

## **DISCRETIONARY GENERAL FUNDING AND RESTRICTED FUNDS**

County General Fund operations of \$2.9 billion are funded with four major types of sources: countywide discretionary revenue (\$827.5 million), Proposition 172 revenue (\$164.8 million), 1991 and 2011 Realignment revenues (\$669.1 million), and departmental revenue (\$1.2 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 a reimbursement for overhead/indirect costs incurred by the General Fund, property tax administration revenues, recording fees, other State and federal aid, and other revenue. Additionally, the General Fund's available fund balance, use of reserves and operating transfers in, are other funding sources that 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 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 (1.0625%) revenue 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 by setting aside funds to meet future known obligations or to build reserves for large capital projects.

The following sections provide details of:

- The economic indicators that are factored into the County's fiscal plan.
- 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.

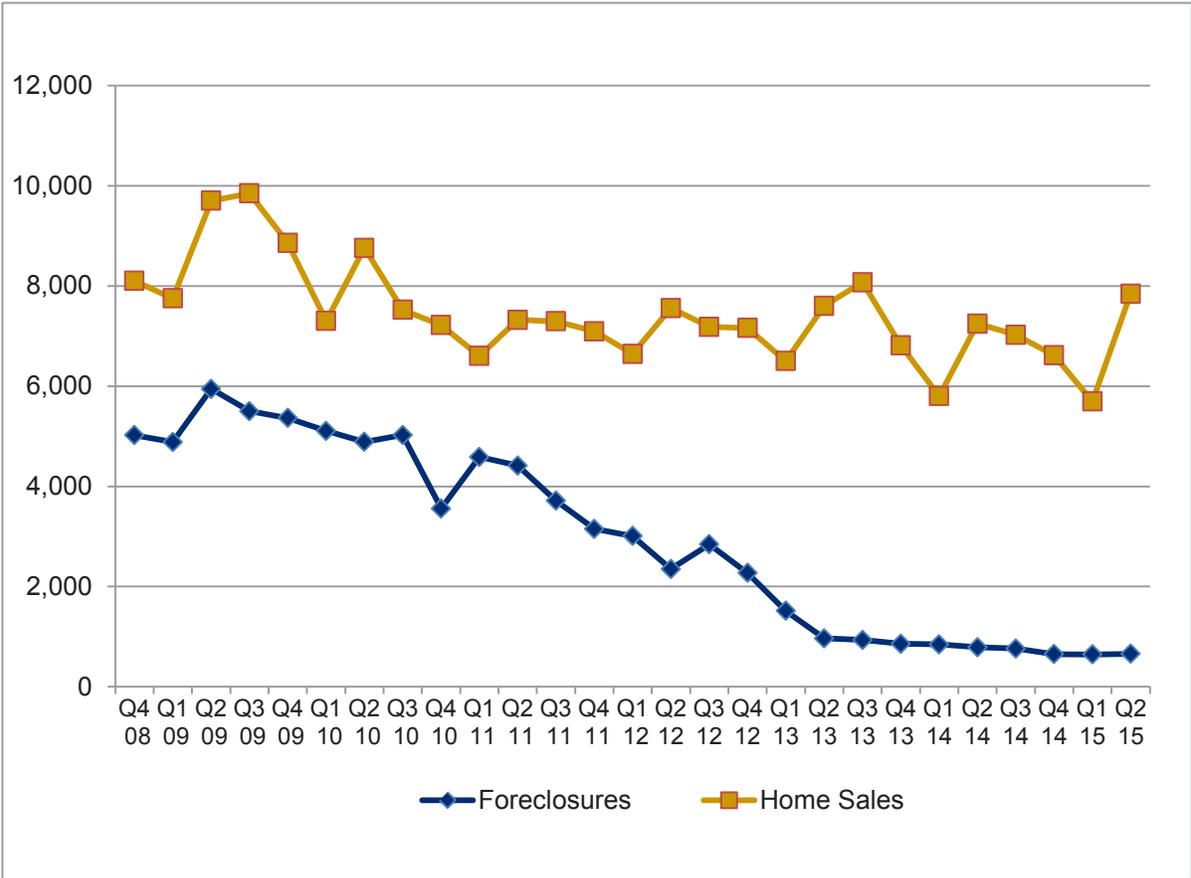


- The County Restricted General Fund – Automated Systems Development budget unit.

**ECONOMIC INDICATORS**

Property related revenue accounts for 59.4 percent of the County’s discretionary revenue and other funding sources. These revenues were severely impacted by the mortgage and financial crisis, which also 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 lowered valuations of properties (where no change in ownership has occurred) when the current assessed value of such property was greater than the fair market value of the property. However, as shown in the chart below, foreclosures have declined, from their peak of 7,899 experienced in the third quarter of 2008, down to 657 in the second quarter of 2015. In addition, as shown in the chart on the next page, the median home prices are rising.

**COUNTY OF SAN BERNARDINO  
FORECLOSURES/HOME SALES BY QUARTER  
QUARTER 4 2008 THROUGH QUARTER 2 2015**

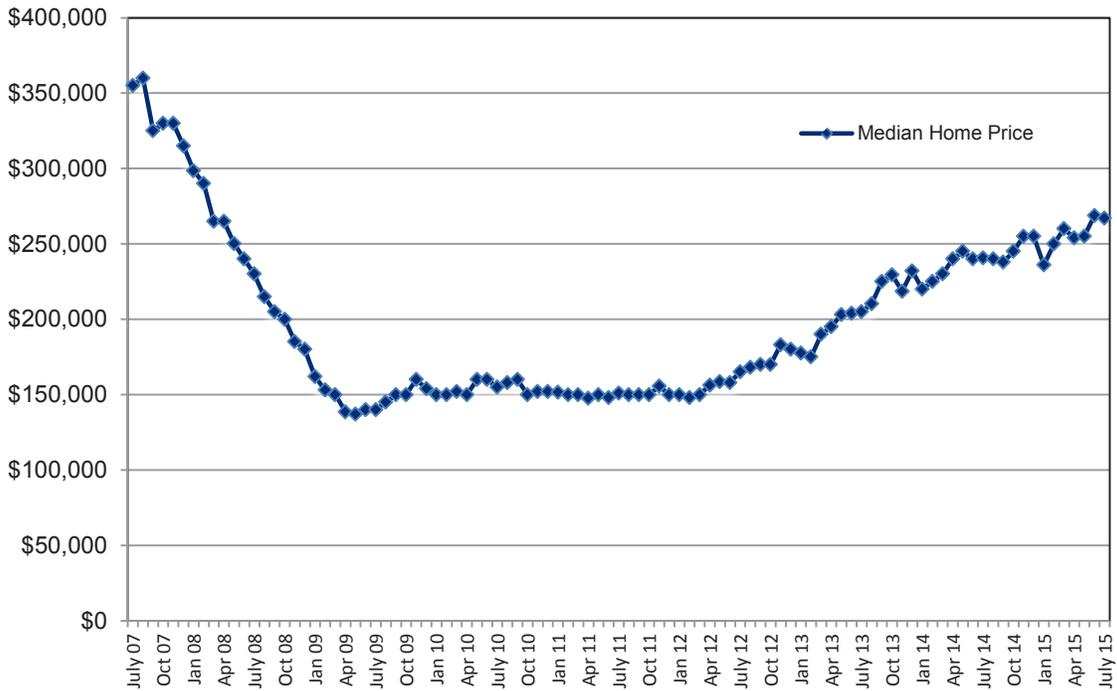


Source: County Assessor and CoreLogic/Dataquick



2014 foreclosures were down 28.5% from 2013, and for the second quarter of 2015 are down by 16.4%. 2014 Notices of Default were down by 15.7% from the prior year, and for the second quarter of 2015 are down 7.6%. As foreclosures decline, the County continues to see a rise in the median price of a home. The chart below shows the fluctuation in the median price over the past eight years. Prior to the steady increase 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 2015, the County's median home price has risen to \$267,000.

**COUNTY OF SAN BERNARDINO  
MEDIAN HOME PRICE BY MONTH  
JULY 2007 THROUGH JULY 2015**

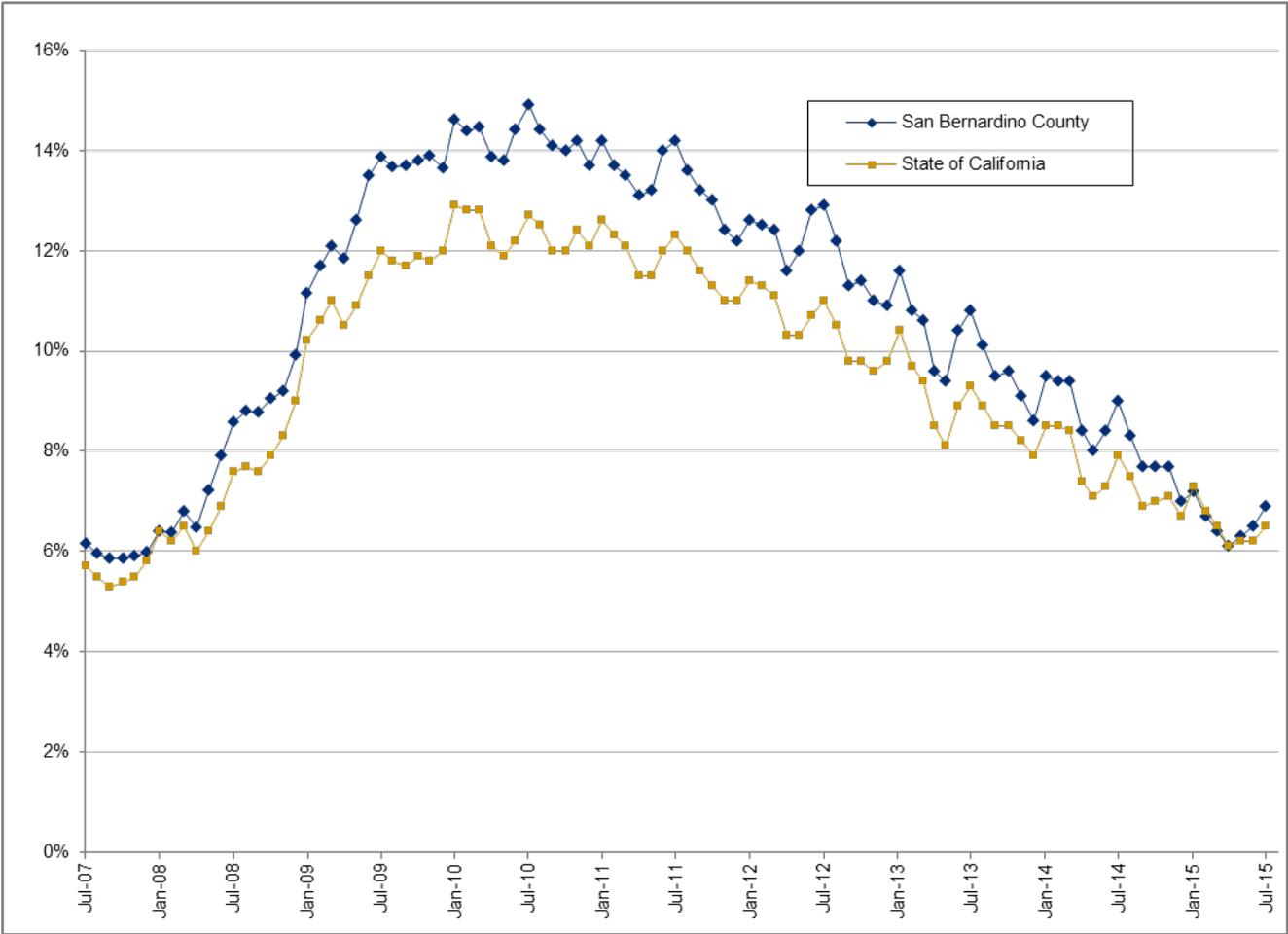


Source: CoreLogic/Dataquick



During the recession, in addition to the decline in property values, the loss of jobs in the County led to high levels of unemployment, as shown in the chart below. County unemployment reached 14.8% in July 2010. However conditions have improved. In 2014, 53,117 jobs were added, and total job gains since 2011 are 139,767, which is 97.8% of the 142,993 jobs lost during the recession. Job growth for 2015 is forecasted at 51,250, which, if achieved, will be the third consecutive year of growth exceeding 50,000 jobs. Unemployment has declined, returning to pre-recession levels at 6.9% as of July 2015, which compares to unemployment rates for the State and the Nation, which were 6.5% and 5.3%, respectively.

**COUNTY OF SAN BERNARDINO  
UNEMPLOYMENT RATES  
STATE OF CALIFORNIA AND SAN BERNARDINO COUNTY  
JULY 2007 THROUGH JULY 2015**



Source: State of California Employment Development Department



## **GENERAL FUND – FIVE YEAR FORECAST 2015-16 THROUGH 2019-20**

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 financial 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, and plan for the provision of services, capital assets, and infrastructure. It also helps the County to understand the fiscal challenges ahead and the need to establish priorities.

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.

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 forecast highlights significant issues or problems that must be addressed in order to maintain a structurally balanced budget.

### **Significant Issues Impacting the General Fund**

Mandated program shifts from the State, funded primarily with sales tax revenue, increase the County's exposure to sales tax fluctuations. Sales tax revenue tends to be more volatile and quicker to react to changes in the economy than property tax revenue.

Retirement costs are projected to continue to increase in 2015-16 due to the impact of a 0.25% decrease in the Retirement Board's earnings assumption and a change in the mortality tables. Projected increases also include the multi-year impact of a year to date shortfall in earnings.

Staffing for the High Desert Detention Center will require an additional \$27.6 million in funding through 2018-19.

The Affordable Care Act will impact Human Services departments and the Arrowhead Regional Medical Center as they are primary providers of Medi-Cal services. The longer term impacts of the Affordable Care Act remain difficult to forecast.



**TABLE 1  
FIVE-YEAR FINANCIAL FORECAST  
DISCRETIONARY GENERAL FUNDING  
FISCAL YEARS 2015-16 THROUGH 2019-20  
(dollars in millions)**

	<u>2015-16</u>	<u>Total Change 2015-16 through 2019-20</u>
<b><u>Ongoing Revenue Changes:</u></b>		
Property Tax	\$40.4	\$91.4
Proposition 172 Sales Tax	8.8	23.0
AB109 Realignment Revenue	9.1	9.1
Other Revenue	(1.9)	3.3
<b>Total Ongoing Revenue Change</b>	<b><u>\$56.4</u></b>	<b><u>\$126.8</u></b>
<b><u>Ongoing Cost Changes:</u></b>		
Retirement	(11.9)	(29.4)
Other MOU Costs	(6.0)	(6.2)
County Fire Subsidy Costs	(2.1)	(2.1)
Other Costs	(4.4)	(6.7)
Transportation Operations/Pavement Management Program (PCI)	(8.8)	(14.2)
Department Policy Items	(12.4)	(12.4)
<b>Total Change in Costs</b>	<b><u>(45.6)</u></b>	<b><u>(71.0)</u></b>
<b>Yearly Operating Available</b>	<b><u>\$10.8</u></b>	<b><u>\$55.8</u></b>
<b><u>Ongoing Costs Not Funded in the Ongoing Budget Plan</u></b>		
High Desert Detention Center Staffing	0.0	(27.6)
Glen Helen SB1022 Housing Program	<u>0.0</u>	<u>(1.2)</u>
<b>Subtotal Ongoing (Deficit)/Surplus including Ongoing Costs Not Funded</b>	<b><u>\$10.8</u></b>	<b><u>\$27.0</u></b>
Hypothetical Memoranda Of Understanding (MOU) Costs	<u>0.0</u>	<u>(44.7) to (67.8)</u>
<b>Annual Ongoing (Deficit)/Surplus including Ongoing Costs Not Funded</b>	<b><u>\$10.8</u></b>	<b><u>\$(17.7) to (40.8)</u></b>

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

Table 1 displays the County's 2015-16 detailed financial forecast and summarizes the County's five-year financial forecast. The forecast reflects ongoing expenditures funded with ongoing discretionary revenue in the County's General Fund. The forecast shows that ongoing revenues are increasing due to projected increases in property tax and Proposition 172 sales tax revenue. Ongoing Cost Changes reflect the cost to maintain current service levels and the cost of Department Policy Items. After accounting for these changes, the Yearly Operating Available is positive for the next five fiscal years, but appears to only support minimal increases in services or labor costs.

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 Table 1 as Ongoing Costs Not Funded in the Ongoing Budget Plan. After including these cost components, the County's General Fund has a cumulative structural surplus of \$27.0 million over the next five fiscal years.

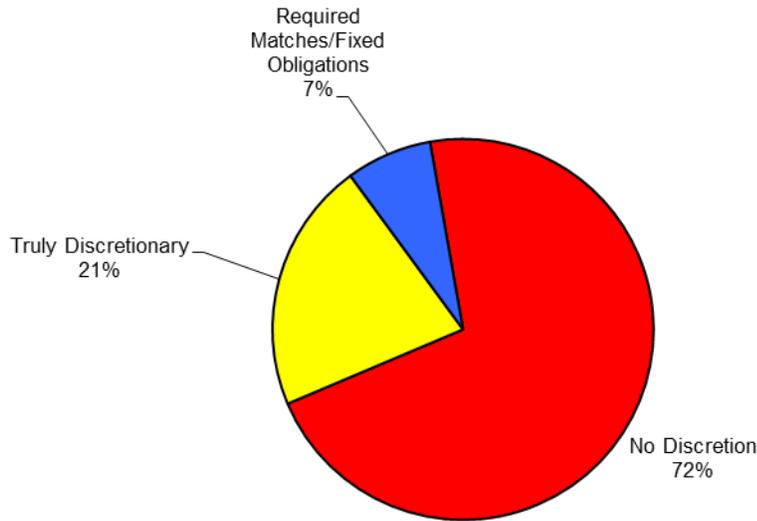
However, this forecast also illustrates the need for continued caution in allocating this surplus in light of upcoming and current negotiations with employee groups. The surplus could quickly revert to a deficit when potential Memoranda of Understanding (MOU) costs are included. Costs associated with future negotiations have been estimated and identified above as Hypothetical MOU Costs.



**COUNTYWIDE DISCRETIONARY REVENUE**

The entire General Fund budget including operating transfers in is \$2.9 billion, however, only \$0.62 billion (or 21.3%) is truly discretionary as seen in this pie chart.

**2015-16 Adopted Budget  
General Fund Spending**

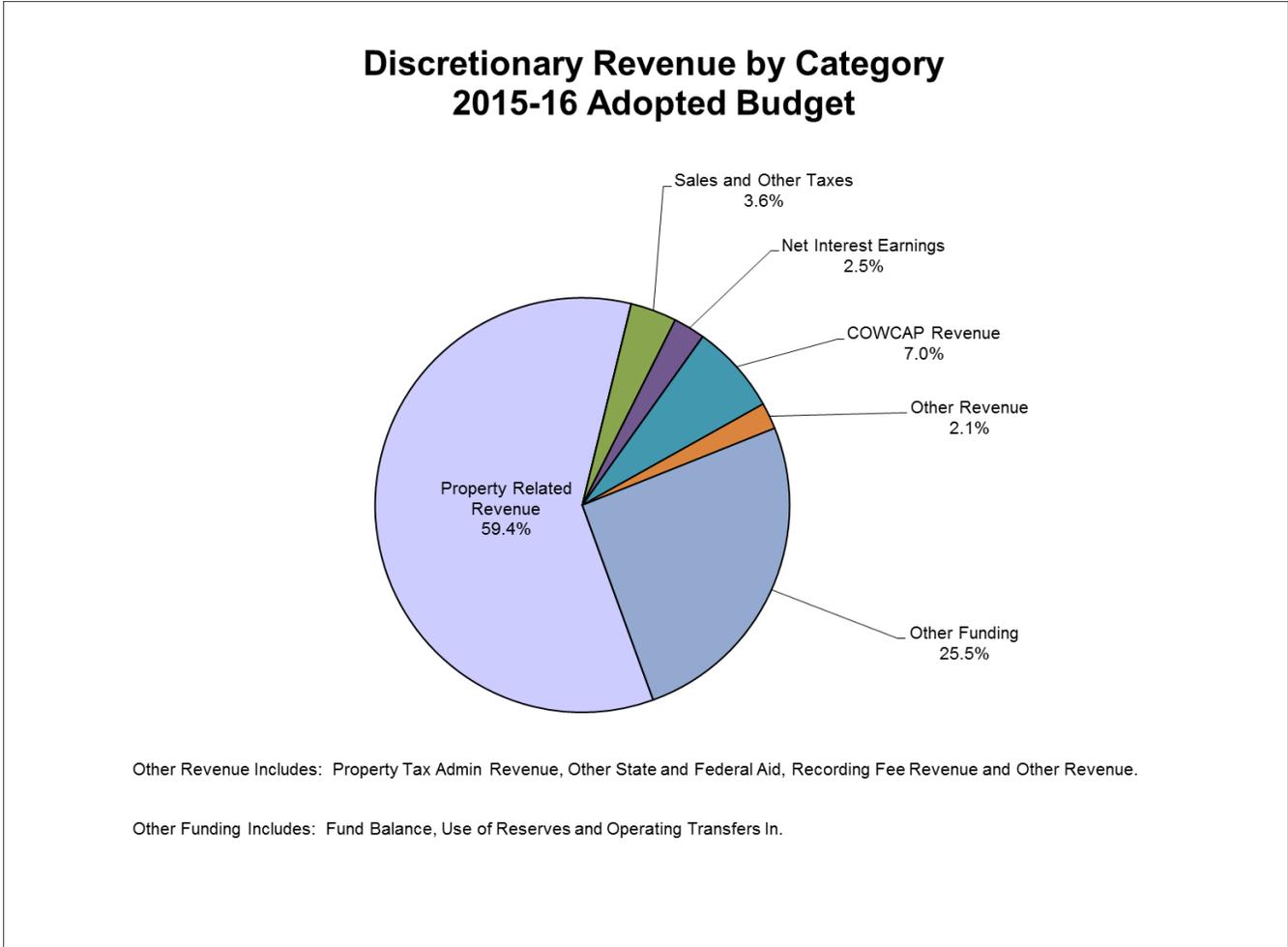


<b>SPENDING WHERE THERE IS NO DISCRETION. INCLUDES:</b>	<b>2,065,254,331</b>
Welfare costs reimbursed by state and federal monies (\$1,059.4 million)	
Other program costs funded by program revenues such as user fees (\$1,005.8 million)	
<b>REQUIRED HEALTH AND WELFARE MATCHES AND OTHER FIXED OBLIGATIONS:</b>	<b>210,882,751</b>
<b>SPENDING WHERE THERE IS DISCRETION. INCLUDES:</b>	<b>616,659,567</b>
Reserve Contributions (\$62.2 million)	
Contingencies Contributions (\$90.1 million)	
Law and justice program costs funded by local revenues (\$342.3 million)	
All other program costs funded by local revenues (\$122.1 million)	
<b>TOTAL:</b>	<b>\$2,892,796,649</b>

Countywide discretionary revenue is \$827,542,317 and is first obligated to pay for required health and welfare matches and other fixed obligations, which total \$210,882,751. The remaining amount of \$616,659,567 is truly discretionary and available to fund departmental budgets' Net County Cost or other expenditures.



Shown below are the sources of countywide discretionary revenue of \$827,542,317 for the 2015-16 Adopted Budget:



Percentages may not add to 100% due to rounding.



## COUNTYWIDE DISCRETIONARY REVENUE WHICH PAY FOR NET COUNTY COST

2015-16 Discretionary General Funding of \$827,542,317 includes Countywide Discretionary Revenue of \$616.5 million and Other Funding Sources of \$211.0 million. Per the County Fund Balance and Reserve Policy, the General Purpose Reserve will be built up with one-time sources until the target of 20% of locally funded appropriation is reached. The 2015-16 Adopted Budget includes a contribution of \$6,335,500 to the General Purpose Reserve (1% of locally funded appropriation) and brings the funding level to \$88,776,402, or 14.0% 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 \$9,502,656 for 2015-16.

	2014-15 Adopted Budget	2014-15 Final Budget	2014-15 Actual	2015-16 Adopted Budget
<b>Countywide Discretionary Revenue</b>				
Property Related Revenue:				
Current Secured, Unsecured, Unitary	221,098,140	237,459,788	258,146,521	249,353,638
VLF/Property Tax Swap	215,356,359	220,869,138	220,869,139	227,495,213
Supplemental Property Tax	3,000,000	3,000,000	7,051,072	3,000,000
Property Transfer Tax	7,500,000	7,500,000	7,591,463	7,500,000
Penalty on Current Taxes	2,160,000	2,160,000	1,978,873	2,160,000
Prior Property Taxes, Penalties and Interest	1,690,000	1,690,000	2,661,930	1,690,000
<b>Total Property Related Revenue<sup>(1)</sup></b>	<b>450,804,499</b>	<b>472,678,926</b>	<b>498,298,998</b>	<b>491,198,851</b>
Sales and Other Taxes:				
Sales and Use Tax <sup>(1)</sup>	20,245,138	20,245,138	22,451,262	21,561,071
Franchise Fees	5,950,000	5,950,000	6,868,411	5,950,000
Hotel/Motel Tax	1,500,000	1,500,000	2,055,886	1,500,000
Other Taxes	790,000	790,000	675,095	790,000
<b>Total Sales and Other Taxes</b>	<b>28,485,138</b>	<b>28,485,138</b>	<b>32,050,653</b>	<b>29,801,071</b>
Net Interest Earnings	20,550,000	18,496,227	22,108,188	20,550,000
COWCAP Revenue	57,921,243	57,921,243	57,758,145	57,921,243
Property Tax Admin Revenue	8,467,236	8,467,236	9,274,714	8,636,581
Recording Fee Revenue	3,500,000	3,500,000	2,866,649	2,850,000
State and Federal Aid	3,671,482	5,122,675	15,914,098	5,122,675
Other Revenue	430,000	430,000	457,721	430,000
<b>Total Countywide Discretionary Revenue</b>	<b>573,829,598</b>	<b>595,101,445</b>	<b>638,729,166</b>	<b>616,510,421</b>
<b>Other Funding Sources</b>				
Available Fund Balance, beginning	106,109,766	106,109,766	106,109,766	176,598,036
Fund Balance for Board Discretionary Fund Allocations	4,206,259	4,206,259	1,694,543	2,511,716
Use of Reserves	5,636,537	54,929,063	54,929,063	2,922,144
Operating Transfers In (One-Time)	5,700,000	6,403,696	3,058,794	12,000,000
Operating Transfers In (Ongoing)	21,100,000	21,100,000	20,914,791	17,000,000
<b>Total Other Funding Sources</b>	<b>142,752,562</b>	<b>192,748,784</b>	<b>186,706,957</b>	<b>211,031,896</b>
<b>Total Countywide Discretionary Revenue and Other Funding Sources</b>	<b>716,582,160</b>	<b>787,850,229</b>	<b>825,436,123</b>	<b>827,542,317</b>
<b>Locally Funded Appropriation</b>				
Total Countywide Discretionary Revenue	573,829,598	595,101,445	638,729,166	616,510,421
Operating Transfers In (Ongoing)	21,100,000	21,100,000	20,914,791	17,000,000
<b>Locally Funded Appropriation</b>	<b>594,929,598</b>	<b>616,201,445</b>	<b>659,643,957</b>	<b>633,510,421</b>



## **Countywide Discretionary Revenue**

Property Related Revenue accounts for 59.4% of countywide discretionary revenue and other funding sources. These revenues were severely impacted as a result of the mortgage and financial crisis, which also had a significant effect on the housing market within the County. Assessed valuation was negatively affected both by homes selling at prices lower than their current assessed valuation, and by Proposition 8 reassessments, which lowered valuations of properties (where no change in ownership has occurred) when the current assessed value of such property was greater than the fair market value of the property. However, the median price of a home in the County has risen 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 2015-16 Adopted Budget anticipates a 3.0% 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 4.0%, to account for potential downward corrections to the assessment roll during the fiscal year.

Subsequent to the adoption of the 2015-16 Budget, the Assessor/Recorder/County Clerk published the County's assessment roll that reflected an increase in assessed valuation of 5.1% for 2015-16. The County will analyze the roll increase and future supplemental roll activity to evaluate the need for budget adjustments in the quarterly 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 (residual) for local public agencies, including the County.

### 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 from 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 2015-16 as compared to the 2014-15 Final Budget.

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

#### **Current Secured, Unsecured, Unitary**

Secured Property Tax Revenue makes up approximately \$224.0 million of the \$249.4 million in the 2015-16 “Current Secured, Unsecured, Unitary” budgeted revenue number, up from \$212.6 million in the 2014-15 Final Budget. This reflects a projected increase in assessed valuation of 3.0%. This number also includes a \$5.0 million increase in residual revenue related to the dissolution of Redevelopment Agencies pursuant to ABx1 26 and 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’).

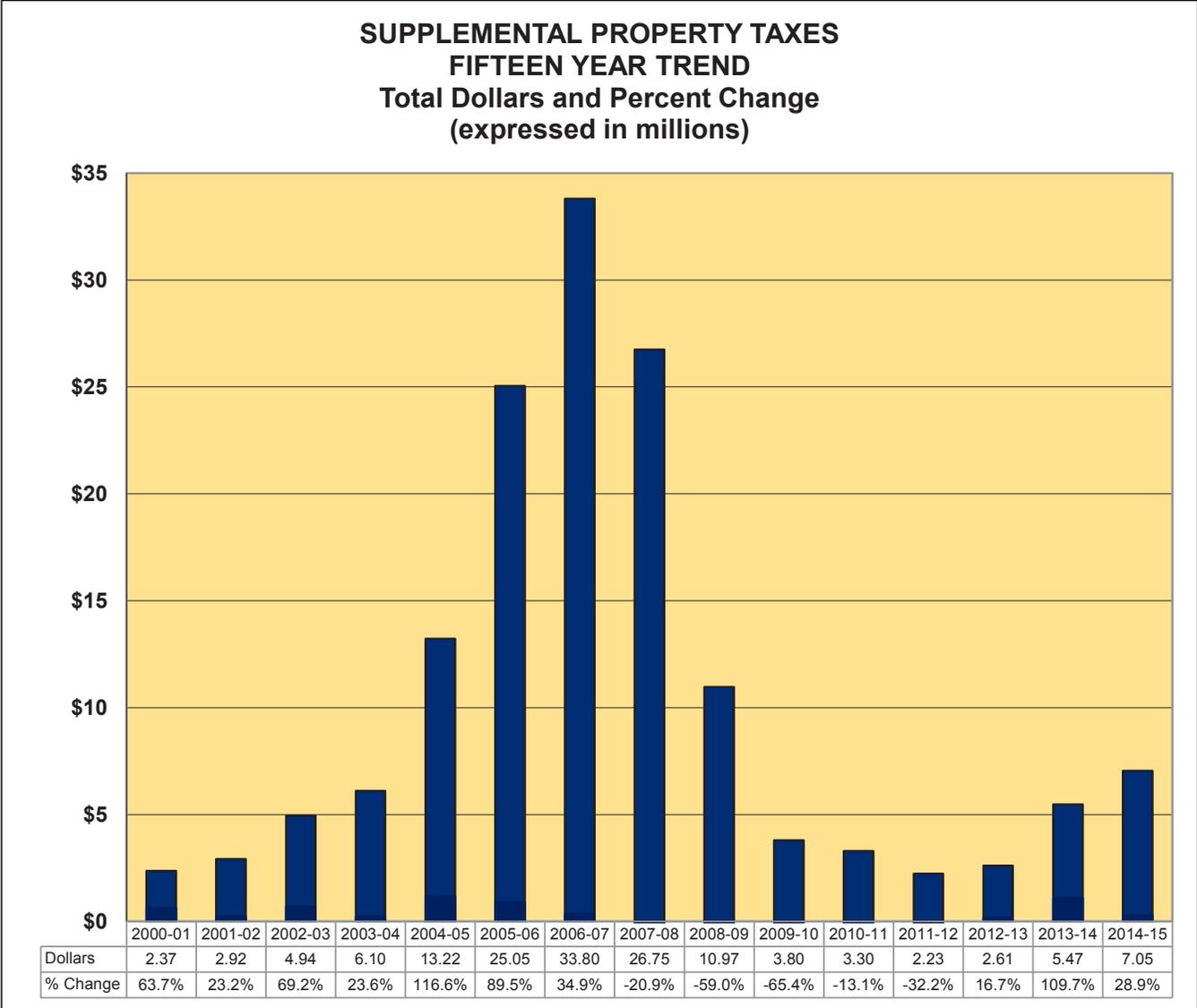
The VLF Backfill was eliminated in the 2004-05 State Budget. In that year, the VLF Backfill to cities and counties was permanently replaced with an equivalent increase in property tax revenues (VLF/Property Tax Swap revenues). This increase was funded by decreases in property tax revenues allocated to 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 2015-16 budget amount reflects the projected increase in assessed valuation of 3.0% as compared to the 2014-15 actual revenue.

#### **Supplemental Property Tax**

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



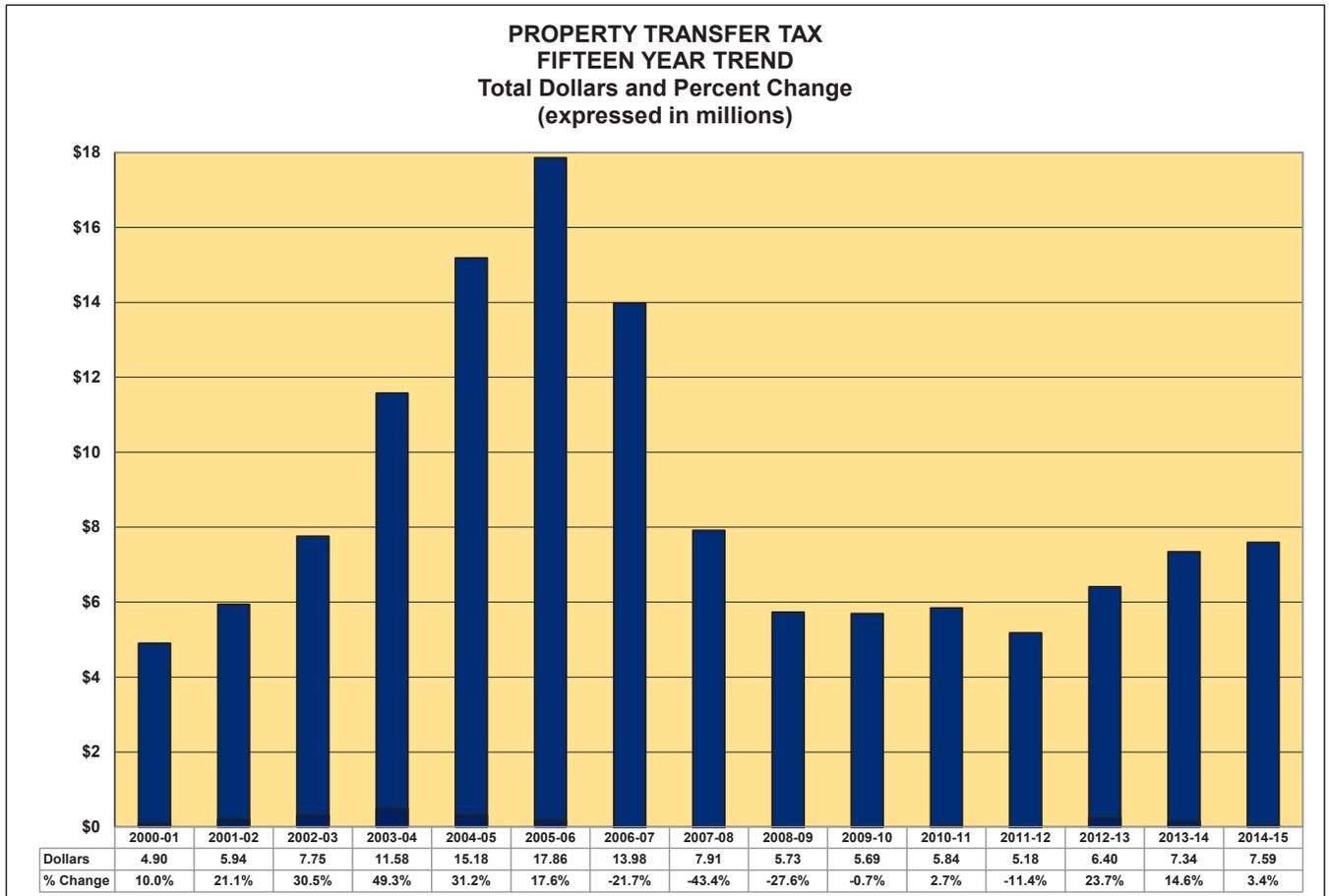


As shown in the chart above, supplemental property tax revenues have declined significantly since 2006-07 as a result of the collapse of the housing market. Supplemental revenue in 2012-13 showed the first year over year increase since 2006-07. In 2014-15, supplemental revenue increased 28.9% consistent with increased home values. The County projects the ongoing portion of these revenues to be \$3.0 million in 2015-16.



### 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 2015-16, consistent with 2014-15 revenue. The following chart presents the most recent fifteen year trend of property transfer tax revenue.



### 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.

#### Sales and Use Tax Allocation of 0.75%

When preparing the annual budget, the County projects future sales tax revenue based on data provided by a local economist and the County’s sales tax consultant. For 2015-16, Sales and Use Tax revenue is anticipated to increase by 6.5% over the prior year adopted budget amount.



2015-16 ongoing sales tax revenue in the unincorporated area is projected to total \$19.2 million (after adjusting for the Triple Flip). However, the County has budgeted only \$15.5 million for 2015-16. The sales tax revenue projection of \$15.5 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 2015-16, the County anticipates \$6.1 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. For 2015-16, a combined total of \$21.6 million is budgeted for Sales and Use Tax, \$15.5 million for the 0.75% Allocation and \$6.1 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 2015-16 are projected at \$20.6 million and anticipated to remain flat when compared to the 2014-15 Adopted Budget amount as there are no material changes to projected cash balances or penalties and interest earned from the Teeter program. For more information see the section 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 2015-16 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 COWCAP revenue to remain flat to the prior year's budget based on information provided by the Auditor-Controller/Treasurer/Tax Collector.

**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.

The 2015-16 Adopted budget anticipates revenue to be relatively flat compared to the 2014-15 Final Budget as there are no anticipated changes to supplemental property tax revenues and no material change in the County's cost to provide property tax assessment and collection services.

**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. With the drop off of investor sales and foreclosures, Recording Fees are expected to be consistent with the 2014-15 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 2015 (October 1, 2014 to September 30, 2015). It is anticipated that this revenue will remain flat as compared to 2015-16 actuals as there are no changes anticipated to the related programs in 2015-16.

**Other Revenue**

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



## **Other Funding Sources**

### **Fund Balance**

The 2014-15 year-end fund balance for the General Fund is \$179.1 million. This reflects fund balance that is available for appropriation. Fund balance is a result of unspent General Fund contingencies, departmental cost savings, and additional revenue.

### **Use of Reserves**

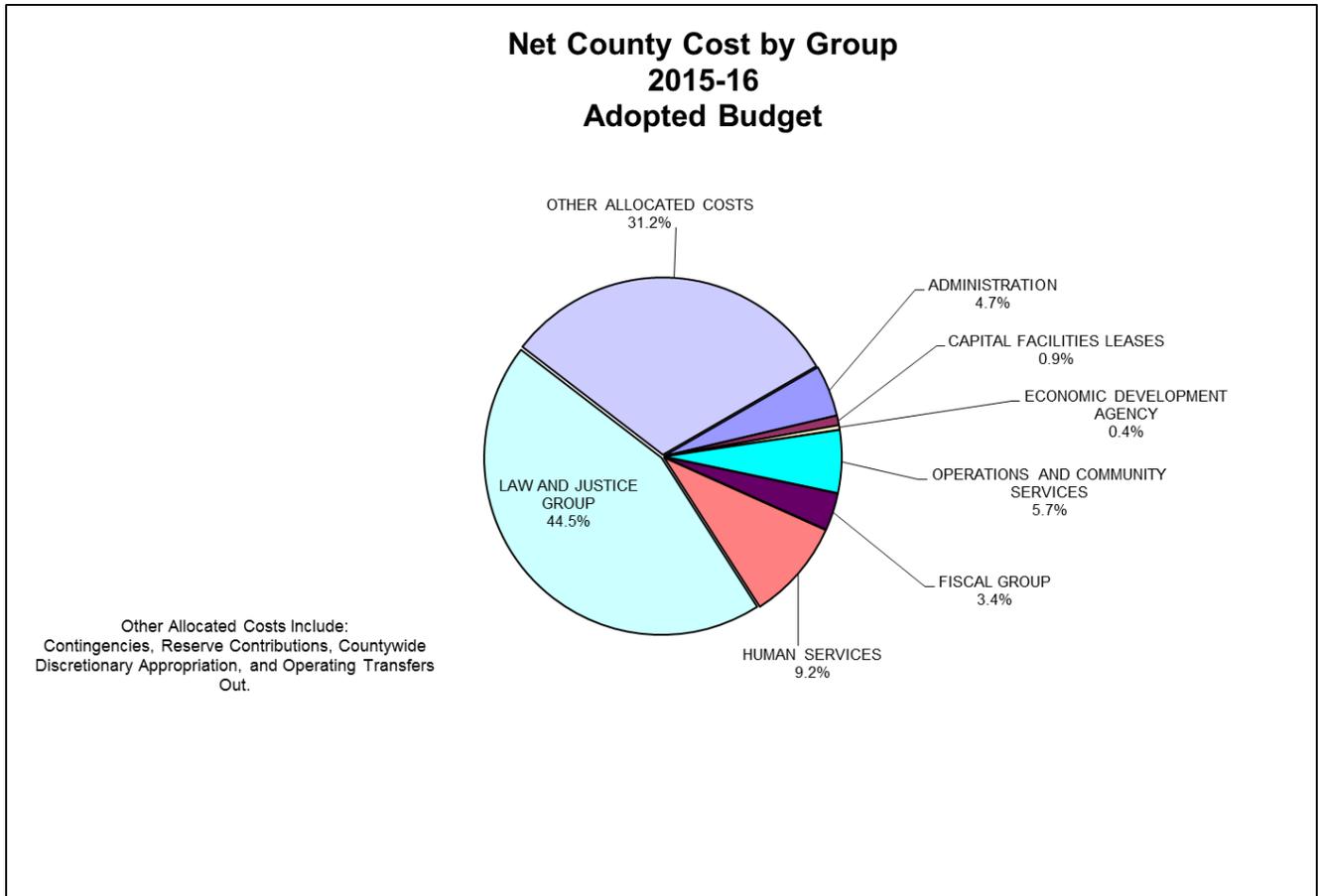
The 2015-16 Adopted Budget anticipates the use of \$2.9 million of General Fund reserves which includes funding for the General Plan Update, the Permit System upgrade, the Rimforest Drainage project, and the discontinuance of the CalFresh MOE waiver.

### **Operating Transfers In**

Operating transfers in include \$17.0 million of ongoing tobacco settlement funds which primarily fund a portion of the annual debt service on the Arrowhead Regional Medical Center, and ongoing funding for Public Health. One-time operating transfers in include \$8.5 million from County Fire for the 800 MHz project 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 2014-15 final Net County Cost and 2015-16 adopted Net County Cost by department. This schedule also includes requirements and sources, including operating transfers, which are mechanisms to move funding between the various county budget units. Operating transfers are presented in the following chart because the intended purpose is to provide a complete picture of the department's requirements and sources.



Department Title	2014-15 Final Budget:			2015-16 Adopted Budget:		
	Requirements	Sources	Net County Cost	Requirements	Sources	Net County Cost
BOARD OF SUPERVISORS (ALL DISTRICTS)	7,396,993	-	7,396,993	7,663,942	-	7,663,942
CLERK OF THE BOARD	2,272,765	248,293	2,024,472	2,104,475	236,172	1,868,303
COUNTY ADMINISTRATIVE OFFICE	4,581,242	-	4,581,242	4,933,719	-	4,933,719
COUNTY ADMINISTRATIVE OFFICE - LITIGATION	642,599	-	642,599	393,868	-	393,868
COUNTY COUNSEL	9,036,226	5,713,350	3,322,876	8,499,243	5,467,467	3,031,776
FINANCE AND ADMINISTRATION	2,931,480	-	2,931,480	3,048,110	-	3,048,110
HUMAN RESOURCES	7,925,458	780,623	7,144,835	6,987,076	749,563	6,237,513
HUMAN RESOURCES - UNEMPLOYMENT INSURANCE	4,000,500	-	4,000,500	4,000,500	-	4,000,500
HUMAN RESOURCES - EMPLOYEE HEALTH AND WELLNESS	2,152,634	2,152,634	-	1,985,423	1,985,423	-
INFORMATION SERVICES - GIS AND MULTI-MEDIA	2,379,118	216,872	2,162,246	2,387,498	216,872	2,170,626
PURCHASING	2,129,477	590,504	1,538,973	2,362,435	639,951	1,722,484
LOCAL AGENCY FORMATION COMMISSION	288,274	-	288,274	294,039	-	294,039
COUNTY SCHOOLS	3,270,620	-	3,270,620	3,139,352	-	3,139,352
<b>ADMINISTRATION SUBTOTAL:</b>	<b>49,007,386</b>	<b>9,702,276</b>	<b>39,305,110</b>	<b>47,799,680</b>	<b>9,295,448</b>	<b>38,504,232</b>
CAPITAL FACILITIES LEASES	13,622,776	-	13,622,776	12,940,810	5,700,000	7,240,810
<b>CAPITAL FACILITIES LEASES SUBTOTAL:</b>	<b>13,622,776</b>	<b>-</b>	<b>13,622,776</b>	<b>12,940,810</b>	<b>5,700,000</b>	<b>7,240,810</b>
ECONOMIC DEVELOPMENT	3,586,408	155,000	3,431,408	3,513,630	155,000	3,358,630
<b>ECONOMIC DEVELOPMENT AGENCY SUBTOTAL:</b>	<b>3,586,408</b>	<b>155,000</b>	<b>3,431,408</b>	<b>3,513,630</b>	<b>155,000</b>	<b>3,358,630</b>
ASSESSOR/RECORDER/COUNTY CLERK	23,345,394	7,145,500	16,199,894	23,385,365	6,961,500	16,423,865
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR	37,500,566	26,603,327	10,897,239	39,324,296	27,581,097	11,743,199
<b>FISCAL SUBTOTAL:</b>	<b>60,845,960</b>	<b>33,748,827</b>	<b>27,097,133</b>	<b>62,709,661</b>	<b>34,542,597</b>	<b>28,167,064</b>
HEALTH ADMINISTRATION	122,670,613	107,670,613	15,000,000	120,279,015	105,279,015	15,000,000
BEHAVIORAL HEALTH	172,458,799	170,466,588	1,992,211	185,423,229	183,431,018	1,992,211
PUBLIC HEALTH	81,235,658	76,846,574	4,389,084	83,381,075	79,000,080	4,380,995
PUBLIC HEALTH - CALIFORNIA CHILDREN'S SERVICES	21,359,774	16,673,628	4,686,146	21,778,580	17,092,434	4,686,146
PUBLIC HEALTH - INDIGENT AMBULANCE	472,501	-	472,501	472,501	-	472,501
AGING AND ADULT SERVICES	9,764,727	9,764,727	-	9,373,472	9,373,472	-
AGING AND ADULT SERVICES - PUBLIC GUARDIAN-CONSERVATOR	1,041,639	402,951	638,688	1,115,851	230,513	885,338
CHILD SUPPORT SERVICES	40,355,804	40,339,593	16,211	39,988,504	39,988,504	-
HUMAN SERVICES - ADMINISTRATIVE CLAIM	519,081,932	504,589,519	14,492,413	544,925,782	528,187,504	16,738,278
DOMESTIC VIOLENCE/CHILD ABUSE SERVICES	531,812	531,812	-	531,812	531,812	-
ENTITLEMENT PAYMENTS (CHILDCARE)	26,360,535	26,360,535	-	26,477,701	26,477,701	-
OUT-OF-HOME CHILD CARE	942,566	-	942,566	960,566	-	960,566
AID TO ADOPTIVE CHILDREN	59,808,232	57,758,712	2,049,520	63,612,155	61,562,635	2,049,520
AFDC - FOSTER CARE	125,203,480	107,905,073	17,298,407	133,044,207	114,470,799	18,573,408
REFUGEE CASH ASSISTANCE	91,197	81,197	10,000	125,000	125,000	-
CASH ASSISTANCE FOR IMMIGRANTS	2,171,954	2,171,954	-	2,521,954	2,521,954	-
CALWORKS - ALL OTHER FAMILIES	261,137,220	255,689,925	5,447,295	258,658,750	253,267,251	5,391,499
KINSHIP GUARDIANSHIP ASSISTANCE PROGRAM	9,341,496	8,300,659	1,040,837	10,559,739	9,434,054	1,125,685
SERIOUSLY EMOTIONALLY DISTURBED	-	-	-	-	-	-
CALWORKS - 2 PARENT FAMILIES	45,900,248	44,857,681	1,042,567	45,949,621	44,905,012	1,044,609
AID TO INDIGENTS (GENERAL RELIEF)	1,436,197	370,000	1,066,197	1,571,708	198,000	1,373,708
VETERANS AFFAIRS	2,426,337	971,864	1,454,473	2,167,009	642,500	1,524,509
<b>HUMAN SERVICES SUBTOTAL:</b>	<b>1,503,792,721</b>	<b>1,431,753,605</b>	<b>72,039,116</b>	<b>1,552,918,231</b>	<b>1,476,719,258</b>	<b>76,198,973</b>
COUNTY TRIAL COURTS - DRUG COURT PROGRAMS	46,971	46,971	-	-	-	-
COUNTY TRIAL COURTS - GRAND JURY	429,069	-	429,069	453,461	-	453,461
COUNTY TRIAL COURTS - INDIGENT DEFENSE PROGRAM	10,046,137	32,000	10,014,137	10,369,383	32,000	10,337,383
COUNTY TRIAL COURTS - COURT FACILITIES/JUDICIAL BENEFITS	1,211,889	-	1,211,889	1,211,897	-	1,211,897
COUNTY TRIAL COURTS - COURT FACILITIES PAYMENTS	2,676,349	-	2,676,349	2,676,349	-	2,676,349
COUNTY TRIAL COURTS - FUNDING OF MAINTENANCE OF EFFORT	25,509,703	14,182,000	11,327,703	25,509,881	14,182,000	11,327,881
DISTRICT ATTORNEY - CRIMINAL PROSECUTION	67,326,704	35,174,829	32,151,875	71,719,317	37,441,867	34,277,450
LAW & JUSTICE GROUP ADMINISTRATION	90,208	90,208	-	90,208	-	90,208
PROBATION - ADMINISTRATION, CORRECTIONS AND DETENTION	164,201,538	88,807,019	75,394,519	146,321,121	71,809,445	74,511,676
PROBATION - JUVENILE JUSTICE GRANT PROGRAM	75,161	-	75,161	-	-	75,161
PUBLIC DEFENDER	36,235,593	3,783,518	32,452,075	38,296,378	4,219,996	34,076,382
SHERIFF/CORONER/PUBLIC ADMINISTRATOR	219,738,569	157,525,640	62,212,929	224,351,828	158,908,696	65,443,132
SHERIFF - DETENTIONS	177,244,851	47,476,686	129,768,165	190,539,471	56,534,052	134,005,419
SHERIFF - CONTRACTS	128,971,801	128,076,620	895,181	135,283,154	135,283,154	-
<b>LAW AND JUSTICE SUBTOTAL:</b>	<b>833,804,543</b>	<b>475,195,491</b>	<b>358,609,052</b>	<b>846,822,448</b>	<b>478,501,418</b>	<b>368,321,030</b>
AGRICULTURE/WEIGHTS AND MEASURES	7,334,109	5,897,567	1,436,542	6,918,980	5,542,860	1,376,120
AIRPORTS	3,517,671	3,517,671	-	2,958,485	2,958,485	-
ARCHITECTURE AND ENGINEERING	20,000	-	20,000	-	-	20,000
COMMUNITY SERVICES GROUP - ADMIN	-	-	-	270,000	-	270,000
COUNTY MUSEUM	3,669,812	766,014	2,903,798	3,252,267	320,150	2,932,117
LAND USE SERVICES - ADMINISTRATION	2,260,006	21,500	2,238,506	772,625	-	772,625
LAND USE SERVICES - PLANNING	13,509,083	4,187,107	9,321,976	7,794,736	3,146,034	4,648,702
LAND USE SERVICES - LAND DEVELOPMENT	1,250,695	548,398	702,297	1,013,282	384,810	628,472
LAND USE SERVICES - BUILDING AND SAFETY	5,569,367	5,061,075	508,292	4,865,458	4,308,719	556,739
LAND USE SERVICES - CODE ENFORCEMENT	5,815,329	858,000	4,957,329	5,969,552	755,500	5,214,052
LAND USE SERVICES - FIRE HAZARD ABATEMENT	2,552,699	2,303,869	248,830	2,535,360	2,255,165	280,195
PUBLIC WORKS-SURVEYOR	3,405,098	2,829,463	575,635	3,243,549	2,502,675	740,874
REAL ESTATE SERVICES (RES)	1,164,639	1,164,639	-	1,237,791	1,237,791	-
RES - FACILITIES MANAGEMENT	14,349,231	13,736,172	613,059	15,915,558	15,707,558	208,000
RES - UTILITIES	20,372,321	283,329	20,089,992	20,893,815	347,495	20,546,320
RES - RENTS AND LEASES	1,008,033	1,008,033	-	943,284	943,284	-
RES - COURTS PROPERTY MANAGEMENT	2,292,520	2,292,520	-	2,064,941	2,064,941	-
REGIONAL PARKS	11,369,706	7,906,571	3,463,135	10,216,598	8,112,420	2,104,178
REGISTRAR OF VOTERS	8,645,714	2,012,240	6,633,474	9,205,388	2,252,723	6,952,665
<b>OPERATIONS AND COMMUNITY SERVICES SUBTOTAL:</b>	<b>108,106,033</b>	<b>54,394,168</b>	<b>53,711,865</b>	<b>100,071,669</b>	<b>52,840,610</b>	<b>47,231,059</b>
<b>GENERAL FUND DEPARTMENT SUBTOTAL:</b>	<b>2,572,765,827</b>	<b>2,004,949,367</b>	<b>567,816,460</b>	<b>2,626,776,129</b>	<b>2,057,754,331</b>	<b>569,021,798</b>
CONTINGENCIES	90,879,155	-	90,879,155	99,574,897	-	99,574,897
RESERVE CONTRIBUTIONS	49,689,395	-	49,689,395	68,515,086	-	68,515,086
BOARD DISCRETIONARY FUND	4,206,259	-	4,206,259	2,511,716	-	2,511,716
NON DEPARTMENTAL APPROPRIATION	9,553,773	9,553,773	-	7,500,000	7,500,000	-
OPERATING TRANSFERS OUT	75,258,960	-	75,258,960	87,918,821	-	87,918,821
<b>TOTAL COUNTYWIDE ALLOCATED COSTS:</b>	<b>229,587,542</b>	<b>9,553,773</b>	<b>220,033,769</b>	<b>266,020,520</b>	<b>7,500,000</b>	<b>258,520,520</b>
<b>GRAND TOTAL:</b>	<b>2,802,353,369</b>	<b>2,014,503,140</b>	<b>787,850,229</b>	<b>2,892,796,649</b>	<b>2,065,254,331</b>	<b>827,542,318</b>

NOTE: Total countywide allocated costs on this schedule includes appropriation for Non Departmental budget unit. This appropriation is offset in the countywide discretionary revenue schedule on the net interest earnings line.



**APPROPRIATION****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.

	<b>2014-15 Adopted Budget</b>	<b>2014-15 Final Budget</b>	<b>2014-15 Actuals</b>	<b>2015-16 Adopted Budget</b>
Services & Supplies	1,000,000	1,000,000	488,740	1,000,000
Other Charges	6,500,000	8,553,773	3,791,991	6,500,000
<b>Total Expenditure Authority</b>	<b>7,500,000</b>	<b>9,553,773</b>	<b>4,280,731</b>	<b>7,500,000</b>

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 2014-15, a mid-year increase of \$2.1 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**

	<b>2014-15 Adopted Budget</b>	<b>2014-15 Final Budget</b>	<b>2014-15 Actuals</b>	<b>2015-16 Adopted Budget</b>
<b>One-Time</b>				
ARMC Detainee Monitoring Facilities	100,000	100,000	100,000	-
Capital Improvement Fund				-
401 Arrowhead Building HVAC				400,000
Apple Valley Library Structural Beam Repair Project				2,500,000
Civil Liabilities Remodel				180,000
County Buildings and Acquisition Retrofit Project		4,000,000	4,000,000	11,200,000
Demolition of Old Cental Juvenile Hall Building				1,500,000
Fleet Management/Public Works Pavement Rehab	1,398,564	1,804,010	1,804,010	-
Glen Helen Rehabilitation Center Shower Remodel - Phase II				406,600
High Desert Detention Center Generator				1,000,000
High Desert Detention Center Housing Unit 2 HVAC				1,700,000
Rancho Court Remodel - District Attorney/Public Defender		1,470,000	1,470,000	-
Sheriff Training Center Lead Mitigation Phase II				2,470,000
Sheriff's Narcotics Relocation		5,000,000	5,000,000	-
Update Valley Public Safety Operations Center (PSOC) Needs Assessment				200,000
Yucca Valley - Station 41 Room Addition				560,928
800 MHz Project				8,500,000
Community Development and Housing - RDA Dissolution				150,000
County Fire Memorandum of Understanding Incentive Pay		1,474,350	1,472,576	-
County Fire Reserve Reduction				(12,820,000)
Flood Control District - Rimforest Drainage Project				874,098
Home Ownership Protection Program	200,000	200,000	200,000	-
Joshua Tree Sidewalks and Signage	75,000	75,000	75,000	-
Lucerne Valley CSA Park Improvements	70,000	87,000	87,000	-
Public Works - Transportation Projects	5,580,320	5,785,705	5,775,918	6,432,500
Special Districts Drought/Water Supply	1,100,000	1,100,000	1,100,000	-
<b>Ongoing</b>				
Aging and Adult Services	1,057,620	1,057,620	1,057,620	1,057,620
Capital Improvement Fund - Annual Allocation	12,000,000	12,000,000	12,000,000	12,000,000
800 MHz Project	20,000,000	20,000,000	20,000,000	17,881,452
General Fund Subsidy to County Fire Protection District				
Operations	-	-	-	461,429
Office of Emergency Services	1,601,228	1,601,228	1,601,228	1,901,228
North Desert Zone	6,772,984	6,772,984	6,792,548	7,976,378
South Desert Zone	3,228,163	3,228,163	3,228,163	3,455,077
Valley Zone	3,432,722	3,432,722	3,432,722	2,349,499
Mountain Zone	45,281	45,281	45,281	-
Equipment Purchases	2,719,564	2,719,564	2,719,564	3,774,879
Emergency Fuel	162,848	162,848	162,848	162,848
Court Settlement POB Payment	300,000	592,485	800,959	300,000
County Successor Agency to fund Sales Tax Sharing Agreement	250,000	250,000	162,593	250,000
Flood Control District Stormwater Permit	1,300,000	1,300,000	1,300,000	1,300,000
Public Works - PCI Road Maintenance	-	-	-	8,794,285
Special Districts - Water/Wastewater System for Regional Parks	1,000,000	1,000,000	590,185	1,000,000
<b>Total Operating Transfers Out</b>	<b>62,394,294</b>	<b>75,258,960</b>	<b>74,978,215</b>	<b>87,918,821</b>



## **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 currently no ongoing set-aside contingencies.

	<b>2014-15 Adopted Budget</b>	<b>2014-15 Approved Contributions/ (Uses)</b>	<b>2015-16 Adopted Contributions / (Uses)</b>	<b>2015-16 Adopted Budget</b>
<b>Contingencies</b>				
Mandatory Contingencies (1.5% of Locally Funded Appropriation)	8,923,944		578,712	9,502,656
Uncertainties Contingencies	45,515,935	36,439,276	8,117,030	90,072,241
<b>Total Contingencies</b>	<b>54,439,879</b>	<b>36,439,276</b>	<b>8,695,742</b>	<b>99,574,897</b>

#### 2014-15 Changes to Uncertainties Contingencies

In 2014-15, there was a net contribution of \$36,439,276. The major adjustments are as follows:

- \$16,742,096 contribution as the result of the release of the Workers Compensation Rebate Reserve.
- \$23,325,620 contribution due to increases in countywide discretionary revenue related to an increase in property tax revenues associated with the higher than anticipated growth in assessed valuation, an increase in residual payments related to the dissolution of the Redevelopment Agencies, and an increase in federal Payment in Lieu of Taxes revenue.
- \$5,660,519 contribution due to the release of a portion of the Labor reserve for incentive payments in 2013-14.
- A use of \$2,053,773 to fund the payment of the remaining Property Tax Administration (PTAF) settlement to cities.
- A use of \$2,701,268 to fund increases resulting from changes in employee MOU agreements.
- A use of \$1,075,773 to fund increased information technology infrastructure projects in the Sheriff's Department's budget.



- A use of \$1,461,945 to return reserve amounts to the General Plan/Development Code Amendments reserve that were allocated in 2013-14 that remained unspent at the end of the year.

#### 2015-16 Mandatory Contingencies

The base allocation to the mandatory contingencies is \$9,502,656, the amount required pursuant to Board policy, based on projected locally funded appropriation of \$633.5 million.

#### 2015-16 Uncertainties Contingencies

All available General Fund sources not appropriated in the Adopted Budget or contributed to General Fund Reserves are reflected in the Uncertain Contingencies of \$90,072,241.

### **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.

#### 2015-16 Contributions and Uses

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%. The 2015-16 contribution to the General Purpose Reserve brings the balance in the General Purpose Reserve to 14.0% 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. For 2015-16 contributions to Specific Purpose reserves include amounts set-aside to fund Capital Improvement Projects, Transportation Projects, the Earned Leave Reserve contribution, and many other important projects and future potential costs, as shown in the following tables.



	Total Reserves						
	6/30/14 Ending Balance	Approved 2014-15		6/30/15 Ending Balance	Adopted 2015-16		6/30/16 Estimated Balance
		Contributions	Uses		Contributions	Uses	
<b>General Purpose Reserve</b>	<b>82,440,902</b>			<b>82,440,902</b>	<b>6,335,500</b>		<b>88,776,402</b>
<b>Specific Purpose Reserves</b>							
Asset Replacement		1,899,098		1,899,098			1,899,098
CalFresh Waiver Discontinuance	5,000,000			5,000,000		(1,275,000)	3,725,000
Capital Projects							
Animal Shelter	10,000,000			10,000,000			10,000,000
303 Building Upgrades	4,000,000		(4,000,000)	-			-
County Buildings and Acquisition Retrofit Project	4,000,000			4,000,000			4,000,000
Lake Gregory Dam	-	5,000,000		5,000,000	3,803,000		8,803,000
Public Defender - Victorville/Rancho Court Remodel	-	600,000	(170,000)	430,000			430,000
Rancho Court Remodel - District Attorney	-	1,570,000	(1,300,000)	270,000		(270,000)	-
Rim Forest Drainage	5,900,000			5,900,000		(874,098)	5,025,902
Sheriff Building	-	5,000,000	(5,000,000)	-			-
Capital Improvements	-			-	6,700,000		6,700,000
Computer Systems:							
New Property Tax System	20,000,000			20,000,000	5,000,000		25,000,000
New Financial Accounting System	13,000,000			13,000,000			13,000,000
Permit Systems Upgrade	2,000,000	2,160,902	(1,771,364)	2,389,538		(183,000)	2,206,538
County Fire Consolidated Headquarters	-			-	13,500,000		13,500,000
County Fire - Fire Training Center	-			-	820,000		820,000
Earned Leave	10,603,137	7,945,799	(4,890,898)	13,658,038	7,945,799		21,603,837
Future Space Needs	-			-			-
Give BIG San Bernardino County	-			-	200,000		200,000
Insurance	3,000,000			3,000,000			3,000,000
Jail Upgrades							
Adelanto Detention Center	9,969,361			9,969,361			9,969,361
Glen Helen Rehabilitation Center 512 Bed Step Housing Program	22,500,000			22,500,000			22,500,000
West Valley Detention Center ADA Improvements	7,000,000			7,000,000			7,000,000
Labor	-	15,100,000	(10,418,168)	4,681,832	2,500,000		7,181,832
Land Use Services General Plan/Development Code Amendments	5,400,000	1,461,945	(5,308,537)	1,553,408	1,518,988	(320,046)	2,752,350
Litigation Expenses	-			-	3,000,000		3,000,000
Litigation	-			-	1,350,000		1,350,000
Medical Center Debt Service	32,074,905			32,074,905			32,074,905
Redevelopment Agency Overpayment	3,800,000			3,800,000			3,800,000
Restitution	1,545,025			1,545,025			1,545,025
Retirement	8,500,000			8,500,000			8,500,000
Transportation Projects							
Cedar Avenue Interchange	-			-	8,175,000		8,175,000
Glen Helen Grade Separation	5,328,000		(5,328,000)	-			-
Glen Helen Parkway Bridge Replacement/Widening Construction	-	1,844,651		1,844,651	1,420,799		3,265,450
Green Tree Boulevard Connection	-			-	841,000		841,000
National Trails Highway	-	5,000,000		5,000,000	5,000,000		10,000,000
Rock Springs Bridge Replacement /Widening Construction	-	2,107,000		2,107,000			2,107,000
Stanfield Cutoff Road Repair and Bridge Replacement	-			-	405,000		405,000
Worker's Compensation Rebate	16,742,096		(16,742,096)	-			-
<b>Total Specific Purpose</b>	<b>190,362,524</b>			<b>185,122,856</b>			<b>244,380,298</b>
<b>Total Reserves</b>	<b>272,803,426</b>			<b>267,563,758</b>			<b>333,156,700</b>

Note: In prior years this schedule included the Teeter Reserve, which was included because the amount reserved exceeded the legally required amount. The Teeter Reserve is no longer funded in excess of the legally required amount and has been removed from this schedule.



	Year End Actual Balances					Adopted
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>General Purpose</b>	<b>\$ 59.7</b>	<b>\$ 65.2</b>	<b>70.8</b>	<b>82.4</b>	<b>82.4</b>	<b>88.8</b>
<b>Specific Purpose</b>						
Asset Replacement	-	-	-	-	1.9	1.9
Business Process Improvements	1.2	-	-	-	-	-
Cal Fresh Waiver Discontinuance	-	-	-	5.0	5.0	3.7
Capital Projects:	-	-	-	-	-	-
Animal Shelter	4.0	-	-	10.0	10.0	10.0
303 Building Upgrades	-	-	-	4.0	-	-
County Buildings and Acquisition Retrofit Project	-	-	-	4.0	4.0	4.0
Lake Gregory Dam	-	-	-	-	5.0	8.8
Public Defender - Victorville and Rancho Court Remodel	-	-	-	-	0.4	0.4
Rancho Court Remodel - District Attorney	-	-	-	-	0.3	-
Rim Forest Drainage	-	-	-	5.9	5.9	5.0
Sheriff Building	-	-	-	-	-	6.7
Capital Improvements	-	-	-	-	-	-
Computer Systems						
New Property Tax System	-	9.0	20.0	20.0	20.0	25.0
New Financial Accounting System	-	-	-	13.0	13.0	13.0
Permit Systems Upgrade	-	-	-	2.0	2.4	2.2
County Fire Consolidated Headquarters						13.5
County Fire - Fire Training Center	3.0	4.0	-	-	-	0.8
Earned Leave	-	3.6	3.6	10.6	13.7	21.6
Future Space Needs	22.9	22.9	22.9	-	-	-
Give BIG San Bernardino County	-	-	-	-	-	0.2
Insurance	3.0	3.0	3.0	3.0	3.0	3.0
Jail Upgrades:						
Adelanto Detention Center	-	-	-	10.0	10.0	10.0
Glen Helen Rehabilitation Center	-	-	-	22.5	22.5	22.5
West Valley Detention Center ADA Improvements	-	-	-	7.0	7.0	7.0
Labor	-	-	-	-	4.7	7.2
Land Use Services General Plan/Development Code Amendments	-	-	-	5.4	1.6	2.8
Litigation Expenses	-	-	-	-	-	3.0
Litigation	-	-	-	-	-	1.4
Medical Center Debt Service	32.1	32.1	32.1	32.1	32.1	32.1
Property Tax Admin Fee Litigation	-	14.2	-	-	-	-
Redevelopment Agency Overpayment	-	-	-	3.8	3.8	3.8
Restitution	1.5	1.5	1.5	1.5	1.5	1.5
Retirement	8.5	8.5	8.5	8.5	8.5	8.5
Transportation Projects						
Cedar Avenue Interchange	-	-	-	-	-	8.2
Glen Helen Grade Separation	-	-	-	5.3	-	-
Glen Helen Parkway Bridge Replacement/Widening Construction	-	-	-	-	1.8	3.3
Green Tree Blvd Connection	-	-	-	-	-	0.8
National Trails Highway	-	-	-	-	5.0	10.0
Rock Springs Bridge Replacement/Widening Construction	-	-	-	-	2.1	2.1
Stanfield Cutoff Road Repair and Bridge Replacement	-	-	-	-	-	0.4
Workers Compensation Rebate	-	-	-	16.7	-	-
<b>Total Specific Purpose</b>	<b>76.2</b>	<b>98.8</b>	<b>91.6</b>	<b>190.3</b>	<b>185.1</b>	<b>244.4</b>
<b>Total Reserves<sup>(1)</sup></b>	<b>\$ 135.9</b>	<b>\$ 164.0</b>	<b>\$ 162.4</b>	<b>\$ 272.7</b>	<b>\$ 267.6</b>	<b>\$ 333.2</b>

<sup>(1)</sup> Totals may not be exact due to rounding

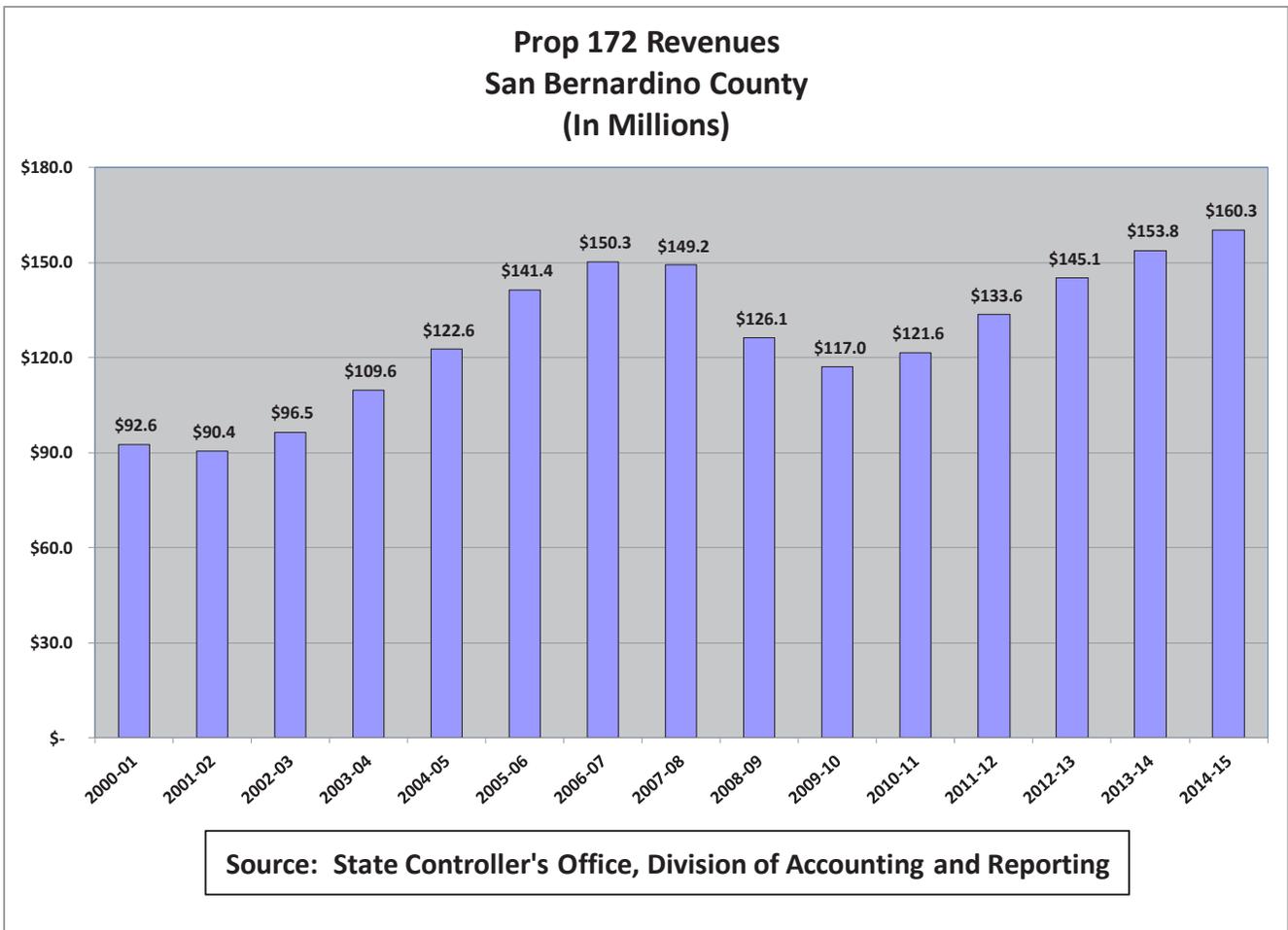
Note: In prior years this schedule included the Teeter Reserve, which was included because the amount reserved exceeded the legally required amount. The Teeter Reserve is no longer funded in excess of the legally required amount and has been removed from this schedule.



**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 2015-16, the required 10% contingency target, and the amount above that target.

	<b>Beginning Fund Balance</b>	<b>2015-16 Budgeted Revenue</b>	<b>2015-16 Budgeted Usage</b>	<b>Estimated Ending Fund Balance</b>	<b>10% Contingency</b>	<b>Amount Above Required Contingency</b>
<b>Sheriff/Coroner</b>	17,997,071	115,426,700	(115,360,000)	18,063,771	11,542,670	6,521,101
<b>District Attorney</b>	5,117,973	28,857,250	(28,840,000)	5,135,223	2,885,725	2,249,498
<b>Probation</b>	3,300,468	20,631,050	(20,600,000)	3,331,518	2,063,105	1,268,413
<b>Total</b>	<b>26,415,512</b>	<b>164,915,000</b>	<b>(164,800,000)</b>	<b>26,530,512</b>	<b>16,491,500</b>	<b>10,039,012</b>



## **REALIGNMENT FUNDS**

Beginning in 1991, the State of California shifted the fiscal and programmatic responsibility of several health and social services programs from the State to counties. In 2011 the State shifted more social services and mental health programs to the counties along with law enforcement services. Separate budget units were established to account for the realigned program funding for the following service areas:

1991 Realignment  
Mental Health  
Social Services  
Health

2011 Realignment  
Law Enforcement  
Support Services

Other Realignment  
CalWORKs MOE  
Family Support

These Realignment budget units receive funds through a portion of sales tax and vehicle license fees. The budget units do not directly spend funds or provide services, but rather transfer funds to the operating budget units of the departments that incur the actual expenditures related to the realigned programs. The breakdown of the revenue received and departmental usage for each of the individual Realignment budget units is included in this section.

With the realignment of many state services, counties have become increasingly dependent on sales tax and vehicle license fee revenue for these realigned programs. This puts the County at the mercy of the business cycle, as funding will rise and fall in direct correlation to the State's economy. While sales taxes are not projected to decrease in 2015-16, retail spending tends to be much more volatile and quicker to react to changes in the economy, resulting in a higher risk of funding losses in future years. In addition, when the economy is doing well, the demand for public services goes down, but when the economy begins to retract, the demand for those services rises while revenues decrease, making the County more vulnerable to market fluctuations. Therefore the County maintains reserves in the 1991 Realignment funds and will establish reserves for the 2011 Realignment funds to address sales tax volatility.

### 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 County is now responsible for the following programs: community-based mental health programs, State Hospital services for County patients, and Institutions for Mental Disease. Within the social services area, the County is now responsible for the following programs: the County revenue stabilization program and the County justice subvention program. Within the health area, the County is now responsible for the following programs: 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 non-federal reimbursable costs were funded by 95% State resources and 5% County resources. As a realigned program, Foster Care is funded with 40% State resources and 60% County resources, significantly impacting County resources.

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.

The 1991 Realignment legislation allows 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 in the past to help support either the health or social services programs; however, the County has not made a 10% transfer in the prior ten fiscal years and is not budgeting one for 2015-16. In the event that such transfer is needed, Board of Supervisors approval is required.

### 2011 Realignment

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 2011, through Public Safety Realignment (AB 109). 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 were assigned to the District Attorney and Public Defender. The State also realigned Juvenile Reentry 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 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, and Medi-Cal substance abuse treatment programs. The County was responsible for delivery of these programs before realignment, but with the shift, the State no longer participates 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. The County continues to receive federal funding in all of these programs at different levels depending on the program.

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 be directly dependent on the health of the economy.

The two service areas of 2011 Realignment, Law Enforcement Services and Support Services, have each been assigned their own budget unit. The Law Enforcement Services budget unit has four subaccounts: 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 subaccount 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). As established by State law, the County's Local Community Corrections Partnership (CCP) has authority over the allocation of revenue from the Community Corrections subaccount. Historically, additional subaccount revenue has been used to cover the cost of new Public Safety Realignment programs. The CCP has also allocated additional estimated revenue from the subaccount to fund existing Public Safety Realignment program inflationary costs (e.g., retirement increases, negotiated employee cost increases).

The Support Services budget unit has two subaccounts: Behavioral Health and Protective Services. The Department of Behavioral Health allocates the subaccount funding to Specialty Mental Health, Drug Court, and the Drug Medi-Cal substance use disorder treatment programs while Human Services allocates the Protective



Services subaccount to the appropriate social service programs. The 2011 Realignment legislation allows counties to allocate up to 10% between the Behavioral Health and Protective Services subaccounts. The 10% is based on the amount deposited in the previous year in the subaccount with the lowest balance. The County is not budgeting a transfer between subaccounts in 2015-16 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 Subaccount of up to five-percent (5%) from each subaccount's previous year's deposits.

#### Other Realignment

The State is redirecting funding from 1991 Realignment for Mental Health Services to the CalWORKs MOE portion related to 2011 Realignment. Sales tax and vehicle license fee revenue that previously was directed to the fund for Mental Health matching funds is now going to the CalWORKs MOE fund. The CalWORKs MOE budget unit provides funding to pay benefits to CalWORKs clients. The Mental Health funding now comes in the form of a defined monthly amount taken off the top of 2011 Realignment revenues. California 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.

Assembly Bill 85 (AB85) was signed into law on June 27, 2013, in order to provide a mechanism for the State of California to redirect a portion of 1991 Realignment for Health Services to fund social service programs. This shift is due to the idea that less health realignment is necessary as a result of the implementation of the Affordable Care Act. Per California Welfare and Institutions Code 176500.10(a)(5) and AB85 legislation the establishment of a new Family Support subaccount was required at the local level. This funding replaces State General Fund to fund the non-federal share of CalWORKs benefits.

**Budgetary Note:** The methodology used to present budget information in the Realignment budget sections was changed as of the 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 budget unit to reflect prior year growth revenue received so it is shown separately from regular revenues received in the budget unit. Previously, financial information presented in the 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.



**MENTAL HEALTH**

	<b>ACTUAL 2013-14</b>	<b>FINAL BUDGET 2014-15</b>	<b>ACTUAL 2014-15</b>	<b>ADOPTED BUDGET 2015-16</b>
Beginning Fund Balance	39,912,103	47,364,635	47,364,635	55,890,919
Revenue	56,884,377	56,470,493	56,903,563	56,280,019
Prior Year Growth Revenue	511,662	-	1,057,687	-
Departmental Usage	49,943,507	56,026,577	49,434,965	59,382,343
10% Transfers	-	-	-	-
Ending Fund Balance	47,364,635	47,808,551	55,890,919	52,788,595
Change in Fund Balance	7,452,533	443,916	8,526,284	(3,102,324)

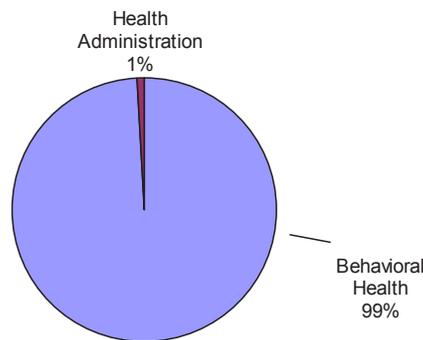
Revenues exceeded departmental usage in 2014-15 primarily due to a decrease in the number of clients requiring services without benefit of Medi-Cal or other coverage as a result of the implementation of the Affordable Care Act. This resulted in an increase in fund balance of \$8.5 million. Fund balance is budgeted to decrease by \$3.1 million in 2015-16 due to additional departmental usage for the expansion of clinic facilities and services to meet client needs.

Prior year growth revenue of \$1.1 million was received in 2014-15, which is available to fund one-time needs. Although prior year growth revenue is also expected to be received in 2015-16, it 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. Departmental usage will continue to be monitored closely to ensure that fund balance is maintained at adequate levels since the Mental Health 1991 Realignment has a fixed allocation.

**DEPARTMENTAL USAGE OF MENTAL HEALTH 1991 REALIGNMENT**

	<b>ACTUAL 2013-14</b>	<b>FINAL BUDGET 2014-15</b>	<b>ACTUAL 2014-15</b>	<b>ADOPTED BUDGET 2015-16</b>
Behavioral Health	49,785,925	55,456,371	48,748,215	58,860,940
Health Administration	157,582	570,206	686,750	521,403
Total Departmental Usage	49,943,507	56,026,577	49,434,965	59,382,343

2015-16 Adopted



**SOCIAL SERVICES**

	ACTUAL 2013-14	FINAL BUDGET 2014-15	ACTUAL 2014-15	ADOPTED BUDGET 2015-16
Beginning Fund Balance	62,273,692	81,189,104	81,189,104	79,974,990
Revenue	102,391,288	100,745,583	94,909,884	100,576,259
Prior Year Growth Revenue	7,550,210	-	771,552	-
Departmental Usage	91,026,086	100,612,927	96,895,550	105,405,832
10% Transfers	-	-	-	-
Ending Fund Balance	81,189,104	81,321,760	79,974,990	75,145,417
Change in Fund Balance	18,915,412	132,656	(1,214,114)	(4,829,573)

Departmental usage exceeded revenues in 2014-15, resulting in a \$1.2 million decrease in fund balance. Departmental usage is budgeted to exceed revenues in 2015-16 primarily due to the addition of positions in Children and Family Services to service increased caseload levels, resulting in a decrease in fund balance of \$4.8 million.

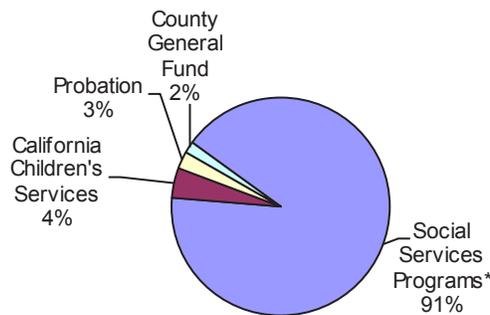
Social Services has priority claim on any 1991 Realignment sales tax growth received. Prior year growth revenue of \$771,552 was received in 2014-15, which is available to fund one-time needs. Although prior year growth revenue is expected in 2015-16, it has not been included in the budget at this time due to the uncertainty of the amount and the timing of the actual receipt of the funds. Departmental usage will continue to be monitored closely to ensure that fund balance is maintained at adequate levels, to mitigate potential operational impacts of sales tax fluctuations.

**DEPARTMENTAL USAGE OF SOCIAL SERVICES 1991 REALIGNMENT**

	ACTUAL 2013-14	FINAL BUDGET 2014-15	ACTUAL 2014-15	ADOPTED BUDGET 2015-16
Social Services Programs*	86,602,991	91,427,151	90,097,280	96,220,056
California Children's Services	2,624,095	4,686,146	2,298,641	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	91,026,086	100,612,927	96,895,550	105,405,832

\* 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).

2015-16 Adopted



**HEALTH**

	<b>ACTUAL 2013-14</b>	<b>FINAL BUDGET 2014-15</b>	<b>ACTUAL 2014-15</b>	<b>ADOPTED BUDGET 2015-16</b>
Beginning Fund Balance	106,916,066	68,011,436	68,011,436	100,177,482
Revenue	43,541,924	52,667,953	49,440,445	29,914,502
Prior Year Growth Revenue	3,135,394	-	1,590,371	-
Departmental Usage	85,581,948	38,662,816	18,864,769	31,392,834
10% Transfers	-	-	-	-
Ending Fund Balance	68,011,436	82,016,573	100,177,482	98,699,150
Change in Fund Balance	(38,904,630)	14,005,137	32,166,046	(1,478,332)

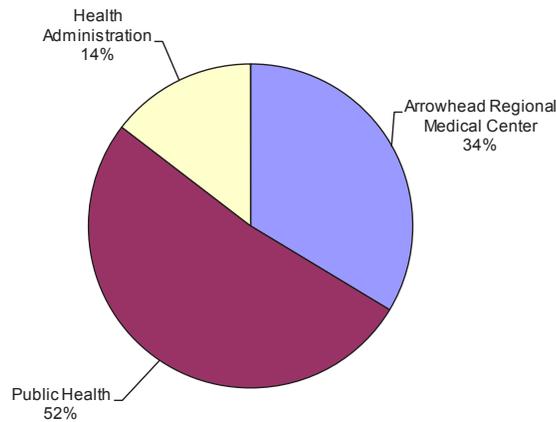
Revenues exceeded departmental usage in 2014-15, resulting in an increase in fund balance of \$32.2 million primarily due to no usage by ARMC as a result of the implementation of the Affordable Care Act. Revenues are projected to decrease in 2015-16 as a result of Assembly Bill 85 legislation which redirects health realignment to the State to fund social services programs due to the passage of the Affordable Care Act. Departmental usage is budgeted to exceed revenues in 2015-16, resulting in a decrease in fund balance of \$1.5 million.

Prior year growth revenue of \$1.6 million was received in 2014-15, which is available to fund one-time needs. Although prior year growth revenue is expected to be received in 2015-16, it 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. Departmental usage will continue to be monitored closely to ensure that fund balance is maintained at adequate levels to mitigate potential operational impacts of sales tax fluctuations.

**DEPARTMENTAL USAGE OF HEALTH 1991 REALIGNMENT**

	<b>ACTUAL 2013-14</b>	<b>FINAL BUDGET 2014-15</b>	<b>ACTUAL 2014-15</b>	<b>ADOPTED BUDGET 2015-16</b>
Arrowhead Regional Medical Center	71,889,439	18,455,792	-	10,561,681
Public Health	14,157,542	15,204,966	12,310,685	16,253,196
Health Administration	(465,033)	5,002,058	6,554,084	4,577,957
Total Departmental Usage	85,581,948	38,662,816	18,864,769	31,392,834

2015-16 Adopted



<b>LAW ENFORCEMENT SERVICES</b>
---------------------------------

	<b>ACTUAL 2013-14</b>	<b>FINAL BUDGET 2014-15</b>	<b>ACTUAL 2014-15</b>	<b>ADOPTED BUDGET 2015-16</b>
Beginning Fund Balance	24,122,966	26,295,636	26,295,636	30,808,259
Revenue	101,519,789	97,874,281	106,662,128	116,730,607
Prior Year Growth Revenue	14,935,209	0	6,652,222	0
Departmental Usage	114,282,328	120,669,560	108,801,727	120,115,160
Ending Fund Balance	26,295,636	3,500,357	30,808,259	27,423,706
Change in Fund Balance	2,172,670	(22,795,279)	4,512,623	(3,384,553)

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 requiring extensive background checks, departments were unable to fully implement AB 109 programs as quickly as anticipated. As a result, a fund balance of \$26.3 million existed in the Law Enforcement Services budget unit at the beginning of 2014-15. Revenues exceeded departmental usage in 2014-15, resulting in an increase of \$4.5 million in fund balance. Departmental usage is budgeted to exceed revenues in 2015-16 due to the funding of various one-time needs, resulting in a decrease in fund balance of \$3.4 million.

Prior year growth revenue of \$6.7 million was received in 2014-15, which is available to fund one-time needs. Although growth revenue is expected to be received in 2015-16, it 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. Departmental usage will continue to be monitored closely to ensure that fund balance is at adequate levels. Fund balance will be used for one time needs and to establish reserves for sales tax volatility.

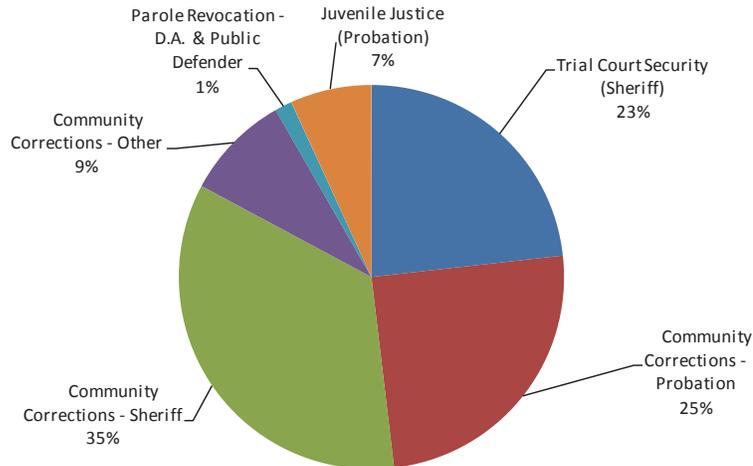
Departmental usage of 2011 Realignment funding for Law Enforcement Services is detailed in the table and chart on the following page.



**DEPARTMENTAL USAGE OF LAW ENFORCEMENT SERVICES 2011 REALIGNMENT**

	<b>ACTUAL 2013-14</b>	<b>FINAL BUDGET 2014-15</b>	<b>ACTUAL 2014-15</b>	<b>ADOPTED BUDGET 2015-16</b>
Trial Court Security (Sheriff)	26,864,501	27,000,000	27,000,000	27,903,518
Community Corrections:				
Probation	33,089,832	42,806,912	31,786,968	29,909,524
Sheriff/Coroner/Public Administrator	35,704,940	32,175,892	30,291,339	41,695,857
District Attorney	2,843,626	3,051,151	2,843,626	3,036,570
Public Defender	2,169,610	2,169,593	2,057,454	2,330,391
Public Health	93,255	99,605	93,656	106,359
Aging and Adult Services	12,925	12,951	5,244	0
Behavioral Health	4,119,277	4,124,016	4,950,473	3,736,462
Alcohol and Drug Services	0	0	0	1,100,433
Workforce Development	192,506	182,000	151,876	211,854
Transitional Assistance	8,625	0	(8,235)	0
Human Resources	126,409	118,382	119,391	141,236
Subtotal Community Corrections	78,361,005	84,740,502	72,291,792	82,268,686
Parole Revocation:				
District Attorney	614,500	567,773	775,298	873,948
Public Defender	614,500	567,773	523,544	873,948
Subtotal Parole Revocation	1,229,000	1,135,546	1,298,842	1,747,896
Juvenile Justice (Probation):				
Youthful Offender Block Grant	7,683,512	7,683,512	8,095,257	8,050,060
Juvenile Reentry	144,310	110,000	115,836	145,000
Subtotal Juvenile Justice	7,827,822	7,793,512	8,211,093	8,195,060
<b>Total Departmental Usage</b>	<b>114,282,328</b>	<b>120,669,560</b>	<b>108,801,727</b>	<b>120,115,160</b>

2015-16 Adopted



**SUPPORT SERVICES**

	<b>ACTUAL 2013-14</b>	<b>FINAL BUDGET 2014-15</b>	<b>ACTUAL 2014-15</b>	<b>ADOPTED BUDGET 2015-16</b>
Beginning Fund Balance	47,023	8,243,888	8,243,888	19,724,644
Revenue	129,170,689	144,093,619	144,918,932	152,423,797
Prior Year Growth Revenue	9,396,399	0	6,282,329	0
Departmental Usage	130,370,223	145,268,424	139,720,505	154,926,330
Ending Fund Balance	8,243,888	7,069,083	19,724,644	17,222,111
Change in Fund Balance	8,196,865	(1,174,805)	11,480,756	(2,502,533)

Revenues exceeded departmental usage in 2014-15, primarily due to greater attrition and delay in staffing within protective services departments that use realignment. Also, various subsistence budget units qualified for greater federal reimbursement thus reducing the need for realignment funding. This resulted in an increase in fund balance of \$11.5 million. Fund balance is budgeted to decrease by \$2.5 million in 2015-16 due to planned additional departmental usage for the expansion of child welfare services programs to meet client needs.

Prior year growth revenue of \$6.3 million was received in 2014-15 which is available to fund one-time needs. Although prior year growth revenue is expected to be received in 2015-16, it 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. Departmental usage will continue to be monitored closely to ensure that fund balance is at adequate levels. Fund balance will be used for one time needs and to establish reserves for sales tax volatility.

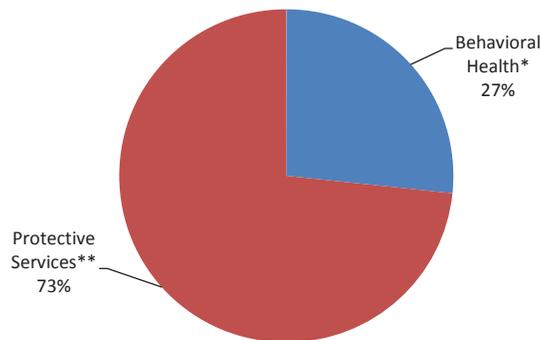
**DEPARTMENTAL USAGE OF SUPPORT SERVICES 2011 REALIGNMENT**

	<b>ACTUAL 2013-14</b>	<b>FINAL BUDGET 2014-15</b>	<b>ACTUAL 2014-15</b>	<b>ADOPTED BUDGET 2015-16</b>
Behavioral Health*	33,922,670	37,614,135	38,063,526	41,347,604
Protective Services**	96,447,553	107,654,289	101,656,978	113,578,726
Total Departmental Usage	130,370,223	145,268,424	139,720,505	154,926,330

\*The Behavioral Health subaccount funds Drug Court and Rehabilitative Services.

\*\*The Protective Services subaccount 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.

2015-16 Adopted



**CalWORKs MOE**

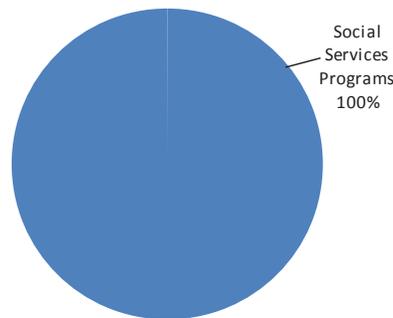
	<b>ACTUAL 2013-14</b>	<b>FINAL BUDGET 2014-15</b>	<b>ACTUAL 2014-15</b>	<b>ADOPTED BUDGET 2015-16</b>
Beginning Fund Balance	5,369,185	0	0	14,528,999
Revenue	52,316,452	92,884,985	107,759,942	123,340,301
Prior Year Growth Revenue	3,256,225	0	5,844,262	0
Departmental Usage	60,941,862	92,884,985	99,075,206	123,340,301
Ending Fund Balance	0	0	14,528,999	14,528,999
Change in Fund Balance	(5,369,185)	0	14,528,999	0

Funding for the CalWORKs MOE comes from both Sales Tax and Vehicle License Fee revenues. These revenues originally funded Mental Health programs but, as part of 2011 Realignment, the funds were redirected to CalWORKs. Typically, there is not expected to be any fund balance in this budget unit since amounts received are immediately transferred to the budget unit used for assistance payments to CalWORKs clients. However, revenues exceeded departmental usage in 2014-15, resulting in an increase in fund balance of \$14.5 million, primarily due to the timing of the State reconciliation process. The department anticipates returning the fund balance to the State at a later date.

**DEPARTMENTAL USAGE OF CalWORKs MOE REALIGNMENT**

	<b>ACTUAL 2013-14</b>	<b>FINAL BUDGET 2014-15</b>	<b>ACTUAL 2014-15</b>	<b>ADOPTED BUDGET 2015-16</b>
Social Services Programs	60,941,862	92,884,985	99,075,206	123,340,301
Total Departmental Usage	60,941,862	92,884,985	99,075,206	123,340,301

2015-16 Adopted



**FAMILY SUPPORT**

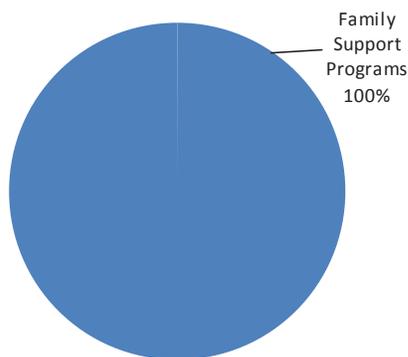
	<b>ACTUAL 2013-14</b>	<b>FINAL BUDGET 2014-15</b>	<b>ACTUAL 2014-15</b>	<b>ADOPTED BUDGET 2015-16</b>
Beginning Fund Balance	0	0	0	7,911,474
Revenue	6,994,825	66,829,650	96,099,726	76,336,129
Prior Year Growth Revenue	0	0	10,563,626	0
Departmental Usage	6,994,825	66,829,650	98,751,878	76,336,129
Ending Fund Balance	0	0	7,911,474	7,911,474
Change in Fund Balance	0	0	7,911,474	0

This budget unit was established in 2013-14 per California Welfare and Institutions Code 17600.10(a)(5). Funding for Family Support comes from counties' indigent health care savings that are redirected from counties' Health 1991 Realignment Subaccount and moved to the new Family Support subaccount at the State level. Funds are allocated to counties from the Family Support subaccount in lieu of State general fund for CalWORKs assistance payments. The distribution of funds is based on counties' CalWORKs general fund expenditures. Typically, there is not expected to be any fund balance in this budget unit since amounts received are immediately transferred to the budget unit used for assistance payments to CalWORKs clients. However, revenues exceeded departmental usage in 2014-15, resulting in an increase in fund balance of \$7.9 million, primarily due to the timing of the State reconciliation process. The department anticipates returning the fund balance to the State at a later date.

**DEPARTMENTAL USAGE OF FAMILY SUPPORT REALIGNMENT**

	<b>ACTUAL 2013-14</b>	<b>FINAL BUDGET 2014-15</b>	<b>ACTUAL 2014-15</b>	<b>ADOPTED BUDGET 2015-16</b>
Family Support Programs	6,994,825	66,829,650	98,751,878	76,336,129
Total Departmental Usage	6,994,825	66,829,650	98,751,878	76,336,129

2015-16 Adopted



**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. Implementation of the new system is anticipated to start in 2015-16.

Requirements of \$11.8 million represent staffing and application development costs associated with the new FAS replacement project. Staffing expenses of \$1.7 million represents 12 new positions added in 2015-16 to assist Auditor-Controller/Treasurer/Tax Collector, Finance and Administration, and Information Services in the implementation and operation of the new system. Operating Expenses are increasing \$533,373 to fund start-up costs associated with the addition of staffing to the project. In this budget unit, Capital Expenditures represent funds that have not been allocated to a specific expenditure. In 2015-16, Capital Expenditures are decreasing \$2.3 million due to the budgeting of expenditures that have been identified for the start-up of the new system (staffing and operating expenses).

Below is a table detailing budgeted requirements for this unit in 2015-16.

GROUP: Fiscal  
DEPARTMENT: Auditor-Controller/Treasurer/Tax Collector  
FUND: Restricted General

BUDGET UNIT: AAP CAO  
FUNCTION: General  
ACTIVITY: Finance

	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Actual	2014-15 Final Budget	2015-16 Adopted Budget	Change From 2014-15 Final Budget
<b>Requirements</b>							
Staffing Expenses	0	0	0	0	0	1,679,507	1,679,507
Operating Expenses	0	78,635	52,637	130,450	368,728	902,101	533,373
Capital Expenditures	0	0	0	0	11,500,000	9,226,054	(2,273,946)
Total Exp Authority	0	78,635	52,637	130,450	11,868,728	11,807,662	(61,066)
Reimbursements	0	0	0	0	0	0	0
Total Appropriation	0	78,635	52,637	130,450	11,868,728	11,807,662	(61,066)
Operating Transfers Out	0	0	0	0	0	0	0
Total Requirements	0	78,635	52,637	130,450	11,868,728	11,807,662	(61,066)
<b>Sources</b>							
Taxes	0	0	0	0	0	0	0
Realignment	0	0	0	0	0	0	0
State, Fed or Gov't Aid	0	0	0	0	0	0	0
Fee/Rate	0	0	0	0	0	0	0
Other Revenue	0	0	0	0	0	0	0
Total Revenue	0	0	0	0	0	0	0
Operating Transfers In	0	0	0	0	0	0	0
Total Sources	0	0	0	0	0	0	0
Net County Cost	0	78,635	52,637	130,450	11,868,728	11,807,662	(61,066)
Budgeted Staffing*	0	0	0	0	0	12	12

\*Data represents final budgeted staffing

