DISCRETIONARY GENERAL FUNDING AND RESTRICTED FUNDS

County General Fund operations of $2.7 billion are funded with four major types of sources: Countywide discretionary revenue ($716.6 million), Proposition 172 revenue ($156.0 million), 1991 and 2011 Realignment revenues ($493.5 million), and departmental revenue ($1.3 billion).

- 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 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 may be allocated to General Fund departments in the same manner as Countywide discretionary revenue.
- 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 involved 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 the 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 contribute a share of cost. While the State no longer shares in the cost, it has dedicated a portion of the State sales tax revenue (1.0625%), along with a portion of vehicle license fees for these realigned programs.
- Departmental revenue includes fees, service charges, and State and Federal support for programs such as welfare, health care, and mental health.

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.

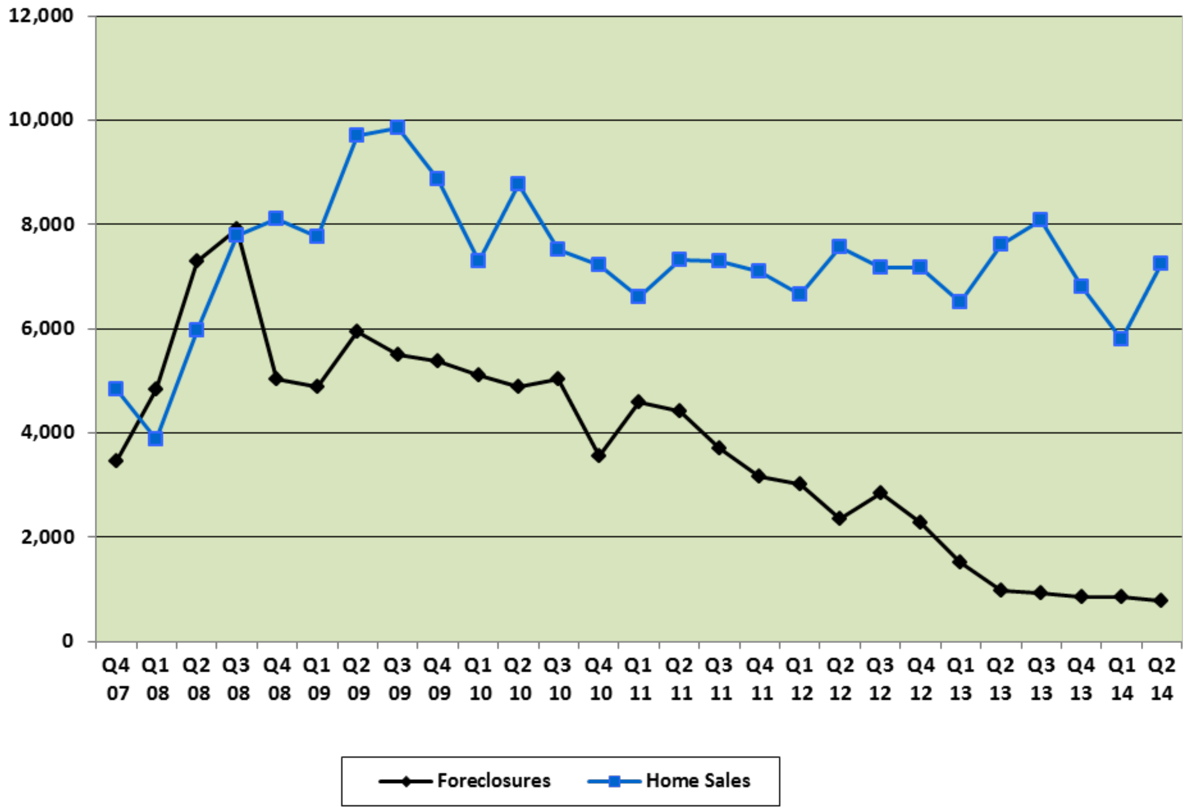
Any Countywide discretionary revenue not distributed to departments through their Net County Cost allocation, if not transferred to other funds for specific projects/programs, is contributed to contingencies or reserves. Every year the County of San Bernardino has set aside a prudent dollar amount in 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.
- The County's Five Year Fiscal Forecast.
- How economic indicators and other factors affect Countywide discretionary revenue.
- How Discretionary General Funding (Net County Cost) has been allocated for the fiscal year.
- Information on General Fund contingencies and reserves.
- How economic indicators and other factors affect Proposition 172 revenue and Realignment revenue.
- The County Restricted General Fund – Automated Systems Development budget unit.

ECONOMIC INDICATORS

Property related revenue accounts for 62.9% of the County's discretionary revenue and other funding sources. 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. During this crisis, home values plummeted while foreclosures and notices of default skyrocketed. Assessed valuation was 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 outnumbered home sales, have declined rapidly in the last three calendar years. In addition, as shown in the chart on the next page, the median home price is rising.

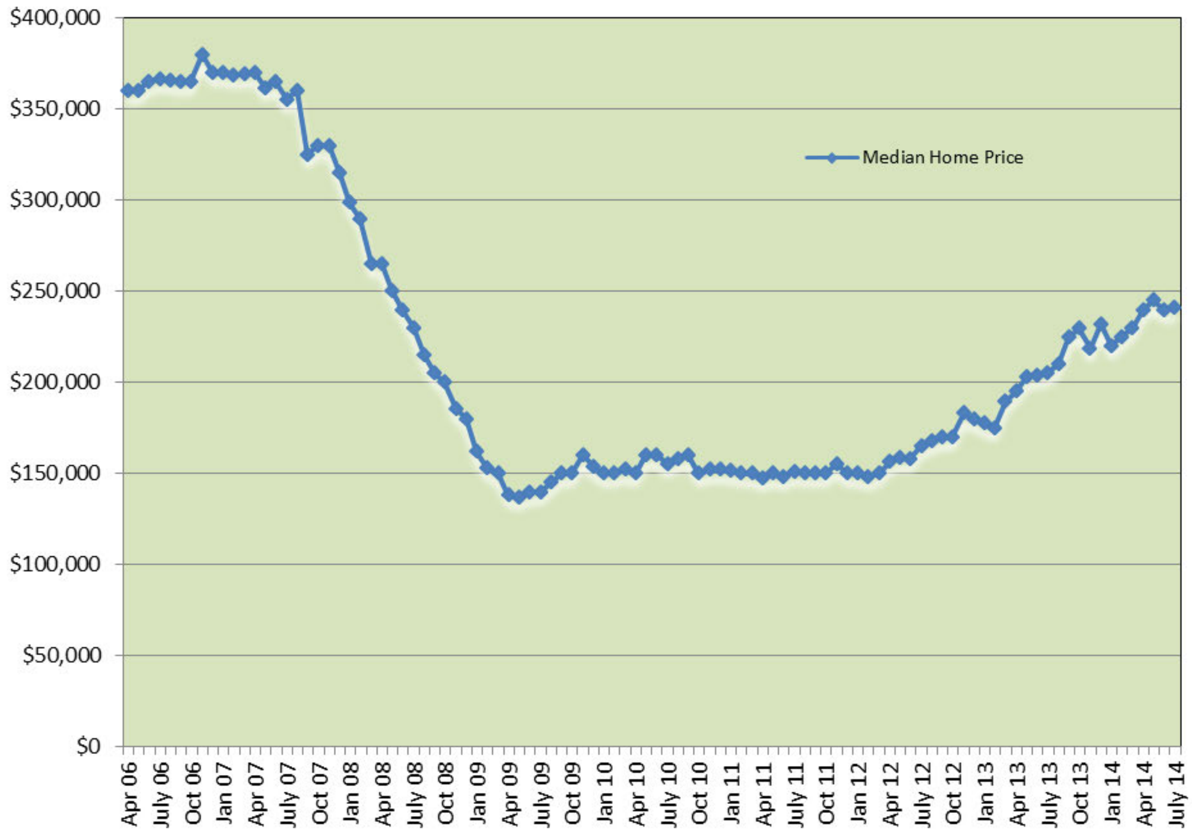
COUNTY OF SAN BERNARDINO
FORECLOSURES/HOME SALES BY QUARTER
QUARTER 4 2007 THROUGH QUARTER 2 2014



Source: County Assessor and Dataquick

2013 foreclosures were down 54.5% from 2012, and for the second quarter of 2014 are down by 18.5%. 2013 Notices of Default were down by 56.4% from the prior year, and for the second quarter of 2014 are down 29.0%. As foreclosures decline, the County is seeing a rise in the median home price. The chart below shows the fluctuation in the median price over the past eight years. Prior to the steady incline that began in November of 2012, the median price had been stable at approximately $150,000 for the 34 month period between September 2009 and June 2012. As of July 2014, the County's median home price for new and existing homes has risen to $240,750.

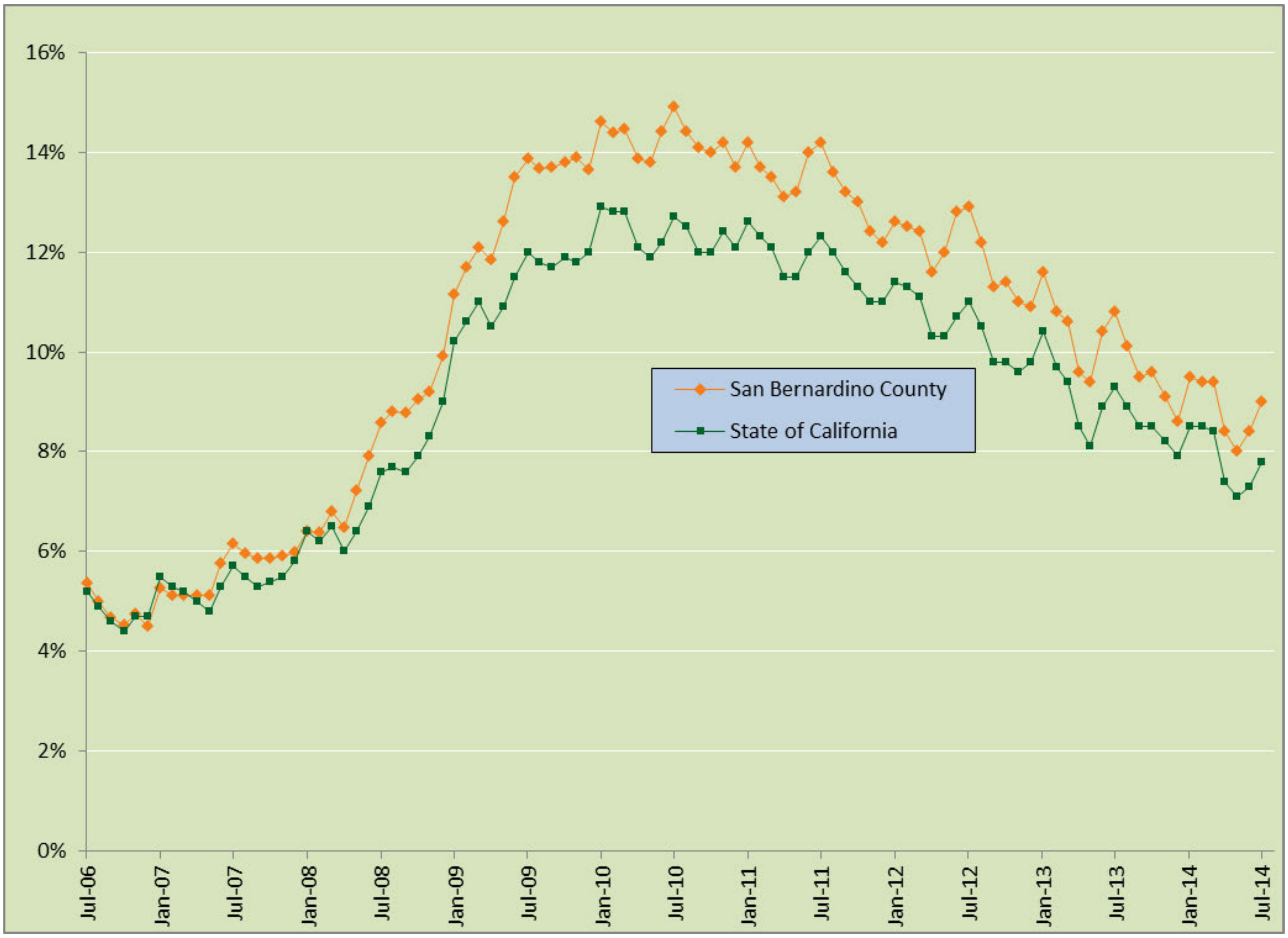
COUNTY OF SAN BERNARDINO
MEDIAN HOME PRICE BY MONTH
APRIL 2006 THROUGH JULY 2014



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 its peak at 14.9% in July 2010. However conditions are improving. 2012 saw job gains of 32,000 followed by a gain of 46,833 in 2013, and job growth for 2014 is forecasted at 40,100. Unemployment has declined from the 2010 peak, but remains high at 9.0% as of July 2014, which compares to unemployment rates for the State and the United States of America, which were 7.8% and 6.2%, respectively.

COUNTY OF SAN BERNARDINO
UNEMPLOYMENT RATES
STATE OF CALIFORNIA AND SAN BERNARDINO COUNTY
JULY 2006 THROUGH JULY 2014



Source: CA Employment Development Department

GENERAL FUND – FIVE YEAR FISCAL FORECAST, 2014-15 THROUGH 2018-19

Long-term financial 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 financial 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, capital assets, and infrastructure.

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, in which revenues and expenditures are projected based primarily on trend analysis, specific circumstances and present level of services provided by the County. The 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 Issues Impacting the General Fund

Retirement Costs are anticipated to increase due to market losses incurred by the County's pension system. The County's five year forecast also anticipates a 25 basis point decrease in the Retirement Board's earnings assumption in 2015-16. Potential additional changes in Retirement Board earnings assumptions and mortality/experience studies could result in additional ongoing costs of $10.0 million.

Staffing for the High Desert Detention Center Expansion (previously called Adelanto Detention Center) will require $39.1 million in funding through 2018-19.

The Affordable Care Act will impact the Human Services departments and Arrowhead Regional Medical Center as they are primary providers of Medi-Cal services. The long-term impacts of the Affordable Care Act on the operations and finances of these departments remain difficult to forecast. Finance and Administration is working closely with departments to monitor the changes in the funding mix for safety net programs that provide services to County residents.

FIVE-YEAR FISCAL FORECAST
FISCAL YEARS 2014-15 THROUGH 2018-19
(dollars in millions)

	2014-15	2015-16	2016-17	2017-18	2018-19
Ongoing Revenue Changes:					
Property Tax	$25.5	$11.3	$11.5	$11.7	$11.8
Proposition 172 Sales Tax	9.3	5.2	5.3	5.5	5.7
AB109 Realignment Revenue	0.0	2.7	0.0	0.0	0.0
Other Revenue	(0.1)	1.4	1.5	1.6	1.4
Total Ongoing Revenue Change	**$34.7**	**$20.6**	**$18.3**	**$18.8**	**$18.9**
Ongoing Cost Changes:					
Retirement	(7.5)	(11.1)	(5.5)	(3.5)	(2.0)
Other MOU Costs	(0.9)	(3.2)	(3.2)	(3.4)	(4.0)
County Fire Subsidy Costs	(0.8)	0.0	0.0	0.0	0.0
Other Costs	(13.7)	(5.1)	(6.3)	2.6	(3.6)
Total Change in Costs	**(22.9)**	**(19.4)**	**(15.0)**	**(4.3)**	**(9.6)**
Yearly Operating Available	**$11.8**	**$1.2**	**$3.3**	**$14.5**	**$9.3**
Ongoing Costs Not Funded in Ongoing Budget Plan					
High Desert Detention Center Staffing	(14.6)	(13.3)	(11.2)	0.0	0.0
Sheriff Federal Prisoners - Revenue Decrease	(4.7)	0.0	0.0	0.0	0.0
Glen Helen Housing Program	0.0	(1.2)	0.0	0.0	0.0
Earned Leave Program	(1.0)	0.0	0.0	0.0	0.0
Transportation Operations Pavement Management Program	0.0	(3.4)	(5.0)	0.0	0.0
Total Ongoing Costs Not Funded in Ongoing Budget Plan	**($20.3)**	**($17.9)**	**($16.2)**	**$0.0**	**$0.0**
Annual Deficit/Surplus	**($8.5)**	**($16.7)**	**($12.9)**	**$14.5**	**$9.3**
New Ongoing Departmental Costs					
2014-15 Department Policy Items	(11.2)	0.0	0.0	0.0	0.0
2014-15 (Increased)/Decreased Department Costs	(1.3)	0.0	0.0	0.0	0.0
Total New Ongoing Departmental Costs	**(12.5)**	**0.0**	**0.0**	**0.0**	**0.0**
Revised Annual (Deficit)/Financing Available	**($21.0)**	**($16.7)**	**($12.9)**	**$14.5**	**$9.3**

Note: The Five-Year Fiscal Forecast represents future incremental costs and changes in revenues for the referenced fiscal year.

The County's five-year fiscal forecast summarized in the table above relates to ongoing expenditures funded with ongoing discretionary revenue in the County's General Fund. The forecast reflects that ongoing revenues are beginning to increase due to projected increases in property tax and Proposition 172 sales tax revenue. Ongoing cost changes reflect the cost to maintain current service levels. After accounting for these changes, the Yearly Operating Available is positive for the next five fiscal years.

However, in recent years the County has identified other ongoing costs not previously included in the five year forecast that need to be addressed. These costs are identified in the table above as Ongoing Costs Not Funded in the Ongoing Budget Plan. Additionally, for 2014-15 ongoing departmental needs have been identified as New Ongoing Departmental Costs. After including these new cost components, the County's General Fund has a cumulative structural deficit of $50.6 million over the next three fiscal years. $21.0 million of that deficit occurs in the 2014-15 fiscal year. Solutions for the structural deficit through 2018-19 are detailed on the next page.

FIVE-YEAR FISCAL FORECAST SOLUTIONS
FISCAL YEARS 2014-15 TO 2018-19
(dollars in millions)

	2014-15	2015-16	2016-17	2017-18	2018-19
From Five Year Financial Forecast Above:					
Revised Annual (Deficit/Financing Available)	**$(21.0)**	**$(16.7)**	**$(12.9)**	**$14.5**	**$9.3**
Ongoing Mitigations:					
SBPEA:					
SBPEA Medical after MOU term	$ 0.5	$ 2.8	$ 3.0	$ 3.4	$ 4.0
Proposed SBPEA Reductions	8.7	0.0	0.0	0.0	0.0
Sheriff:					
Delay Phase 2 - High Desert Detention Center Staffing	3.1	9.7	0.0	(13.0)	0.0
Delay Phase 3 – High Desert Detention Center Staffing	0.0	3.6	11.2	0.0	(14.6)
Prison Rape Elimination Act	1.5	0.0	0.0	0.0	0.0
Work Release/Electronic Monitoring Backfill	1.5	0.0	0.0	0.0	0.0
Other					
Human Services – Reduce Reliance on General Fund	2.5	0.0	0.0	0.0	0.0
Reduce Fire Subsidy – Increased Community Safety and GEMT revenue	1.6	0.0	0.0	0.0	0.0
Eliminate Funding for Cooperative Extension Program	0.1	0.0	0.0	0.0	0.0
Museum – Funded with One-Time Sources	0.7	0.0	0.0	0.0.	0.0
Renegotiate Prado Park Water Agreement	0.8	0.0	0.0	0.0	0.0
Total Ongoing Mitigations	**$21.0**	**$16.1**	**$14.2**	**$(9.6)**	**$(10.6)**
Annual Ongoing Available/(Deficit)	**$0.0**	**$(0.6)**	**$1.3**	**$4.9**	**$(1.3)**
Cumulative Ongoing Available/(Deficit)	**$0.0**	**$(0.6)**	**$0.7**	**$5.6**	**$4.3**

Source: County of San Bernardino Administrative Office.
(1) The Five-Year Forecast solutions represent incremental mitigations for the referenced fiscal year.

As reflected in the table above, the solutions for the remaining structural deficit for fiscal years 2014-15 through 2018-19 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 2018-19. This cost represents increased medical-related benefits for the County's largest union that will automatically take effect if not addressed in the current round of negotiations.

Proposed SBPEA Reductions – The County is seeking concessions from the eight bargaining units represented by SBPEA (the "SBPEA Units"), whose existing contract expires in Fiscal Year 2014-15, in an attempt to reduce salary and benefit costs. These concessions, if achieved, will generate $8.7 million in savings.

High Desert Detention Center Staffing Mitigations – Construction commenced in June 2011 and was completed in February 2014 on the Sheriff/Coroner/Public Administrator's High Desert Detention Center (formerly Adelanto Detention Center) Expansion Project, which added 1,392 jail beds to the existing 706 bed facility (for a total of 2,098 beds). The County currently estimates that the ongoing cost of staffing the expanded

High Desert Detention Center is $39.1 million. In 2013-14, the County developed a plan to use one-time AB 109 growth funds to staff 222 of the new beds at the facility (Phase 1). Ongoing sources of $11.5 million are needed in 2014-15 to fund the expanded operation in order to maintain structural balance in the County's General Fund. The delay of Phase 2 to Fiscal Year 2017-18 and the delay of Phase 3 to Fiscal Year 2018-19 reduce the structural deficits in the next three fiscal years.

Sheriff Prison Rape Elimination Act and Electronic Monitoring Backfill – The Sheriff's Department originally requested additional funding associated with reduced Work Released/Electronic Monitoring program revenue as well as to comply with a new mandate from the federal government related to the Prison Rape Elimination Act. However, the Sheriff has determined that the department can absorb the cost of these funding impacts (a total of $3.0 million) in 2014-15.

Human Services: Reduce Reliance on General Fund – Based on the most recent review of caseload growth by Human Services, the Department can reduce Discretionary General Funding by $2.5 million without needing to draw additional realignment funds.

Reduce Fire Subsidy: Increased Community Safety and GEMT Revenue - The reduction in the Fire Subsidy is possible due to fee increases in Community Safety which result in estimated revenue increases of $0.8 million and GEMT reimbursement of $0.8 million as explained below:

On November 19, 2013 (BAI No. 61) the Board authorized County Fire to participate in the federally funded Ground Emergency Transportation Services (GEMT) Supplemental Reimbursement Program that pays eligible governmental entities for unreimbursed costs for Medi-Cal fee for service transports.

Eliminate Funding for Cooperative Extension Program – Funding of $65,000 has been going to the Cooperative Extension Program which is a branch of the University of California for community-based education on gardening, nutrition, and youth development.

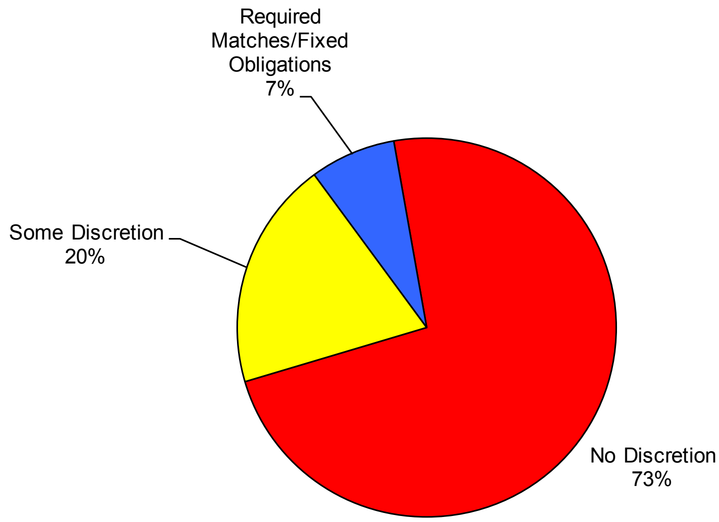
Museum: Funded with One-Time Sources – The County Museum originally requested ongoing funding as a result of decreased state and federal contract revenue and the reduction of fee and program revenue projections to a conservative level. A more comprehensive study will be conducted in 2014-15 with respect to reorganizing and developing innovative solutions for the Museum's financial challenges. For 2014-15, one-time bridge funding is included until a more sustainable solution can be developed.

Renegotiate Prado Park Water Agreement –The Regional Parks Department has been working to reduce utility costs at its park locations, and in particular at Prado Regional Park. Prado receives water and sewer service from the Inland Empire Utilities Agency (IEUA), a municipal water district that supplies water, collects/treats wastewater, and provides other utility related services to the communities it serves. The County entered into an agreement in 1976 with the Chino Basin Water District for water and sewer service, which was assumed by IEUA in 1998. Regional Parks is working as part of a County team to negotiate a new water and sewer agreement to reduce costs for the park.

COUNTYWIDE DISCRETIONARY REVENUE

The entire General Fund budget including operating transfers in is $2.7 billion, however, only $0.52 billion (or 19.5%) is truly discretionary as seen in this pie chart.

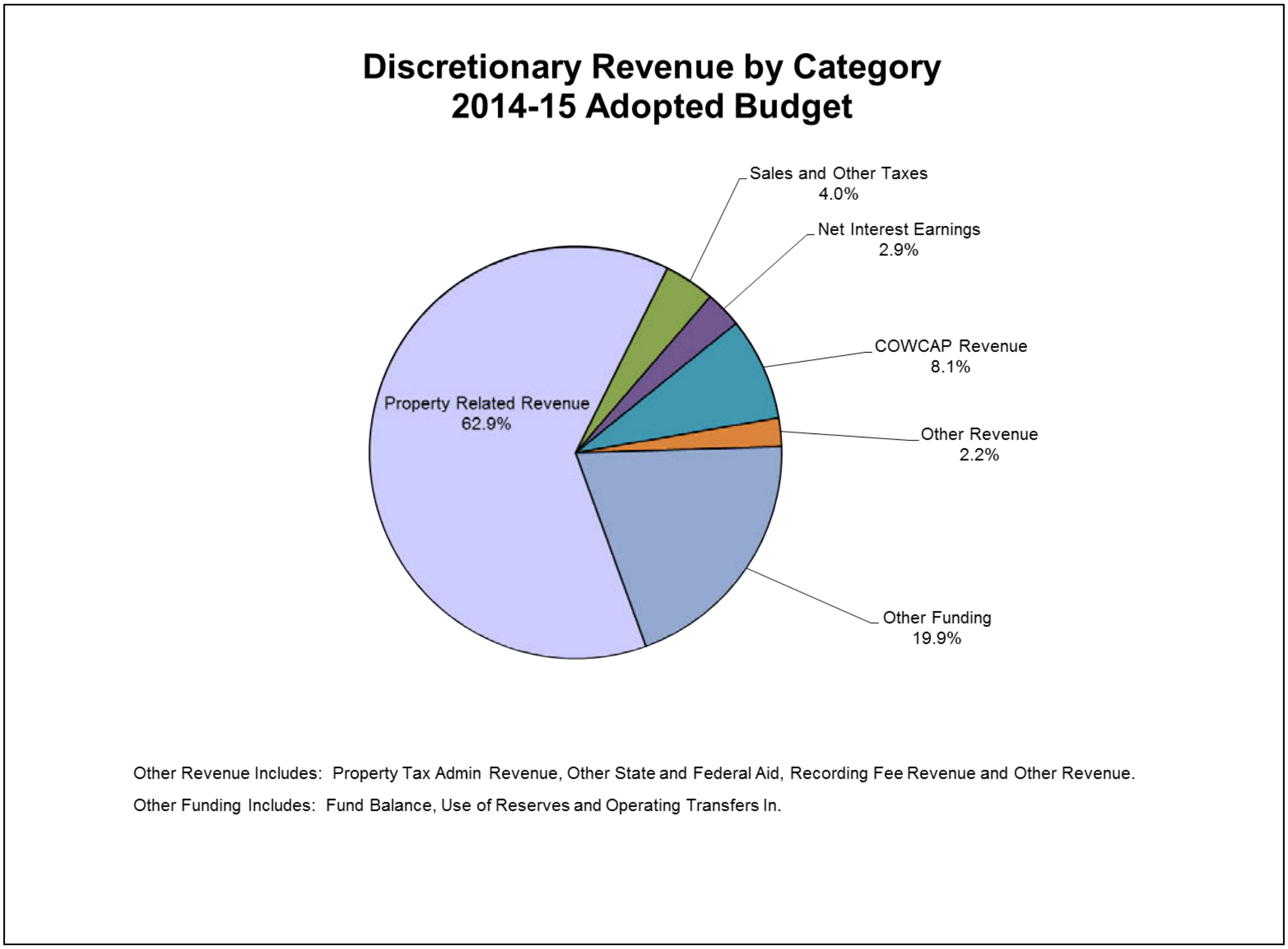
2014-15 Adopted Budget
General Fund Spending



SPENDING WHERE THERE IS NO DISCRETION. INCLUDES:	**1,954,021,510**
Welfare costs reimbursed by state and federal monies ($1,000.0 million)	
Other program costs funded by program revenues such as user fees ($954.0 million)	
REQUIRED HEALTH AND WELFARE MATCHES AND OTHER FIXED OBLIGATIONS:	**195,432,663**
SPENDING WHERE THERE IS DISCRETION INCLUDES:	**521,149,497**
Reserve Contributions ($43.8 million)	
Contingencies Contributions ($50.0 million)	
Law and justice program costs funded by local revenues ($323.4 million)	
All other program costs funded by local revenues ($104.0 million)	
TOTAL:	**$2,670,603,670**

Countywide discretionary revenue is $716,582,160 and is first obligated to pay for required health and welfare matches and other fixed obligations, which total $195,432,663. The remaining amount of $521,149,497 is available to fund departmental budgets' Net County Cost or other expenditures.

Shown below are the sources of Countywide discretionary revenue of $716,582,160 for the 2014-15 Adopted Budget.



Percentages may not add to 100% due to rounding.

COUNTYWIDE DISCRETIONARY REVENUE WHICH PAY FOR NET COUNTY COST

	2013-14 Adopted Budget	2013-14 Final Budget	2013-14 Actuals	2014-15 Adopted Budget
Countywide Discretionary Revenue				
Property Related Revenue:				
Current Secured, Unsecured, Unitary	205,120,805	205,772,418	241,056,881	221,098,140
VLF/Property Tax Swap	205,214,371	208,247,095	208,073,777	215,356,359
Supplemental Property Tax	2,750,000	2,750,000	5,469,428	3,000,000
Property Transfer Tax	6,000,000	6,000,000	7,342,678	7,500,000
Penalty on Current Taxes	2,470,000	2,470,000	2,283,123	2,160,000
Prior Property Taxes, Penalties and Interest	2,250,000	2,250,000	2,270,655	1,690,000
Total Property Related Revenue[(1)]	423,805,176	427,489,513	466,496,542	450,804,499
Sales and Other Taxes:				
Sales and Use Tax [(1)]	19,587,302	19,587,302	22,657,358	20,245,138
Franchise Fees	5,810,000	5,810,000	6,464,445	5,950,000
Hotel/Motel Tax	1,200,000	1,200,000	1,617,040	1,500,000
Other Taxes	790,000	790,000	630,421	790,000
Total Sales and Other Taxes	27,387,302	27,387,302	31,369,264	28,485,138
Net Interest Earnings	19,225,000	15,429,242	22,315,757	20,550,000
COWCAP Revenue	53,977,428	53,977,428	53,845,382	57,921,243
Property Tax Admin Revenue	10,189,140	8,300,000	9,079,937	8,467,236
Recording Fee Revenue	3,500,000	3,500,000	2,957,201	3,500,000
State and Federal Aid	4,819,131	4,819,131	5,644,945	3,671,482
Other Revenue	430,000	93,708	12,344,439	430,000
Total Countywide Discretionary Revenue	**543,333,177**	**540,996,324**	**604,053,467**	**573,829,598**
Other Funding Sources				
Available Fund Balance, beginning	188,559,768	188,559,768	188,559,768	106,109,766
Fund Balance for Board Discretionary Fund Allocations	5,852,564	5,852,564	1,646,305	4,206,259
Use of Reserves	35,918,789	35,918,789	35,918,789	5,636,537
Operating Transfers In (One-Time)	10,568,256	4,568,256	1,150,000	5,700,000
Operating Transfers In (Ongoing)	22,800,000	21,100,000	20,884,918	21,100,000
Total Other Funding Sources	**263,699,377**	**255,999,377**	**248,159,780**	**142,752,562**
Total Countywide Discretionary Revenue and Other Funding Sources	**807,032,554**	**796,995,701**	**852,213,247**	**716,582,160**
Locally Funded Appropriation				
Total Countywide Discretionary Revenue	543,333,177	540,996,324	604,053,467	573,829,598
Operating Transfers In (Ongoing)	22,800,000	21,100,000	20,884,918	21,100,000
Locally Funded Appropriation	566,133,177	562,096,324	624,938,385	594,929,598

2014-15 Discretionary General Funding of $716,582,160 includes Countywide discretionary revenue of $573.8 million and other funding sources of $142.8 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. A contribution of $5,949,265 to the General Purpose Reserve (1% of locally funded appropriation) was approved by the Board of Supervisors as part of the 2013-14 Third Quarter Budget Report on May 6, 2014, and brings the funding level to $82,440,902, or 13.9% of locally funded appropriation. County policy also requires a minimum of 1.5% of locally funded appropriation be placed in General Fund Mandatory Contingencies, which is $8,923,944 for 2014-15.

Countywide Discretionary Revenue

Property Related Revenue accounts for 62.9% 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.

The 2014-15 Adopted Budget anticipates a 3.5% increase in the assessed valuation of properties within the County. The revenue from the assessed valuation is budgeted conservatively compared to the County Assessor's projection of 5.68%, to account for potential downward corrections to the assessment roll during the fiscal year. The anticipated increase in the assessed valuation compares to actual assessed valuation declines of 4.55% in 2010-11, 0.87% in 2011-12, and increases of 0.78% in 2012-13, and 2.96% in 2013-14.

Subsequent to the adoption of the 2014-15 Budget, the Assessor/Recorder/County Clerk published the County's assessment roll, which shows an increase in assessed valuation of 6.2% for 2014-15. The County will analyze the roll increase and future supplemental roll activity, and make necessary budget adjustments in the quarterly budget report process.

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 ABx1 26. Pursuant to ABx1 26, 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. Beginning with 2014-15, the County has budgeted $2.5 million of additional property tax revenue related to the dissolution of Redevelopment Agencies pursuant to ABx1 26 and continues to budget for pass-through payments consistent with the legislation.

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 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 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 related to the dissolved Redevelopment Agencies within the County (see 'Elimination of Redevelopment Agencies' above).

As a participant in the Teeter Plan, the County General Fund receives its 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 increase slightly in 2014-15.

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

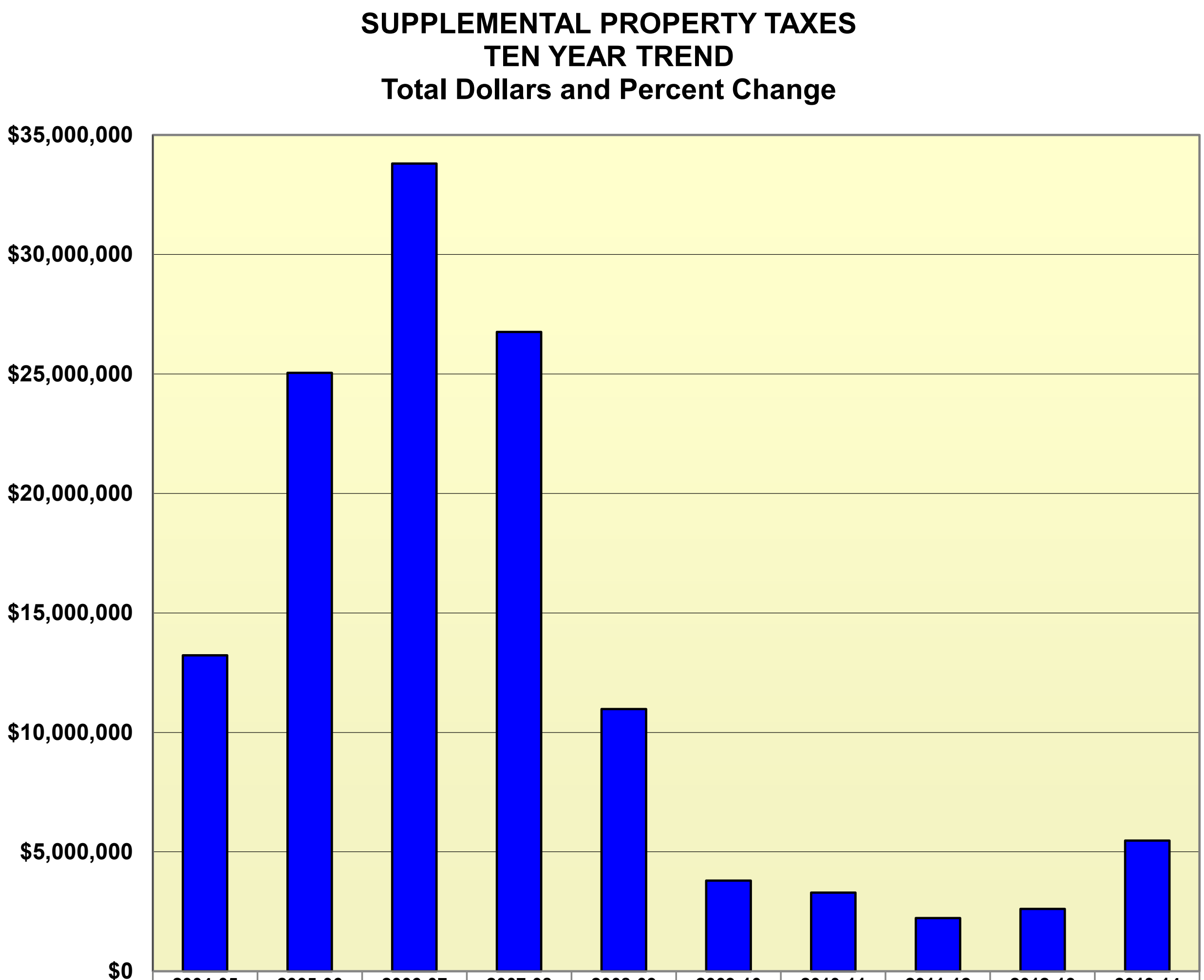
Current Secured, Unsecured, Unitary
Secured Property Tax Revenue makes up approximately $196.3 million of the $221.1 million in the 2014-15 “Current Secured, Unsecured, Unitary” budgeted revenue number, up from $182.0 million in the 2013-14 Adopted Budget. This reflects a projected increase in assessed valuation of 3.5%. Beginning with 2014-15, the County has budgeted $2.5 million of additional property tax revenue related to the dissolution of Redevelopment Agencies pursuant to ABx1 26 and continues to budget for pass-through payments consistent with the legislation (see ‘Elimination of Redevelopment Agencies’ on the previous page).

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 2014-15 budgeted amount reflects the projected increase in assessed valuation of 3.5% as compared to the 2013-14 actual revenues.

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 actual activity in the housing market by at least a year.



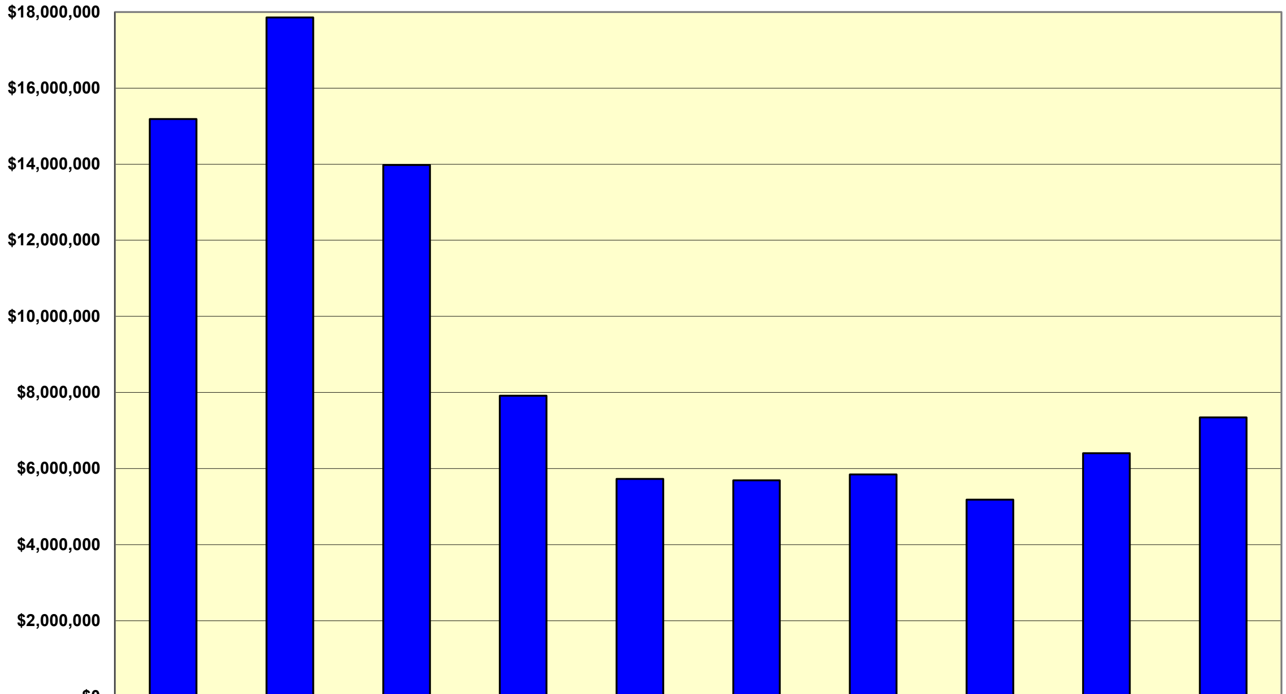
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Dollars	13,219,499	25,049,987	33,796,419	26,749,103	10,969,631	3,796,324	3,297,843	2,234,648	2,608,371	5,469,428
% Change	116.6%	89.5%	34.9%	-20.9%	-59.0%	-65.4%	-13.1%	-32.2%	16.7%	109.7%

As shown in the chart above, supplemental property tax revenues have declined significantly since 2006-07 as a result of the collapse of the housing market. Supplemental revenue in 2012-13 showed the first year over year increase since 2006-07. In 2013-14, supplemental revenue more than doubled over the prior year as a result of an increase in housing prices.The County projects these revenues to be $3.0 million in 2014-15, consistent with 2013-14 ongoing revenue.

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 total $7.5 million in 2014-15, consistent with 2013-14 revenue. The following chart presents the most recent ten year trend of property transfer tax revenue.

PROPERTY TRANSFER TAX
TEN YEAR TREND
Total Dollars and Percent Change



	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Dollars	15,184,960	17,855,238	13,978,462	7,913,918	5,730,249	5,692,883	5,844,456	5,179,180	6,404,573	7,342,678
% Change	31.2%	17.6%	-21.7%	-43.4%	-27.6%	-0.7%	2.7%	-11.4%	23.7%	14.6%

Sales and Use Tax

Countywide discretionary revenue includes 1.0% of the 8.0% sales tax rate charged on purchases made in the unincorporated areas of the County. This 1.0% 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.

<u>Sales and Use Tax Allocation of 0.75%</u>

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 2014-15, Sales and Use Tax revenue is anticipated to remain flat to 2013-14 revenue.

2014-15 ongoing sales tax revenue in the unincorporated area is projected to total $17.2 million (after adjusting for the Triple Flip). However, the County has budgeted only $14.5 million for 2014-15. The sales tax revenue projection of $14.5 million excludes 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 certain 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.

Sales Tax Risk – Potential Annexations and Incorporations: Based on recent estimates, approximately 29.9% 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 1.0% of the State's base sales tax rate. Pursuant to new provisions enacted by the legislature, this 1.0% 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'. The Triple Flip will continue until the California Economic Recovery Bonds are paid. Once the bonds are paid, and the Triple Flip is discontinued, the County's share of the base sales tax rate will return to 1.0%. The bonds are currently scheduled to mature on July 1, 2023.

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 2014-15, the County anticipates $5.7 million in Triple Flip revenue which includes an estimated $0.4 million in true-up from the prior year.

Both components of discretionary sales tax revenue (Sales and Use Tax Allocation of 0.75%, and Sales Tax/Property Tax Swap) are combined and reported together as Sales and Use Tax in the Countywide Discretionary Revenue Which Pay for Net County Cost chart found earlier in this section. This is a change from prior years. In prior years, Sales Tax/Property Tax Swap revenue was reported as a separate line under Property Related Revenue. For 2014-15, a combined total of $20.2 million is budgeted for Sales and Use Tax, $14.5 million for the 0.75% Allocation and $5.7 million of Sales Tax/Property Tax Swap revenue.

Not included in budgeted sales and use tax revenue is $3.5 million of one-time use tax revenue estimated to be generated from major construction projects in the unincorporated areas of the County. This revenue would normally be distributed to the County, and cities within the County, based on their percent share of Countywide sales tax revenue. However, due to the efforts of the Economic Development Department working with companies doing this construction, 100% of this revenue will be allocated to the County. Because this revenue is one-time in nature, it is budgeted as Operating Transfers In (one-time) instead of sales and use tax revenue.

Net Interest Earnings

Net interest earnings for 2014-15 are projected at $20.6 million. This is $1.3 million higher when compared to the 2013-14 Adopted Budget amount. The anticipated growth is due to an increase in Teeter penalties and interest and retirement prepay interest. For more information see the paragraphs titled 'The Teeter Plan' found earlier in this section.

COWCAP (Countywide Cost Allocation Plan) Revenue

The budgeted COWCAP Revenue amount reflects the recovered allowable costs included in the 2014-15 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 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 $3.9 million in 2014-15. This increase is primarily due to amounts owed by the Probation Department for ongoing space use and utility costs associated with the new Central Valley Juvenile Detention and Assessment Center, and from Arrowhead Regional Medical Center (ARMC) primarily due to a one-time adjustment that reduced ARMC's COWCAP charges in the prior year.

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.

<u>Litigation regarding the Property Tax Administration Fee (PTAF)</u>. 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)/Property Tax 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 ruled in favor of the cities. On an annual basis, this ruling resulted in the loss of $2.9 million of annual PTAF fees beginning in 2013-14. The 2014-15 Adopted Budget anticipates revenues to be down slightly from 2013-14 actuals.

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 increase as compared to 2013-14 actuals.

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 generated approximately $1.0 million in additional PILT revenue annually. Although scheduled to end in 2012, the full funding level for PILT was extended through federal fiscal year 2013 (October 1, 2012 to September 30, 2013). The Act has not been reauthorized for the 2014 Federal Fiscal Year. As a result, PILT revenues will decline by $1.1 million in 2014-15.

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.

<u>Other Funding Sources</u>

Fund Balance

The 2013-14 year-end fund balance for the General Fund is $110.3 million. This reflects fund balance that is available for appropriation. Fund balance is a result of County cost savings and additional revenue. Additional revenue includes one-time revenue of $29.8 million received as a result of due diligence reviews and residual revenue for the dissolved Redevelopment Agencies, and one-time revenue of $1.8 million for a Court revenue audit.

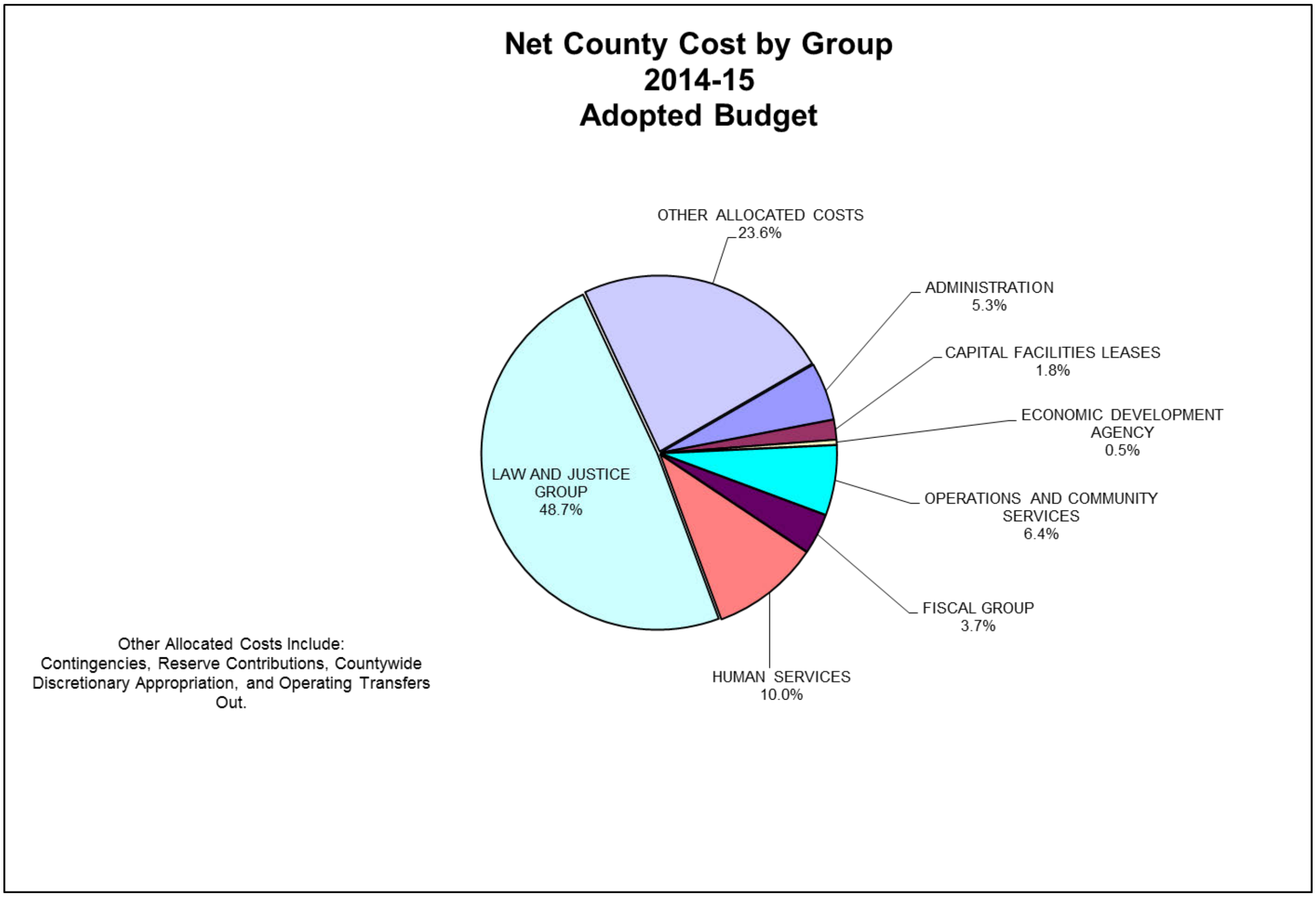
Use of Reserves

The 2014-15 Adopted Budget anticipates the use of $0.3 million of the reserve for Land Use Services General Plan/Development Code Amendments to fund a portion of this project, and the use of the $5.3 million Glen Helen Grade Separation Project reserve to fund various transportation projects, including $4.0 million to complete the Glen Helen Grade Separation project.

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 ARMC and $2.0 million of ongoing funding for Public Health. Ongoing operating transfers in also include $4.1 million of ongoing Courthouse and Criminal Justice Construction funds to fund debt service on the Foothill Law and Justice Center. One time operating transfers in include $2.2 million from tobacco settlement funds for a land purchase and $3.5 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 the 2013-14 final Net County Cost and the 2014-15 adopted Net County Cost by department. This schedule also includes operating transfers, which are mechanisms to move funding between the various County budget units. Operating transfers are presented in the following chart to provide a complete picture of the department's requirements and sources.

	2013-14 Final Budget:			2014-15 Adopted Budget:		
Department Title	Requirements	Sources	Net County Cost	Requirements	Sources	Net County Cost
BOARD OF SUPERVISORS (ALL DISTRICTS)	7,142,316	-	7,142,316	7,190,670	-	7,190,670
CLERK OF THE BOARD	2,372,524	313,578	2,058,946	2,258,163	248,293	2,009,870
COUNTY ADMINISTRATIVE OFFICE	5,044,435	-	5,044,435	4,511,139	-	4,511,139
COUNTY ADMINISTRATIVE OFFICE - LITIGATION	589,763	-	589,763	392,599	-	392,599
COUNTY COUNSEL	8,783,536	5,683,270	3,100,266	8,817,154	5,713,350	3,103,804
FINANCE AND ADMINISTRATION	2,861,586	-	2,861,586	2,889,619	-	2,889,619
HUMAN RESOURCES	7,332,362	669,917	6,662,445	7,456,955	675,623	6,781,332
HUMAN RESOURCES - UNEMPLOYMENT INSURANCE	4,000,500	-	4,000,500	4,000,500	-	4,000,500
HUMAN RESOURCES - EMPLOYEE HEALTH AND WELLNESS	2,080,388	2,069,041	11,347	2,152,634	2,152,634	-
INFORMATION SERVICES - APPLICATION DEVELOPMENT	15,862,805	13,720,515	2,142,290	2,264,212	216,872	2,047,340
PURCHASING	2,254,214	557,076	1,697,138	2,117,341	590,504	1,526,837
LOCAL AGENCY FORMATION COMMISSION	288,274	-	288,274	288,274	-	288,274
COUNTY SCHOOLS	3,159,104	-	3,159,104	3,270,620	-	3,270,620
ADMINISTRATION SUBTOTAL:	61,771,807	23,013,397	38,758,410	47,609,880	9,597,276	38,012,604
CAPITAL FACILITIES LEASES	13,013,014	-	13,013,014	13,016,519	-	13,016,519
CAPITAL FACILITIES LEASES SUBTOTAL:	13,013,014	-	13,013,014	13,016,519	-	13,016,519
ECONOMIC DEVELOPMENT	3,145,740	155,000	2,990,740	3,468,279	155,000	3,313,279
ECONOMIC DEVELOPMENT AGENCY SUBTOTAL:	3,145,740	155,000	2,990,740	3,468,279	155,000	3,313,279
ASSESSOR/RECORDER/COUNTY CLERK	23,380,027	7,116,602	16,263,425	22,890,787	7,145,500	15,745,287
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR	37,847,511	26,519,063	11,328,448	36,880,704	26,188,884	10,691,820
FISCAL SUBTOTAL:	61,227,538	33,635,665	27,591,873	59,771,491	33,334,384	26,437,107
HEALTH ADMINISTRATION	180,585,267	165,584,459	15,000,808	120,730,613	105,730,613	15,000,000
BEHAVIORAL HEALTH	147,092,939	145,100,728	1,992,211	172,139,912	170,147,701	1,992,211
PUBLIC HEALTH	79,833,370	75,570,548	4,262,822	79,432,808	75,220,029	4,212,779
PUBLIC HEALTH - CALIFORNIA CHILDREN'S SERVICES	21,124,770	16,335,156	4,789,614	21,359,774	16,673,628	4,686,146
PUBLIC HEALTH - INDIGENT AMBULANCE	472,501	-	472,501	472,501	-	472,501
AGING AND ADULT SERVICES	9,537,346	9,537,346	-	8,926,323	8,926,323	-
AGING AND ADULT SERVICES - PUBLIC GUARDIAN-CONSERVATOR	932,921	286,850	646,071	814,564	202,951	611,613
CHILD SUPPORT SERVICES	40,566,712	40,566,712	-	40,039,593	40,039,593	-
HUMAN SERVICES - ADMINISTRATIVE CLAIM	494,698,108	477,722,675	16,975,433	503,236,205	489,059,585	14,176,620
DOMESTIC VIOLENCE/CHILD ABUSE SERVICES	531,812	531,812	-	531,812	531,812	-
ENTITLEMENT PAYMENTS (CHILDCARE)	31,244,447	31,244,447	-	26,360,535	26,360,535	-
OUT-OF-HOME CHILD CARE	860,566	-	860,566	860,566	-	860,566
AID TO ADOPTIVE CHILDREN	56,834,041	54,884,521	1,949,520	59,208,232	57,158,712	2,049,520
AFDC - FOSTER CARE	123,050,568	105,735,312	17,315,256	124,188,480	106,773,073	17,415,407
REFUGEE CASH ASSISTANCE	100,918	100,918	-	91,197	81,197	10,000
CASH ASSISTANCE FOR IMMIGRANTS	1,924,374	1,924,374	-	2,121,954	2,121,954	-
CALWORKS - ALL OTHER FAMILIES	251,826,880	245,616,208	6,210,672	255,137,220	249,744,925	5,392,295
KINSHIP GUARDIANSHIP ASSISTANCE PROGRAM	8,185,732	7,268,722	917,010	8,741,496	7,700,659	1,040,837
SERIOUSLY EMOTIONALLY DISTURBED			-	-	-	-
CALWORKS - 2 PARENT FAMILIES	41,026,722	40,038,554	988,168	43,900,248	42,877,681	1,022,567
AID TO INDIGENTS (GENERAL RELIEF)	1,661,197	505,000	1,156,197	1,476,197	370,000	1,106,197
VETERANS AFFAIRS	2,195,841	718,427	1,477,414	1,985,233	550,853	1,434,380
HUMAN SERVICES SUBTOTAL:	1,494,287,032	1,419,272,769	75,014,263	1,471,755,463	1,400,271,824	71,483,639
COUNTY TRIAL COURTS - DRUG COURT PROGRAMS	381,101	381,101	-	46,971	46,971	-
COUNTY TRIAL COURTS - GRAND JURY	416,022	-	416,022	429,069	-	429,069
COUNTY TRIAL COURTS - INDIGENT DEFENSE PROGRAM	9,805,546	90,000	9,715,546	10,046,137	32,000	10,014,137
COUNTY TRIAL COURTS - COURT FACILITIES/JUDICIAL BENEFITS	1,216,657	-	1,216,657	1,211,889	-	1,211,889
COUNTY TRIAL COURTS - COURT FACILITIES PAYMENTS	2,536,349	-	2,536,349	2,536,349	-	2,536,349
COUNTY TRIAL COURTS - FUNDING OF MAINTENANCE OF EFFORT	25,882,314	14,554,263	11,328,051	25,509,703	14,182,000	11,327,703
DISTRICT ATTORNEY - CRIMINAL PROSECUTION	65,614,944	33,700,436	31,914,508	65,839,206	34,878,602	30,960,604
LAW & JUSTICE GROUP ADMINISTRATION	110,577	110,162	415	90,208	90,208	-
PROBATION - ADMINISTRATION, CORRECTIONS AND DETENTION	152,017,578	84,548,548	67,469,030	143,295,001	70,214,776	73,080,225
PROBATION - JUVENILE JUSTICE GRANT PROGRAM	129,914	-	129,914	-	-	-
PUBLIC DEFENDER	35,639,286	4,645,553	30,993,733	35,524,591	3,645,749	31,878,842
SHERIFF/CORONER/PUBLIC ADMINISTRATOR	218,423,612	155,425,495	62,998,117	204,564,900	153,943,591	50,621,309
SHERIFF - DETENTIONS	170,090,239	57,391,893	112,698,346	182,977,278	46,069,703	136,907,575
SHERIFF - CONTRACTS	129,313,556	122,294,069	7,019,487	128,348,991	128,348,991	-
LAW AND JUSTICE SUBTOTAL:	811,577,695	473,141,520	338,436,175	800,420,293	451,452,591	348,967,702
AGRICULTURE/WEIGHTS AND MEASURES	6,906,365	5,437,850	1,468,515	6,888,815	5,533,750	1,355,065
AIRPORTS	2,996,893	2,996,893	-	2,810,030	2,810,030	-
ARCHITECTURE AND ENGINEERING	32,465	-	32,465	-	-	-
COUNTY MUSEUM	3,156,548	975,006	2,181,542	3,191,462	457,050	2,734,412
LAND USE SERVICES - ADMINISTRATION	1,182,772	-	1,182,772	467,142	-	467,142
LAND USE SERVICES - PLANNING	9,107,551	3,929,617	5,177,934	7,962,234	3,687,107	4,275,127
LAND USE SERVICES - LAND DEVELOPMENT	1,031,926	385,000	646,926	1,151,667	548,398	603,269
LAND USE SERVICES - BUILDING AND SAFETY	4,469,829	3,857,750	612,079	5,055,324	4,561,075	494,249
LAND USE SERVICES - CODE ENFORCEMENT	5,597,193	643,756	4,953,437	5,430,663	858,000	4,572,663
LAND USE SERVICES - FIRE HAZARD ABATEMENT	2,531,429	2,251,250	280,179	2,542,266	2,303,869	238,397
PUBLIC WORKS-SURVEYOR	3,674,273	3,092,168	582,105	3,405,098	2,840,652	564,446
REAL ESTATE SERVICES (RES)	1,174,498	1,166,965	7,533	1,164,639	1,164,639	-
RES - FACILITIES MANAGEMENT	14,419,316	13,624,813	794,503	14,249,231	13,636,172	613,059
RES - UTILITIES	19,631,304	277,495	19,353,809	20,372,124	283,329	20,088,795
RES - RENTS AND LEASES	2,409,082	2,409,082	-	1,008,033	1,008,033	-
RES - COURTS PROPERTY MANAGEMENT	2,285,336	2,285,336	-	2,292,520	2,292,520	-
REGIONAL PARKS	10,481,140	7,863,567	2,617,573	11,319,706	7,856,571	3,463,135
REGISTRAR OF VOTERS	9,430,680	2,498,240	6,932,440	8,482,909	1,869,240	6,613,669
OPERATIONS AND COMMUNITY SERVICES SUBTOTAL:	100,518,600	53,694,788	46,823,812	97,793,863	51,710,435	46,083,428
GENERAL FUND DEPARTMENT SUBTOTAL:	2,545,541,426	2,002,913,139	542,628,287	2,493,835,788	1,946,521,510	547,314,278
CONTINGENCIES	16,550,071	-	16,550,071	54,439,879	-	54,439,879
RESERVE CONTRIBUTIONS	133,256,914	-	133,256,914	48,227,450	-	48,227,450
BOARD DISCRETIONARY FUND	5,852,564	-	5,852,564	4,206,259	-	4,206,259
NON DEPARTMENTAL APPROPRIATION	11,295,758	11,295,758	-	7,500,000	7,500,000	-
OPERATING TRANSFERS OUT	98,707,865	-	98,707,865	62,394,294	-	62,394,294
TOTAL COUNTYWIDE ALLOCATED COSTS:	265,663,172	11,295,758	254,367,414	176,767,882	7,500,000	169,267,882
GRAND TOTAL:	2,811,204,598	2,014,208,897	796,995,701	2,670,603,670	1,954,021,510	716,582,160

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

	2013-14 Adopted Budget	2013-14 Final Budget	2013-14 Actuals	2014-15 Adopted Budget
Services & Supplies	1,000,000	1,000,000	548,745	1,000,000
Other Charges	6,500,000	10,295,758	2,221,029	6,500,000
Total Expenditure Authority	7,500,000	11,295,758	2,769,774	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 2013-14, a mid-year increase of $3.8 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)/Property Tax Swap. All California counties had included the Triple Flip and VLF/Property Tax Swap in the base for the calculation of the cities' share of this fee. The Court 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

	2013-14 Adopted Budget	2013-14 Final Budget	2013-14 Actuals	2014-15 Adopted Budget
Operating Transfers Out				
One-Time				
Capital Improvement Fund - Relocate Sheriff's Aviation Division	4,500,000	4,500,000	4,500,000	-
Capital Improvement Fund - Expansion of Sheriff's Crime Lab	15,700,000	15,700,000	15,700,000	-
Capital Improvement Fund - Purchase of Building in Victorville	4,500,000	4,500,000	4,500,000	-
Capital Improvement Fund - Sheriff's Resident Post Improvements	150,000	150,000	150,000	-
Transfer to ICEMA - Loss of Court Fine Revenue	110,000	185,000	185,000	-
CDH Oversight Board	824,276	824,276	824,276	-
Transfer to Public Works - Transportation Projects	4,533,629	4,700,429	4,700,429	5,580,320
Capital Improvement Fund - High Desert Detention Center		4,811,750	4,811,750	-
Capital Improvement Fund - Land Purchase		2,200,000	2,200,000	-
Capital Improvement Fund - Sheriff's Control Center Upgrades		5,000,000	5,000,000	-
Capital Improvement Fund - Land Use Services Remodel		1,566,000	1,566,000	-
Capital Improvement Fund - Fleet Management/Public Works Pavement Rehab				1,398,564
Lucerne Valley CSA Park Improvements				70,000
Joshua Tree Sidewalks and Signage				75,000
Court Reorganization		200,000	200,000	-
Mojave Integrated Regional Water Management Plan			8,300	-
Preschool Services			41,458	-
Home Ownership Protection Program				200,000
ARMC Detainee Monitoring Facilities				100,000
Special Districts Drought/Water Supply				1,100,000
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
Special Districts - Water/Wastewater System for Regional Parks	1,000,000	1,000,000	741,961	1,000,000
General Fund Subsidy to County Fire Protection District				
Office of Emergency Services	1,257,695	1,257,695	1,257,695	1,601,228
North Desert Zone	6,125,129	6,125,129	6,125,129	6,772,984
South Desert Zone	3,746,648	3,746,648	3,746,648	3,228,163
Valley Zone	3,348,952	3,348,952	3,348,952	3,432,722
Mountain Zone	621,518	621,518	621,518	45,281
Equipment Purchases	3,500,000	3,500,000	3,500,000	2,719,564
Emergency Fuel	162,848	162,848	162,848	162,848
Court Settlement POB Payment				300,000
County Successor Agency to fund Sales Tax Sharing Agreement	250,000	250,000	132,449	250,000
Flood Control District Stormwater Permit	1,300,000	1,300,000	1,300,000	1,300,000
Total Operating Transfers Out	84,688,315	98,707,865	98,382,033	62,394,294

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 or contributed to reserves is budgeted in the contingencies for uncertainties.

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 2013-14 and 2014-15.

	2013-14 Adopted Budget	2013-14 Approved Contributions/ (Uses)	2014-15 Adopted Contributions / (Uses)	2014-15 Adopted Budget
Contingencies				
Mandatory Contingencies (1.5% of Locally Funded Appropriation)	8,491,998		431,946	8,923,944
Uncertainties Contingencies	180,870,374	(172,812,301)	37,457,862	45,515,935
Total Contingencies	**189,362,372**	**(172,812,301)**	**37,889,808**	**54,439,879**

2013-14 Changes to Uncertainties Contingencies

In 2013-14, quarterly budget reports and other mid-year adjustments resulted in a reduction to Uncertainties Contingencies of $172,812,301.

- $26,355,715 decrease due to $63,105,330 in revenue increases offset by $89,461,045 in appropriation increases. This reflects budget adjustments for the first quarter of 2013-14.
- $920,661 decrease due to $13,213,880 in revenue increases offset by $14,134,541 in appropriation increases. This reflects budget adjustments for the second quarter of 2013-14.
- $16,794,127 decrease allocated to departments to address the impacts of the Worker's Compensation rebate, which included increased rates to program participants and other impacts to the General Fund.
- $123,062,979 decrease due to $37,663,154 in revenue increases offset by $40,137,411 in appropriation increases and $120,588,722 in contributions to General Fund Reserves. This reflects budget adjustments for the third quarter of 2013-14.
- $5,678,819 decrease due to $4,733,569 in revenue decreases and $945,250 in appropriation increases. This reflects year-end budget adjustments for 2013-14.

2014-15 Mandatory Contingencies

The base allocation to the mandatory contingencies is $8,923,944, the amount required pursuant to Board policy, based on projected locally funded appropriation of $594.9 million.

2014-15 Uncertainties Contingencies

The amount in the uncertainties contingencies represents 2014-15 funding sources not appropriated for expenditure in the General Fund.

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 set aside funds to meet future needs.

	6/30/13 Ending Balance	Approved 2013-14 Contributions	Approved 2013-14 Uses	6/30/14 Ending Balance	Adopted 2014-15 Contributions	Adopted 2014-15 Uses	6/30/15 Estimated Balance
General Purpose Reserve	**70,830,305**	11,610,597		**82,440,902**			**82,440,902**
Specific Purpose Reserves							
Future Space Needs	22,878,705		(22,878,705)	-			-
Medical Center Debt Service	32,074,905			32,074,905			32,074,905
Retirement	8,500,000			8,500,000			8,500,000
Teeter	24,709,925		(13,040,084)	11,669,841			11,669,841
Insurance	3,000,000			3,000,000			3,000,000
Restitution	1,545,025			1,545,025			1,545,025
Earned Leave	3,596,277	7,006,860		10,603,137	7,945,799		18,548,936
Computer Systems:							
New Property Tax System	20,000,000			20,000,000			20,000,000
New Financial Accounting System	-	13,000,000		13,000,000			13,000,000
Permit Systems Upgrade	-	2,000,000		2,000,000	2,160,902		4,160,902
Capital Projects							
Rancho Court Remodel - District Attorney	-			-	1,570,000		1,570,000
Public Defender - Victorville/Rancho Court Remodel	-			-	600,000		600,000
Sheriff Building	-			-	5,000,000		5,000,000
Animal Shelter	-	10,000,000		10,000,000			10,000,000
County Buildings and Acquisition Retrofit Project	-	4,000,000		4,000,000			4,000,000
303 Building Upgrades	-	4,000,000		4,000,000			4,000,000
Lake Gregory Dam	-			-	5,000,000		5,000,000
Rim Forest Drainage	-	5,900,000		5,900,000			5,900,000
Transportation Projects							
Glen Helen Parkway Bridge Replacement/Widening Construction	-			-	1,844,651		1,844,651
Rock Springs Bridge Replacement /Widening Construction	-			-	2,107,000		2,107,000
National Trails Highway	-			-	5,000,000		5,000,000
Glen Helen Grade Separation	-	5,328,000		5,328,000		(5,328,000)	-
Jail Upgrades							
Glen Helen Rehabilitation Center 512 Bed Step Housing Program	-	22,500,000		22,500,000			22,500,000
Adelanto Detention Center	-	9,969,361		9,969,361			9,969,361
West Valley Detention Center ADA Improvements	-	7,000,000		7,000,000			7,000,000
Labor	-			-	15,100,000		15,100,000
Land Use Services General Plan/Development Code Amendments	-	5,400,000		5,400,000		(308,537)	5,091,463
Asset Replacement					1,899,098		1,899,098
Cal Fresh Waiver Discontinuance	-	5,000,000		5,000,000			5,000,000
Redevelopment Agency Overpayment	-	3,800,000		3,800,000			3,800,000
Worker's Compensation Rebate	-	16,742,096		16,742,096			16,742,096
Total Specific Purpose	**116,304,837**			**202,032,365**			**244,623,278**
Total Reserves	**187,135,142**			**284,473,267**			**327,064,180**

2013-14 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 2013-14 the general purpose reserve is increased by \$11.6 million which includes an early contribution for 2014-15. This brings the balance in the General Purpose

Reserve to 13.9% 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 2013-14:

- $101.8 million in contributions from contingency set-asides as part of the Third Quarter Budget Report,
- $7.0 million for the earned leave reserve,
- $4.0 million for the 303 Building Renovations Capital Project,
- $5.0 million for the Cal Fresh Waiver Discontinuance, and
- $3.8 million for overpayment relating to the dissolution of the Redevelopment Agencies.

2013-14 Approved Uses

- $22.9 million use of the full amount of the Future Space Needs reserve, and
- $13.0 million use of the Teeter Reserve, which is the amount that this reserve was funded in excess of the legal requirement.

2014-15 Adopted Contributions and Uses

For 2014-15, the adopted budget includes:

- $48.2 million of new contributions to reserves including:
    - $1.9 million to the asset replacement reserve,
    - $2.1 million for the Permit Systems upgrade,
    - $15.1 million to a labor reserve,
    - $7.9 million to the earned leave reserve,
    - $5.0 million to the Lake Gregory Dam capital project,
    - $9.0 million for Transportion projects, and
    - $7.2 million for various capital improvement projects.
- The use of $0.3 million of the reserve for Land Use Services General Plan/Development Code Amendments
- The use of the $5.3 million reserve for the Glen Helen Grade Separation to fund the Glen Helen Grade Separation project and various other transportation projects.

The chart on the following page shows recent history of the County Reserve levels.

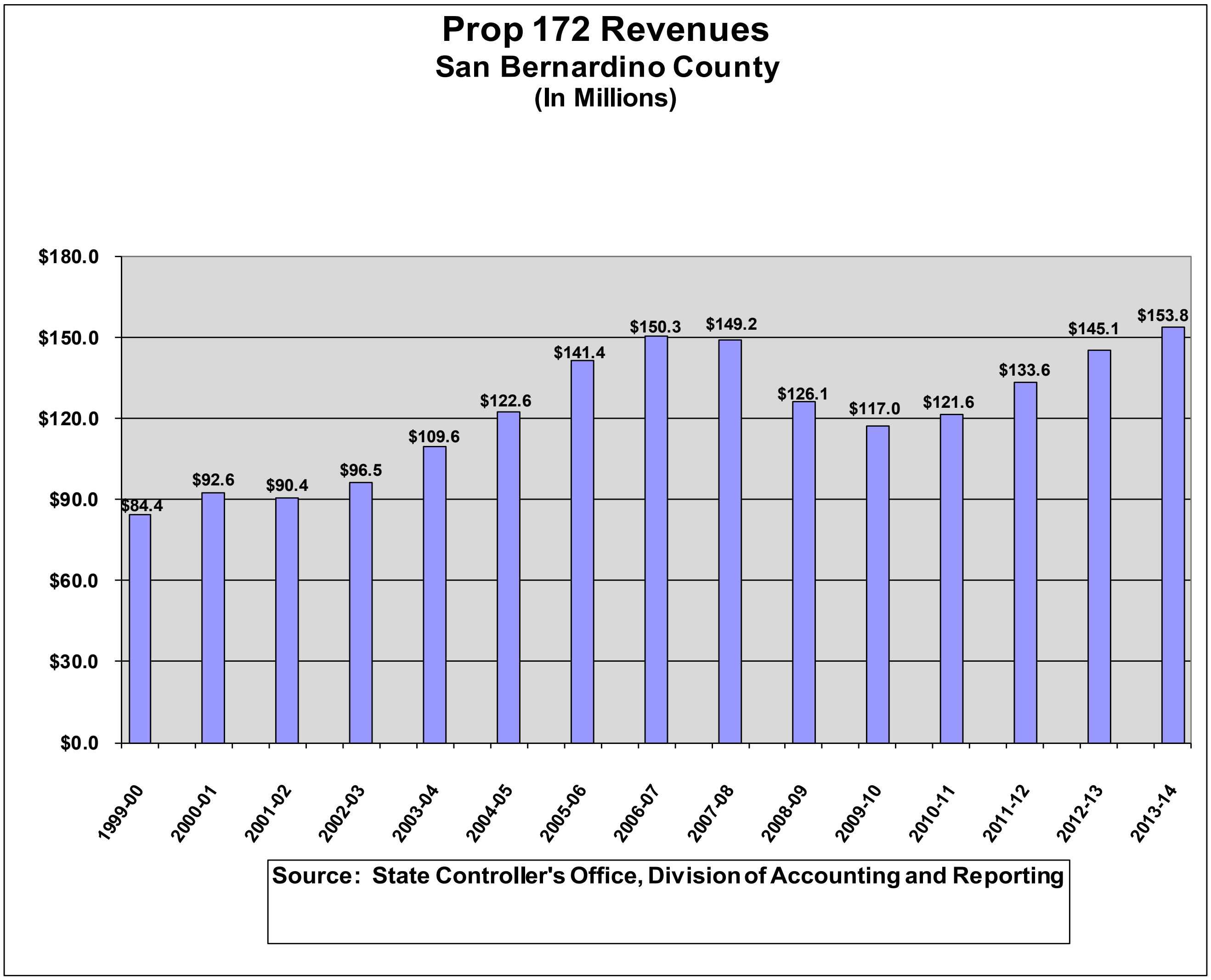
	Year End Actual Balances					Adopted
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
General Purpose	$ 59.7	$ 59.7	$ 65.2	$ 70.8	$ 82.4	$ 82.4
Specific Purpose						
Future Space Needs	55.5	22.9	22.9	22.9	-	-
Medical Center Debt Service	32.1	32.1	32.1	32.1	32.1	32.1
Retirement	46.5	8.5	8.5	8.5	8.5	8.5
Teeter	24.7	24.7	24.7	24.7	11.7	11.7
Insurance	3.0	3.0	3.0	3.0	3.0	3.0
Restitution	1.5	1.5	1.5	1.5	1.5	1.5
Earned Leave	-	-	3.6	3.6	10.6	18.5
Fire Facilities	2.0	3.0	4.0	-	-	-
Property Tax Admin Fee Litigation	-	-	14.2	-	-	-
Business Process Improvements	1.3	1.2	-	-	-	-
Justice Facilities	0.1	-	-	-	-	-
Computer Systems:						
Property Tax System	-	-	9.0	20.0	20.0	20.0
New Financial Accounting System	-	-	-	-	13.0	13.0
Permit Systems Upgrade	-	-	-	-	2.0	4.2
Capital Projects:	4.0	4.0				
Rancho Court Remodel - District Attorney	-	-	-	-	-	1.6
Public Defender - Victorville and Rancho Court Remodel	-	-	-	-	-	0.6
Sheriff Building	-	-	-	-	-	5.0
Animal Shelter	-	-	-	-	10.0	10.0
County Buildings and Acquisition Retrofit Project	-	-	-	-	4.0	4.0
303 Building Renovations	-	-	-	-	4.0	4.0
Lake Gregory Dam	-	-	-	-	-	5.0
Rim Forest Drainage	-	-	-	-	5.9	5.9
Transportation Projects:						
Glen Helen Pkwy Bridge Replacement/Widening	-	-	-	-	-	1.8
Rock Springs Bridge Replacement/Widening	-	-	-	-	-	2.1
National Trails Highway	-	-	-	-	-	5.0
Glen Helen Grade Separation	-	-	-	-	5.3	-
Jail Upgrades:						
Glen Helen Rehabilitation 512 Bed Step Housing	-	-	-	-	22.5	22.5
Adelanto Detention Center	-	-	-	-	10.0	10.0
West Valley Detention Center ADA Improvements	-	-	-	-	7.0	7.0
Asset Replacement	-	-	-	-	-	1.9
Labor	-	-	-	-	-	15.1
Workers Compensation Rebate	-	-	-	-	16.7	16.7
Land Use Services Code Amendments	-	-	-	-	5.4	5.1
Cal Fresh Waiver Discontinuance	-	-	-	-	5.0	5.0
Redevelopment Agency Overpayment	-	-	-	-	3.8	3.8
Subtotal - Specific Purpose	**170.7**	**100.9**	**123.5**	**116.3**	**202.0**	**244.6**
Total Reserves (1)	**$ 230.4**	**$ 160.7**	**$ 188.7**	**$ 187.1**	**$ 284.4**	**$ 327.0**

(1) Totals may not add due to rounding.

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 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 estimated ending fund balances of the Prop 172 restricted general fund, budgeted revenue and departmental usage for 2014-15, the required 10% contingency target, and the amount above that target.

	Beginning Fund Balance	2014-15 Budgeted Revenue	2014-15 Budgeted Usage	Estimated Ending Fund Balance	10% Contingency	Amount Above Required Contingency
Sheriff/Coroner	13,978,729	109,257,000	(109,200,000)	14,035,729	10,925,700	3,110,029
District Attorney	3,736,467	27,315,000	(27,300,000)	3,751,467	2,731,500	1,019,967
Probation	6,521,991	19,528,000	(19,500,000)	6,549,991	1,952,800	4,597,191
Total	**24,237,187**	**156,100,000**	**(156,000,000)**	**24,337,187**	**15,610,000**	**8,727,187**

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 one-half 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.

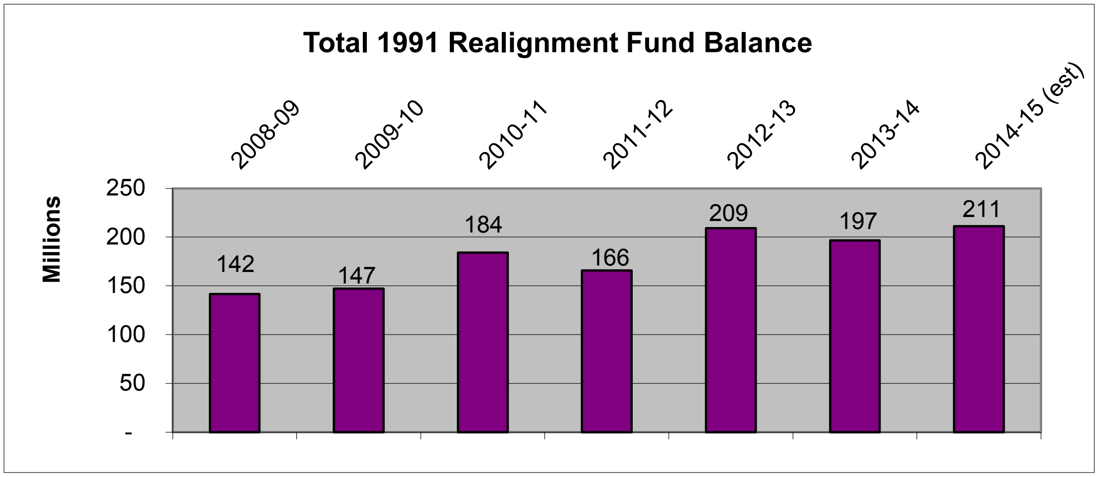
In addition to these program responsibility shifts, a number of programs had changes made to their cost sharing ratios. For example, prior to 1991 Realignment, Foster Care costs were funded by 95% State resources and 5% County resources. Now Foster Care is funded by 40% State resources and 60% County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

The 1991 Realignment program has some flaws in its design that adversely impact San Bernardino County 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, the demand for 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 tax and vehicle license fee 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 1991 Mental Health and 1991 Health Realignment funds.

Budgetary Note: The methodology used to present budget information in the 1991 and 2011 Realignment budget sections has changed in this 2014-15 Adopted Budget Book. Growth and ongoing revenues are now reflected in the period the revenue is received and is consistent with other County budget reporting. A line has been added for each fund to reflect prior year growth revenue received so it is shown separately from regular revenues received in the fund. Previously, financial information presented in the 1991 and 2011 Realignment budget sections was 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. 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 recent history of fund balance for all 1991 Realignment funds.



During 2009-10, revenue shortfalls in sales tax and vehicle license fee revenues, offset by even greater departmental savings, resulted in a slight increase in fund balance of $5 million for the period ending June 30, 2010.

During 2010-11, sales tax increased while VLF declined. 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. Statewide, sales tax and VLF increased; however, revenue levels still had not reached pre-recession peaks. At the same time the demands for County services continued to increase as economic recovery and job creation remained sluggish. As a result, departmental usage of realignment funds outpaced revenues by $18 million.

In 2012-13, sales tax and VLF revenues continued to come in strong. Even more encouraging was that both revenue sources saw growth funding paid in 2013-14. Program costs also increased slightly, but did not exceed revenues. In addition, the annual transfer of funds to ARMC was not needed and as a result the overall fund balance in 2012-13 spiked by $43 million.

For 2013-14, revenues were strong and $11 million in growth funding was received; however, demand for services and usage outpaced revenues. 1991 Realignment fund balances were drawn down by $12 million in 2013-14.

For 2014-15, some growth is expected in each of the funds, but has not been included in the budget at this time due to the uncertainty in the amount and the timing of the actual receipt of the funds in the subsequent budget cycle. Based on budgeted revenues and departmental usage, fund balance is projected to grow by $14 million in 2014-15.

BUDGET HISTORY FOR ALL 1991 REALIGNMENT BUDGET PAGES

	ACTUAL 2012-13	FINAL BUDGET 2013-14	ACTUAL 2013-14	ADOPTED BUDGET 2014-15
Beginning Fund Balance	165,673,368	209,101,861	209,101,861	196,565,174
Revenue	189,945,940	194,589,200	202,817,589	209,884,029
Prior Year Growth Revenue	14,356,408	-	11,197,266	-
Departmental Usage	160,873,855	239,407,173	226,551,541	195,160,322
Ending Fund Balance	209,101,861	164,283,888	196,565,174	211,288,881
Change in Fund Balance	43,428,493	(44,817,973)	(12,536,686)	14,723,707

For 2014-15, departmental usage of $195.2 million is less than the revenue projection of $209.9 million, resulting in a projected net increase of $14.7 million in total fund balance. This is primarily due to the revenue budget not reflecting the potential redirection of Health Realignment funds as a result of AB 85 legislation. This legislation requires a redirection of a portion of realignment revenues to offset state costs for CalWORKS since counties will receive more federal funding for health through Medi-Cal expansion. This redirection amount is uncertain at this time. Expenditure levels continue to be monitored closely, with specific measures being developed to align departmental usage to ongoing revenue and to maintain a sufficient fund balance amount for those years when a structurally balanced budget is not possible.

SUMMARY OF 1991 REALIGNMENT BUDGET UNITS FOR 2014-15

	Mental Health	Social Services	Health	Total
Beginning Fund Balance	47,364,635	81,189,104	68,011,436	196,565,174
Budgeted Revenue	56,470,492	100,745,583	52,667,953	209,884,029
Budgeted Departmental Usage	55,912,959	100,584,547	38,662,816	195,160,322
Budgeted 10% Transfers	-	-	-	-
Estimated Ending Fund Balance	47,922,168	81,350,140	82,016,573	211,288,881
Estimated Change in Fund Balance	557,533	161,036	14,005,137	14,723,707
Estimated Ending Fund Balance	47,922,168	81,350,140	82,016,573	211,288,881
10% Contingency Target	5,647,049	10,074,558	5,266,795	20,988,403
Available Ending Fund Balance	42,275,119	71,275,582	76,749,777	190,300,478

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 this provision over the years to help support either the health or social services programs. San Bernardino County has not done a 10% transfer in the prior four fiscal years and is not budgeting one for 2014-15. 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

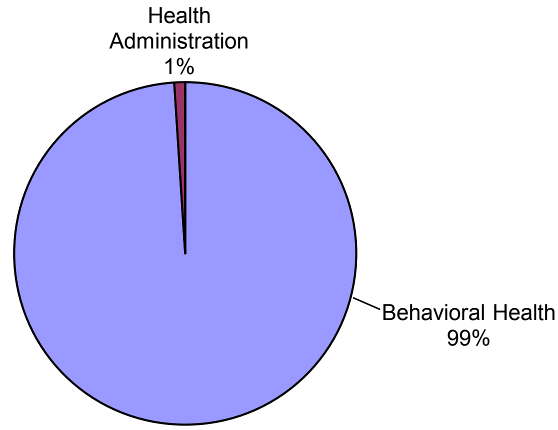
	ACTUAL 2012-13	FINAL BUDGET 2013-14	ACTUAL 2013-14	ADOPTED BUDGET 2014-15
Beginning Fund Balance	35,095,276	39,912,103	39,912,103	47,364,635
Revenue	55,911,027	46,683,964	56,884,377	56,470,492
Prior Year Growth Revenue	-	-	511,662	-
Departmental Usage	51,094,200	51,248,210	49,943,507	55,912,959
10% Transfers	-	-	-	-
Ending Fund Balance	39,912,103	35,347,857	47,364,635	47,922,168
Change in Fund Balance	4,816,828	(4,564,246)	7,452,532	557,533

For 2014-15, the Mental Health fund balance is projected to increase slightly. 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 saw a substantial increase in fund balance that should allow the fund to weather the unpredictability of revenue sources over the next few years. Some growth is expected in 2014-15, but has not been included in the budget at this time due to the uncertainty of the amount and the timing of the actual receipt of the funds in the subsequent budget cycle.

Breakdown of Departmental Usage of Mental Health 1991 Realignment

	ACTUAL 2012-13	FINAL BUDGET 2013-14	ACTUAL 2013-14	ADOPTED BUDGET 2014-15
Behavioral Health	50,771,657	50,664,878	49,785,925	55,342,753
Health Administration	322,543	583,332	157,582	570,206
Total Departmental Usage	51,094,200	51,248,210	49,943,507	55,912,959

2014-15 Adopted Budget



Social Services

	ACTUAL 2012-13	FINAL BUDGET 2013-14	ACTUAL 2013-14	ADOPTED BUDGET 2014-15
Beginning Fund Balance	54,109,512	62,273,692	62,273,692	81,189,104
Revenue	86,040,231	96,591,257	102,391,288	100,745,583
Prior Year Growth Revenue	14,356,408	-	7,550,210	-
Departmental Usage	92,232,459	99,085,635	91,026,086	100,584,547
10% Transfers	-	-	-	-
Ending Fund Balance	62,273,692	59,779,314	81,189,104	81,350,140
Change in Fund Balance	8,164,180	(2,494,378)	18,915,412	161,036

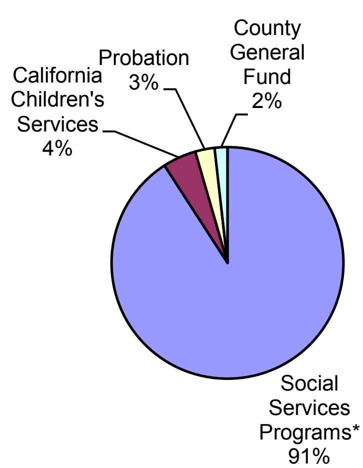
Social Services realignment revenue is composed primarily of sales tax. The split is currently 97% sales tax and 3% vehicle license fees. Some growth is expected in 2014-15, but has not been included in the budget at this time due to the uncertainty of the amount and the timing of the actual receipt of the funds in the subsequent budget cycle. Social Services has priority claim on any sales tax growth received. For 2014-15, budgeted expense and ongoing revenue are expected to result in a slight increase in fund balance. Department usage will continue to be monitored closely to ensure that fund balance is maintained at adequate levels.

Breakdown of Departmental Usage of Social Services 1991 Realignment

	ACTUAL 2012-13	FINAL BUDGET 2013-14	ACTUAL 2013-14	ADOPTED BUDGET 2014-15
Social Services Programs*	84,910,970	89,912,162	86,602,991	91,398,771
California Children's Services	2,821,859	4,673,843	2,624,095	4,686,146
Probation	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	92,232,459	99,085,635	91,026,086	100,584,547

* Social Services Programs include: Foster Care (AAB BHI), Administrative Claim matches (AAA DPA), Aid to Adoptive Children (AAB ATC) and Health Administration Support (AAA HCC).

2014-15 Adopted Budget



Health

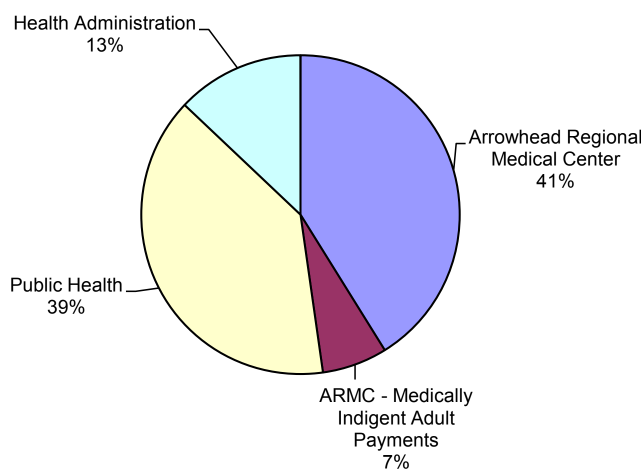
	ACTUAL 2012-13	FINAL BUDGET 2013-14	ACTUAL 2013-14	ADOPTED BUDGET 2014-15
Beginning Fund Balance	76,468,580	106,916,066	106,916,066	68,011,436
Revenue	47,994,682	51,313,979	43,541,924	52,667,953
Prior Year Growth Revenue	-	-	3,135,394	-
Departmental Usage	17,547,196	89,073,328	85,581,948	38,662,816
10% Transfers	-	-	-	-
Ending Fund Balance	106,916,066	69,156,717	68,011,436	82,016,573
Change in Fund Balance	30,447,486	(37,759,349)	(38,904,630)	14,005,137

The 2013-14 expenses include a $38.2 million use of fund balance due to Disproportionate Share Hospital returns for 2011-12 and 2012-13. For 2014-15, the Health fund is budgeted to have an increase in fund balance of $14 million. However, some of this increase may be used to cover the AB 85 redirection of realignment. Revenue is projected to increase slightly and departmental usage does not reflect using the potential AB 85 redirection.

Breakdown of Departmental Usage of Health 1991 Realignment

	ACTUAL 2012-13	FINAL BUDGET 2013-14	ACTUAL 2013-14	ADOPTED BUDGET 2014-15
Arrowhead Regional Medical Center	-	66,194,468	69,339,439	15,905,792
ARMC - Medically Indigent Adult Payments	-	2,550,000	2,550,000	2,550,000
Public Health	10,557,999	15,485,346	14,157,542	15,204,966
Health Administration	6,989,197	4,843,514	(465,033)	5,002,058
Total Departmental Usage	17,547,196	89,073,328	85,581,948	38,662,816

2014-15 Adopted Budget



2011 REALIGNMENT

In 2011, the state addressed prison overcrowding 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 on 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 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. Since that is no longer applicable, the County is more vulnerable to the market.

In addition, the State is directing 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 four service areas of 2011 Realignment (Law Enforcement Services, CalWORKs MOE, Support Services, and Family Support) have each been assigned their 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. The CalWORKs MOE and Family Support accounts provide funding 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 four service areas of 2011 Realignment.

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

BUDGET HISTORY FOR ALL 2011 REALIGNMENT BUDGET UNITS

	ACTUAL 2012-13	FINAL BUDGET 2013-14	ACTUAL 2013-14	ADOPTED BUDGET 2014-15
Beginning Fund Balance	23,268,280	29,539,174	29,539,174	34,539,524
Revenue	269,771,362	292,843,695	290,001,756	312,425,327
Prior Year Growth Revenue	0	0	27,587,833	0
Departmental Usage	263,500,468	329,235,213	312,589,238	318,895,112
Ending Fund Balance	29,539,174	(6,852,344)	34,539,524	28,069,739
Change in Fund Balance	6,270,894	(36,391,518)	5,000,350	(6,469,785)

NOTE: Based on past practice, in 2013-14 the realignment fund revenue budget was not increased when the departmental usage budget was increased, resulting in a deficit budget within the realignment fund. Actual results reflect that there was sufficient revenue to pay for authorized departmental usage.

Revenues received in 2013-14 exceeded departmental usage, resulting in an increase in fund balance of $5.0 million. For 2014-15, departmental usage of $318.9 million is anticipated to exceed the revenue projection of $312.4 million, resulting in a decrease in fund balance of $6.5 million; however, growth revenues have not been included in the budget at this time due to the uncertainty of the amount and the timing of the actual receipt of the funds. Departmental usage will continue to be monitored closely to ensure that fund balance is maintained at adequate levels.

SUMMARY OF 2011 REALIGNMENT BUDGET UNITS FOR 2014-15

	Law Enforcement	CalWORKs MOE	Support Services	Family Support	Total
Beginning Fund Balance	26,295,636	0	8,243,888	0	34,539,524
Budgeted Revenue	97,874,281	56,467,777	144,093,619	13,989,650	312,425,327
Budgeted Departmental Usage	104,344,066	56,467,777	144,093,619	13,989,650	318,895,112
Estimated Ending Fund Balance	19,825,851	0	8,243,888	0	28,069,739
Estimated Change in Fund Balance	(6,469,785)	0	0	0	(6,469,785)

LAW ENFORCEMENT SERVICES

The Law Enforcement Services fund has four sub-accounts: Trial Court Security (administered by the Sheriff/Coroner/Public Administrator'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 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 2011-12. The fund balance grew by an additional $9.6 million in 2012-13 as departments were unable to fully implement AB 109 programs as quickly as anticipated. Growth funds of $14.9 million were received in 2013-14, and departmental usage was slightly less than revenues received, resulting in an increase of $2.2 million in fund balance. For 2014-15, departmental usage is expected to exceed budgeted revenues; however, growth revenue has not been included in the budget at this time due to the uncertainty of the amount and the timing of the actual receipt of the funds.

Fund balance will be used for one time needs as appropriate. Detail of the fund balance for Law Enforcement Services is reflected in the following table.

LAW ENFORCEMENT SERVICES				
	ACTUAL 2012-13	FINAL BUDGET 2013-14	ACTUAL 2013-14	ADOPTED BUDGET 2014-15
Beginning Fund Balance	14,532,866	24,122,966	24,122,966	26,295,636
Revenue	90,520,522	101,376,195	101,519,789	97,874,281
Prior Year Growth Revenue	0	0	14,935,209	0
Departmental Usage	80,930,422	119,070,980	114,282,328	104,344,066
Ending Fund Balance	24,122,966	6,428,181	26,295,636	19,825,851
Change in Fund Balance	9,590,100	(17,694,785)	2,172,670	(6,469,785)

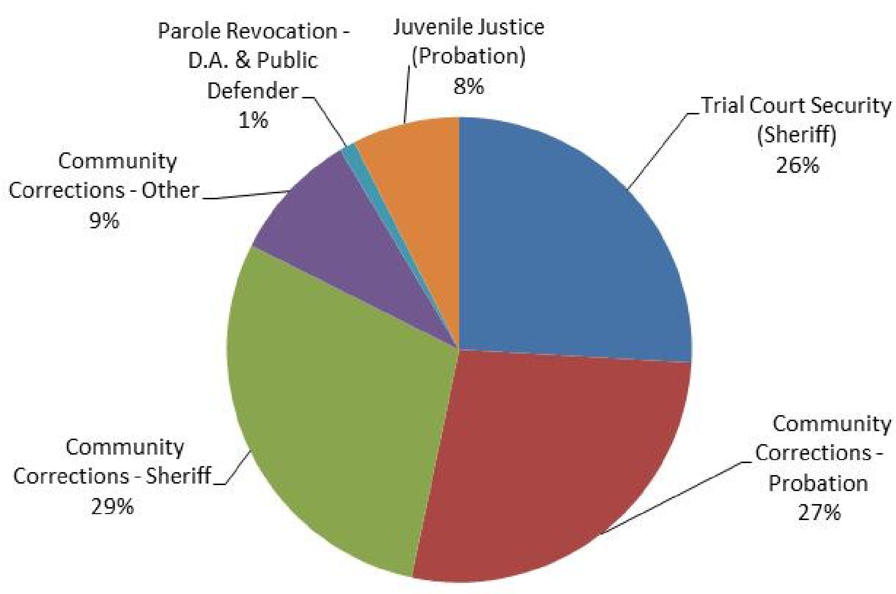
Beginning in 2015-16 a Local Innovation Account may be established by transferring 10% of growth from the sub-accounts in the Law Enforcement fund. Funds in the Local Innovation Account can be appropriated for use consistent with any of the sub-accounts.

Usage of 2011 Realignment funding for Law Enforcement Services is detailed in the table and chart on the next page.

BREAKDOWN OF LAW ENFORCEMENT DEPARTMENTAL USAGE

	ACTUAL 2012-13	FINAL BUDGET 2013-14	ACTUAL 2013-14	ADOPTED BUDGET 2014-15
Trial Court Security (Sheriff)	24,995,578	27,053,068	26,864,501	27,000,000
Community Corrections:				
Probation	16,957,885	38,115,816	33,089,832	28,603,628
Sheriff/Coroner/Public Administrator	25,128,163	35,691,235	35,704,940	30,372,021
District Attorney	1,429,049	2,843,626	2,843,626	2,870,581
Public Defender	1,010,583	2,169,593	2,169,610	2,031,824
Public Health	80,235	106,359	93,255	99,605
Aging and Adult Services	6,084	56,250	12,925	12,951
Behavioral Health	2,350,272	4,335,308	4,119,277	4,124,016
Workforce Development	141,315	159,003	192,506	182,000
Transitional Assistance	2,324	0	8,625	0
Human Resources	114,677	131,242	126,409	118,382
Parole Revocation:				
District Attorney	530,951	614,500	614,500	567,773
Public Defender	524,670	614,500	614,500	567,773
Juvenile Justice (Probation):				
Youthful Offender Block Grant	7,529,999	7,060,480	7,683,512	7,683,512
Juvenile Reentry	128,637	120,000	144,310	110,000
Total Departmental Usage	80,930,422	119,070,980	114,282,328	104,344,066

2014-15 Adopted Budget



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. Mental Health now receives a monthly flat amount from the new sales tax revenues received due to the passage of Proposition 30. There is not expected to be any fund balance, since amounts received are immediately transferred to the fund used for assistance payments to CalWORKs clients. Below is historical detail on the CalWORKs MOE fund.

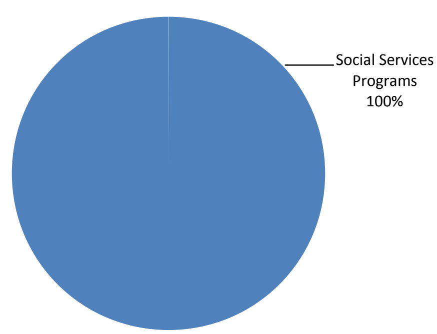
CalWORKs MOE

	ACTUAL 2012-13	FINAL BUDGET 2013-14	ACTUAL 2013-14	ADOPTED BUDGET 2014-15
Beginning Fund Balance	7,485,979	5,369,185	5,369,185	0
Revenue	45,280,810	48,154,774	52,316,452	56,467,777
Prior Year Growth Revenue	0	0	3,256,225	0
Departmental Usage	47,397,604	53,523,959	60,941,862	56,467,777
Ending Fund Balance	5,369,185	0	0	0
Change in Fund Balance	(2,116,794)	(5,369,185)	(5,369,185)	0

BREAKDOWN OF CalWORKs MOE DEPARTMENTAL USAGE

	ACTUAL 2012-13	FINAL BUDGET 2013-14	ACTUAL 2013-14	ADOPTED BUDGET 2014-15
Social Services Programs	47,397,604	53,523,959	60,941,862	56,467,777
Total Departmental Usage	47,397,604	53,523,959	60,941,862	56,467,777

2014-15 Adopted Budget



SUPPORT SERVICES

The Support Services fund has two sub-accounts: Behavioral Health and Protective Services. The 2011 Realignment legislation allows counties to allocate up to 10% between sub-accounts (Behavioral Health and Protective Services). The 10% is based on the amount deposited in the previous year in the sub-account with the lowest balance. The County is not budgeting a transfer between sub-accounts in 2014-15 and, in the event that such transfer is needed, Board of Supervisors approval is required. The Board of Supervisors also has the discretion to establish a Support Services Reserve Sub-account by up to five-percent (5%) from each sub-account's previous year's deposits. Additional historical detail of the Support Services fund is included in the tables below.

SUPPORT SERVICES

	ACTUAL 2012-13	FINAL BUDGET 2013-14	ACTUAL 2013-14	ADOPTED BUDGET 2014-15
Beginning Fund Balance	1,249,435	47,023	47,023	8,243,888
Revenue	133,970,030	143,312,726	129,170,689	144,093,619
Prior Year Growth Revenue	0	0	9,396,399	0
Departmental Usage	135,172,442	147,791,784	130,370,223	144,093,619
Ending Fund Balance	47,023	(4,432,035)	8,243,888	8,243,888
Change in Fund Balance	(1,202,412)	(4,479,058)	8,196,865	0

NOTE: Based on past practice, in 2013-14 the realignment fund revenue budget was not increased when the departmental usage budget was increased, resulting in a deficit budget within the realignment fund. Actual results reflect that there was sufficient revenue to pay for authorized departmental usage.

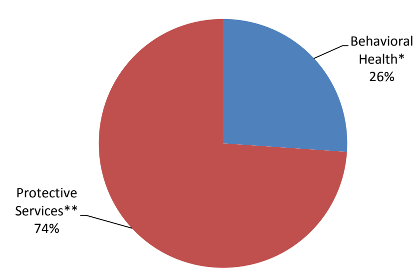
For 2013-14, revenues outpaced departmental usage, resulting in an increase in fund balance of $8.2 million. For 2014-15, departmental usage is expected to be in line with revenues, resulting in no change in the Support Services fund balance; however, growth is not included in the budget at this time due to the uncertainty of the amount and the timing of the actual receipt of the funds.

BREAKDOWN OF SUPPORT SERVICES DEPARTMENTAL USAGE

	ACTUAL 2012-13	FINAL BUDGET 2013-14	ACTUAL 2013-14	ADOPTED BUDGET 2014-15
Behavioral Health*	38,187,391	43,003,287	33,922,670	37,614,135
Protective Services**	96,985,051	104,788,497	96,447,553	106,479,484
Total Departmental Usage	135,172,442	147,791,784	130,370,223	144,093,619

*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, Child Abuse Prevention, and Probation Programs for Juveniles.

2014-15 Adopted Budget



FAMILY SUPPORT

This new fund was established in 2013-14 per Welfare and Institutions Code 17600.10(a)(5). Funding for Family Support comes from counties' indigent health care savings that will be redirected from counties' 1991 Realignment Health Subaccounts and moved to the new Family Support subaccount at the state level. Funds will then be allocated to counties from the Family Support subaccount in lieu of state general fund for CalWORKs assistance payments. The distribution of funds is still being determined, but it will be based on counties' CalWORKs general fund expenditures. There is not expected to be any fund balance since once funds are received, they are immediately transferred to the fund used for assistance payments to CalWORKs clients. Below is historical detail on the Family Support fund.

FAMILY SUPPORT

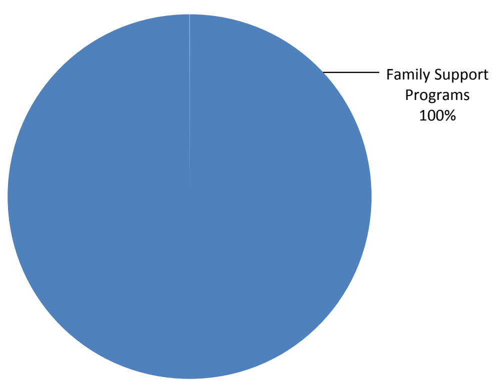
	ACTUAL 2012-13	FINAL BUDGET 2013-14	ACTUAL 2013-14	ADOPTED BUDGET 2014-15
Beginning Fund Balance	0	0	0	0
Revenue	0	0	6,994,825	13,989,650
Prior Year Growth Revenue	0	0	0	0
Departmental Usage	0	8,848,490	6,994,825	13,989,650
Ending Fund Balance	0	(8,848,490)	0	0
Change in Fund Balance	0	(8,848,490)	0	0

NOTE: Based on past practice, in 2013-14 the realignment fund revenue budget was not increased when the departmental usage budget was increased, resulting in a deficit budget within the realignment fund. Actual results reflect that there was sufficient revenue to pay for authorized departmental usage.

BREAKDOWN OF FAMILY SUPPORT USAGE

	ACTUAL 2012-13	FINAL BUDGET 2013-14	ACTUAL 2013-14	ADOPTED BUDGET 2014-15
Family Support Programs	0	8,848,490	6,994,825	13,989,650
Total Departmental Usage	0	8,848,490	6,994,825	13,989,650

2014-15 Adopted Budget



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 Supervisors 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 has been set-aside in general fund reserves for this project. 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. In 2013-14 the County released the Request for Proposal and is currently evaluating responses.

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

Below is a table detailing budgeted requirements for this unit in 2014-15.

	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Actual	2013-14 Final Budget	2014-15 Adopted Budget	Change From 2013-14 Final Budget
Requirements							
Staffing Expenses	0	0	0	0	0	0	**0**
Operating Expenses	0	0	78,635	52,637	421,365	368,728	**(52,637)**
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	78,635	52,637	11,921,365	11,868,728	**(52,637)**
Reimbursements	0	0	0	0	0	0	**0**
Total Appropriation	0	0	78,635	52,637	11,921,365	11,868,728	**(52,637)**
Operating Transfers Out	0	0	0	0	0	0	**0**
Total Requirements	0	0	78,635	52,637	11,921,365	11,868,728	**(52,637)**
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 Financing Sources	0	0	0	0	0	0	**0**
Net County Cost	0	0	78,635	52,637	11,921,365	11,868,728	**(52,637)**
				Budgeted Staffing	0	0	**0**