attorney, the Public Defender, and other Social Services Executives). The Local Community Corrections Partnership determines how to allocate funding for the Community Corrections sub-account in response to proposals submitted by various departments to fund positions and/or programs beneficial to the implementation of Public Safety Realignment. Departments that receive funding may vary from year to year and funding levels can differ depending on needs and available resources.

2011 Realignment required each county to develop an implementation plan approved by the Local Community Corrections Partnership and the Board of Supervisors. Since the plan included a significant number of additional positions, an appropriation savings occurred because this new staff required extensive background checks. As a result, a fund balance of $14.5 million existed in the Law Enforcement fund at the end of Fiscal Year 2011-12. Detail of the fund balance for Law Enforcement Services is reflected in the following table:

LAW ENFORCEMENT SERVICES

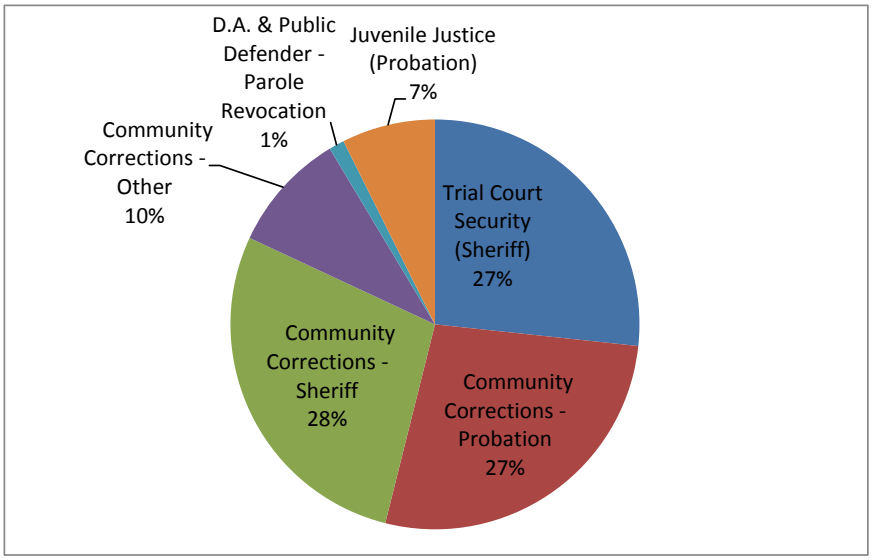
	ACTUAL 2011-12	MODIFIED 2012-13	ESTIMATED 2012-13	RECOMMENDED 2013-14
Beginning Fund Balance	$0	$14,532,866	$14,532,866	$14,532,866
Revenue	$63,727,866	$98,607,259	$98,607,259	$101,376,195
Departmental Usage	$49,195,000	$98,607,259	$98,607,259	$101,376,195
Ending Fund Balance	$14,532,866	$14,532,866	$14,532,866	$14,532,866
Change in Fund Balance	$14,532,866	$0	$0	$0

Beginning in Fiscal Year 2015-16 a Local Innovation Account will be established by transferring ten-percent (10%) of growth from the subaccounts in the Law Enforcement fund. Funds in the Local Innovation Account can be appropriated for use consistent with any of the subaccounts.

Usage of 2011 Realignment funding for Law Enforcement Services is broken out in the table and chart on the next page:

	ACTUAL 2011-12	MODIFIED 2012-13	ESTIMATED 2012-13	RECOMMENDED 2013-14
Trial Court Security (Sheriff)	$26,084,647	$27,193,409	$27,193,409	$27,053,068
Community Corrections:				
Probation	$7,933,316	$26,306,019	$26,306,019	$27,597,924
Sheriff/Coroner/Public Administrator	$3,903,668	$25,128,163	$25,128,163	$28,407,422
District Attorney	$895,305	$1,434,913	$1,434,913	$2,843,595
Public Defender	$202,542	$1,014,728	$1,014,728	$2,169,562
Public Health	$6,616	$0	$0	$106,359
Aging and Adult Services	$0	$82,169	$82,169	$56,250
Behavioral Health	$238,540	$7,460,795	$7,460,795	$4,124,828
Workforce Development	$0	$0	$0	$159,003
Transitional Assistance	$0	$0	$0	$6,695
Human Resources	$92,223	$126,409	$126,409	$131,242
D.A. & Public Defender - Parole Revocation (50/50)	$924,293	$1,050,176	$1,050,176	$1,229,063
Juvenile Justice (Probation)	$8,913,850	$8,810,478	$8,810,478	$7,491,184
Total Departmental Usage	$49,195,000	$98,607,259	$98,607,259	$101,376,195

2013-14 Recommended



CALWORKs MOE

Funding for the CalWORKs MOE comes from both Sales Tax and Vehicle License Fee revenues. These funds originally funded Mental Health but, as part of 2011 Realignment the funds were diverted to CalWORKs and Mental Health now receives a monthly flat amount from the new sales tax revenues brought in with the passage of Proposition 30. In the future, there is not expected to be any fund balance. Once funds are received, they will be immediately transferred to the fund used for assistance payments to CalWORKs clients. Below is additional historical detail on the CalWORKs MOE fund.

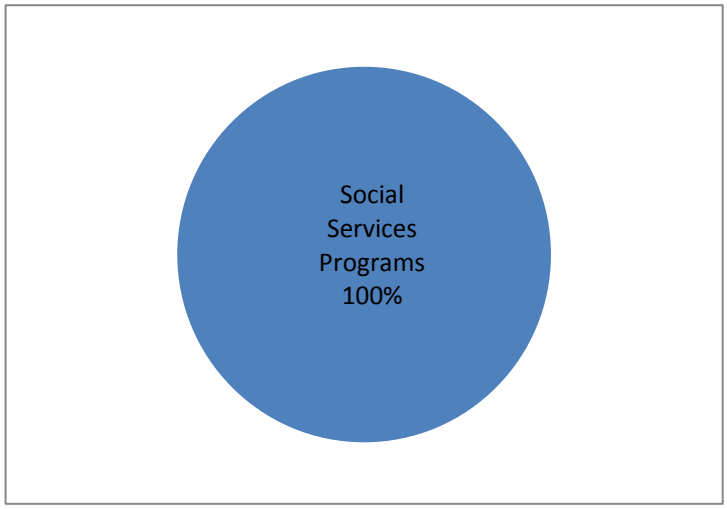
CALWORKs MOE

	ACTUAL 2011-12	MODIFIED 2012-13	ESTIMATED 2012-13	RECOMMENDED 2013-14
Beginning Fund Balance	$0	$0	$0	$0
Revenue	$42,893,368	$48,731,362	$48,731,362	$53,523,959
Departmental Usage	$42,893,368	$48,731,362	$48,731,362	$53,523,959
Ending Fund Balance	$0	$0	$0	$0
Change in Fund Balance	$0	$0	$0	$0

BREAKDOWN OF CALWORKs MOE 2011 REALIGNMENT USAGE

	ACTUAL 2011-12	MODIFIED 2012-13	ESTIMATED 2012-13	RECOMMENDED 2013-14
Social Services Programs	42,893,368	48,731,362	48,731,362	53,523,959
Total Departmental Usage	42,893,368	48,731,362	48,731,362	53,523,959

2013-14 Recommended



SUPPORT SERVICES

The 2011 Realignment legislation allows for transfers between the two subaccounts (Behavioral Health and Protective Services) in the Support Services fund. Ten percent of the amount deposited to the subaccount with the lowest balance can be transferred in from the other subaccount. The Board of Supervisors also has the discretion to establish a Support Services Reserve Subaccount by up to five-percent (5%) from each subaccount's previous year's deposits. Additional historical detail of the Support Services fund is included in the tables below.

SUPPORT SERVICES

	ACTUAL 2011-12	MODIFIED 2012-13	ESTIMATED 2012-13	RECOMMENDED 2013-14
Beginning Fund Balance	$0	$1,249,435	$1,249,435	$1,249,435
Revenue	$90,253,333	$127,490,211	$127,490,211	$143,312,726
Departmental Usage	$89,003,898	$127,490,211	$127,490,211	$143,312,726
Ending Fund Balance	$1,249,435	$1,249,435	$1,249,435	$1,249,435
Change in Fund Balance	$1,249,435	$0	$0	$0

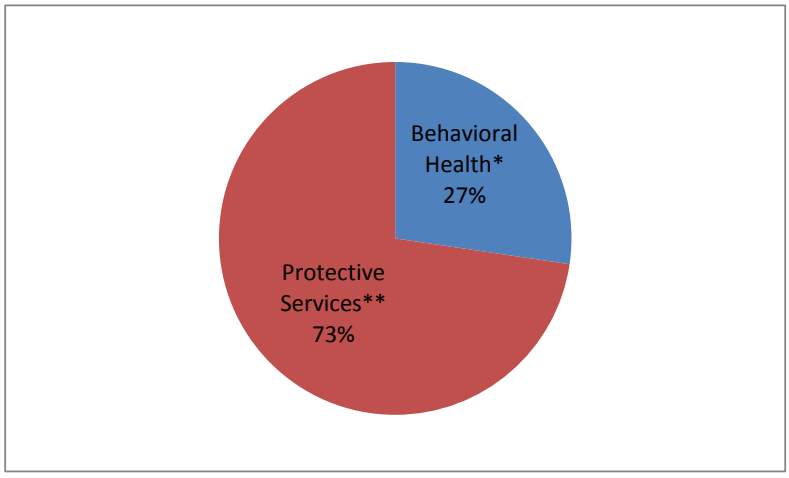
The Support Services fund has two subaccounts: Behavioral Health and Protective Services. Current projections do not reflect any growth in fund balance.

BREAKDOWN OF SUPPORT SERVICES 2011 REALIGNMENT USAGE

	ACTUAL 2011-12	MODIFIED 2012-13	ESTIMATED 2012-13	RECOMMENDED 2013-14
Behavioral Health*	$5,387,311	$32,493,962	$32,493,962	$39,172,367
Protective Services**	$83,616,587	$94,996,249	$94,996,249	$104,140,359
Total Departmental Usage	$89,003,898	$127,490,211	$127,490,211	$143,312,726

*The Behavioral Health sub-account funds Drug Court and Rehabilitative Services.
**The Protective Services sub-account funds Adult Protective Services, Foster Care Administration, Foster Care Assistance, Child Welfare Services, Aging & Adult Administration, Aging & Adult Assistance, and Child Abuse Prevention.

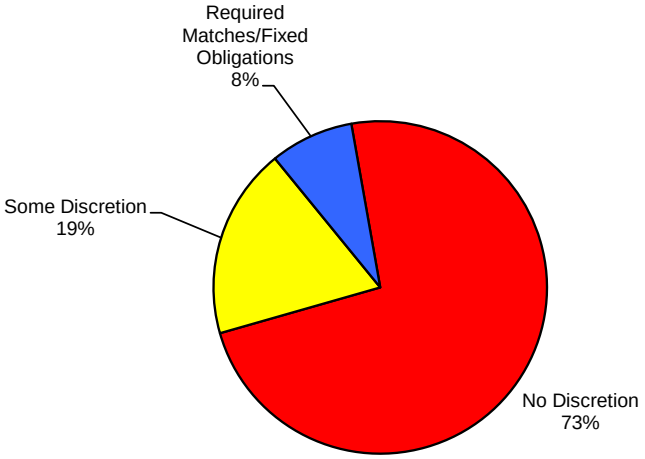
2013-14 Recommended



COUNTYWIDE DISCRETIONARY REVENUE

The entire general fund budget including operating transfers in is $2.6 billion, however, only $0.50 billion is truly discretionary as seen in this pie chart.

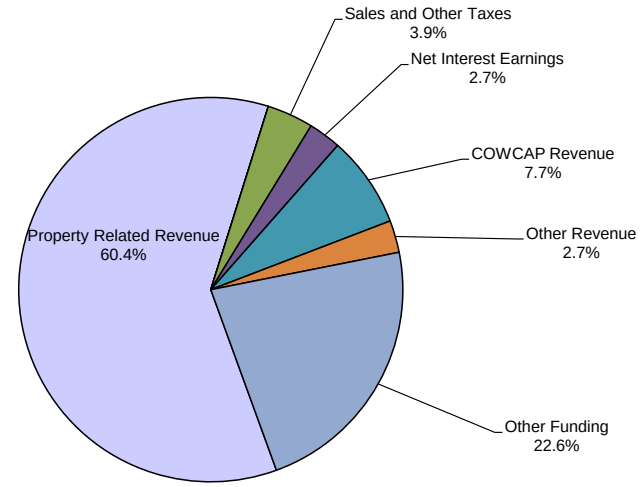
2013-14 Recommended Budget
General Fund Spending



SPENDING WHERE THERE IS NO DISCRETION. INCLUDES:	**1,892,624,057**
Welfare costs reimbursed by state and federal monies ($957.3 million)	
Other program costs funded by program revenues such as user fees ($935.3 million)	
REQUIRED HEALTH AND WELFARE MATCHES AND OTHER FIXED OBLIGATIONS:	**202,724,013**
SPENDING WHERE THERE IS DISCRETION. INCLUDES:	**498,932,890**
Reserve Contributions ($7.0 million)	
Contingencies Contributions ($75.6 million)	
Law and justice program costs funded by local revenues ($290.2 million)	
All other program costs funded by local revenues ($126.1 million)	
TOTAL:	**$2,594,280,960**

The countywide discretionary revenue is $701,656,903 and is first obligated to pay for the required health and welfare matches and other fixed obligations, which total $202,724,013. The remaining amount of $498,932,890 is available to fund departmental budgets' net county cost or other expenditures.

Shown below are the sources of the countywide discretionary revenue of $701,656,903 for the 2013-14 recommended budget:



Other Revenue Includes: Property Tax Admin Revenue, Other State and Federal Aid, Recording Fee Revenue and Other Revenue.

Other Funding Includes: Fund Balance, Use of Reserves and Operating Transfers In.

Percentages may not add to 100% due to rounding.

COUNTYWIDE DISCRETIONARY REVENUE WHICH PAY FOR NET COUNTY COST

	2012-13 Adopted Budget	2012-13 Modified Budget	2012-13 Estimate	2013-14 Recommended Budget
Countywide Discretionary Revenue				
Property Related Revenue:				
Current Secured, Unsecured, Unitary	200,406,123	202,331,718	213,831,718	205,120,805
VLF/Property Tax Swap	198,672,252	202,181,646	202,181,646	205,214,371
Supplemental Property Tax	4,000,000	2,750,000	2,750,000	2,750,000
Property Transfer Tax	5,100,000	5,100,000	6,000,000	6,000,000
Penalty on Current Taxes	2,470,000	2,470,000	2,470,000	2,470,000
Prior Property Taxes, Penalties and Interest	3,500,000	3,250,000	2,250,000	2,250,000
Total Property Related Revenue	414,148,375	418,083,364	429,483,364	423,805,176
Sales and Other Taxes:				
Sales and Use Tax	17,292,188	18,638,951	19,999,088	19,587,302
Franchise Fees	5,810,000	5,810,000	5,810,000	5,810,000
Hotel/Motel Tax	1,200,000	1,200,000	1,200,000	1,200,000
Other Taxes	790,000	790,000	790,000	790,000
Total Sales and Other Taxes	25,092,188	26,438,951	27,799,088	27,387,302
Net Interest Earnings	20,408,500	20,408,500	20,408,500	19,225,000
COWCAP Revenue	53,996,755	53,996,755	53,296,755	53,977,428
Property Tax Admin Revenue	12,888,257	10,088,257	10,088,257	10,189,140
Recording Fee Revenue	3,100,000	3,100,000	3,500,000	3,500,000
State and Federal Aid	4,883,223	4,978,076	4,978,076	4,819,131
Other Revenue	430,000	4,204,275	20,604,275	430,000
Total Countywide Discretionary Revenue	**534,947,298**	**541,298,178**	**570,158,315**	**543,333,177**
Other Funding Sources				
Available Fund Balance, beginning	50,291,464	50,291,464	50,291,464	82,308,657
Fund Balance for Board Discretionary Fund Allocations	10,157,890	10,157,890	10,157,890	6,372,070
Use of Reserves	5,000,000	19,200,000	19,200,000	36,274,743
Operating Transfers In (One-Time)	26,536,474	26,851,474	25,675,773	10,568,256
Operating Transfers In (Ongoing)	24,542,361	24,542,361	23,642,361	22,800,000
Total Other Funding Sources	**116,528,189**	**131,043,189**	**128,967,488**	**158,323,726**
Total Countywide Discretionary Revenue and Other Funding Sources	**651,475,487**	**672,341,367**	**699,125,803**	**701,656,903**
Locally Funded Appropriation				
Total Countywide Discretionary Revenue	534,947,298	541,298,178	570,158,315	543,333,177
Operating Transfers In (Ongoing)	24,542,361	24,542,361	23,642,361	22,800,000
Locally Funded Appropriation	559,489,659	565,840,539	593,800,676	566,133,177

The 2013-14 discretionary general funding of $701,656,903 includes Countywide Discretionary Revenue of $543.3 million and Other Funding Sources of $158.3 million. Per the County Fund Balance and Reserve Policy, the General Purpose Reserve will be built up with one-time sources until the target of 20% of locally funded appropriation is reached. The 2013-14 Recommended Budget includes a contribution of $5,661,332 to the General Purpose Reserve (1% of locally funded appropriation), and brings the funding level to $76,491,637, or 13.5% of locally funded appropriation. County policy also requires a minimum of 1.5% of locally funded appropriation be placed in general fund mandatory contingencies.

Countywide Discretionary Revenue

Property Related Revenue account for over 60% of countywide discretionary revenue and other funding sources. These revenues have been severely impacted as a result of the mortgage and financial crisis, which has had a significant effect on the housing market within the County.

Assessed valuation has been negatively affected both by homes selling at prices lower than their current assessed valuation, and by Proposition 8 reassessments, which lower valuations of properties (where no change in ownership has occurred) if the current assessed value of such property is greater than the fair market value of the property. However the median price of a home in the County has started to rise, and the volume of home sales remains relatively stable. Rising home prices are also leading to value being added back to the assessment roll for valuations that had been reduced through Proposition 8 reassessments. As a result of these factors, the County is projecting an increase in assessed valuation for the first time since 2008-09. This increase is projected at 1.5%

Elimination of Redevelopment Agencies

A portion of the general fund's property tax revenue is pass-through of property tax increment belonging to redevelopment agencies. Redevelopment agencies were dissolved as of February 1, 2012, pursuant to ABX126. Pursuant to ABX126, revenues that would have been directed to the dissolved redevelopment agencies will continue to be used to make pass-through payments to other public agencies (i.e., payments that such entities would have received under prior law). In addition, the State projects that the elimination of redevelopment agencies will provide additional property tax revenue for local public agencies, including the County. The County has not budgeted any additional property tax revenue that might result from the dissolution of Redevelopment Agencies pursuant to ABX126, but does continue to budget for pass-through payments consistent with ABX126.

The Teeter Plan

The Teeter Plan is an alternate property tax distribution procedure authorized by the California Legislature in 1949 and implemented by the County in fiscal year 1993-94. Generally, the Teeter Plan provides for a property tax distribution procedure by which secured roll taxes are distributed based on the tax levy, rather than on the basis of actual tax collections, for agencies that elect to participate in the Teeter Plan (including the County general fund). Under the Teeter Plan, the County advances each participant an amount equal to the participant's Teeter Secured Levy (adjusted at year end for corrections to the assessment roll) that remains unpaid at the end of the fiscal year. In return, the County general fund receives all future delinquent tax payments, penalties and interest. The County bears the risk of loss on the delinquent property taxes but benefits from the penalties and interest associated with these delinquent taxes when they are paid. Under the Teeter Plan the County is also required to establish a tax loss reserve fund to cover losses that may occur as a result of sales of tax-defaulted properties.

The levy secured by the Teeter Plan (the Teeter Secured Levy), includes each participating agency's share of the 1% ad valorem secured levy plus any ad valorem levy for the debt service of voter-approved general obligation bonds. Not included in the Teeter Secured Levy are supplemental roll revenues, special assessments, utility roll revenues, or property tax pass-through amounts from redevelopment agencies within the County (see 'Elimination of Redevelopment Agencies' above).

As a participant in the Teeter Plan, the County general fund receives the entire share of its Teeter Secured Levy, regardless of delinquencies. The County general fund also receives all participating agencies share of the penalties and interest associated with the delinquent taxes advanced under the Teeter Plan once they are paid. These interest and penalties, accounted for as interest earnings in countywide discretionary revenue, are projected to decrease slightly in 2013-14.

The following paragraphs describe the components of property related revenue in detail:

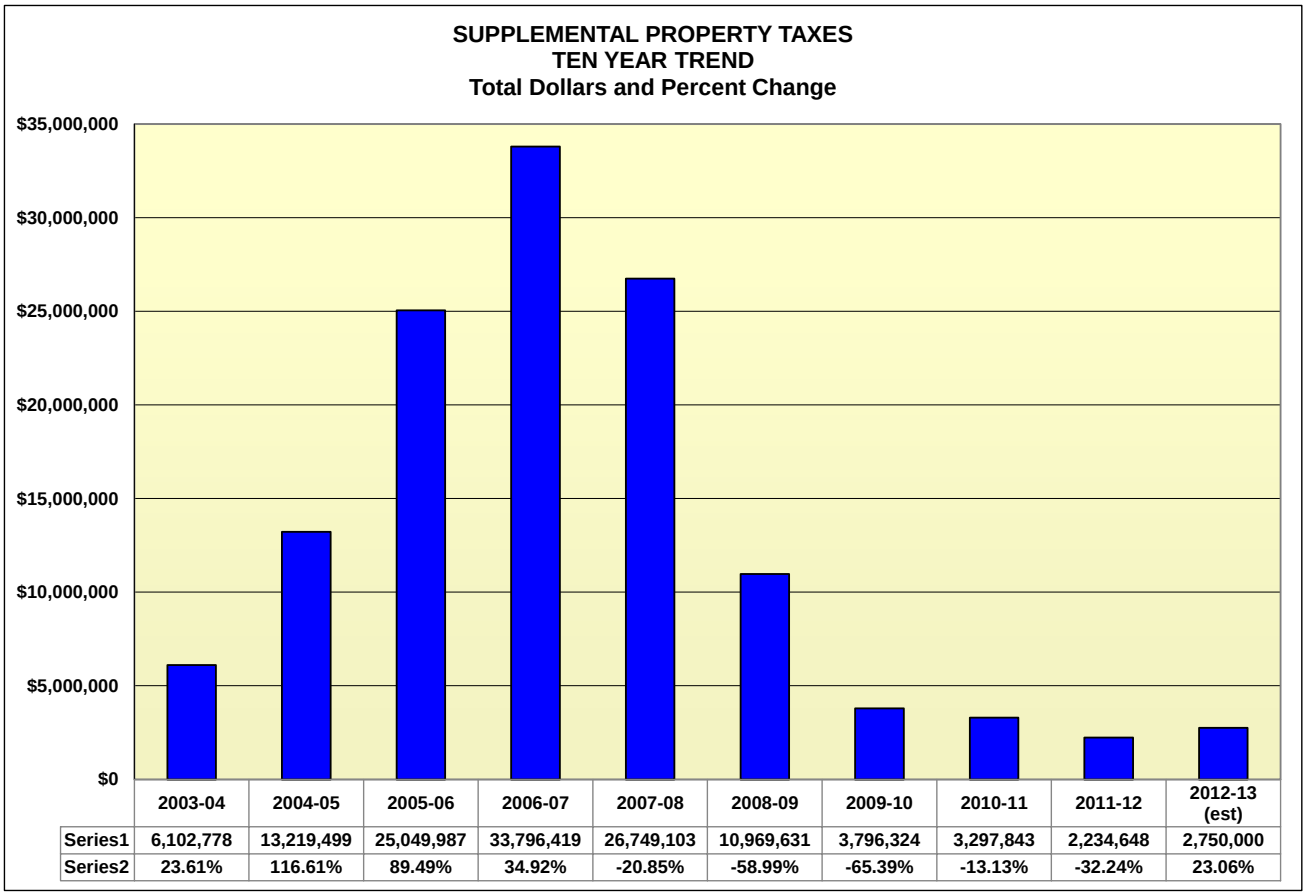
Current Secured, Unsecured, Unitary
Secured Property Tax Revenue makes up approximately $180.8 million of the $205.1 million in the 2013-14 "Current Secured, Unsecured, Unitary" budgeted revenue number, up from $178.2 million in the 2012-13 Modified Budget. This reflects a projected increase in assessed valuation of 1.5%. This is the first projected increase in assessed valuation since the 2008-09 Adopted Budget. The County has not budgeted any additional property tax revenue that might result from the dissolution of Redevelopment Agencies pursuant to ABX126, but does continue to budget for pass-through payments consistent with ABX126 (see 'Elimination of Redevelopment Agencies' above).

VLF/Property Tax Swap
Historically, approximately three-fourths of Vehicle License Fee (VLF) revenue was allocated to cities and counties as general purpose funding. Beginning in 1998-99, the State reduced the VLF payment required from vehicle owners. However, the State made up the revenue impact of the VLF rate reductions with State general fund revenue (the 'VLF Backfill').

The VLF Backfill was eliminated in the 2004-05 State budget. In that year, the VLF Backfill to cities and counties was permanently replaced with an equivalent increase in property tax revenues (VLF/Property Tax Swap revenues). This increase was funded by decreases in property tax revenues allocated to schools and community colleges.

For 2004-05, the State established the base amount of the VLF/Property Tax Swap. The base is equal to the amount of VLF backfill that the counties and cities would have received in 2004-05, calculated using actual VLF receipt amounts for 2004-05. For years beginning in 2005-06, the VLF/Property Tax Swap amount is calculated using the prior year VLF/Property Tax Swap amount adjusted by the percent change in assessed valuation. This percent change includes both secured and unsecured assessed valuation, but excludes the change in unitary valuations. The 2013-14 budgeted amount reflects the projected increase in assessed valuation of 1.5%, as compared to the 2012-13 Modified Budget.

Supplemental Property Tax
Supplemental Property Tax payments are required from property owners when there is a change in the assessed valuation of their property after the property tax bill for that year has been issued. Generally there are two types of events that will require a supplemental property tax payment: a change in ownership or the completion of new construction. As a result, when property values have been increasing and sales activity is high, there will be an increase in the number and dollar amount of supplemental property tax bills, which will result in increased supplemental property tax revenue to the County. Conversely, when home values are decreasing, refunds may be due to homeowners, and supplemental property tax revenues will decrease. Because the collection of these revenues may not occur for one to two years after the sale of the property, supplemental property tax revenue will generally lag the reality in the housing market by at least a year.

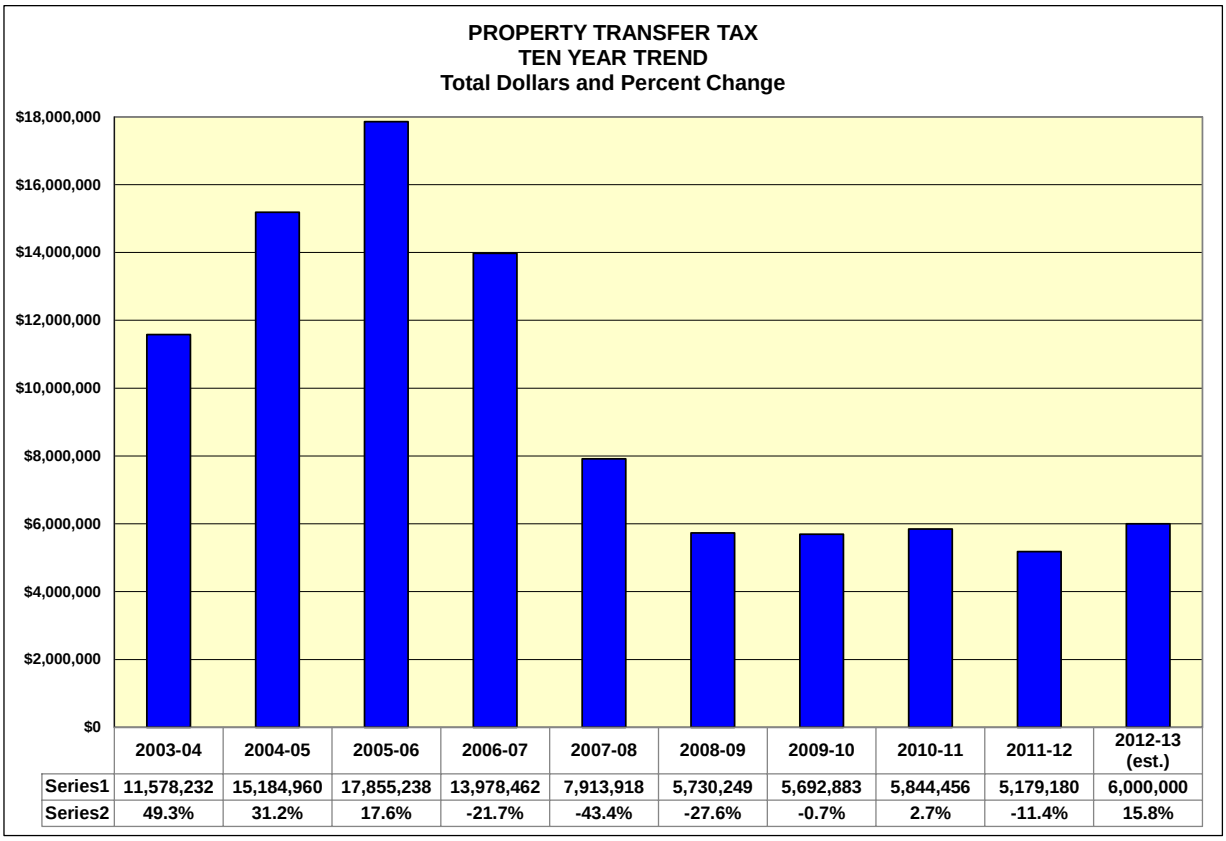


	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13 (est)
Series1	6,102,778	13,219,499	25,049,987	33,796,419	26,749,103	10,969,631	3,796,324	3,297,843	2,234,648	2,750,000
Series2	23.61%	116.61%	89.49%	34.92%	-20.85%	-58.99%	-65.39%	-13.13%	-32.24%	23.06%

As discussed above, when homes sell at prices lower than the current assessed value reflected on the property tax bill, a refund may be due to the taxpayer. As a result, the County estimates only $2.75 million in supplemental property tax revenues in 2013-14.

Property Transfer Tax

The Property Transfer Tax is collected when any lands, tenements, or other realty sold within the County is granted, assigned, transferred, or otherwise conveyed to or vested in the purchaser. The tax is imposed when the value of the property exceeds $100. The tax rate is $0.55 for each $500 of property value. For sales in the unincorporated areas of the County, the County receives 100% of the tax. For sales in cities, the County receives 50% of the tax. The County anticipates that property transfer tax will be $6.0 million in 2013-14, consistent with the 2012-13 year end estimate. The following chart presents the most recent ten year trend of property transfer tax revenue.



	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13 (est.)
Series1	11,578,232	15,184,960	17,855,238	13,978,462	7,913,918	5,730,249	5,692,883	5,844,456	5,179,180	6,000,000
Series2	49.3%	31.2%	17.6%	-21.7%	-43.4%	-27.6%	-0.7%	2.7%	-11.4%	15.8%

Sales and Use Tax

Countywide discretionary revenue includes 1% of the 8.0% sales tax rate charged on purchases made in the unincorporated areas of the County. This 1% is made up of two components. The first is 0.75% of taxable sales remitted by businesses that collect sales tax. The second component is the Sales Tax/Property Tax Swap, also referred to as the Triple Flip, which represents 0.25% of taxable sales. Both of these components are explained in more detail below.

Sales and Use Tax Allocation of 0.75%

When preparing the annual budget, the County projects future sales tax revenue based on data provided by a local economist and the County's sales tax consultant. For 2013-14, ongoing sales tax revenue is anticipated to increase slightly from 2012-13 estimated receipts. This estimate does not include one-time use tax receipts for mining and energy related projects, which is budgeted in Operating Transfers In, found later in this section. 2013-14 ongoing sales tax revenue in the unincorporated area is projected to total $16.6 million (after adjusting for the Triple Flip). The County has budgeted $13.5 million in 2013-14.

The sales tax revenue projection of $13.5 million is net of the portion of the County ongoing sales tax revenue remitted to the City of Redlands under the sales tax sharing agreement explained below:

Sales Tax Sharing Agreement with the City of Redlands

In August of 2003, the County entered into a sales tax sharing agreement with the City of Redlands. Under the terms of this agreement, the City of Redlands provides government services to an

unincorporated area of the County, and in return the County pays the city a percentage of the sales tax revenue generated in that geographical area. This geographical area has numerous retail establishments and generates a considerable amount of sales tax revenue. Under the terms of the sales tax sharing agreement, the County currently pays the City of Redlands 90% of the County discretionary sales tax revenue generated in this area.

Potential Annexations and Incorporations

Based on recent estimates, approximately 32.2% of the County's discretionary sales tax revenue is generated in the unincorporated portion of the spheres of influence of the 24 cities that are within the County's boundaries. A sphere of influence is a 'planning boundary' within which a city or district is expected to grow over time. Therefore, the areas within these spheres are likely to be annexed, and once annexed, the discretionary sales tax revenue generated in that area will go to the city instead of the County. The County would also lose sales tax revenue if a community in the unincorporated area of the County decided to create a new city (incorporate).

Sales Tax/Property Tax Swap of 0.25%

Effective with the fiscal year that began on July 1, 2004, the state changed the way sales tax revenue is distributed to counties and cities. Previously, counties and cities received 1% of the state's base sales tax rate, which is currently 7.50%. Pursuant to new provisions enacted by the legislature, this 1% share of sales tax was reduced by 0.25%, to 0.75%. The additional 0.25% in sales tax revenue was redirected to the state to be used to fund debt service on the California Economic Recovery Bonds, which were approved by voters as Proposition 57. In return, counties and cities receive additional property tax revenue (funded by reducing the schools' share of property tax revenue) in an amount equal to the 0.25% sales tax revenues forgone. The State general fund then makes up the loss of property tax revenue to the schools. This change is referred to as the 'Triple Flip'. This Triple Flip will continue until the California Economic Recovery Bonds are paid.

The Triple Flip was designed to replace sales tax revenue on a dollar for dollar basis with property tax revenue. In practice, the additional property tax revenue paid to the counties and cities each year is based on an estimate of the agencies' sales tax revenue for the year plus a 'true-up' from the prior year. This true-up represents the difference between the additional property tax revenue paid to the local agency and the actual amount of sales tax revenue (the 0.25%) lost by the local agency.

For 2013-14 the County anticipates $6.1 million in Triple Flip revenue which includes an estimated $0.6 million in true-up from the prior year.

Net Interest Earnings

Net interest earnings for 2013-14 are projected at $19.2 million. This is $1.2 million lower than 2012-13 adopted budget revenue. The decrease is due to lower available investment rates and lower interest and penalties from delinquent property taxes from the County's Teeter Plan. For more information see the section titled 'The Teeter Plan' on page 23 of this section.

COWCAP (Countywide Cost Allocation Plan) Revenue

The budgeted COWCAP Revenue amount reflects the recovered allowable costs included in the 2013-14 Countywide Cost Allocation Plan (COWCAP) published by the Auditor-Controller/Treasurer/Tax Collector. COWCAP revenue is reimbursement for overhead/indirect costs incurred by the general fund. Reimbursements are received from various state and federal grant programs (that permit such reimbursement) and fee supported general fund departments and taxing entities such as the County Library and Board-governed special districts. The County anticipates an increase in COWCAP revenue in an amount of $2.3 million from these departments in 2013-14.

In 2011-12 the County began charging COWCAP to general fund departments that receive Net County Cost to fund their programs. This was a change in practice, since Net County Cost then needed to be allocated to these departments to pay for these COWCAP charges. However, to ensure that the full cost of services was included in fees that they charge for services, locally funded general fund departments began paying COWCAP, using an increased Net County Cost allocation. For 2013-14 COWCAP charges for these departments fell by $2.3 million, which is offset by a decrease in their Net County Cost allocation in the same amount.

Property Tax Administration Revenue
Property tax administration revenue consists of:

- SB 813 cost reimbursement, which represents allowable charges for administration and operation of the supplemental property tax program. This reimbursement is tied directly to the performance of supplemental property tax revenue.
- The property tax administrative fee, which is allowed by the legislature, recovers a portion of the County's cost of the property assessment and tax collection process from certain other local jurisdictions. This revenue is tied directly to the cost of that collection effort. School Districts are not required to pay their share of this fee, so not all County costs are recovered.

Litigation regarding the Property Tax Administration Fee (PTAF). Forty-three cities sued Los Angeles County over the portion of PTAF fees calculated on the State revenue exchanges known as the Triple Flip and Vehicle License Fee (VLF) Swap. All California counties have included the Triple Flip and VLF/Property Tax Swap in the base for the calculation of the cities' share of this fee. The Court recently ruled in favor of the cities. On an annual basis, this ruling results in the loss of $2.8 million of annual PTAF fees. This loss is first recognized in 2012-13.

Recording Fee Revenue
The Recorder's Division of the County's Assessor/Recorder/County Clerk's Office collects certain fees for the official recording of documents. Recording Fees are expected to remain flat as compared to the 2012-13 estimate.

State and Federal Aid
State and federal aid consists of a payment from the welfare realignment trust fund, which replaced the state revenue stabilization program, SB90 reimbursements from the state, and excess Vehicle License Fee (VLF) revenue. It also includes revenues received from the federal government's Payment in Lieu of Taxes (PILT) program. The Emergency Economic Stabilization Act of 2008 (Public Law 110-343) was enacted on October 3, 2008 and authorized full funding for the PILT program from 2008 through 2012, which generates approximately $1.0 million in additional PILT revenue annually. Although scheduled to end in 2012, the full funding level for PILT has been extended for one additional year.

Other Revenue
Other revenue includes voided warrants issued by the County, projected transfers of unclaimed property tax refunds to the general fund, the county share of vehicle code violation revenue, and other miscellaneous revenues.

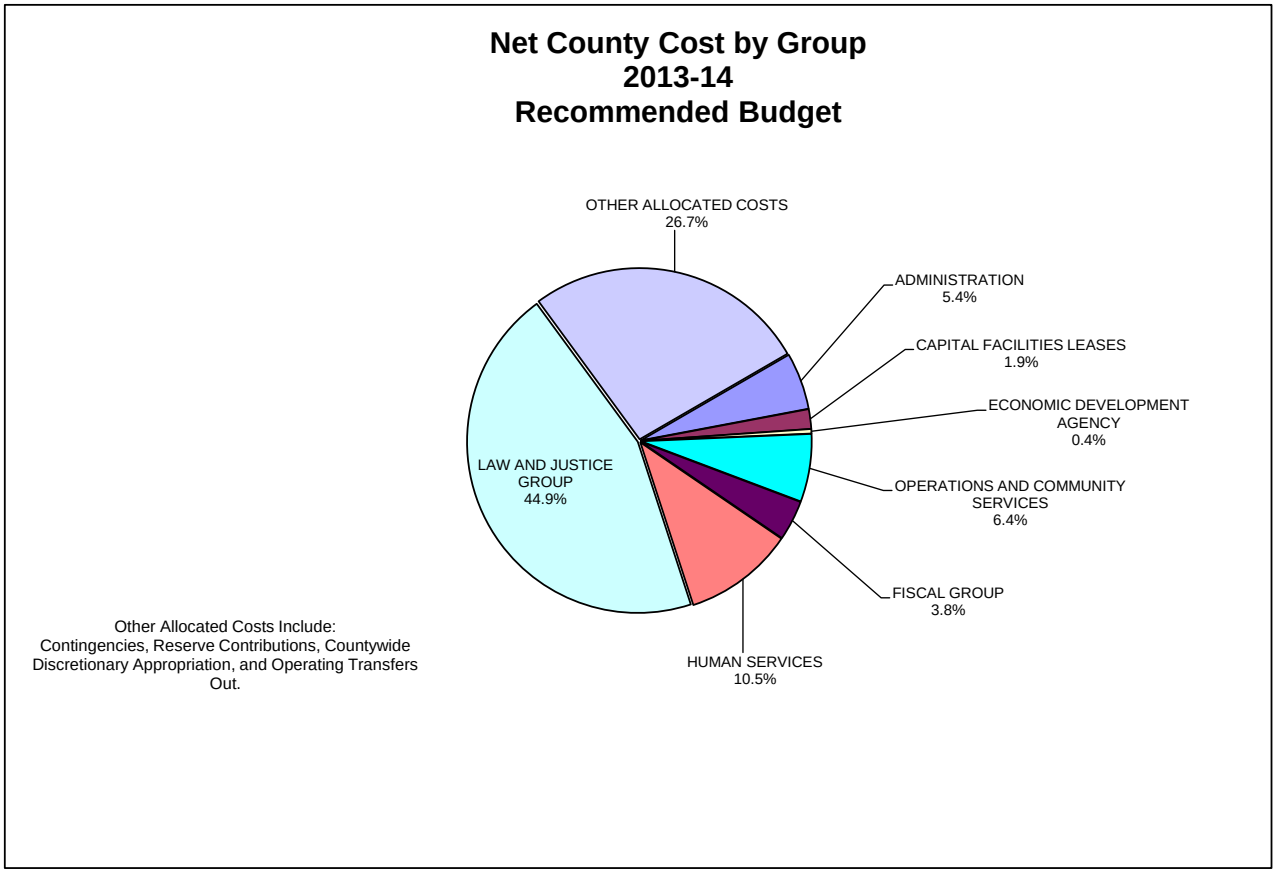
Other Funding Sources

Fund Balance and Reimbursements
The 2012-13 estimated year-end fund balance for the general fund is $82.3 million.

Use of Reserves
The 2013-14 Recommended Budget anticipates the use of the full amount of the Future Space Needs Reserve of $22.9 million, and $13.4 million of the Teeter Reserve, which is the amount that this reserve is funded in excess of the legal requirement. The funds released from these reserves, along with other one-time monies of the County, will be used to fund one-time capital projects and other one-time expenditures or to increase contingencies to be assigned for one-time capital projects and other one-time expenditures.

Operating Transfers In
Operating transfers in primarily include $17.0 million of ongoing tobacco settlement funds to provide $15.0 million of ongoing funding for debt service on the Arrowhead Regional Medical Center and $2.0 million of ongoing funding for Public Health; $4.1 million of ongoing Courthouse and Criminal Justice Construction funds to fund debt service on the Foothill Law and Justice Center, and a $6.0 million loan repayment. Operating Transfers In also includes $3.1 million of estimated one-time sales tax revenue discussed in the section titled Sales and Use Tax.

Countywide discretionary revenue is allocated as net county cost to various general fund departments within the County. The pie chart below shows what percentage of the net county cost is allocated to each of the groups.



Percentages may not add to 100% due to rounding.

The schedule on the following page shows a comparison of 2012-13 modified net county cost and 2013-14 recommended net county cost by department. This schedule also includes requirements and sources, including operating transfers, which are mechanisms to move funding between the various county budget units. Operating transfers are presented in the following chart because the intended purpose is to provide a complete picture of the department's requirements and sources. Operating transfers are excluded from the countywide appropriation and revenue summaries presented in the County Budget Summary section of the 2013-14 Recommended Budget Executive Summary book, as their inclusion would over state countywide appropriation and revenue on a consolidated basis.

Department Title	2012-13 Modified Budget: Requirements	Sources	Net County Cost	2013-14 Recommended Budget: Requirements	Sources	Net County Cost	Change Between 2012-13 Modified & 2013-14 Recommended: Requirements	Sources	Net County Cost
BOARD OF SUPERVISORS (ALL DISTRICTS)	7,647,052	-	7,647,052	7,046,590	-	7,046,590	(600,462)	-	(600,462)
CLERK OF THE BOARD	1,851,963	371,138	1,480,825	2,343,659	313,578	2,030,081	491,696	(57,560)	549,256
COUNTY ADMINISTRATIVE OFFICE	4,061,078	-	4,061,078	4,443,803	-	4,443,803	382,725	-	382,725
COUNTY ADMINISTRATIVE OFFICE - LITIGATION	489,938	-	489,938	589,763	-	589,763	99,825	-	99,825
COUNTY COUNSEL	8,751,502	5,644,400	3,107,102	8,713,238	5,683,270	3,029,968	(38,264)	38,870	(77,134)
FINANCE AND ADMINISTRATION	2,640,486	-	2,640,486	2,814,749	-	2,814,749	174,263	-	174,263
HUMAN RESOURCES	5,860,758	538,084	5,322,674	7,165,607	624,917	6,540,690	1,304,849	86,833	1,218,016
HUMAN RESOURCES - UNEMPLOYMENT INSURANCE	4,000,500	-	4,000,500	4,000,500	-	4,000,500	-	-	-
HUMAN RESOURCES - EMPLOYEE HEALTH AND WELLNESS	1,979,584	1,979,584	-	2,069,041	2,069,041	-	89,457	89,457	-
INFORMATION SERVICES - APPLICATION DEVELOPMENT	15,406,101	7,938,173	7,467,928	15,765,937	13,720,515	2,045,422	359,836	5,782,342	(5,422,506)
PURCHASING	2,034,799	848,168	1,186,631	2,067,102	557,076	1,510,026	32,303	(291,092)	323,395
LOCAL AGENCY FORMATION COMMISSION	301,000	-	301,000	288,274	-	288,274	(12,726)	-	(12,726)
COUNTY SCHOOLS	3,085,995	-	3,085,995	3,159,104	-	3,159,104	73,109	-	73,109
ADMINISTRATION SUBTOTAL:	**58,110,756**	**17,319,547**	**40,791,209**	**60,467,367**	**22,968,397**	**37,498,970**	**2,356,611**	**5,648,850**	**(3,292,239)**
CAPITAL FACILITIES LEASES	13,052,882	-	13,052,882	13,013,014	-	13,013,014	(39,868)	-	(39,868)
CAPITAL FACILITIES LEASES SUBTOTAL:	**13,052,882**	**-**	**13,052,882**	**13,013,014**	**-**	**13,013,014**	**(39,868)**	**-**	**(39,868)**
ECONOMIC DEVELOPMENT	3,045,214	130,000	2,915,214	3,129,834	155,000	2,974,834	84,620	25,000	59,620
ECONOMIC DEVELOPMENT AGENCY SUBTOTAL:	**3,045,214**	**130,000**	**2,915,214**	**3,129,834**	**155,000**	**2,974,834**	**84,620**	**25,000**	**59,620**
ASSESSOR/RECORDER/COUNTY CLERK	21,923,606	6,716,500	15,207,106	22,789,523	7,106,500	15,683,023	865,917	390,000	475,917
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR	36,681,443	27,026,066	9,655,377	36,978,479	26,083,135	10,895,344	297,036	(942,931)	1,239,967
FISCAL SUBTOTAL:	**58,605,049**	**33,742,566**	**24,862,483**	**59,768,002**	**33,189,635**	**26,578,367**	**1,162,953**	**(552,931)**	**1,715,884**
HEALTH ADMINISTRATION	77,560,645	62,560,645	15,000,000	110,534,459	95,534,459	15,000,000	32,973,814	32,973,814	-
BEHAVIORAL HEALTH	132,119,003	130,126,792	1,992,211	152,535,445	150,543,234	1,992,211	20,416,442	20,416,442	-
PUBLIC HEALTH	73,735,476	69,906,009	3,829,467	78,546,440	74,445,996	4,100,444	4,810,964	4,539,987	270,977
PUBLIC HEALTH - CALIFORNIA CHILDREN'S SERVICES	19,568,371	14,991,401	4,576,970	21,008,999	16,335,156	4,673,843	1,440,628	1,343,755	96,873
PUBLIC HEALTH - INDIGENT AMBULANCE	472,501	-	472,501	472,501	-	472,501	-	-	-
AGING AND ADULT SERVICES	10,269,763	10,269,763	-	8,914,746	8,914,746	-	(1,355,017)	(1,355,017)	-
AGING AND ADULT SERVICES - PUBLIC GUARDIAN-CONSERVATOR	946,769	325,663	621,106	903,483	286,850	616,633	(43,286)	(38,813)	(4,473)
CHILD SUPPORT SERVICES	39,685,993	39,685,993	-	40,134,968	40,134,968	-	448,975	448,975	-
HUMAN SERVICES - ADMINISTRATIVE CLAIM	443,441,035	428,864,171	14,576,864	473,868,684	458,161,333	15,707,351	30,427,649	29,297,162	1,130,487
DOMESTIC VIOLENCE/CHILD ABUSE SERVICES	531,812	531,812	-	531,812	531,812	-	-	-	-
ENTITLEMENT PAYMENTS (CHILDCARE)	28,468,013	28,468,013	-	31,244,447	31,244,447	-	2,776,434	2,776,434	-
OUT-OF-HOME CHILD CARE	810,566	-	810,566	810,566	-	810,566	-	-	-
AID TO ADOPTIVE CHILDREN	52,913,715	50,964,195	1,949,520	56,334,041	54,384,521	1,949,520	3,420,326	3,420,326	-
AFDC - FOSTER CARE	111,663,120	97,714,103	13,949,017	123,710,568	106,395,312	17,315,256	12,047,448	8,681,209	3,366,239
REFUGEE CASH ASSISTANCE	77,075	77,075	-	75,918	75,918	-	(1,157)	(1,157)	-
CASH ASSISTANCE FOR IMMIGRANTS	1,689,063	1,689,063	-	1,924,374	1,924,374	-	235,311	235,311	-
CALWORKS - ALL OTHER FAMILIES	249,805,920	243,560,772	6,245,148	248,426,880	242,216,208	6,210,672	(1,379,040)	(1,344,564)	(34,476)
KINSHIP GUARDIANSHIP ASSISTANCE PROGRAM	6,352,298	5,018,309	1,333,989	7,485,732	6,568,722	917,010	1,133,434	1,550,413	(416,979)
SERIOUSLY EMOTIONALLY DISTURBED	-	-	-	-	-	-	-	-	-
CALWORKS - 2 PARENT FAMILIES	40,896,298	39,873,890	1,022,408	39,526,722	38,538,554	988,168	(1,369,576)	(1,335,336)	(34,240)
AID TO INDIGENTS (GENERAL RELIEF)	1,782,116	495,375	1,286,741	1,711,197	505,000	1,206,197	(70,919)	9,625	(80,544)
VETERANS AFFAIRS	1,858,390	458,777	1,399,613	1,896,491	458,777	1,437,714	38,101	-	38,101
HUMAN SERVICES SUBTOTAL:	**1,294,647,942**	**1,225,581,821**	**69,066,121**	**1,400,598,473**	**1,327,200,387**	**73,398,086**	**105,950,531**	**101,618,566**	**4,331,965**
COUNTY TRIAL COURTS - DRUG COURT PROGRAMS	390,103	390,103	-	381,101	381,101	-	(9,002)	(9,002)	-
COUNTY TRIAL COURTS - GRAND JURY	420,520	-	420,520	416,022	-	416,022	(4,498)	-	(4,498)
COUNTY TRIAL COURTS - INDIGENT DEFENSE PROGRAM	9,802,555	90,000	9,712,555	9,805,546	90,000	9,715,546	2,991	-	2,991
COUNTY TRIAL COURTS - COURT FACILITIES/JUDICIAL BENEFITS	1,230,902	-	1,230,902	1,216,657	-	1,216,657	(14,245)	-	(14,245)
COUNTY TRIAL COURTS - COURT FACILITIES PAYMENTS	2,505,233	-	2,505,233	2,536,349	-	2,536,349	31,116	-	31,116
COUNTY TRIAL COURTS - FUNDING OF MAINTENANCE OF EFFORT	26,397,865	16,269,848	10,128,017	25,510,051	14,182,000	11,328,051	(887,814)	(2,087,848)	1,200,034
DISTRICT ATTORNEY - CRIMINAL PROSECUTION	63,138,677	30,392,433	32,746,244	64,450,766	33,748,776	30,701,990	1,312,089	3,356,343	(2,044,254)
LAW & JUSTICE GROUP ADMINISTRATION	144,767	144,767	-	5,000	5,000	-	(139,767)	(139,767)	-
PROBATION - ADMINISTRATION, CORRECTIONS AND DETENTION	135,245,612	70,893,960	64,351,652	137,368,823	73,665,220	63,703,603	2,123,211	2,771,260	(648,049)
PROBATION - COURT-ORDERED PLACEMENTS	1,529,775	-	1,529,775	-	-	-	(1,529,775)	-	(1,529,775)
PROBATION - JUVENILE JUSTICE GRANT PROGRAM	-	-	-	-	-	-	-	-	-
PUBLIC DEFENDER	34,283,613	3,616,194	30,667,419	35,108,960	4,645,553	30,463,407	825,347	1,029,359	(204,012)
SHERIFF/CORONER/PUBLIC ADMINISTRATOR	203,482,600	138,423,973	65,058,627	205,441,639	149,015,641	56,425,998	1,959,039	10,591,668	(8,632,629)
SHERIFF - DETENTIONS	149,699,675	48,720,153	100,979,522	160,480,292	51,603,484	108,876,808	10,780,617	2,883,331	7,897,286
SHERIFF - CONTRACTS	120,240,007	119,201,662	1,038,345	122,762,475	122,762,475	-	2,522,468	3,560,813	(1,038,345)
LAW AND JUSTICE SUBTOTAL:	**748,511,904**	**428,143,093**	**320,368,811**	**765,483,681**	**450,099,250**	**315,384,431**	**16,971,777**	**21,956,157**	**(4,984,380)**
AGRICULTURE/WEIGHTS AND MEASURES	6,747,811	5,451,365	1,296,446	6,797,080	5,437,850	1,359,230	49,269	(13,515)	62,784
AIRPORTS	2,879,545	2,879,545	-	2,910,893	2,910,893	-	31,348	31,348	-
ARCHITECTURE AND ENGINEERING	-	-	-	-	-	-	-	-	-
COUNTY MUSEUM	3,616,782	1,740,766	1,876,016	3,091,973	975,006	2,116,967	(524,809)	(765,760)	240,951
LAND USE SERVICES - ADMINISTRATION	700,000		700,000	1,167,142	-	1,167,142	467,142	-	467,142
LAND USE SERVICES - PLANNING	8,478,440	2,500,618	5,977,822	8,331,849	3,229,617	5,102,232	(146,591)	728,999	(875,590)
LAND USE SERVICES - LAND DEVELOPMENT	-	-	-	825,000	225,000	600,000	825,000	225,000	600,000
LAND USE SERVICES - BUILDING AND SAFETY	3,969,191	3,405,184	564,007	3,934,957	3,357,750	577,207	(34,234)	(47,434)	13,200
LAND USE SERVICES - CODE ENFORCEMENT	4,631,390	408,955	4,222,435	5,485,718	643,756	4,841,962	854,328	234,801	619,527
LAND USE SERVICES - FIRE HAZARD ABATEMENT	1,894,570	1,626,270	268,300	2,505,670	2,251,250	254,420	611,100	624,980	(13,880)
PUBLIC WORKS-SURVEYOR	3,585,492	3,305,589	279,903	3,536,654	2,972,208	564,446	(48,838)	(333,381)	284,543
REAL ESTATE SERVICES (RES)	1,225,745	1,225,745	-	1,166,965	1,166,965	-	(58,780)	(58,780)	-
RES - FACILITIES MANAGEMENT	13,268,224	13,268,224	-	13,258,458	12,905,399	353,059	(9,766)	(362,825)	353,059
RES - UTILITIES	19,618,237	385,292	19,232,945	19,625,024	277,495	19,347,529	6,787	(107,797)	114,584
RES - RENTS AND LEASES	1,482,408	1,482,408	-	2,511,056	2,511,056	-	1,028,648	1,028,648	-
RES - COURTS PROPERTY MANAGEMENT	2,221,510	2,221,510	-	2,285,336	2,285,336	-	63,826	63,826	-
REGIONAL PARKS	10,610,675	7,847,404	2,763,271	10,420,719	7,863,567	2,557,152	(189,956)	16,163	(206,119)
REGISTRAR OF VOTERS	10,451,671	2,914,734	7,536,937	8,620,303	2,498,240	6,122,063	(1,831,368)	(416,494)	(1,414,874)
OPERATIONS AND COMMUNITY SERVICES SUBTOTAL:	**95,381,691**	**50,663,609**	**44,718,082**	**96,474,797**	**51,511,388**	**44,963,409**	**1,093,106**	**847,779**	**245,327**
GENERAL FUND DEPARTMENT SUBTOTAL:	**2,271,355,438**	**1,755,580,636**	**515,774,802**	**2,398,935,168**	**1,885,124,057**	**513,811,111**	**127,579,730**	**129,543,421**	**(1,963,691)**
CONTINGENCIES	38,739,491		38,739,491	84,117,215	-	84,117,215	45,377,724	-	45,377,724
RESERVE CONTRIBUTIONS	6,594,897		6,594,897	12,668,192	-	12,668,192	6,073,295	-	6,073,295
BOARD DISCRETIONARY FUND	10,216,366	58,476	10,157,890	6,372,070	-	6,372,070	(3,844,296)	(58,476)	(3,785,820)
NON-DEPARTMENTAL APPROPRIATION	21,700,000	21,700,000	-	7,500,000	7,500,000	-	(14,200,000)	(14,200,000)	-
OPERATING TRANSFERS OUT	86,874,287		86,874,287	84,688,315	-	84,688,315	(2,185,972)	-	(2,185,972)
TOTAL COUNTYWIDE ALLOCATED COSTS:	**164,125,041**	**21,758,476**	**142,366,565**	**195,345,792**	**7,500,000**	**187,845,792**	**31,220,751**	**(14,258,476)**	**45,479,227**
GRAND TOTAL:	**2,435,480,479**	**1,777,339,112**	**658,141,367**	**2,594,280,960**	**1,892,624,057**	**701,656,903**	**158,800,481**	**115,284,945**	**43,515,536**

NON-DEPARTMENTAL BUDGET UNIT

The non-departmental budget unit includes discretionary revenue of the general fund that is detailed in the table titled 'Countywide Discretionary Revenue Which Pay for Net County Cost' found earlier in this section of the budget book.

APPROPRIATION

	2012-13 Adopted Budget	2012-13 Modified Budget	2012-13 Estimate	2013-14 Recommended Budget
Appropriation				
Services & Supplies	1,000,000	1,000,000	600,000	1,000,000
Other Charges	6,500,000	20,700,000	15,300,000	6,500,000
Total Expenditure Authority	7,500,000	21,700,000	15,900,000	7,500,000

Non departmental appropriation pays for countywide expenditures not allocable to a specific department, and interest expense on the County's annual Tax and Revenue Anticipation Notes. The net interest earnings revenue reported in the table titled 'Countywide Discretionary Revenue Which Pay for Net County Cost' is reduced by these expenditures.

In 2012-13, a mid-year increase of $14.2 million was appropriated to pay the one-time cost of the Property Tax Administration Fee (PTAF) litigation. This litigation was initiated by forty-three cities who sued Los Angeles County over the portion of PTAF fees calculated on the state revenue exchanges known as the Triple Flip and Vehicle License Fee (VLF) Swap. All California counties have included the Triple Flip and VLF/Property Tax Swap in the base for the calculation of the cities' share of this fee. The Court recently ruled in favor of the cities.

In addition to expenditures, this budget unit also includes operating transfers out which are transfers of cash to fund programs accounted for outside of the general fund.

OPERATING TRANSFERS OUT

	2012-13 Adopted Budget	2012-13 Modified Budget	2012-13 Estimate	2013-14 Recommended Budget
Operating Transfers Out				
One-Time				
Capital Improvement Fund - Relocate Sheriff's Aviation Division				4,500,000
Capital Improvement Fund - New Sheriff's Crime Lab				15,700,000
Capital Improvement Fund - Purchase of Buildings in Victorville				4,500,000
Capital Improvement Fund - Sheriff's Resident Post Improvements				150,000
Transfer to ICEMA - Loss of Court Fine Revenue				110,000
Transfer to Public Works - Glen Helen Road Improvements and PCI				4,533,629
Capital Improvement Fund - County Buildings Acquisition & Retrofit Project	10,000,000	10,000,000	10,000,000	
Capital Improvement Fund - Needles Fire Station	700,000	700,000	700,000	
Capital Improvement Fund - Fontana Western Sphere MOU	2,600,000	617,359	617,359	
Capital Improvement Fund -Design Sheriff Crime Lab Addition	1,300,000	1,300,000	1,300,000	
Flood Control - Rim Forest Drainage	5,900,000	5,900,000	-	
Transportation - Maintain County Roads (PCI) and Traffic Signal	5,250,000	5,250,000	5,250,000	
Public Works - System Changes	2,000,000	2,000,000	2,000,000	
Special District - Lake Gregory Dam	4,000,000	4,000,000	4,000,000	
Contributions to Oversight Board	300,000	300,000	300,000	
Community Development/Foundation	240,400	240,400	240,400	300,000
Glen Helen Rehabilitation Center Security Improvements	-	3,000,000	3,000,000	
Homeownership Protection and Foreclosure Prevention		350,000	350,000	524,276
Spring Valley Lake Fire Station		679,938	679,938	
Ongoing				
Capital Improvement Fund - Annual Allocation	12,000,000	12,000,000	12,000,000	12,000,000
Aging and Adult Services	1,057,620	1,057,620	1,057,620	1,057,620
800 MHz Project	20,000,000	20,000,000	20,000,000	20,000,000
Public Works - Fund 2 positions in land development	283,000	283,000	283,000	
Special Districts - Water/Wasterwater System for Regional Parks				1,000,000
General Fund Subsidy to County Fire Protection District				
Office of Emergency Services	480,974	480,974	480,974	1,257,695
North Desert Zone	6,290,199	6,290,199	6,290,199	6,125,129
South Desert Zone	3,695,411	3,695,411	3,695,411	3,746,648
Valley Zone	2,760,231	2,760,231	2,760,231	3,348,952
Mountain Zone	770,238	770,238	770,238	621,518
Equipment Purchases	3,500,000	3,500,000	3,500,000	3,500,000
Emergency Fuel	45,917	45,917	45,917	162,848
County Redevelopment Agency to fund Sales Tax Sharing Agreement	353,000	353,000	353,000	250,000
Flood Control District Stormwater Permit	1,300,000	1,300,000	1,300,000	1,300,000
Total Operating Transfers Out	84,826,990	86,874,287	80,974,287	84,688,315

CONTINGENCIES

The County Contingencies includes the following elements:

Contingencies

Mandatory Contingencies
Board Policy requires the County to maintain an appropriated contingency fund to accommodate unanticipated operational changes, legislative impacts or other economic events affecting the County's operations, which could not have reasonably been anticipated at the time the budget was prepared. Funding is targeted at 1.5% of locally funded appropriation.

Uncertainties Contingencies
Any unallocated funding available from current year sources (both ongoing and one-time) that has not been set-aside and any unallocated fund balance carried over from the prior year, is budgeted in the contingencies for uncertainties. Adopted budget action includes a provision that allocates any difference between estimated and final fund balance to this contingencies account.

Ongoing Set-Aside Contingencies

The County budget process differentiates between ongoing and one-time revenue sources. Ongoing set-asides represent ongoing sources of funding that have been targeted for future ongoing program needs. There are no ongoing set-aside contingencies in 2012-13 or 2013-14.

	2012-13 Adopted Budget	2012-13 Approved Contributions/ (Uses)	2013-14 Recommended Contributions / (Uses)	2013-14 Recommended Budget
Contingencies				
Mandatory Contingencies (1.5% of Locally Funded Appropriation)	8,392,345		99,653	8,491,998
Uncertainties Contingencies	26,143,738	2,387,860	47,093,619	75,625,217
Total Contingencies	**34,536,083**	**2,387,860**	**47,193,272**	**84,117,215**

2012-13 Changes to Uncertainties Contingencies

In 2012-13 quarterly budget reports and other mid-year budget adjustments through the third quarter resulted in positive adjustments to the Uncertainties Contingencies of $2,387,860 as follows:

- $350,000 decrease to fund two positions in the Economic Development Agency to support the Homeownership Protection and Foreclosure Prevention Program.
- $1,001,732 decrease due to $894,474 in revenue increases offset by $1,896,206 in expenditure increases. This reflects budget adjustments for the first quarter of 2012-13.
- $14,400 decrease to fund an increase in a contract for work needed to complete a Development Impact Fee Analysis.
- $1,403,100 decrease to fund the costs of special elections.
- $6,958,240 increase due to $9,973,409 in revenue increases and $14,200,000 in reserve uses offset by $17,215,169 in expenditure increases. This reflects the budget adjustments for the second quarter of 2012-13.
- $1,801,148 decrease due to $21,450,894 in revenue increases offset by $12,252,042 in expenditure increases and a reserve contribution of $11,000,000. This reflects the budget adjustments for the third quarter of 2012-13.

2013-14 Mandatory Contingencies

The base allocation to the mandatory contingencies is $8,491,998, the amount required pursuant to Board policy, based on projected locally funded appropriation of $566.1 million.

2013-14 Uncertainties Contingencies

The amount in the uncertainties contingencies represents the estimate of 2013-14 funding sources not appropriated for expenditure in the general fund. A portion of this contingency account has been assigned for certain projects/costs, as shown below:

Total Contingency for Uncertainties Appropriation	**75,625,217**
Assigned for Specific Projects/Costs:	
Earned Leave Program	4,442,369
New Financial Accounting System	13,000,000
Capital Projects:	
Jail Upgrades	18,000,000
Animal Shelter	10,000,000
County Buildings Acquisition and Retrofit Project	4,000,000
Rim Forest Drainage	5,900,000
Land Use Services General Plan/Development Code Amendments	5,400,000
County Code/Charter Update for County Counsel	150,000
Set Aside per various Board Actions	1,331,425
Total Assigned Contingencies	**62,223,794**
Total Contingency for Uncertainties Not Assigned	**13,401,423**

RESERVES

The County has a number of reserves that have been established over the years. Some are for specific purposes, such as to meet future known obligations or to build a reserve for capital projects. The general purpose reserve are funds held to protect the County from unforeseen increases in expenditures or reductions in revenues, or other extraordinary events, which would harm the fiscal health of the County. On January 6, 1998, the Board of Supervisors adopted a County policy to provide guidelines and goals for reserve levels. The current policy calls for the County General Purpose Reserve target to be 20% of locally funded appropriation. The Board of Supervisors also established specific purpose reserves to temporarily help meet future needs.

	6/30/12 Ending Balance	Approved 2012-13		6/30/13 Estimated Balance	Recommended 2013-14		6/30/14 Estimated Balance
		Contributions	Uses		Contributions	Uses	
General Purpose Reserve	**65,235,408**	5,594,897		**70,830,305**	**5,661,332**		**76,491,637**
Specific Purpose Reserves							
Future Space Needs	22,878,705			22,878,705		(22,878,705)	-
New Property Tax System	9,000,000	11,000,000		20,000,000			20,000,000
Retirement	8,500,000			8,500,000			8,500,000
Medical Center Debt Service	32,074,905			32,074,905			32,074,905
Teeter	24,709,925			24,709,925		(13,396,038)	11,313,887
Insurance	3,000,000			3,000,000			3,000,000
High Desert Fire Station	4,000,000	1,000,000	(5,000,000)	-			-
Restitution	1,545,025			1,545,025			1,545,025
Earned Leave	3,596,277			3,596,277	7,006,860		10,603,137
Property Tax Admin Fee	14,200,000		(14,200,000)	-			-
Total Specific Purpose	**123,504,837**	12,000,000	(19,200,000)	**116,304,837**	7,006,860	(36,274,743)	87,036,954
Total Reserves	**188,740,245**			**187,135,142**			**163,528,591**

2012-13 Contributions

The Fund Balance and Reserve Policy calls for a General Purpose Reserve targeted at 20% of locally funded appropriation, up from the previous target of 10%. For 2012-13 the general purpose reserve is increased by $5.6 million. This brings the balance in the General Purpose Reserve to 12.7% of locally funded appropriation. The Fund Balance and Reserve Policy calls for continued annual contributions of one-time sources to this reserve until the 20% target is achieved. The following were additional contributions made in 2012-13.

- $1.0 million contribution to the High Desert Fire Station Reserve.
- $11.0 million contribution to the New Property Tax System Reserve.

2012-13 Uses

- $5.0 million use of the Fire Facilities Reserve to fund a $2.6 million contribution to the Needles fire station and a $2.4 million contribution to the fire station at Spring Valley Lake
- $14.2 million use of the Property Tax Admin Fee Reserve to settle claims with the cities arising from the litigation regarding this fee.

2013-14 Recommended Contributions and Uses

For 2013-14, there is a recommended increase to the General Purpose Reserve of $5,661,332. This brings the balance of the General Purpose Reserve to $76,491,637, or 13.5% of locally funded appropriation. The recommended budget also includes:

- $7,006,860 contribution to the Earned Leave Reserve.
- The use of the entire $22,878,705 Future Space Needs Reserve, to fund one-time capital projects and other one-time expenditures and to increase contingencies to be assigned for one-time capital projects or other one-time expenditures.
- The use of $13,396,038 Teeter Reserve, which is the amount that this reserve is funded in excess of the legal requirement, to fund one-time capital projects and other one-time expenditures or to increase contingencies to be assigned for one-time capital projects and other one-time expenditures.

The chart below shows recent history of the County Reserve levels.

		Year-End Actual Balances				Estimated	Recommended
		2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Total General Purpose Reserve		**59.7**	**59.7**	**59.7**	**65.2**	**70.8**	**76.5**
Specific Purpose Reserves							
Future Space Needs		31.9	55.5	22.9	22.9	22.9	-
New Property Tax System					9.0	20.0	20.0
Retirement		46.5	46.5	8.5	8.5	8.5	8.5
Medical Center Debt Service		32.1	32.1	32.1	32.1	32.1	32.1
Teeter		24.7	24.7	24.7	24.7	24.7	11.3
Capital Projects		4.0	4.0	4.0	-	-	-
Insurance		3.0	3.0	3.0	3.0	3.0	3.0
High Desert Fire Station		-	2.0	3.0	4.0	-	-
Restitution		1.7	1.5	1.5	1.5	1.5	1.5
Earned Leave		-	-	-	3.6	3.6	10.6
Property Tax Admin Fee		-	-	-	14.2	-	-
Electronic Voting System		0.3	-	-	-	-	-
Business Process Improvement		2.1	1.3	1.2	-	-	-
Justice Facilities		0.1	0.1	-	-	-	-
Total Specific Purpose Reserves	(1)	**146.4**	**170.7**	**100.9**	**123.5**	**116.3**	**87.0**
Total Reserves	(1)	**206.1**	**230.4**	**160.7**	**188.7**	**187.1**	**163.5**

(1) Totals may not add due to rounding.

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