

COUNTY OF SAN BERNARDINO

2014 / 2015

Executive Summary





GREGORY C. DEVEREAUX
Chief Executive Officer

COUNTY OF SAN BERNARDINO

County Administrative Office
385 North Arrowhead Avenue
San Bernardino, CA 92415-0120
(909) 387-5418
FAX: (909) 387-5430

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June 3, 2014

I hereby submit for the Board's consideration the 2014-15 Recommended Budgets, guided by the Countywide Vision. The Countywide Vision calls for the creation of a "complete county" that capitalizes on its many assets to collaboratively establish a sustainable system of economic opportunity, education, well-being and amenities. The Countywide Vision and the Board adopted County Goals and Objectives provide County government with clearer direction as it makes budget decisions.

This document includes the 2014-15 Recommended Budgets for the County, Board Governed Special Districts and Other Agencies governed by the Board of Supervisors. In prior years these budgets have been presented in separate budget documents.

In this document you will see that County departments, Board Governed Special Districts and Other Agencies built their 2014-15 Recommended Budget to achieve the County Goals and Objectives. For 2014-15 each department has reexamined performance measures to ensure they are attainable and relevant to the department's core mission, and that they tie directly to the 2014-15 County Goals and Objectives.

The 2014-15 Recommended Budget of \$4.8 billion is balanced and is consistent with policy direction received from the Board of Supervisors. No reserves are being used to fund ongoing costs. There is limited use of one-time sources to fund operating costs. The 2014-15 Recommended Budgets address the following key issues:

- Funding of the first phase of the High Desert Detention Center staffing with ongoing sources
- Fully funding the annual earned leave liability with ongoing sources
- Revenue reductions in Law and Justice programs
- Funding key transportation projects in Public Works
- Shortfalls in the County Museum
- Asset replacement needs

THE BUDGET IN BRIEF

This budget book presents the County General Fund and County restricted general funds. It also presents capital project funds, special revenue funds, enterprise funds and internal service funds for all entities presented in the 2014-15 Recommended Budget book including the County, Board Governed County Service Areas, San Bernardino County Fire Protection District, San Bernardino County Flood Control District, Big Bear Valley Recreation and Park District, and Bloomington Recreation and Park District. Other agencies presented in this budget book include County Industrial Development Authority, Economic and Community Development Corporation, In-Home Supportive Services Public Authority, and Inland Counties Emergency Medical Agency. The total requirements for these funds in 2014-15 are \$4.8 billion, which includes amounts that are not planned to be spent, that are budgeted as contingencies or contributions to reserves. Excluding these amounts, total projected expenditures for 2014-15 are \$4.4 billion.

General Fund requirements total \$2.6 billion and are funded by Countywide discretionary revenues (primarily property taxes), departmental revenues, and other funding sources of the General Fund. Of this \$2.6 billion, only \$471.6 million is truly discretionary.

	Requirements (In Millions)		
	2013-14 Modified	2014-15 Recommended	Change
General Fund	\$ 2,778.3	\$ 2,617.3	\$(161.0)
Restricted General Funds	71.3	54.0	(17.3)
Capital Project Funds	221.0	234.3	13.3
Special Revenue Funds	1,069.6	1,054.7	(14.9)
Enterprise Funds	650.2	650.1	(0.1)
Internal Service Funds	210.4	225.1	14.7
Permanent Funds	1.6	1.6	-
	<u>\$ 5,002.4</u>	<u>\$ 4,837.1</u>	<u>\$(165.3)</u>

The \$161.0 million decrease in General Fund requirements includes a reduction in General Fund Contingencies of \$136.4 million. The substantial reduction is primarily due to contributions to the General Fund's general purpose reserve and various specific purpose reserves, which was approved by the Board as part of the 2013-14 Third Quarter Budget Report. In the County General Fund, budgeting for future projects, economic uncertainties, and unallocated resources will shift from appropriating these amounts in contingencies to contributing these amounts to reserves. This change in philosophy will appropriately characterize the multi-year nature of projects, economic impacts and needs to be addressed with limited General Fund resources. Changes to align the County's budget and finance policies to this shift in philosophy will be brought to the Board for approval in the upcoming fiscal year. In addition to the reduction in General Fund contingencies, the Application Development unit of the Information Services Department has been moved from the General Fund to an Internal Service Fund, which will result in a decrease in General Fund requirements.

The \$17.3 million decrease in Restricted General Funds is caused primarily by a reduction in the transfer from the Health Realignment Fund to the Arrowhead Regional Medical Center as a result of AB 85 legislation. This legislation requires a redirection of a portion of health realignment revenues which will therefore not be available for ARMC operations.

The \$13.3 million increase in Capital Project Funds is primarily due to the increasing balance of amounts set aside for the 800 MHz project.

The decrease of \$14.9 million in Special Revenue Funds is primarily due to the completion of transportation projects in Public Works as a result of decreases in operating expenses and contingencies because of fewer new major infrastructure projects and the end of Proposition 1B funding in 2013-14. This decrease is offset by an increase in the Mental Health Services Act fund due to increased revenues from personal income taxes, which has been used primarily to increase departmental contingencies and to expand program services in regional clinics and clinical assessment services.

Internal Service Funds requirements are increasing \$14.7 million primarily due to the addition of the Information Services Department's new internal service fund in 2014-15. The Application Development Unit has been moved from the General Fund to an internal service fund as this unit provides services to County departments and recovers all costs via a billable hourly programming rate.



	Budgeted Staffing		
	2013-14 Modified	2014-15 Recommended	Change
County General Fund	13,795	13,759	(36)
County - Other Funds	6,041	6,264	223
Special Districts and Other Agencies	1,246	1,283	37
	<u>21,082</u>	<u>21,306</u>	<u>224</u>

Budgeted staffing recommended for 2014-15 is 21,306, an increase of 224 positions from the 2013-14 Modified Budget. General Fund staffing is decreasing by 36 positions, primarily resulting from the transfer of staff from the Application Development unit of the Information Services Department to an Internal Service Fund. This decrease is offset by an increase of staffing in the Human Services' Transitional Assistance Department, due to changes in programs and the State's focus on Work Performance Rates.

Staffing in Other County Funds is increasing by 223 positions from 6,041 to 6,264, from the transfer of employees from the Application Development Unit of ISD to an internal service fund. Arrowhead Regional Medical Center (ARMC) is increasing staff to address existing operational needs related to regulatory requirements, quality improvement, and to maintain staffing ratios based on volume. Additionally, staffing is increasing in the Behavioral Health Mental Health Services Act fund for the expansion of regional clinical services, clinical assessment services, recovery based engagement support teams and administrative support. Increased staffing in Preschool Services will enable the Department to serve an additional 250 children as a result of the restoration of federal sequestration funds.

Special Districts and Other Agencies is increasing by 37 positions primarily due to the addition of positions in the Fire Protection District to provide support to the Land Use fuel clearing program provide full time supervision to the Inmate Fire Crew Program that will be in full force by the end of 2015, and to reflect the expansion of the contract with the Fontana Fire Protection District.

HIGHLIGHTS OF 2014-15 RECOMMENDED BUDGET

Following are highlights of programmatic and budgetary proposals included in the Recommended Budget as they relate to the 2014-15 County Goals as adopted by the Board of Supervisors on February 25, 2014.

Implement the Countywide Vision

- The County Administrative Office will continue to support operation of the Countywide Vision Element Groups as they, in partnership with SANBAG, pursue activities to advance the adopted Regional Goals.

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

- Economic Development Department will continue to compete globally for investment and job growth by developing strong regional and national business relationships and providing resources, programs and incentives to maximize job creation.



- Economic Development Department will expand a domestic tourism strategy to brand San Bernardino County's desert and mountain regions to generate awareness and economic activity for the County's tourism assets.
- The Real Estate Services Department partnered with the City of Ontario to bring the public a new state-of-the-art Public Health Clinic, Lab, and Women Infants and Children's facility, slated to open in Ontario in fall 2014, creating new investment and office construction in the community.
- The Economic Development Agency (EDA) will continue to support businesses entering and operating in the County by ensuring that Workforce Investment Act (WIA) funding assists with business services and training for specific workforce skills. Through these efforts, EDA will work to keep existing businesses thriving and create an environment that is appealing to businesses looking to relocate.
- Through a partnership with the Transitional Assistance Department (TAD), the Workforce Development Department (WDD) will deploy \$3.0 million dollars to place up to 750 CalWORKs youth in paid work experience.
- Workforce Development Department (WDD) has received a revenue agreement of \$500,000 with the State Department of Corrections and Rehabilitation to provide Employment Services to the soon-to-be released prison population.

Improve County Government Operations

- The County Administrative Office will ensure employees know that they and their work are valued. One step towards that objective in 2014-15 will be the launch of the 'Employee Showcase' as a forum for County employees to present innovative ideas in support of the County Goals to senior managers and the Chief Executive Officer.
- Finance and Administration will continue to implement strategies to improve efficiency and effectiveness. The key component of reaching that objective will be presenting accurate and timely budget and financial information to the County Administrative Office and the Board of Supervisors.
- A team consisting of the Auditor-Controller/Treasurer/Tax Collector, County Administrative Office, Finance and Administration, Human Resources, and Information Services Department will be evaluating proposals for the County's Enterprise Financial Management System and a vendor will be selected. Implementation will begin in 2014-15. The new financial system will streamline business processes and provide better management information.
- Auditor-Controller/Treasurer/Tax Collector added a Systems Accountant II position in Property Tax to assist with system processes and increased complex workload relating to the dissolution of Redevelopment Agencies and an Accountant II in Central Payroll to comply with reporting requirements associated with the Affordable Care Act.
- Facilities Management, in collaboration with Information Services Department and Architecture and Engineering, integrated six different heating, ventilation and air conditioning (HVAC) building automation systems in 31 buildings into one networked system, utilizing the County's Wide Area Network and allowing remote control, diagnostic and system failure alerts



to improve the efficiency and response times to County buildings for HVAC issues. In 2014-15, additional funding has been allocated in the Capital Improvement Program (CIP) to upgrade HVAC controls at six County buildings.

- Beginning in 2011-12, the Board allocated \$44.5 million in one-time discretionary general funding to acquire space in San Bernardino and Victorville and to complete tenant improvements, seismic retrofits and modernization of certain existing buildings in San Bernardino. Funding of \$3.7 million has been added from the annual CIP base budget allocation and \$1.6 million is proposed to be added in 2014-15, bringing the total funding for the estimated \$89.5 million total project cost to \$49.8 million. In 2014-15, tenant improvements will be completed for the 303 W. 3rd Street and 268 Hospitality Lane buildings in San Bernardino; design will be completed for 222 Hospitality Lane, 316 Mtn. View Avenue and for the County Government Center campus street and parking lot improvements.
- The County Library continues its plans to enhance service by replacing outdated computer hardware and software over the next several years, restoring the Library's material budget and adding high demand items to the collection, including an expanded digital book collection.
- Public Health Department budgeted for a consultant to help facilitate a Local Public Health System Assessment that will assist the Department through its Strategic Planning efforts, and also assist in the Department's Accreditation efforts, which are intended to ensure the department is focused on constant quality improvement and improved transparency and accountability to its stakeholders. In addition, the budget includes a reorganization of the Health Policy and Development Division, which is intended to ensure that all departmental efforts and initiatives are aligned and working towards achieving the Wellness Element of the Countywide Vision.
- The Information Services Department (ISD) Application Development division is being transitioned from the General Fund to an internal services fund (ISF) beginning in 2014-15. As the division's computer programming labor services are rendered, customers will be billed, creating revenue to fund this department. As such, ISD will no longer rely on Net County Cost. This change will make the user department budgets more reflective of the true cost of operating and will allow Application Development to use retained earnings to fund future equipment purchases in a more timely and cost efficient manner. This transition will require a loan of \$2.3 million from the Telecommunication Services fund (IAM ISD) for an estimated two months' operating expenses for the new ISF.

Operate in a Fiscally Responsible and Business-like Manner

- Arrowhead Regional Medical Center (ARMC) budget includes the addition of 18 limited term clinical and support positions to reduce the use of overtime, temporary help, and nursing registry to provide improved response to volume fluctuations and operational needs as a result of the implementation of the Affordable Care Act.
- The Regional Parks Department has been working to reduce utility costs at its park locations, and in particular at Prado Regional Park. Prado receives water and sewer service from the Inland Empire Utilities Agency (IEUA), a municipal water district. The county entered into an agreement in 1976 with the Chino Basin Water District for water and sewer service, which was assumed by IEUA in 1998. Regional Parks is working as part of a county team to negotiate a new water and sewer agreement to reduce costs for the park.



- Investment of capital resources to reduce energy costs continues through the energy efficiency program partnership with Southern California Edison and Southern California Gas. In 2013-14, Architecture and Engineering completed six projects that reduced energy consumption, resulting in estimated ongoing utility savings of \$120,000 per year and incentives from the utility companies of \$180,000. In 2014-15, the department anticipates completion of four projects with annual savings of 1.4 million kilowatt hours, \$190,000 annual savings, and over \$600,000 in incentives.
- Special Districts Department's budget reflects an increase in reserves for water and sanitation districts by \$6.0 million with the implementation of a policy to have all water and sanitation districts keep a 25% operating contingency fund and an amount equal to 40% of their operating fund in a capital replacement fund. These funds are to help ensure the long term sustainability of the district's infrastructure.
- After saving approximately \$1.2 million for the property insurance premium, Risk Management will continue negotiating insurance renewals to reduce premium costs and obtain more favorable coverage terms for the County. Additionally, Risk Management will be providing Workers' Compensation coverage for Preschool Services contracted employees as of July 1, 2014 at significant premium savings for the department.
- The Purchasing budget includes the addition of one buyer position, which will be funded by Fleet Management, in order to provide enhanced procurement services to Fleet Management.

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

- The 2014-15 Recommended Budget reflects a one-time allocation of \$308,537 of discretionary general funding from the County General Fund Reserves for the Land Use Services - Planning Division to continue to update the General Plan, to create more specific community plans to better reflect the unique character of all areas of the County, and to amend the development code and master plans. These revisions will ensure the most appropriate standards are being applied in all areas of the County and will be accomplished over an estimated three-year period. The additional funding requirements necessary to complete this project are estimated at \$6.5 million, of which \$5.1 million exists in County General Fund Reserves and \$1.4 million is included in budgeted appropriation that is anticipated to remain unspent at the end of the 2013-14 fiscal year.
- The Registrar of Voters budget fluctuates based on a 4-year election cycle, with the Presidential Election being the largest and most costly of the major elections. The department is transitioning from a 2 major election cycle in 2013-14 to a one major election cycle in 2014-15. The 2014-15 budget includes provisions for one minor and one major election as follows: July 8, 2014, for the City of Chino Special Election (minor); and the November 4, 2014 Gubernatorial General Election (major). The minor election is 100% reimbursable; however the major Gubernatorial General Election is only 27% reimbursable, which requires significant Net County Cost funding for the year.
- The County Museum budget reflects reductions in sources of approximately \$518,000 primarily due to state and federal contracts ending with no replacement contracts currently approved, and by scaling back fee and program revenue projections to a conservative level. One vacant position is recommended for deletion as a result thereof, and this is the second



consecutive fiscal year that the Museum has experienced a significant revenue downturn. Net County Cost of \$2.7 million represents an increase of \$570,958 of one-time bridge funding necessary to sustain Museum operations at the current level while a comprehensive study is conducted with respect to reorganizing and developing innovative solutions for the Museum's financial challenges. Included in Net County Cost is a \$125,000 one-time amount for the transition of the Victor Valley Museum.

- Regional Parks will continue to expand amenities at the Calico Ghost Town campgrounds by using Off-Highway Vehicle funding to improve and add camping cabins, renovate restrooms, and to improve the Calico Bunkhouse. These improvements will result in additional revenues for the department and the concession operators, as well as encouraging new domestic and international tourism from "Families in Travel".
- Regional Parks, through ongoing communication and a broadening partnership with venue operators, will make improvements in order to enhance the visitor's experience. Live Nation will increase musical entertainment and festivals at the Glen Helen venue. Lake Gregory Recreation Co., the new operators and managers of Lake Gregory Regional Park, have made many improvements, including a huge, inflatable water feature "Splash Island" and updated catering services at both the San Moritz Lodge and the Cove Snack Bar.
- Community Development & Housing will implement the Bloomington community and neighborhood revitalization efforts by securing the remaining financial resources and commencing construction of the 106 unit, multi-generational housing community and the new 6,500 square foot Bloomington Branch Library on Valley Boulevard.
- Special Districts Department's budget includes \$25.3 million of capital improvement projects in 2014-15, of which, \$19.0 million is programmed in construction funds and \$6.3 million in operating funds. Capital improvement projects programmed in the department's construction funds include the design and construction for the relocation of the Big Bear Alpine Zoo, additional improvements at Kessler Park in Bloomington Recreation and Park District, and road paving and slurry seal projects. Additionally, the department has numerous sewer and water system improvement projects programmed.
- Special Districts Department's operating funds budget includes \$6.3 million in capital improvement projects for Architecture and Engineering and Regional Parks such as the Lake Gregory Dam project, which is funded by a one-time contribution of \$4.0 million in discretionary general funding, as well as the Glen Helen Lift station and Mojave Narrows improvement projects.
- The Public Works - Transportation budget includes over \$25.0 million in major infrastructure projects in 2014-15, funded in part with a one-time contribution of \$5.7 million in discretionary general funding to complete construction of the following:
 - Glen Helen Parkway grade separation,
 - Contribution towards the Slover Avenue and San Bernardino Avenue widening projects,
 - Local match for the Glen Helen Parkway bridge replacement project,
 - Funding for bridge studies on the National Trails Highway, and
 - Construction of a sidewalk near the Joshua Tree National Park Visitor's Center.
 - Other major infrastructure projects include:
 - Contributions to the Cherry Avenue at Interstate 10 interchange improvements,



- Contributions to the Yucca Loma Bridge/Yates Road widening project,
 - A signal on Central Avenue at Phillips Boulevard, and
 - Grant matching contributions for the National Trails Highway raised pavement markers and flashing lighted crosswalks on Pacific Street and Beech Avenue.
- The Public Works - Transportation budget will maintain the County roadway system pavement in good to very good condition by completing \$18.0 million worth of pavement improvement projects, including surface treatments on 107.9 miles and rehabilitating and overlaying 12.4 miles of roads. Additionally, to improve the access to the Sheriff facility, a previous one-time contribution of \$6.0 million in discretionary general funding will help fund improvements on Institution Road to reconstruct and improve the roadway surface.
- The Public Works - Solid Waste Management Division plans to complete \$20.1 million of capital improvement projects which includes the following: \$1.7 million for the final closure construction of the South and West slopes of Unit 1 at Mid-Valley Sanitary Landfill (MVSL); \$2.3 million for liner construction at MVSL, and \$1.2 million for expansion activities at Apple Valley, Barstow, San Timoteo, and Landers Sanitary Landfills; \$11.8 million in environmental mitigation and monitoring activities including construction of landfill gas extraction systems (LFGES) at Big Bear and Barstow Sanitary Landfills, monitoring and maintenance of the LFGES and groundwater monitoring systems at active and closed landfills and disposal sites within the County's waste disposal system, and construction of the Heaps Peak East Slope Stabilization project; \$3.1 million for the construction of new entrance roads and scale houses at the Heaps Peak Transfer Station and the San Timoteo Landfill.
- The Public Works – Flood Control District (District) budget includes \$49.5 million in capital improvement projects in 2014-15. The District anticipates completion of the Mountain View Acres Storm Drain project and the Alabama Culvert project. The District also plans to start construction on the Wilson Creek Channel project, Mojave River Levee Phase II project and the Cactus Basin #3 project.

Maintain Public Safety

- On February 6, 2014 the Sheriff/Coroner/Public Administrator opened Phase 1 of the High Desert Detention Center (HDDC – Formerly known as Adelanto Detention Center) Expansion Project. Phase 1 allows the department to increase capacity by 222 beds over the prior facility, bringing the system's total current operational capacity to 6,235 beds. Staffing for Phase 1 of the project was funded with Public Safety Realignment Funding (AB 109) in 2013-14 and has transitioned into ongoing discretionary general funding as part of the 2014-15 Recommended Budget. The total project cost was \$144.0 million for construction, plus \$1.5 million for Sheriff transition planning costs, funded with a combination of a \$100 million grant from the State of California under the Public Safety and Offender Rehabilitation Services Act of 2007 (AB900) and \$45.5 million by the County from discretionary general funding. The total expansion project is planned to be staffed in a phased approach which will result in a total of 2,098 beds at the HDDC.
- The Land Use Services - Code Enforcement division streamlined the Rehab/Demo program and successfully met the 10% reduction time to complete demolition projects. Additionally, the Land Use Services – Fire Hazard Abatement division achieved their 99% target of successful abatements for properties identified as having hazardous conditions. The 2014-15



Recommended Budget contains continued funding for the department to continue achieving these standards.

- An additional \$6.3 million in ongoing discretionary general funding has been provided to the Probation Department to offset reductions in federal Title IV funds (\$5.8 million) and fee generated revenue (\$0.5 million). This funding will enable the Department to continue to supervise adult and juvenile probationers at an appropriate level to reduce recidivism.
- An additional \$1.0 million in ongoing discretionary general funding has been provided to the Public Defender (\$0.6 million) and District Attorney (\$0.4 million) to compensate for the elimination of state reimbursements for costs regarding sexually violent predators.
- Overall, service levels of the County Fire Protection District have increased in Fire Prevention, Fire Suppression, and Emergency Services, with a net staffing increase of 24 positions. These increases were primarily due to the addition of 9 positions in Fire Hand crew to provide more support to Land Use fuel clearing program; the addition of 2 Engineers and 1 Captain to provide full time supervision to the Inmate Fire Crew Program that will be in full force with 5 crews, for a total of 75 inmates, by the end of 2015; the expansion of the Fontana contract by 9 positions in Station #72 and the addition of 4 Paid Call Firefighters in the Crest Forest Contract; the addition of 2 contract Emergency Services Specialists to provide support to the Emergency Services contracts with the City of Fontana and the City of San Bernardino; and finally, replacing all Limited Term Fire Fighter/Paramedic Ambulance staff with career class Ambulance Operators to stabilize the workforce in the stations that provide ambulance services.
- Ongoing discretionary general funding of \$20.0 million continues to be allocated for the 800 MHz Upgrade Project to address the aging public safety radio system. Information Services Department, Real Estate Services, and Architecture and Engineering are working on acquiring/leasing new sites and modifying leases for existing sites to undertake tower construction and upgrades. Purchases of digital radios and equipment are underway with features and capabilities that have already improved law enforcement safety. The revised estimated cost of the project is \$158.2 million, with \$64.0 million funded to date and \$20.0 million proposed to fund in 2014-15. Expenditures include funding for infrastructure to support the upgrade at the High Desert Government Center Public Safety Operations Center, a consultant contract with Motorola to assist in the planning and implementation of the system upgrade, a contract with Aviat Networks for equipment and services, and purchase orders for annual maintenance and support. The upgrade project will be implemented in five phases over a seven-year period.
- In 2014-15, design will be completed and construction of a 20,000 square foot expansion of the Sheriff's Crime Lab will commence in October 2014 and be completed in September 2015. The \$17.0 million project budget for the crime lab was funded from discretionary general funding in 2012-13 and 2013-14. Various other projects that improve Sheriff and detention facilities are planned for 2014-15.
- The Law & Justice Group Administration will coordinate efforts between all Law & Justice departments to reduce costs while maintaining a high level of service by identifying and securing new grant opportunities. This will be accomplished by holding regular meetings with representatives from the Law and Justice departments to discuss grant opportunities and evaluate requests to fund state-of-the-art equipment and programs.



- During 2013-14 the Sheriff/Coroner/Public Administrator's Detentions budget unit transferred 15 deputy positions to patrol in order to enhance service in unincorporated parts of the County. These positions remain in the patrol budget unit as part of the 2014-15 Recommended Budget.

Provide for the Health and Social Services Needs of County Residents

- Child Support Services anticipates the revenue received from state and federal sources will remain at the level initially adopted in 2013-14. In addition to the loss of one-time funds (\$336,000) received in 2013-14, the Department faces increasing expenditures, such as a \$444,000 increase in COWCAP charges, which includes increased audit and unemployment insurance costs, additional hours of systems development services, and the elimination of an adjustment that decreased COWCAP charges in the prior year. Faced with increased costs and flat funding levels, the Department has taken steps to reduce costs in several areas, such as deleting 4 positions.
- During 2013-14, Public Health's Community Vital Signs Initiative brought together 1,000 community stakeholders, representing healthcare, education and public safety, the business sector, the planning and transportation community, faith-based and community-based organizations, local jurisdictions, and policy makers to discuss, comment and prioritize 34 indicators affecting the health of our communities. In 2014-15, the Initiative will continue its role in advancing the Wellness Element of the Countywide Vision by reconvening stakeholders to develop a Community Health Improvement Plan. This Plan will map current resources and identify strategic action steps and policy recommendations that are reflective of the top priorities identified in 2013-14.
- State and federal funding increases due to the economic downturn are included in the HS - Administrative Claim, primarily in Transitional Assistance programs, and subsistence programs of CalWORKs, AFDC-Foster Care, Aid to Adoptive Children and Kinship Guardianship Assistance to assist residents in need. In addition to the 27,000 families recently enrolled due to healthcare reform (October 2013 through March 2014), HS anticipates: 3,000 additional CalWORKs cases (6% increase), needing WtW supportive services due to reengagement; 5,900 additional Medi-Cal cases (3% increase); and 13,000 additional Cal Fresh cases (11% increase) over the prior year.
- Real Estate Services negotiated new leases for various health and social service departments including larger offices for the Transitional Assistance Department (TAD) to accommodate the growing client list for services in Colton (46,000 square feet), Needles (10,000 square feet), Yucaipa (20,000 square feet) and Redlands (27,000 square feet); and a new state-of-the-art Public Health Clinic, Lab, and Women Infants and Children's facility will open in the fall of 2014 in Ontario (57,930 square feet).
- ARMC will focus on the conversion of patients from self-pay to Medi-Cal to maximize the utilization of Federal and State programs to ensure receipt of all available resources under the Affordable Care Act in order to maintain clinical capacity to meet the health needs of County residents.
- ARMC budget includes the redesign of the three Family Health Care Clinics' staffing to follow the Population Care model and provide specialized levels of care that focus on the most acutely ill ambulatory patients.



- The Public Defender will utilize County programs to move clients to self-sufficiency by providing social service referrals to further client treatment and/or stabilization. In particular, a Social Service Practitioner will be on-site for parole hearings to meet with clients and make them aware of the various programs available to them through Human Services, Behavioral Health, and Public Health.
- Preschool Services will have \$2.1 million in funding restored, that was reduced in 2013-14 due to sequestration. The restoration of funds will be used to reinstate the number of children served, rebuild staff to support the restored level of services, and reestablish vendor contracts.
- Department of Aging and Adult Services (DAAS) anticipates the reinstatement of Federal funds for the nutrition program that was previously reduced due to Federal Sequestration. DAAS programs are expected to remain at 2013-14 service levels, while the number of senior meals provided by the Department's Elderly Nutrition Program is expected to increase.

Pursue County Goals and Objectives by Working with Other Government Agencies

- ARMC will work collaboratively with the California Association of Public Hospitals, the State, and the Centers for Medicare & Medicaid Services in the development of the next Medicaid Waiver in order to maximize future revenues. There will be stringent clinical performance measures linked to the reimbursement of costs within the next Waiver.

CHALLENGES IN FISCAL YEAR 2014-15 AND BEYOND

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

State Budget

On May 13, 2014 Governor Brown released his revised \$156.2 billion 2014-15 Proposed State Budget, which includes \$107.8 billion in State General Fund expenditures, a 7% increase over last year, and a \$2.1 billion reserve. The budget represents a modest surplus that allows for some restoration of prior year reductions and early loan repayment opportunities.

The Governor's Budget Plan contains a 9.3% reduction statewide in AB 109 Public Safety Realignment funding available to county Community Correction Partnerships in 2014-15. This includes a reduction to the AB 109 base allocation and an assumed AB 109 growth projection that is less than the amount received in 2013-14. Based on the current allocation methodology, this will result in a reduction of \$9.7 million in AB 109 funds available to the County in 2014-15. The County has allocated additional one-time Discretionary General Funding to partially cover this shortfall and it is anticipated that the allocation will be restored in 2015-16.

Other issues that are of ongoing concern to the County include the continued implementation of Federal Health Care Reform and its impact on 1991 Realignment funding and County health care programs.

Based on a preliminary review of the Governor's revised budget, changes to programs and additional workload increases in Human Services will result in a funding increase of \$28.6 million in 2014-15. Related to Federal Health Care Reform, the State projects a \$3.0 million reduction in County 1991



Realignment Funding primarily based on projected Medi-Cal expansion. In addition, the budget includes a decrease in the gasoline tax rate beginning July 1, 2014. Based on this decreased rate the County stands to lose \$5.4 million in funds available for transportation operations. The May Revisé also includes repayment to local agencies towards amounts owed for mandated services performed prior to 2004. Of the \$900 million in Statewide pre-2004 mandate obligations, the County of San Bernardino is owed \$15 million. The County stands to be reimbursed \$1.6 million if this proposal is adopted.

Sales Tax Volatility

Historically it has been assumed that counties are more reliant on relatively stable property taxes for the provision of services, however, with the realignment of many state services, counties have become increasingly dependent on sales tax revenue. When combining 1991 and 2011 Realignment revenues, which are primarily funded with sales tax (\$510.3 million), with County sales tax (\$20.2 million) and Proposition 172 Half Cent Sales taxes (\$156.0 million), the portion of requirements funded primarily with sales tax represents 14.2% of the County budget. While sales taxes are not projected to decrease in 2014-15, they tend 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.

Retirement Costs

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

CONCLUSION

The County fiscal plan developed by the County Administrative Office outlines measures to address the anticipated cost increases for the next five years so that both the Board and staff can continue to focus on rebuilding the County. The 2014-15 Recommended Budget focuses on major policy issues and key projects that require additional funding. The County is committed to making the most of its funding to provide necessary public services in an effective and efficient manner and fulfilling its role in the achievement of the Countywide Vision.



GREGORY C. DEVEREAUX
Chief Executive Officer

CONTENTS OF 2014-15 RECOMMENDED BUDGET

There are two workbooks for the 2014-15 Recommended Budget, both are user friendly for the public, Board of Supervisors, and departments. The first workbook is the 2014-15 Executive Summary and the second workbook is 2014-15 Recommended Budget. Both workbooks have tabbed sections that are described below:

The first workbook, 2014-15 Executive Summary, is a summary of the 2014-15 Recommended Budget, which begins with a memo from the Chief Executive Officer (CEO), and includes the following sections:

- **County Fiscal Plan**, which summarizes the CEO's plan to address the five-year forecast and includes changes in ongoing County discretionary revenue and the ongoing cost to maintain services.
- **Identified Needs**, which summarizes the recommended ongoing and one-time costs for 2014-15 and identifies future needs that are currently set-aside in reserves that the County will have to address.
- **County Budget Summary**, which shows total requirements and total sources included in the 2014-15 Recommended Budget with comparative numbers from the 2013-14 modified budget. Also included is total budgeted staffing recommended for 2014-15 with comparative numbers from the 2013-14 modified budget.
- **Discretionary General Funding and Restricted Funds**, which summarizes how the general fund is funded in 2014-15 as well as the balances of unallocated discretionary sources (contingencies) and reserves.

The second workbook, 2014-15 Recommended Budget, begins with the **Table of Contents** and a **County Budget Overview**, which provides information about the County and the budget process and explains to the reader how the workbook functions. There is a tab for each budget group and behind each tab are all the budget unit details within that budget group.

For each department the following is included:

- **Department's Mission Statement.**
- **Department's Organizational Chart**, which includes the names of key personnel of the department, what functions the department performs and budgeted staffing counts by function included in their 2014-15 Recommended Budget.
- **Department's 2013-14 Accomplishments.**
- **Department's Performance Measures to meet the 2014-15 County Goals and Objectives.**
- **Summary of Budget Units**, which summarizes the 2014-15 Recommended Budget by requirements, sources, net county cost, fund balance, net budget and staffing for all budget units under the direction of a specific department and/or group. This section also includes a five-year trend for each budget unit listed.



For each departmental budget unit the following details are included:

- **Description of Major Services**, provides information regarding the main functions of each budget unit.
- **Budget at a Glance**, lists the budget unit's 2014-15 requirements less reimbursements, sources/reimbursements, net county cost/fund balance/net budget, use of fund balance or unrestricted net assets (if any), budgeted staffing, and percentage of net county cost, if any.
- **Requirements Less Reimbursements and Sources\Reimbursements pie charts**, illustrate what percentage of 2014-15 budgeted expenditure authority is spent on staffing expenses, operating expenses, etc., as well as, the percentage of the 2014-15 budgeted sources that come from net county cost, reimbursements, taxes, fee/rate supported revenues, etc.
- **Budgeted Staffing Analysis and 5-Year Staffing Trend**, displays the budget unit's current staffing trend, including regular and limited term positions and associated staffing expenses for the current and two prior fiscal years, and illustrates with a bar graph the budgeted staffing amounts for the past four fiscal years and the upcoming fiscal year.
- **Analysis of 2014-15 Recommended Budget**, includes line item budget amounts by requirements such as staffing expenses, operating expenses, etc. and line items by revenue sources for the most recent and upcoming fiscal year, as well as actual results for the past three fiscal years, and current year estimates.
- **Major Expenditures and Revenue in 2014-15 Recommended Budget**, provides explanations of major departmental expenditures and sources included in the 2014-15 Recommended Budget.
- **Budget Changes and Operational Impact**, briefly describes any major budget unit program impacts, and highlights the 2014-15 budget including significant changes in requirements and sources from the prior year modified budget.
- **Staffing Changes and Operational Impact**, briefly highlights budgeted staffing changes and operational impacts for 2014-15, including significant changes from prior year modified budgeted staffing.
- **2014-15 Position Summary**, identifies by functions all the classifications budgeted in 2014-15 and separates them by type, regular and limited term, as well as by status, filled, vacant or new when the budget was built.



Long Term Financial Planning

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

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

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

Significant Issues Impacting the General Fund

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

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

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



TABLE 1
FIVE-YEAR FINANCIAL FORECAST
DISCRETIONARY GENERAL FUNDING
FISCAL YEARS 2014-15 THROUGH 2018-19
(dollars in millions)

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

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

Table 1 summarizes the County's five-year financial forecast as it relates to ongoing expenditures funded with ongoing discretionary revenue in the County's General Fund. The forecast reflects that ongoing revenues are beginning to increase due to projected increases in property tax and Proposition 172 sales tax revenue. Ongoing cost changes reflect the cost to maintain current service levels. After accounting for these changes, the Yearly Operating Available is positive for the next five fiscal years.

However, in recent years the County has identified other ongoing costs not previously included in the five year forecast that need to be addressed. These costs are identified in Table 1 as Ongoing Costs Not Funded in the Ongoing Budget Plan. Additionally, for 2014-15 ongoing departmental needs have been identified in Table 1 as New Ongoing Departmental Costs. For a complete description of all ongoing departmental costs that are recommended to be funded in the 2014-15 budget, see the Identified Needs section of the Executive Summary. After including these new cost components, the County's General Fund has a cumulative structural deficit of \$50.6 million over the next three fiscal years. \$21.0 million of that deficit occurs in the 2014-15 fiscal year. Recommended solutions for the structural deficit through 2018-19 are detailed on the next page.



TABLE 2
FIVE-YEAR FINANCIAL FORECAST SOLUTIONS
REMAINING STRUCTURAL DEFICIT
DISCRETIONARY GENERAL FUNDING
FISCAL YEARS 2014-15 TO 2018-19
(dollars in millions)

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

Source: County of San Bernardino Administrative Office.

⁽¹⁾ The Five-Year Forecast solutions represent incremental mitigations for the referenced fiscal year.

As reflected in the table above, the recommended solutions for the remaining structural deficit for fiscal years 2014-15 through 2018-19 include:

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

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

High Desert Detention Center Staffing Mitigations – Construction commenced in June 2011 and was completed in February 2014 on the Sheriff/Coroner/Public Administrator’s High Desert Detention Center (formerly Adelanto Detention Center) Expansion Project, which added 1,392 jail beds to the existing 706 bed



facility (for a total of 2,098 beds). The County currently estimates that the ongoing cost of staffing the expanded High Desert Detention Center is \$39.1 million. In 2013-14, the County developed a plan to use one-time AB 109 growth funds to staff 222 of the new beds at the facility (Phase 1). Ongoing sources of \$11.5 million are needed in 2014-15 to fund the expanded operation in order to maintain structural balance in the County's General Fund. However, the delay of Phase 2 to Fiscal Year 2017-18 and the delay of Phase 3 to Fiscal Year 2018-19 is recommended, which would reduce the structural deficits in the next three fiscal years.

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

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

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

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

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

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

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



The County Fiscal Plan (five-year fiscal forecast) primarily focuses on increases in costs to maintain current services and how much discretionary revenue is available to fund these costs and/or what mitigations are needed. Under the direction of the Chief Executive Officer, Finance and Administration also identifies needs within the County that are not currently funded and require funding with ongoing or one-time sources.

ONGOING NEEDS

The 2014-15 Recommended Budget funds \$47.6 million in increased ongoing costs that are included in the County Fiscal Plan that ultimately were decided to be funded (\$21.6 million to maintain current services and \$26.0 million in increased needs as detailed below).

Ongoing Costs Identified to be Funded (in millions)

	Ongoing
High Desert Detention Center Staffing	\$11.5
Probation - Loss of Title IV-E and Fee Revenue	6.3
Sheriff - Reduction in revenue from Federal Prisoners	4.7
Earned Leave Program	1.0
Public Defender - Loss of SB 90 Revenue	0.6
Land Use Planning - Indirect Costs for General Fund Projects	0.6
District Attorney - Loss of SB 90 Revenue	0.4
Indigent Defense - Additional AB 109 Categories	0.2
Public Defender - New Leased Space	0.2
Indigent Defense - Reimburse Finance for Administrative Positions	0.1
Auditor-Controller/Treasurer/Tax Collector - Revenue Decrease and Legal Expenses	0.1
Land Use Code Enforcement - Graffiti Removal	0.1
Public Health - Non- Profits Permits for Temporary Events and Snack Bars	0.1
Purchasing/Clerk of the Board	0.1
Additional Ongoing Costs in 2014-15 Recommended Budget	\$26.0

\$11.5 million for High Desert Detention Center Staffing

Construction commenced in June 2011 and was completed in February 2014 on the Sheriff/Coroner/Public Administrator's High Desert Detention Center (formerly Adelanto Detention Center) Expansion Project, which added 1,392 jail beds to the existing 706 bed facility (for a total of 2,098 beds). In 2013-14, the County developed a plan to use one-time AB 109 growth funds to staff 222 of the new beds at the facility. Additionally, the County moved 706 existing inmates to the new facility resulting in the use of 928 beds at the High Desert Detention Center. This provided for expanded levels of service in the High Desert, which includes a new booking area and the ability to house female, protective custody, and high security inmates. For 2014-15, it is recommended that \$11.5 million in ongoing Discretionary General Funding be allocated to fund the full year cost of staffing the additional 222 new beds at the facility. The County has developed a phased approach in the County Fiscal Plan whereby it is anticipated that the facility's 2,098 beds will be fully operational using Discretionary General Funding by 2018-19.

\$6.3 million for Probation – Loss of Title IV-E and Fee Revenue

The Probation Department is anticipating a decrease of \$5.8 million in Title IV-E foster care revenue received by the Department for juveniles on probation. It is anticipated that Title IV-E Administrative claims will be reduced statewide based upon new claiming procedures developed by the California Department of Social Services per federal guidelines. Additionally, the Department is anticipating a reduction of fee revenue totaling \$0.5 million. The use of Discretionary General Funding to backfill these revenue losses will enable the Department to continue to provide necessary public safety services to the residents of the County.



\$4.7 million for Sheriff – Reduction in Revenue from Federal Prisoners

Sheriff/Coroner/Public Administrator has seen \$4.7 million in reduced revenue associated with the loss of U.S. Marshall funding for holding federal inmates in County jails. The number of inmates has steadily declined since 2012-13 and the loss for 2014-15 represents a net reduction of 160 federal inmates. The allocation of ongoing Discretionary General Funding will enable the Department to continue to fill these beds with County inmates.

\$1.0 million for Earned Leave Program

In a given fiscal year an employee can have paid time off earned but not used that is carried forward to future years until taken or cashed out. Since 2011-12, the County has been allocating resources to begin funding these costs on an ongoing basis (Earned Leave Program). This has resulted in \$6.9 million in ongoing Discretionary General Funding being set aside in 2013-14. The additional \$1.0 million in ongoing Discretionary General Funding towards this program provides the necessary ongoing resources to fully fund this program.

\$0.6 million for Public Defender – Loss of SB 90 revenue

The Public Defender's Office is projecting reduced revenue totaling \$0.6 million as a result of the elimination of SB 90 reimbursements from the State for the defense of sexually violent predators. Ongoing Discretionary General Funding is requested to backfill this revenue loss to the Department.

\$0.6 million for Land Use Planning – Indirect Costs for General Fund Projects

Land Use Services Department – Planning Division is in need of \$0.6 million in additional Discretionary General Funding to pay for indirect expenses related to planning work on general fund projects that were not previously being charged. Historically, the Planning Division's general fund projects were only charged salary and benefit expense, rather than including all indirect costs for services as well. The ongoing Discretionary General Funding will allow the Department to reduce billing rates to the public, since indirect expenses attributable to general fund projects are currently included in rates charged to the public.

\$0.4 million for District Attorney – Loss of SB 90 revenue

The District Attorney's Office is projecting reduced revenue totaling \$0.4 million as a result of the elimination of SB 90 reimbursements from the State for the prosecution of sexually violent predators. Ongoing Discretionary General Funding is requested to backfill this revenue loss to the Department.

\$0.2 million for Indigent Defense – Additional AB 109 Categories

As a result of the implementation of 2011 Public Safety Realignment (AB 109), the County's Indigent Defense Program has been tasked with additional categories of service that it is required to provide for indigent defendants. Additional ongoing Discretionary General Funding is recommended in order to fund these costs.

\$0.2 million for Public Defender – New Leased Space

Additional ongoing Discretionary General Funding is requested to fund lease costs for the Public Defender that is needed due to the closures of the Fontana and Barstow courthouses. These closures have forced the reassignment of staff to the Victorville and Rancho Cucamonga offices, which do not currently have the space required to accommodate all staff.

\$0.1 million for Indigent Defense: Reimburse Finance for Administrative Positions

Historically, the Courts have provided for the administration of Indigent Defense Conflict Panel contracts and non-contract court-appointed defense services. The County has agreed to take over responsibility of this administrative function in 2014-15 by adding two new positions. Ongoing Discretionary General Funding is recommended to be included in the County's Indigent Defense budget to reimburse Finance and Administration for the positions.

\$0.1 million for Auditor-Controller/Treasurer/Tax Collector – Revenue Decrease and Legal Expenses

The Auditor-Controller/Treasurer/Tax Collector is in need of additional funding for specialized legal services related to the representation of the County's interest in unpaid property taxes that are due from tax payers who are in bankruptcy proceedings. Additionally, the Department is projecting a decrease in single audit revenue from County departments resulting from the County going from a high risk to low risk auditee. Employees that previously worked single audits are diverted to work on general fund audits. Additional



ongoing Discretionary General Funding is requested to fund the additional cost and backfill the lost revenue source.

\$0.1 million for Land Use Code Enforcement – Graffiti Removal

In 2013-14, the Land Use Services Department – Code Enforcement Division was allocated one-time Board Discretionary Funds to assist with Graffiti removal throughout the County. \$0.1 million in ongoing Discretionary General Funding is requested in order to enable the Code Enforcement Division to continue blight removal in areas that are currently serviced.

\$0.1 million for Public Health – Non-Profits Permits for Temporary Events and Snack Bars

Additional Discretionary General Funding of \$0.1 million is requested to provide funding to Public Health to cover the cost for permits issued to non-profits for temporary events and Snack Bars for youth sporting events.

\$0.1 million for Purchasing Department and Clerk of the Board

Ongoing Discretionary General Funding is recommended for the Purchasing Department to fund the annual licensing requirements for the County's Electronic Procurement System (ePro) and to partially fund the addition of a position to provide workload relief and manage the Department's countywide billing process. Additional funding to the Clerk of the Board is requested for Information Services Department Videoconferencing support for staffing the Board of Supervisor's videoconferencing at the High Desert and Joshua Tree Government Centers.

ONE-TIME NEEDS

The 2014-15 Recommended Budget funds \$17.9 million in increased one-time costs. One-time costs include \$6.6 million per Board policy or direction and \$11.3 million in increased needs. The \$6.6 million in one-time costs per Board policy or direction includes funding of the Economic Development Agency with one-time Discretionary General Funding derived from revenue earned by the Department, funding the Registrar of Voters 2014-15 Election Cycle, and funding the required increase in the County's Mandatory Contingencies. Further detail is provided below on an additional \$11.3 million in additional one-time needs included in the 2014-15 Recommended Budget.

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

	One-Time
2014-15 Transportation Projects (\$5.3 million from General Fund Reserves)	\$5.6
Backfill AB 109 Revenue Shortfall	2.1
Pavement Rehab - Fleet Management and Public Works	1.4
County Museum Bridge Funding and Transition Costs	0.7
General Plan Update (Funded from General Fund Reserves)	0.3
District Attorney - Temporary Lease Space	0.3
Home Ownership Protection Program	0.2
Code Enforcement - Medical Marijuana Legal Expenses	0.2
Human Resources - Enhancements for Western Region Item Bank	0.2
Joshua Tree Sidewalks and Signage	0.1
Clerk of the Board - Assessment Appeals	0.1
Lucerne Valley Park County Services Area	0.1
Additional One-time Costs in 2014-15 Recommended Budget	\$11.3



\$5.6 million one-time 2014-15 Transportation Projects

A one-time contribution of \$5.6 million from the General Fund, of which \$5.3 million is funded by the use of General Fund Reserves, will help construct the Glen Helen grade separation (\$4.0 million), San Bernardino Avenue Widening (\$0.9 million), National Trails Highway (\$0.3 million), Glen Helen Parkway Bridge Replacement (\$0.2 million), and Slover Avenue Widening (\$0.1 million).

\$2.1 million one-time Backfill of AB 109 Revenue Shortfall

The County is projecting a one-time net reduction in 2011 Public Safety Realignment (AB 109) base revenue funding in 2014-15. In order to enable Law and Justice Group Departments to continue to provide public safety services, it is recommended that \$1.8 million be allocated to the Sheriff/Coroner/Public Administrator, \$0.2 million to the District Attorney, and \$0.1 million to the Public Defender.

\$1.4 million one-time for Pavement Rehab – Fleet Management and Public Works

Funding of \$1.4 million is recommended in order to help rehabilitate the roads, driveways and parking lots that serve the Public Works Building and Fleet Management/County Fire maintenance facilities in San Bernardino.

\$0.7 million one-time for County Museum Bridge Funding and Transition Costs

For 2014-15, Museum sources are decreasing primarily due to state and federal contracts that are ending with no replacement contracts currently approved, and the reduction of fee and program revenue projections to a conservative level. A more comprehensive study will be conducted in 2014-15 with respect to reorganizing and developing innovative solutions for the Museum's financial challenges, and one-time bridge funding is recommended until a more sustainable solution can be developed. One-time funding is also recommended for the transition of the Victor Valley Museum.

\$0.3 million for General Plan Update

Additional one-time Discretionary General Funding is recommended through the use of the General Fund Reserve for the Land Use General Plan/Development Code Amendments. This will fund three contract positions that will work on the General Plan and Community Plan updates.

\$0.3 million for District Attorney – Temporary Lease Space

Additional one-time funding will enable the leasing of office space by the District Attorney's Office in close proximity to the Foothill Law and Justice Center that is the direct result of the courts relocating criminal felony and misdemeanor cases from Fontana to Rancho Cucamonga. The lease allows for sufficient time to proceed with improvements to the Foothill Law and Justice Center that will eventually accommodate District Attorney staff.

\$0.2 million for Home Ownership Protection Program

As part of its efforts to reduce foreclosures and stabilize neighborhoods within the County, the Home Ownership Protection Program was established in 2012. Discretionary General Funding is requested in order to supplement the costs of this program.

\$0.2 million for Code Enforcement – Medical Marijuana Legal Expenses

Additional one-time Discretionary General Funding of \$0.2 million is recommended to be used to offset legal expenses incurred by Code Enforcement as a result of continuing civil and criminal proceedings relating to medical marijuana.

\$0.2 million for Human Resources – Enhancements for Western Region Item Bank

The Human Resources Department is responsible for the Western Region Item Bank (WRIB), a cooperative, computer-based test question bank used by 120 public agencies to develop employment tests. The Computerized Item Banking (CIB) application that is used for the WRIB was written approximately 20 years ago and requires a significant amount of manual processing and the use of outdated hardware and software that is no longer supported. This, coupled with the application vendor going out of business, has led to the request for additional one-time Discretionary General Funding for a new application.

\$0.1 million for Joshua Tree Sidewalks and Signage

One-time Discretionary General Funding is requesting to be used to construct 1 and a half blocks of sidewalk from Joshua Tree National Park Visitor's Center to Highway 62.



\$0.1 million Clerk of the Board – Assessment Appeals

Funds are requested to fund two Contract Assessment Appeals Processors that are needed in order to input, review and dispose of the abnormally high number of Assessment Appeals cases, which must be resolved within two years of the filing date in accordance with Revenue and Taxation Code section 1604 (c).

\$0.1 million Lucerne Valley Park County Service Area

One-time funding is recommended to be used to rehabilitate an existing multi-use sports facility that was previously operated by a Homeowner Association (HOA). The refurbished facility will be operated as a neighborhood park in one of the more populated areas of Lucerne Valley.

FUTURE ONE-TIME NEEDS

In addition to one-time needs allocated for use in 2014-15, there are additional one-time needs that are recommended to be set aside for the future within County Specific Purpose Reserves. Detail of those needs are described below.

**One-time Needs Set-Aside in General Fund Reserves
(in millions)**

	<u>One-Time</u>
Labor	\$15.1
Asset Replacement	5.6
Capital Improvement Projects: Lake Gregory Dam	5.0
Capital Improvement Projects: Sheriff/Coroner/Public Administrator Building	5.0
Capital Improvement Projects: Rancho Court Remodel - District Attorney	1.6
Capital Improvement Projects: Victorville & Rancho Court Remodel - Public Defender	0.6
Transportation Projects: National Trails Highway	5.0
Transportation Projects: Rock Springs Bridge Replacement/Widening Construction	2.1
Transportation Projects: Glen Helen Parkway Bridge Replacement/Widening Construction	1.8
Additional One-time Costs in 2014-15 Recommended Budget	<u>\$41.8</u>

\$15.1 million one-time for Labor

The County is currently in contract negotiations with various labor groups and it is anticipated that one-time funds may be required as a result of those negotiations.

\$5.6 million one-time Asset Replacement

The County historically has not set aside funds for the ongoing replacement of capital assets (e.g. equipment, vehicles, capitalized software). This has resulted in \$22.1 million in assets that are currently exceeding their useful life in the General Fund alone. Although full funding is not available in 2014-15 to cover the cost of all assets requiring replacement, it is recommended that \$5.6 million be set aside for the highest priority asset replacement needs throughout 2014-15. As soon as funding is available, it is recommended that funds be set aside on an ongoing basis to begin to address capital asset replacement needs.

\$5.0 million one-time for Capital Improvement Project: Lake Gregory Dam

In April of 2008, the County received a violation notice from the California Department of Safety of Dams (DSOD) stating that Lake Gregory Dam did not meet the State's requirements for stability during a major seismic event and the required evacuation rate. The County allocated \$4.0 million in 2012-13 towards remediating the dam with knowledge that further inspection was required to determine the amount needed to fully stabilize it. Since that time, it has been determined that an additional \$5.0 million will be required to fully remediate the dam.

\$5.0 million one-time for Capital Improvement Project: Sheriff/Coroner/Public Administrator Building

\$5.0 million in one-time funding is recommended for a building that will support a variety of law enforcement activities for the Sheriff's Department. It is anticipated that this will replace an existing leased building that supports these activities.



\$1.6 million one-time for Capital Improvement Project: Rancho Court Remodel – District Attorney

\$1.6 million one-time funding to allow for improvements to the Foothill Law and Justice Center that will eventually accommodate District Attorney staff. This is required as a result of the Court relocating criminal felony and misdemeanor cases from Fontana to Rancho Cucamonga.

\$0.6 million one-time for Capital Improvement Project: Victorville and Rancho Court Remodel – Public Defender

\$0.6 million is recommended in order for Public Defender Fontana staff to be relocated to a combination of leased space and space the Court will no longer need in the Rancho Courthouse. This is necessary due to the relocation of criminal felony and misdemeanor cases from Fontana.

\$5.0 million one-time for Transportation Projects: National Trails Highway

\$5.0 million in one-time funding is recommended in order to repair the National Trails Highway. There are over 125 bridges along the Highway and some are in need of either replacement or repair. The additional funds will be used to repair 13 bridges identified as high priority in order to keep the National Trails Highway from being closed.

\$2.1 million one-time for Transportation Projects: Rock Springs Bridge Replacement/Widening

\$2.1 million in one-time funding is recommended in order to assist in the replacement of the Rock Springs Bridge, which will be widened from 2 to 4 lanes.

\$1.8 million one-time for Transportation Projects: Glen Helen Parkway Bridge Replacement/Widening

\$1.8 million in one-time funding is recommended in order to assist in the replacement of the Glen Helen Parkway Bridge, which will be widened from 2 to 4 lanes.



SUMMARY

	Fiscal Year 2012-13 Actual Amount	Fiscal Year 2013-14 Adopted Budget	Fiscal Year 2013-14 Modified Budget	Fiscal Year 2014-15 Recommended Budget	Change From Prior Year Modified	Percent Change From Prior Year
<u>Requirements</u>						
Staffing Expenses	1,627,005,428	1,768,173,106	1,809,317,287	1,839,719,992	30,402,705	1.68%
Operating Expenses	2,024,603,104	2,254,254,008	2,351,123,860	2,338,873,131	(12,250,729)	-0.52%
Capital Expenditures	131,966,548	308,723,058	353,046,321	337,584,884	(15,461,437)	-4.38%
Reimbursements	(273,608,709)	(287,062,459)	(299,163,275)	(309,123,911)	(9,960,636)	3.33%
Contingencies	0	536,636,284	481,886,674	358,092,443	(123,794,231)	-25.69%
Subtotal Appropriation	3,509,966,371	4,580,723,997	4,696,210,867	4,565,146,539	(131,064,328)	-2.79%
Operating Transfers Out	245,131,918	269,895,695	293,539,477	226,700,437	(66,839,040)	-22.77%
Contributions to Reserves	0	12,668,192	12,668,192	45,325,081	32,656,889	257.79%
Total Requirements	3,755,098,289	4,863,287,884	5,002,418,536	4,837,172,057	(165,246,479)	-3.30%
<u>Sources</u>						
Taxes	712,687,296	693,080,716	697,641,447	733,643,627	36,002,180	5.16%
1991 Realignment	161,800,252	207,203,363	200,998,805	195,160,322	(5,838,483)	-2.90%
2011 Realignment	254,253,575	298,212,880	319,526,593	315,126,642	(4,399,951)	-1.38%
State, Federal, or Government Aid	1,440,691,614	1,549,159,198	1,597,548,616	1,604,136,301	6,587,685	0.41%
Fee/Rate	780,214,494	836,569,290	877,077,894	893,446,641	16,368,747	1.87%
Other Revenue	232,998,069	132,051,228	149,727,495	119,112,044	(30,615,451)	-20.45%
Operating Transfers In	246,282,168	247,827,306	261,234,835	212,449,622	(48,785,213)	-18.67%
Fund Balance/Use of Unrestricted Net Assets*	53,802,584	668,852,782	668,331,730	697,667,550	29,335,820	4.39%
General Fund Unassigned Fund Balance*	(127,631,763)	194,412,332	194,412,332	60,792,771	(133,619,561)	-68.73%
Use of Reserves	0	35,918,789	35,918,789	5,636,537	(30,282,252)	-84.31%
Total Sources	3,755,098,289	4,863,287,884	5,002,418,536	4,837,172,057	(165,246,479)	-3.30%
Budgeted Staffing**	20,523	20,726	21,082	21,306	224	1.06%

* For 2012-13, the two Fund Balance budget line items represent either the actual use of fund balance (if positive amounts) or the actual increase to fund balance (if negative amounts) throughout the fiscal year.

**2012-13 Budgeted Staffing reflects the Final Budget amounts, as actuals for staffing vary throughout the fiscal year.

Beginning in 2014-15, all County entities' budgets have been consolidated into one budget book. Historically, Other Agencies and Board Governed Special Districts, including those managed by the Special Districts Department, County Fire, and Flood Control, have not been included in the summary of the total County budget. As a result of the consolidation of all Board governed entities, amounts from prior year budgets in this summary have been restated to reflect this change.

The schedule above represents the entire County Budget from actual expenditures and revenue for 2012-13 through the 2014-15 Recommended Budget. The 2014-15 Recommended Budget for the County includes \$4.8 billion in budgeted requirements and sources as well as 21,306 in budgeted staffing. Further detail on the County's Recommended Requirements, Sources, and Budgeted Staffing for the upcoming fiscal year is provided on the following pages.

Overview of 2014-15 Requirements and Sources

As the largest political subdivision of the State, counties are vested by the California State legislature with the powers necessary to provide for the health and welfare of the people within its borders. The \$4.8 billion 2014-15 Recommended Budget reflects the planned allocation of resources necessary to carry out this mission for the citizens of San Bernardino County in accordance with the Countywide Vision and Goals and Objectives established by the Board of Supervisors on February 25, 2014. The County's 21,306 budgeted positions are responsible for a wide variety of services to residents, from responding to calls for help in emergencies (Sheriff's and Fire Department) to giving businesses the tools they need to succeed (Economic Development Agency) to providing a home for children in need (Human Services – Subsistence). The following budget is recommended in order to continue to provide the County's many important services in a fiscally responsible manner.



Total Requirements of \$4.8 billion consist primarily of Staffing and Operating Expenses, which represent 81.21% (\$4.1 billion) of total expenditure authority. Staffing Expenses of \$1.8 billion consist of salaries of \$1.2 billion and benefit costs of \$679.6 million. Departments with significant budgeted staffing expenses include the Sheriff/Coroner/Public Administrator (\$417.9 million, 3,647 positions), Human Services Administrative Claim (\$335.8 million, 4,644 positions), and Arrowhead Regional Medical Center (\$249.9 million, 3,691 positions). The largest benefit related cost for the County is employee pensions (retirement), which makes up 58% (\$391.3 million) of all costs associated with employee benefits. The increase in staffing costs of \$30.4 million is primarily due to increased salary costs of \$9.5 million for additional recommended staff for Human Services Departments (101 positions) and the Arrowhead Regional Medical Center (70 positions) as well as additional retirement costs (\$15.2 million) resulting from significant market losses to the County pension fund in 2008-09, which the County is required to pay back over several years.

Operating Expenses in the County include costs for services and supplies, internal service fund charges, travel, transfers to the other County departments, and other charges. These expenses represent the largest share of costs within the County at \$2.3 billion, which is primarily a result of the County being charged by the State with the administration of Human Services programs. Many of these programs provide subsistence payments to help residents in need throughout the County. The Human Services operational group makes up almost half (47%) of the County's operating expenses and accounts for the minor overall reduction in operating expenses in 2014-15 resulting from a projected reduction in Disproportionate Share Hospital (DSH) payments. DSH is a federal matching program that assists the County in funding indigent patients.

The overall reduction in requirements of \$165.2 million can be partially attributed to a reduction in County General Fund Contingencies of \$136.4 million. Contingencies represent sources not planned to be spent in 2014-15. The substantial reduction in General Fund Contingencies is primarily due to the contribution of \$120.6 million towards general and specific County General Fund reserves approved by the Board in the 2013-14 Third Quarter Budget Report and an additional \$45.3 million recommended to be contributed to reserves as part of this Recommended Budget. Like Contingencies, Contributions to Reserves represent sources that are not planned to be spent. Excluding these two categories of requirements, the total budget available for expenditure in 2014-15 is \$4.4 billion. Further detail on General Fund Contingencies and County Reserves can be found in the Discretionary General Funding and Restricted Funds section of the Executive Summary.

The three major funding sources of the County include revenue from other governmental entities (State, Federal or Government Aid), funding for direct services provided (Fee/Rate), and taxes. At \$1.6 billion, State, Federal or Government Aid represents 33.20% of the County budget. The Human Services operational group receives the largest amount of funds from other governments, with \$416.2 million received from the State and \$626.5 million received from the federal government. Fee/Rate revenue of \$893.4 million represents 18.49% of the County budget and includes funding from licenses, permits, fines, fees, rates, and other charges for direct services provided by the County. Much of this funding (\$192.2 million) is received by departments, such as the Information Services Department and Risk Management Department, that provide direct services to other County Departments. Other notable departments that receive funding to provide specific services include the Sheriff's Department (\$128.3 million), which provides law enforcement services for 14 incorporated county cities, and the County's Solid Waste Department (\$67.0 million) that is responsible for the operation and management of the County solid waste disposal system.

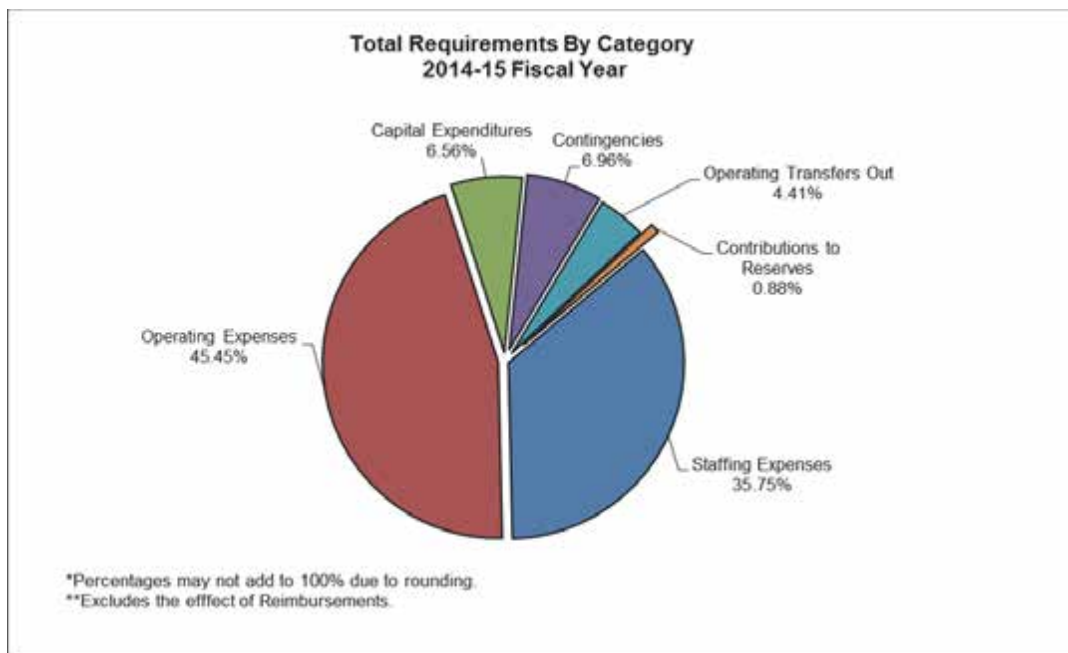
While historically it has been assumed that counties are reliant on relatively stable property taxes for the provision of services, with the realignment of many state services, counties have become increasingly dependent on sales tax revenue. When combining 1991 and 2011 Realignment revenues, which are primarily funded with sales tax (\$510.3 million), with County sales tax (\$20.2 million) and Proposition 172 Half Cent Sales taxes (\$156.0 million), the portion of requirements funded primarily with sales tax represents 14.2% of the County budget. While sales taxes are not projected to decrease in 2014-15, they tend 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.

The County's aggressive approach to increasing County reserves reflects a fiscally conservative recognition of the resource shift from historically stable to risky tax sources. The reduction in General Fund Unassigned Fund Balance of \$133.6 million is a result of the need to increase County reserves. Instead of being "unassigned", this fund balance has instead been assigned to various County specific purpose reserves through the County Quarterly Budget reports and the 2014-15 Recommended Budget. Further detail on County Reserves can be found in the Discretionary General Funding and Restricted Funds section of the Executive Summary.

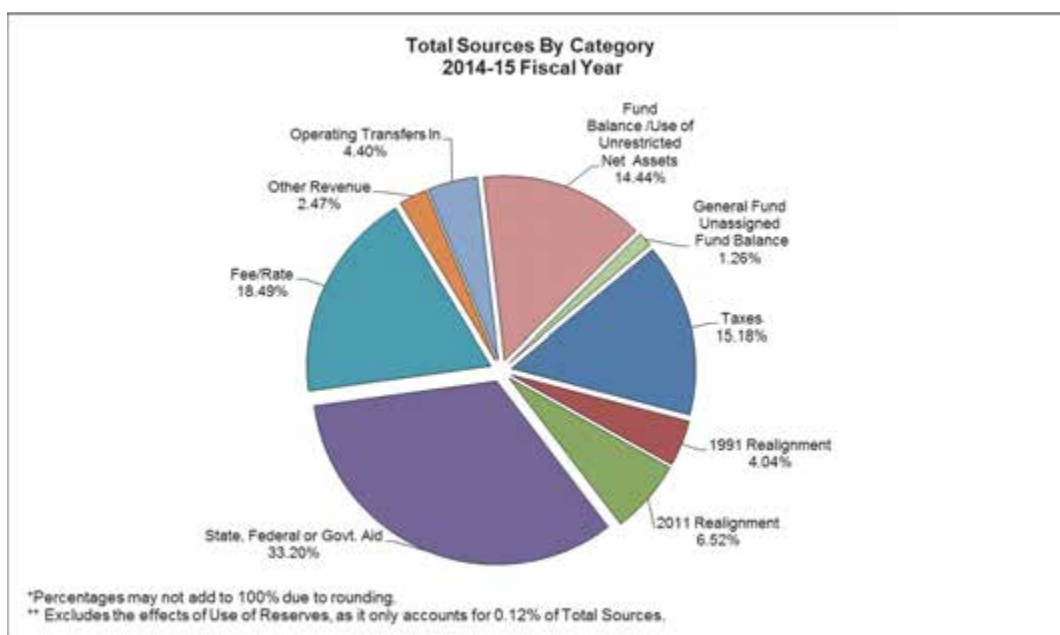


REQUIREMENTS AND SOURCES BY CATEGORY

Total Requirements include appropriation recommended for adoption by the Board of Supervisors, operating transfers out, and contributions to reserves from the County fiscal plan. Operating transfers out provide a mechanism to transfer funding between budget units and are not appropriation to spend.



Total Sources include projected revenue and operating transfers in, which provide a mechanism to transfer funding from one budget unit to another within the County. Additionally, sources include the fund balance/use of unrestricted net assets for all non-general funds, the general funds available unassigned fund balance, and the use of County reserves from the County fiscal plan.

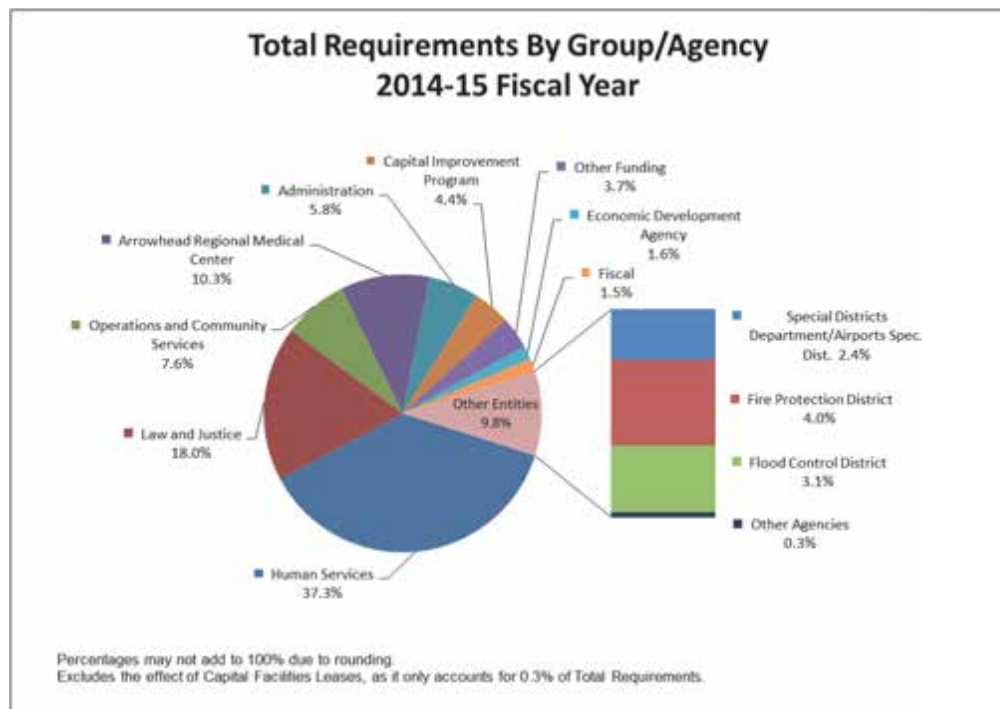


REQUIREMENTS SUMMARY

The 2014-15 Recommended Budget includes requirements of \$4.8 billion, which is a net decrease of \$165.2 million or 3.30% compared to the 2013-14 Modified Budget.

	Fiscal Year 2012-13 Actual Amount	Fiscal Year 2013-14 Adopted Budget	Fiscal Year 2013-14 Modified Budget	Fiscal Year 2014-15 Recommended Budget	Change From Prior Year Modified	Percent Change From Prior Year
County:						
Administration	224,299,057	272,390,002	280,876,177	280,439,463	(436,714)	-0.16%
Capital Facilities Leases	12,930,934	13,013,014	13,013,014	13,016,519	3,505	0.03%
Economic Development Agency	47,957,766	79,326,558	81,263,010	75,715,209	(5,547,801)	-6.83%
Fiscal	57,316,128	73,853,766	74,181,429	73,716,710	(464,719)	-0.63%
Arrowhead Regional Medical Center	478,743,748	487,148,007	491,455,926	497,465,732	6,009,806	1.22%
Human Services	1,417,511,885	1,697,142,892	1,766,500,036	1,797,052,006	30,551,970	1.73%
Law and Justice	759,062,705	838,243,694	881,938,704	869,495,745	(12,442,959)	-1.41%
Operations and Community Services	332,174,552	384,274,300	393,187,347	366,630,186	(26,557,161)	-6.75%
Capital Improvement Program	116,853,709	178,101,898	191,842,308	211,483,064	19,640,756	10.24%
Other Funding	95,837,310	368,408,299	338,584,980	178,442,720	(160,142,260)	-47.30%
Subtotal:	3,542,687,794	4,391,902,430	4,512,842,931	4,363,457,354	(149,385,577)	-3.31%
Special Districts/Other Agencies:						
Special Districts Department/Airports Spec. Dist.	34,740,395	123,713,542	133,192,856	116,062,883	(17,129,973)	-12.86%
Fire Protection District	116,791,157	179,582,897	186,880,135	194,580,491	7,700,356	4.12%
Flood Control District	52,302,498	155,241,829	156,088,829	150,647,598	(5,441,231)	-3.49%
Other Agencies	8,576,445	12,847,186	13,413,785	12,423,731	(990,054)	-7.38%
Subtotal:	212,410,495	471,385,454	489,575,605	473,714,703	(15,860,902)	-3.24%
Total:	3,755,098,289	4,863,287,884	5,002,418,536	4,837,172,057	(165,246,479)	-3.30%
Budgeted Staffing*	20,523	20,726	21,082	21,306	224	1.06%

*2012-13 Budgeted Staffing reflects the Final Budget amounts, as actuals for staffing vary throughout the fiscal year.



Below are explanations of the major expenditures that are included in the \$4.8 billion 2014-15 Recommended budget and changes from the 2013-14 Modified Budget.



County Operations

Administration has requirements of \$280.4 million and contains County departments and functions that provide leadership and support to departments that provide direct public services to County residents. The leadership section of this operational group includes the Board of Supervisors (\$7.2 million), which is the governing body of County government, and the County Administrative Office (\$4.5 million), which directs and coordinates departmental activities according to the law and strategic goals set by the Board of Supervisors. Various support functions include civil legal services provided by County Counsel (\$8.8 million), employment and employee related services provided by Human Resources (\$19.8 million), and information technology support provided by the Information Services Department (\$72.4 million). The largest department in the Administration operational group is the Department of Risk Management, which has requirements of \$102.8 million and administers the County self-insured workers' compensation, public liability, property conservation, safety and risk reduction programs as well as its insured programs.

Overall, the change in budget from the 2013-14 Modified Budget for this operational group is only \$436,714, which represents a 0.16% reduction in requirements. The most notable change is related to a shift of the Information Services Department's Application Development unit from the General Fund to an Internal Service Fund within Administration. It has been determined that this division should be budgeted as a new Internal Service Fund since the group primarily provides services to County departments and recovers all costs via a billable hourly programming rate.

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

Economic Development Agency has requirements of \$75.7 million and provides services that seek to create, maintain, and grow the economic value of the County. Such services include small business assistance and technical support, permitting assistance, international trade services, and business site selection assistance. Notable departmental requirements include \$50.2 million for Community Development and Housing services funded primarily by federal Community Development Block Grant funds and \$22.1 million for the Department of Workforce Development, which is funded by federal Workforce Investment Act revenue to provide services to County residents including job search, skills assessments, vocational training, job readiness skills, and connection to employers.

The net reductions in requirements of \$5.5 million is primarily related to the completion of a major Housing and Urban Development Program by the Department of Community Development and Housing in 2013-14 (\$4.2 million).

Fiscal has requirements of \$73.7 million and includes the Auditor-Controller/Treasurer/Tax Collector (\$38.6 million) as well as the Assessor/Recorder/County Clerk (\$35.1 million). These departments provide services to the public and other County departments related to the establishment and collection of County property taxes along with other fiscal services that ensure the proper reporting and usage of taxpayer funds. Specifically, the Auditor-Controller/Treasurer/Tax Collector processes, safeguards and provides information regarding County financial activities, manages the County treasury pool, collects and distributes property taxes and other obligations owed to County agencies and courts. The Assessor/Recorder/County Clerk performs mandated assessment of properties, recording of real estate and other documents, and County clerk functions.

There are no significant changes to this group's budget in 2014-15. Total requirements are decreasing only \$464,719 or 0.63% compared to the 2013-14 Modified Budget.

Arrowhead Regional Medical Center (ARMC) has total requirements of \$497.5 million and provides medical services to County residents. ARMC is an acute care facility that provides a full range of inpatient and outpatient services, has three off campus community health centers, and provides Department of Behavioral Health's inpatient activities and numerous specialty activities. For 2014-15, ARMC will continue to focus on the conversion of patients from self-pay to Medi-Cal to maximize the utilization of Federal and State programs to ensure receipt of all available resources under the Affordable Care Act.



ARMC is increasing requirements a net \$6.0 million, which represents a 1.22% increase. The increase is primarily due to the addition of 70 net budgeted positions related to regulatory, quality improvement, and volume requirements (\$2.8 million). Additionally, the Medical Center is increasing Capital Expenditures by \$3.8 million in order to address equipment replacement needs.

Human Services is the largest operational group within the County with requirements totaling \$1.8 billion. This group provides health and social service programs to County residents through a number of County departments. Health services are provided primarily through the Department of Behavioral Health (\$389.5 million) and Public Health (\$109.0 million). Social services are provided primarily through the Human Services Administrative Claim budget unit (\$503.2 million), Human Service Subsistence Payments budget units (\$522.6 million), the Preschool Services Department (\$49.2 million), Child Support Services Department (\$40.0 million), and the Aging and Adult Services Department (\$8.9 million).

Human Services is increasing budgeted requirements by \$30.6 million primarily due to health related budget increases in the Department of Behavioral Health, which is increasing requirements a net \$43.4 million. Between its Mental Health Services Act Special Revenue Fund and General Fund budget units, the Department is adding 44 budgeted positions mainly to provide additional clinic services throughout the County. Additionally, operating costs for the Department are increasing to provide care for additional patients as a result of the Affordable Care Act. In the area of social services, the Human Services Administrative Claim budget unit is increasing requirements by \$9.8 million due to an increase in staffing expenses associated with retirement costs and the addition of 32 budgeted positions for the Transitional Assistance Department. The Human Services – Subsistence funds are also increasing requirements by \$10.9 million, which is due to a combination of caseload and grant payment increases. These increases are partially offset by a decrease of \$29.9 million in the Health Administration budget unit resulting from a projected reduction in Disproportionate Share Hospital (DSH) payments. DSH is a federal matching program that assists the County in funding indigent patients.

Law and Justice has requirements of \$869.5 million and provides public safety services to County residents. The Sheriff/Coroner/Public Administrator (total - \$551.2 million) provides law enforcement services for the unincorporated areas of the County and certain services on a countywide basis (\$204.6 million). Another primary function of the Department is to provide Detention facilities (\$179.2 million) for all of the County pre-sentenced inmates as well as sentenced inmates no longer required to go to State prison as a result of the realignment by the State of adult offenders (2011 Realignment). The Department also provides law enforcement services to 14 County cities through contractual agreements (\$128.3 million). The Probation Department (\$160.3 million) provides supervision of adult and juvenile probationers throughout the County as well as for recently realigned State parolees (2011 Realignment). The District Attorney's Office (\$75.9 million) is responsible for prosecuting crimes committed within the County and the Public Defender (\$35.5 million) provides legal counsel for indigent defendants within the County.

Requirements are decreasing by \$12.4 million in this operational group primarily due to the funding of several one-time projects in 2013-14 by the Probation Department using 2011 Realignment funds. Such projects included \$5.1 million to acquire an office building for the West Valley Day Reporting Center and \$1.8 million for the cost of converting the Library Administration building in San Bernardino to a day reporting center. Although the Sheriff did not have a substantial change in overall requirements, the Department's Detention budget unit was allocated \$11.5 million in additional Discretionary General Funding in 2014-15 to fund the full year cost of staffing 222 new beds at the County's expanded High Desert Detention Center (formerly Adelanto Detention Center). The expanded facility was opened mid-year in 2013-14 using one-time 2011 Realignment growth funds, and therefore did not require a large increase in overall requirements for 2014-15. However, the allocation of Discretionary General funding will enable the Department to staff the additional 222 beds on an ongoing basis.

Operations and Community Services has requirements of \$366.6 million and provides both internal support of County operations as well as external services to the public that promote the quality of life and well-being of County residents. Services that support the general operation of County government include custodial, grounds, and maintenance by Real Estate Services - Facilities Management Division (\$14.2 million), the payment of County utilities (\$20.4 million), and real estate services (\$20.8 million). Departments that provide direct services to the community include Agriculture/Weights and Measures (\$7.0 million), the County Library (\$18.5 million), Land Use Services (\$22.6 million), Registrar of Voters (\$8.5 million), Regional Parks (\$17.8 million), and the



County Museum (\$3.3 million). Notably, this group also includes the Department of Public Works – Transportation (\$132.2 million) and Public Works – Solid Waste Management (\$89.6 million). The Transportation Division is responsible for the operation, maintenance, and improvement of the County's road system that currently includes approximately 2,768 miles of roadway. Solid Waste Management is responsible for the operation and management of the County solid waste disposal system, which consists of six regional landfills, nine transfer stations, and thirty-three closed landfills or disposal sites.

The net reduction in requirements is \$26.6 million, which represents a decrease of 6.75% from the 2013-14 Modified Budget. The most notable change for 2014-15 is associated with a reduction in Public Works – Transportation of \$29.4 million due to decreases in operating expenses and contingencies because of fewer new major infrastructure projects and the end of State Proposition 1B funded pavement improvement projects in 2013-14.

Capital Improvement Program has requirements of \$211.5 million and is used to account for funding resources designated for the acquisition or construction of major capital facilities. Further detail on major capital projects for 2014-15 are shown in the Capital Improvement Program section of this summary on page 21.

Other Funding of \$178.4 million primarily represents the Countywide Discretionary Fund (\$68.7 million), General Fund Contingencies (\$8.9 million), and various restricted funds within the General Fund including Proposition 172 Half-Cent Sales tax (\$23.4 million), 1991 Realignment (\$18.4 million), and the Automated Systems Development Fund (\$11.9 million). Other Funding also includes Contribution to Reserves of \$45.3 million. Requirements within the Countywide Discretionary fund are used primarily to transfer Discretionary General Funding to various budget units outside the General Fund to fund various programs and projects, such as a multi-year 800 Mhz Radio Re-banding Project (\$20.0 million), numerous capital improvement projects for County facilities (\$12.0 million), and a subsidy to the Fire Protection District (\$18.0 million).

Restricted Funds (General Fund) have consist of four limited use budgets – Propositions 172 Half-Cent Sales tax, 1991 Realignment, 2011 Realignment, and Automated Systems Development. Proposition 172 revenue assists in funding the Sheriff/Coroner/Public Administrator, District Attorney, and Probation departments. Realignment assists in funding law and justice, mental health, social services and health programs within the County. Automated Systems Development is funding that is set aside for the purpose of developing, upgrading, and/or replacing the County Financial Accounting System. Further detail on all Restricted Funds can be found in the Discretionary General Funding and Restricted Funds section of the Executive Summary.

The net change to Other Funding of \$160.1 million primarily represents a reduction in General Fund Contingencies of \$136.4 million. Contingencies represent funding available from 2014-15 sources that have not been allocated for expenditure. The substantial reduction in unallocated funding (i.e. General Fund Contingencies) is primarily due to the contribution of \$120.6 million to general purpose and specific County General Fund reserves approved by the Board in the 2013-14 Third Quarter Budget Report and an additional \$45.3 million recommended to be contributed to General Fund reserves as part of the Recommended Budget. Further detail on County Reserves can be found in the Discretionary General Funding and Restricted Funds section of the Executive Summary.

Special Districts/Other Agencies Operations

Special Districts Department/Airports Special District has requirements of \$116.1 million and is managed primarily by the Special Districts Department (\$106.5 million) with \$9.6 million in requirements managed by County Airports. Airports manages County Service Area 60, which funds the operation, capital projects and maintenance of the Apple Valley Airport that was built in 1970 and is a public use airport providing general aviation services to the High Desert region.

The Special Districts Department provides for the management, funding, and maintenance of general, parks and recreation, road, sanitation, streetlighting, and water districts for 102 Districts, County Services Areas (CSA) and Improvement Zones within the County. On December 29, 1969 the Board of Supervisors established CSA 70 Countywide to provide a centralized mechanism for administration of personnel and operations which serve all of the Board governed CSAs. Staff within CSA 70 Countywide provide centralized and regional management services, administration, engineering, fiscal, human resources, lien administration, park maintenance, payroll, information services, road maintenance and inspection services. Along with \$69.6 million in requirements that are budgeted for all departmental operations, the Special Districts Department



maintains several budgets totaling \$36.9 million for the primary purpose of maintaining an adequate level of funds set aside to protect the districts from unforeseen increases in expenditures or reductions in revenues, or other extraordinary events, which would harm the fiscal health of the districts.

The net reduction of \$17.1 million is primarily due to the completion, cancellation or postponement of several capital improvement projects in 2013-14 by the Special Districts Departments. Completed projects include a fencing project for CSA 70 D-1 Lake Arrowhead, a skatepark for CSA 56 Wrightwood, the Erwin Park Clubhouse renovation in Big Bear Recreation and Park District, Phase I completion of the meter/service line replacement project in CSA 70 Zone J Oak Hills, and partial completion of Kessler Park in Bloomington Recreation and Park District and the CSA 70 W-4 Pioneertown offsite pipeline supply project.

Fire Protection District has requirements of \$194.6 million and provides fire protection and emergency services throughout the County. The District covers 18,353 square miles, operates 63 fire stations and 11 facilities within four Regional Services Zones, serves 64 unincorporated communities, and the cities of Grand Terrace and the Town of Yucca Valley. Additionally, County Fire provides fire protection services by contract to four cities and two independent fire protection districts. The District is an all-risk fire department providing management for fire suppression, emergency medical services, ambulance services, hazardous materials (HAZMAT) response, arson investigation, technical rescue including water borne, flooding and mudslide, winter rescue operations, and terrorism and weapons of mass destruction.

Requirements are increasing a net \$7.7 million, which represents a 4.12% increase compared to the 2013-14 Modified Budget. The most notable change within the District is an increase of 14 budgeted position in the Valley Regional Service Zone, which is primarily due to the addition of 4 Firefighters, 3 Engineers, and 3 Captain positions for the Fontana Fire Protection District. These positions will be funded with contract revenue received from the Fontana Fire Protection District.

Flood Control District was created in 1939 under special State legislation and has requirements of \$150.6 million. The District has developed an extensive system of flood control and water conservation facilities, including dams, conservation basins, debris basins, channels and storm drains. The purpose of these facilities is to intercept and convey flood flows through and away from developed areas of the County, as well as to promote water conservation and improved water quality.

The net reduction of \$5.4 million is primarily due to a decrease in contingencies of \$19.7 million partially offset by an increase in operating expenses of \$7.8 million due to increases in planned construction projects and an increase in transfers of \$4.9 million between the District's zones. Major construction projects in 2014-15 include Basin Construction projects at Cactus Basin #3, Donnell Basin Phase I, and Amethyst Basin as well as Channel Construction at Elder Creek, Mountain View Acres, Kitchen Dean Wash, Rialto Channel at Riverside Avenue, and Rimforest Drainage Mitigation.

Other Agencies has total requirements of \$12.4 million and contains four Other Agency budget reporting entities in the County, including the In-Home Supportive Services Public Authority (\$8.2 million), Inland Counties Emergency Medical Agency (\$4.1 million), County Industrial Development Authority (\$52,754), and Economic and Community Development Corporation (\$92 dollars). The In-Home Supportive Services program was created in 1973 to serve elderly, blind, and/or disabled individuals who are not able to remain safely in their home without assistance. The Inland Counties Emergency Medical Agency (ICEMA) was developed under a Joint Powers Agreement with San Bernardino, Inyo and Mono Counties and is charged with the coordination, evaluation, and monitoring of emergency medical services within public and private pre-hospital providers, specialty hospitals, paramedic base hospitals, and the effectiveness of Emergency Medical Services (EMS) educational programs and medical disaster preparedness. The County Industrial Development Authority and Economic and Community Development Corporation were agencies created to provide various methods of financing on behalf of private enterprise in order to promote and enhance economic development and increase opportunities for useful employment.

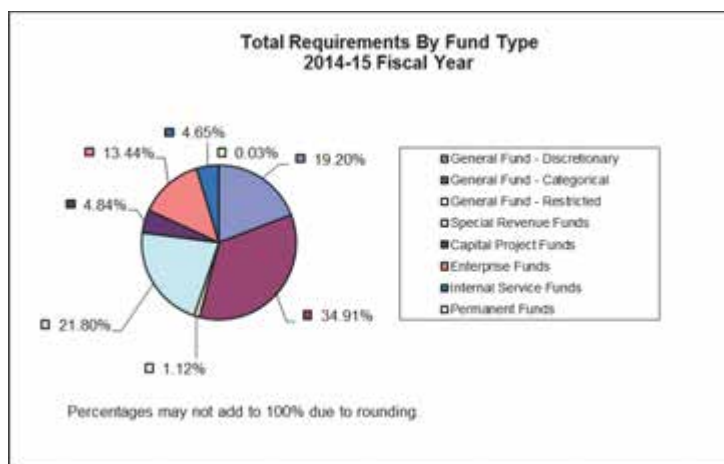
Net reductions in requirements of \$1.0 million can be attributed to a reduction of \$1.2 million in ICEMA primarily related to a reduction in the purchase of equipment and supplies for the Hospital Preparedness Program and a reduction in computer software expenses.



TOTAL REQUIREMENTS BY FUND TYPE

	Fiscal Year 2012-13 Actual Amount	Fiscal Year 2013-14 Adopted Budget	Fiscal Year 2013-14 Modified Budget	Fiscal Year 2014-15 Recommended Budget	Change From Prior Year Modified	Percent Change From Prior Year
General Fund - Discretionary	831,072,480	1,086,707,458	1,094,468,414	928,644,115	(165,824,299)	-15.15%
General Fund - Categorical	1,446,182,497	1,612,949,153	1,683,806,599	1,688,667,831	4,861,232	0.29%
General Fund - Restricted	78,634	72,467,568	71,323,701	53,997,136	(17,326,565)	-24.29%
Special Revenue Funds	566,486,415	1,044,252,786	1,069,609,299	1,054,737,985	(14,871,314)	-1.39%
Capital Project Funds	117,668,970	201,972,068	221,028,505	234,286,157	13,257,652	6.00%
Enterprise Funds	626,956,603	640,616,519	650,160,665	650,141,530	(19,135)	0.00%
Internal Service Funds	166,647,056	202,697,267	210,396,288	225,077,238	14,680,950	6.98%
Permanent Funds	5,634	1,625,065	1,625,065	1,620,065	(5,000)	-0.31%
Total	3,755,098,289	4,863,287,884	5,002,418,536	4,837,172,057	(165,246,479)	-3.30%
Budgeted Staffing*	20,523	20,726	21,082	21,306	224	1.06%

*2012-13 Budgeted Staffing reflects the Final Budget amounts, as actuals for staffing vary throughout the fiscal year.

**Governmental Fund Types**

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

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

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

Permanent Funds: Permanent Funds account for legally restricted resources provided by trust in which the earnings but not the principal may be used for purposes that support the primary government's programs.

Proprietary Fund Types

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

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



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

	General Fund	Special Revenue Funds	Capital Project Funds	Enterprise Funds	Internal Service Funds	Permanent Funds
ADMINISTRATION						
BOARD OF SUPERVISORS	7,190,670					
BOARD DISCRETIONARY FUNDING	4,641,309					
CLERK OF THE BOARD	2,258,163					
COUNTY ADMINISTRATIVE OFFICE	4,903,738	29,147				
COUNTY COUNSEL	8,817,154					
FINANCE AND ADMINISTRATION	2,889,619					
HUMAN RESOURCES	13,610,089	6,155,889				
FLEET MANAGEMENT					36,529,788	
INFORMATION SERVICES	2,264,212				70,115,935	
PURCHASING	2,117,341				12,606,282	
RISK MANAGEMENT					102,751,233	
LOCAL AGENCY FORMATION COMMISSION	288,274					
COUNTY SCHOOLS	3,270,620					
TOTAL ADMINISTRATION	52,251,189	6,185,036	0	0	222,003,238	0
CAPITAL FACILITIES LEASES						
CAPITAL FACILITIES LEASES	13,016,519					
TOTAL CAPITAL FACILITIES LEASES	13,016,519	0	0	0	0	0
ARROWHEAD REGIONAL MEDICAL CENTER						
ARROWHEAD REGIONAL MEDICAL CENTER				497,465,732		
TOTAL ARROWHEAD REGIONAL MEDICAL CENTER	0	0	0	497,465,732	0	0
ECONOMIC DEVELOPMENT AGENCY						
ECONOMIC DEVELOPMENT	3,468,279					
COMMUNITY DEVELOPMENT AND HOUSING		40,399,403	9,788,566			
WORKFORCE DEVELOPMENT		22,058,961				
TOTAL ECONOMIC DEVELOPMENT AGENCY	3,468,279	62,458,364	9,788,566	0	0	0
FISCAL						
ASSESSOR/RECORDER/COUNTYCLERK	22,890,787	12,266,053				
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR	36,880,704	1,679,166				
TOTAL FISCAL	59,771,491	13,945,219	0	0	0	0
HUMAN SERVICES						
AGING AND ADULT SERVICES	9,740,887					
BEHAVIORAL HEALTH	172,139,912	217,391,962				
CHILD SUPPORT SERVICES	40,039,593					
HEALTH ADMINISTRATION	120,730,613	38,732,453				
HUMAN SERVICES	1,025,854,142	12,171,980				
PRESCHOOLSERVICES		49,232,350				
PUBLIC HEALTH	101,265,083	7,767,798				
VETERANS AFFAIRS	1,985,233					
TOTAL HUMAN RESOURCES	1,471,755,463	325,296,543	0	0	0	0
LAW AND JUSTICE						
COUNTY TRIAL COURTS	39,780,118	2,413,034				
DISTRICT ATTORNEY	65,839,206	10,078,536				
LAW AND JUSTICE GROUP ADMINISTRATION	90,208	4,265,877				
PROBATION	143,295,001	17,009,089				
PUBLIC DEFENDER	35,524,591					
SHERIFF/CORONER/PUBLIC ADMINSTRATOR	512,122,699	39,077,386				
TOTAL LAW AND JUSTICE	796,651,823	72,843,922	0	0	0	0
OPERATIONS AND COMMUNITY SERVICES						
AGRICULTURE/WEIGHTS AND MEASURES	6,823,815	144,417				
AIRPORTS	2,810,030	5,382,467				
ARCHITECTURE AND ENGINEERING		18,469,363				
COUNTY LIBRARY				69,131		
COUNTY MUSEUM	3,191,462					
LAND USE SERVICES	22,609,296					
PUBLIC WORKS	3,405,098	132,406,113		89,626,923		
REAL ESTATE SERVICES	39,086,547	16,305,977				
REGIONAL PARKS	11,044,706	6,700,352			63,586	
REGISTRAR OF VOTERS	8,482,909					
FISH AND GAME COMMISSION		7,994				
TOTAL OPERATIONS AND COMMUNITY SERVICES	97,453,863	179,416,683	0	89,759,640	0	0
CAPITAL IMPROVEMENT PROGRAM						
CAPITAL IMPROVEMENT PROGRAM			211,483,064			
TOTAL CAPITAL IMPROVEMENT PROGRAM	0	0	211,483,064	0	0	0
OTHER FUNDING						
ALL OTHER FUNDING (E.G. COUNTYWIDE DISCRETIONARY, PROP 172, REALIGNMENT)	176,940,455	1,502,265				
TOTAL OTHER FUNDING	176,940,455	1,502,265	0	0	0	0
SPECIAL DISTRICTS DEPARTMENT/						
AIRPORTS SPECIAL DISTRICT						
SPECIAL DISTRICTS DEPARTMENT/						
AIRPORTS SPECIAL DISTRICT		38,985,708	12,540,952	62,916,158		1,620,065
TOTAL SPECIAL DISTRICTS DEPARTMENT/						
AIRPORTS SPECIAL DISTRICT	0	38,985,708	12,540,952	62,916,158	0	1,620,065
FIRE PROTECTION DISTRICT						
FIRE PROTECTION DISTRICT		194,106,916	473,575			
TOTAL FIRE PROTECTION DISTRICT	0	194,106,916	473,575	0	0	0
FLOOD CONTROL DISTRICT						
FLOOD CONTROL DISTRICT		147,573,598			3,074,000	
TOTAL FLOOD CONTROL DISTRICT	0	147,573,598	0	0	3,074,000	0
OTHER AGENCIES						
OTHER AGENCIES		12,423,731				
TOTAL OTHER AGENCIES	0	12,423,731	0	0	0	0
GRAND TOTAL	2,671,309,082	1,054,737,985	234,286,157	650,141,530	225,077,238	1,620,065

TOTAL REVENUE AND OTHER FUNDING SOURCES

	Fiscal Year 2012-13 Actual Amount	Fiscal Year 2013-14 Adopted Budget	Fiscal Year 2013-14 Modified Budget	Fiscal Year 2014-15 Recommended Budget	Change From Prior Year Modified	Percent Change From Prior Year
Revenue						
Taxes	712,687,296	693,080,716	697,641,447	733,643,627	36,002,180	5.16%
1991 Realignment	161,800,252	207,203,363	200,998,805	195,160,322	(5,838,483)	-2.90%
2011 Realignment	254,253,575	298,212,880	319,526,593	315,126,642	(4,399,951)	-1.38%
State, Federal or Government Aid	1,440,691,614	1,549,159,198	1,597,548,616	1,604,136,301	6,587,685	0.41%
Fee/Rate	780,214,494	836,569,290	877,077,894	893,446,641	16,368,747	1.87%
Other Revenue	232,998,069	132,051,228	149,727,495	119,112,044	(30,615,451)	-20.45%
Total Revenue	3,582,645,300	3,716,276,675	3,842,520,850	3,860,625,577	18,104,727	0.47%
Other Funding Sources						
Operating Transfers In	246,282,168	247,827,306	261,234,835	212,449,622	(48,785,213)	-18.67%
Fund Balance/Use of Unrestricted Net Assets*	53,802,584	668,852,782	668,331,730	697,667,550	29,335,820	4.39%
General Fund Unassigned Fund Balance*	(127,631,763)	194,412,332	194,412,332	60,792,771	(133,619,561)	-68.73%
Use of Reserves	0	35,918,789	35,918,789	5,636,537	(30,282,252)	-84.31%
Total Other Funding Sources	172,452,989	1,147,011,209	1,159,897,686	976,546,480	(183,351,206)	-15.81%
Total Revenue and Other Funding Sources	3,755,098,289	4,863,287,884	5,002,418,536	4,837,172,057	(165,246,479)	-3.30%

* For 2012-13, the two Fund Balance budget line items represent either the actual use of fund balance (if positive amounts) or the actual increase to fund balance (if negative amounts) throughout the fiscal year.

The revenue and other funding sources schedule above includes all County funds. This schedule includes operating transfers in, which are the mechanism for providing funding from one budget unit to another within the County. Additionally, this schedule summary provides the fund balance/use of unrestricted net assets for all non-general funds, the general fund's unassigned fund balance, as well as the use of County reserves from the County fiscal plan. Descriptions of major sources of funding in the 2014-15 Recommended Budget and changes from the 2013-14 Modified Budget are included below.

Revenue

Taxes of \$733.6 million consist of approximately \$479.3 million in Property Tax (\$450.8 million) and Sales/Other Tax (\$28.5 million) that is deposited directly into the Discretionary General Fund for allocation by the Board of Supervisors. Additionally, as a result of the consolidation of other Board Governed entities into the County budget summary, an additional \$83.5 million in Property Tax is reported for the Fire Protection District (\$35.9 million), Flood Control District (\$40.6 million), and Board Governed Districts managed by the Special Districts Department and Airports (\$7.0 million). Finally, Taxes also consist of Proposition 172 Half-Cent Sales Tax (\$156.0 million) and Sales Tax – Measure I Road Operations funds (\$7.0 million).

The net increase of \$36.0 million is primarily related to a \$23.3 million projected increase in Property taxes that are deposited into the Discretionary General Fund. This is the result of a projected 3.5% increase in the assessed valuation of properties within the County and a slight increase related to the dissolution of Redevelopment Agencies. Additionally, it is estimated that the Proposition 172 Half-Cent Sales Tax will increase by \$8.2 million in the upcoming fiscal year. For more detail on Discretionary General Fund related taxes, refer to the Discretionary General Funding and Restricted Funds section of the 2014-15 Recommended Budget, Executive Summary book.

1991 Realignment revenues of \$195.2 million are decreasing over the prior year modified budget by \$5.8 million. Although technically not categorized as the receipt of taxes, this funding is received from the State and is primarily derived from sales taxes to pay for mental health, social services and health programs within the County. Because sales tax tends to be much more volatile and quicker to react to changes in the economy, its usage results in a higher risk of funding decreases in future years. These decreases will likely coincide with an economic downturn where there is an increased need for programs funded with this revenue. For more detail on 1991 Realignment funding, refer to the Discretionary General Funding and Restricted Funds section of the 2014-15 Recommended Budget, Executive Summary.

2011 Realignment revenues of \$315.1 million are decreasing over the prior year modified budget by \$4.4 million. Although technically not categorized as the receipt of taxes, this funding is received from the State and



is primarily derived from sales taxes to pay for law and justice, mental health, and social services programs within the County. Because sales tax tends to be much more volatile and quicker to react to changes in the economy, its usage results in a higher risk of funding decreases in future years. These decreases will likely coincide with an economic downturn where there is an increased need for programs funded with this revenue. For more detail on 2011 Realignment funding, refer to the Discretionary General Funding and Restricted Funds section of the 2014-15 Recommended Budget, Executive Summary.

State, Federal, and Other Government Aid represent the largest revenue source within the County totaling \$1.6 billion. The Human Services operational group receives the largest amount of funds from other governments, with \$416.2 million received from the State and \$626.5 million from the federal government. There is an overall increase of \$6.6 million from the prior year modified budget in this revenue category, which represents an increase of just 0.41%.

The overall increase is comprised of both increases and decreases in various programs.

Primary increases in State, Federal or Government Aid include:

- **Human Services** operational group increased by a net \$41.8 million primarily due to additional funding for the Department of Behavioral Health's Mental Health Services Act fund, which is projected to increase by approximately \$24.4 million based on 2012-13 personal income tax surcharge cash distribution being higher than anticipated. Much of this additional funding has been placed in contingencies for 2014-15. Additionally, the Department of Behavioral Health's General Fund budget unit is increasing by \$9.9 million due primarily to increases in Medi-Cal reimbursements related to the Affordable Care Act implementation.

Significant decreases in State, Federal or Government Aid include:

- **Fire Protection District** is decreasing by a net \$3.6 million related to the completion of the 2011 and 2012 Homeland Security Grant Program (HSGP) projects in 2013-14. The District is still anticipating to receive various 2012, 2013, and 2014 HSGP funds, which are used by the District to help strengthen the County against risks associated with potential terrorist attacks.
- **Law and Justice** Operational Group is decreasing by a net \$15.9 million due to reductions in the Probation Department of \$6.7 million and the Sheriff/Coroner/Public Administrator of \$8.5 million. The Probation Department anticipated a \$5.8 million decrease in Title IV – E foster care revenue received for juveniles on probation. Additionally, the revenue decrease for the Sheriff/Coroner/Public Administrator's is primarily due to a reduction in revenue from the Federal U.S. Marshall for federal inmates held in the County jails. The number of federal inmates has steadily declined since 2012-13 and the loss for 2014-15 represents a net reduction of 160 federal inmates. The loss of Title IV-E and U.S. Marshall revenue is offset by increased allocations of funding from the Discretionary General Fund, which enable the Departments to continue to provide much needed services to County residents.
- **Operations and Community Development** Operational Group is decreasing this source by a net \$13.9 million primarily due to reductions in the Public Works - Transportation budget unit associated with decreased reimbursements from outside agencies due to the completion of projects, such as the Lenwood Road and Alabama Avenue emergency projects and the Cherry Avenue widening and Cherry Avenue at Interstate 10 interchange project.

Fee/Rate includes the following types of revenues: licenses, permits, fines, fees, rates, and other services. Total revenue of \$893.4 million is anticipated to increase from the 2013-14 modified budget by \$16.4 million. Much of this funding (\$192.2 million) is received by departments, such as the Information Services Department and Risk Management Department, that provide direct services to other County Departments. Other notable departments that receive funding to provide specific services include the Sheriff's Department (\$128.3 million), which provides law enforcement services for 14 incorporated county cities, and the County's Solid Waste Department (\$67.0 million) that is responsible for the operation and management of the County solid waste disposal system.

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



- **Administration** Operational Group is increasing by a net \$24.2 million due to an increase in the Risk Management – Insurance Fund. The Department is increasing sources in this category as a result of additional premium allocations to departments for the Workers' Compensation, General Liability, Law Enforcement Liability and Auto Liability Programs that will help them reach the 80% confidence level of funding that is required by Board Policy 05-01.
- **Arrowhead Regional Medical Center** is increasing a net \$15.6 million due to increased reimbursement from the Department of Behavioral Health, Self-Pay patients, and Commercial payors.
- **Law and Justice** Operational Group's Sheriff/Coroner/Public Administrator is increasing sources by \$4.4 million due to additional charges to contract cities for the provision of law enforcement services. The increased funding for services is the result of additional workers compensation charges, increased retirement costs, and other increased operating expenses.

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

- **Human Services** Operational Group's Health Care Administration budget is decreasing sources by \$30.0 million due to a reduction of intergovernmental transfers for Disproportionate Share Hospital (DSH), Delivery System Reform Incentive Payments (DSRIP), and Medi-Cal managed care programs. To receive intergovernmental transfers, this budget unit advances funds to the State, which in turn are used to draw matching health care funds for Arrowhead Regional Medical Center (ARMC) from the federal government. These matching funds are used by ARMC to provide for uncompensated costs of care. Once the matching funds are received by ARMC, the Medical Center deposits funds equal to the amount originally advanced to the State back into the Health Care Administration budget and ARMC retains the matching funds. It is anticipated that the uncompensated cost of care will be reduced as a result of the Affordable Care Act, resulting in the decrease in this revenue source.

Other Revenue of \$119.1 million primarily includes interest earnings, rents and concessions, and tobacco settlement funds. This revenue source is anticipated to decrease by a net \$30.6 million over the prior year modified budget. Notably, the Flood Control District is reducing other revenue by a net \$9.8 million related to a decrease in anticipated land sales for 2014-15. Additionally, the Information Services Department Internal Service fund budget units are decreasing other revenue by \$4.0 million, which primarily represents the use of retained earnings required in 2013-14 to purchase three years of SMARTnet services for wide area network maintenance and support for the County. Finally, Public Works – Solid Waste Management is reducing other revenue by \$3.4 million, which also primarily represents the use of retained earnings required in 2013-14. The Department used retained earnings in 2013-14 for work on various groundwater and landfill gas systems and for non-routine work on the installation, operations, and maintenance of groundwater treatment systems throughout the disposal system.

Other Funding Sources

Operating Transfers In of \$212.4 million is a funding source that provides a mechanism to transfer funding from one budget unit to another within the County. Two of the most notable groups with large Operating Transfers In include the Capital Improvement Program (\$55.5 million) and the Countywide Discretionary Fund (\$26.8 million). Operating Transfers In are the main funding source for the Capital Improvement Program as the program is funded primarily through monies received from other County Departments and the County General Fund for specific projects. The Countywide Discretionary Fund receives this funding primarily from the County's Master Settlement Agreement fund, which transfers revenues received from a settlement with the tobacco industry, which in turn is used by the General Fund to pay for a portion of debt service on the Arrowhead Regional Medical Center facility, increased health care costs within the Department of Public Health, and a realignment local match requirement.

The net change in this funding source of \$47.8 million is a result of a reduction in Operating Transfers In to the Capital Improvement Program budget of \$34.3 million, which is primarily representative of a decrease in one-time projects funded by the Discretionary General Fund in 2013-14. Such 2013-14 projects included \$4.5 million towards the relocation of the Sheriff's Aviation division to San Bernardino International Airport, \$4.5 million towards the purchase of buildings in Victorville, and \$15.7 million towards the expansion of the Sheriff's Crime Lab.

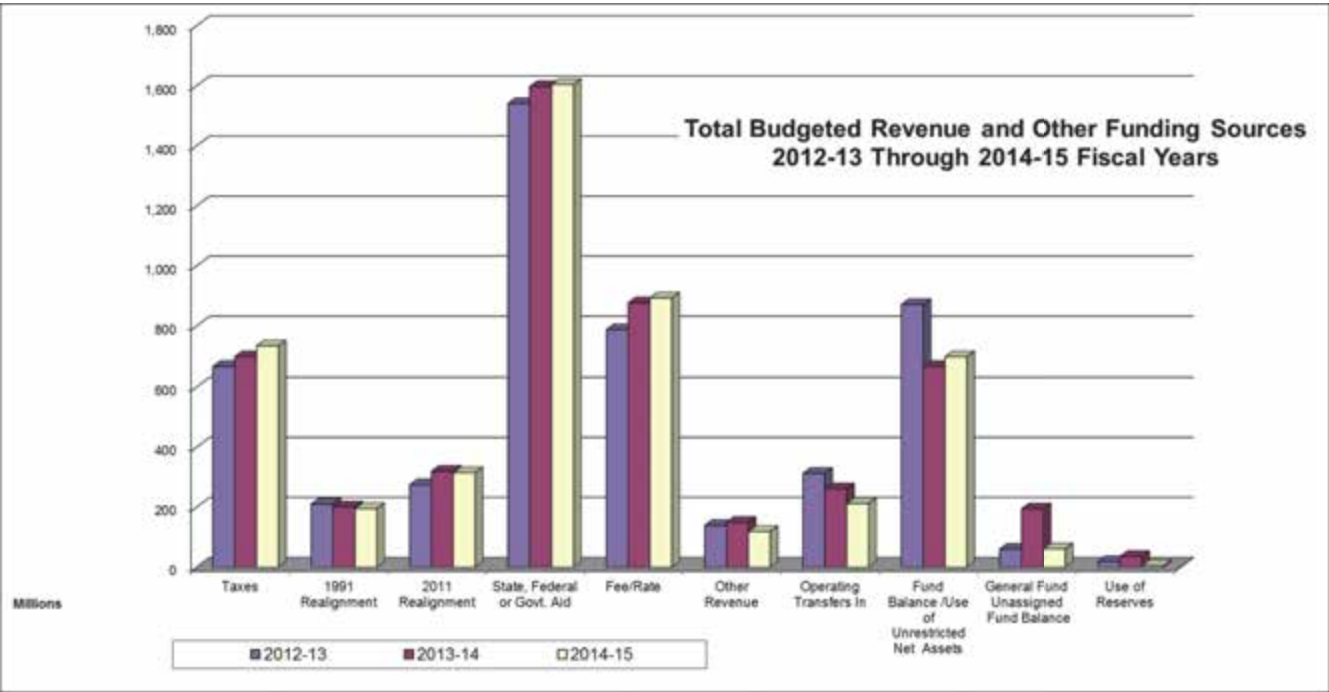


Fund Balance/Use of Unrestricted Net Assets of \$697.7 million represents unspent funds carried over from 2013-14 that are available to be budgeted for all Restricted, Special Revenue and Capital Improvement funds in the County and the use of unrestricted net assets that are available in Internal Service and Enterprise funds. The net increase of \$29.4 million represents an increase in this funding source that is available for appropriation. Although County governmental funds are required to budget available fund balance, approximately \$358.1 million of total countywide fund balance is budgeted in contingencies, which is not allocated for any specific use and will require further Board approval to be spent in 2014-15.

General Fund Unassigned Fund Balance of \$60.8 million represents unspent general fund balance carried over from 2013-14. Of this amount, \$45.3 million is recommended to be contributed to a variety of specific purpose reserves in the General Fund and \$8.9 million is recommended to fund the County's mandatory 1.5% contingency, which per Board Policy 05-01 is in the general fund to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting County operations that could not have been reasonably anticipated. This amount is decreasing by \$133.6 million as a result of additional amounts being set aside in General Fund Reserves. Instead of being "unassigned", this fund balance has instead been assigned to various County specific purpose reserves through the County Quarterly Budget reports and the 2014-15 Recommended Budget. Further detail on County reserves can be found in the Discretionary General Funding and Restricted Funds section of the Executive Summary.

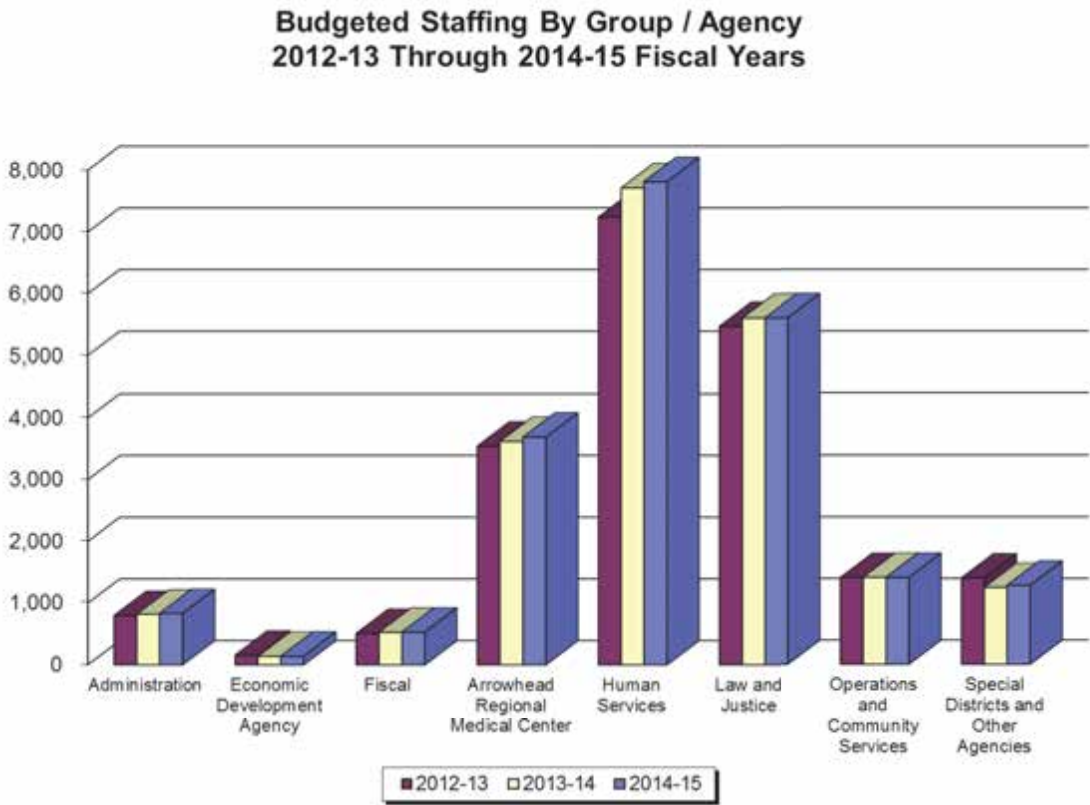
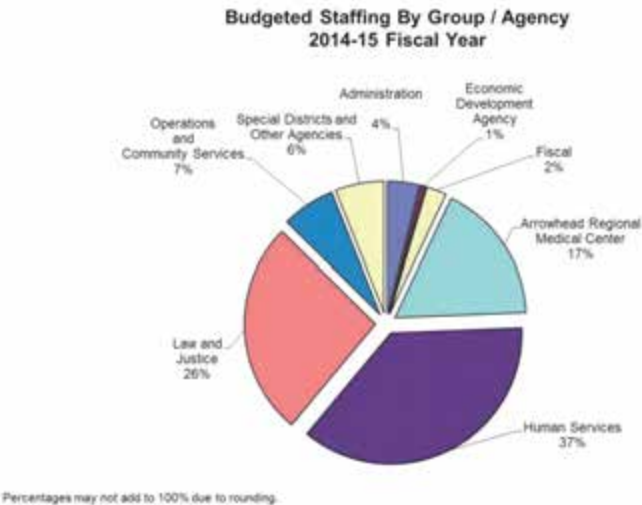
Use of Reserves of \$5.6 million represents the use of Discretionary General Funding that had been set aside for the Glen Helen Grade Separation project (\$5.3 million) and the County General Plan Update (\$0.3 million). This represents a decrease of \$30.2 million, as the County used the Excess Teeter Reserve (\$13.0 million) and the Future Space Needs Reserve (\$22.9 million) in 2013-14 to fund one-time capital projects and other one-time expenditures. Further detail on County reserves can be found in the Discretionary General Funding and Restricted Funds section of the Executive Summary.

The bar graph below includes total budgeted revenue and other funding sources from the 2012-13 Final Budget to the 2014-15 Recommended Budget. 2012-13 amounts will not match previous information on prior pages because the bar graph below reports on budgeted revenue and amounts in the previous tables reflect actual revenue received.



BUDGETED STAFFING SUMMARY

Budgeted staffing is accounted for using headcount; each position, whether full time or part time, is counted as one. The pie chart below depicts the budgeted staffing by group/agency for the 2014-15 fiscal year. The following bar graph illustrates the budgeted staffing for the 2014-15 fiscal year as well as the prior two fiscal years.



	2013-14 Modified Budget Staffing	Change from Modified Budget			2014-15 Recommended Budget Staffing	Percentage Change
		Caseload Driven/ Grant or Special Funded Programs	All Other Programs	Total Change		
County - General Fund	13,795	49	(85)	(36)	13,759	(0.3%)
County - Other Funds	6,041	136	87	223	6,264	3.7%
Special Districts and Other Agencies	1,246	37	-	37	1,283	3.0%
Total	21,082	222	2	224	21,306	

Budgeted staffing for caseload driven/grant, or special funded programs, increased overall by a net 222 positions. Significant changes from the previous year's modified budgeted staffing in caseload driven, grant or special funded programs include the following:

County - General Fund

- **Human Services Administrative Claim** is requesting a net increase of 32 budgeted positions. The net increase is primarily the result of an additional 33 positions in the Transitional Assistance Department. The State elimination of the CalWORKs Young Child Exemption (which exempted individuals from having to receive training from Human Service employees), the engagement of currently sanctioned CalWORKs customers and the State's focus on Work Performance Rates requires increased Welfare to Work case management activities by the Department.
- **Behavioral Health** is requesting a net budgeted staffing increase of 18 positions. This is primarily due to the anticipated increase in demand for services as a result of the Affordable Care Act and the Department's Choosing Healthy Options to Instill Change and Empowerment (CHOICE) program (7 positions). Additionally, the Department is recommending to add 7 new positions associated with increased demand for clinical services and 4 positions to support expanded services in collaboration with the Transitional Assistance Department for the Family Stabilization program.
- **Public Health – California Children's Services** is requesting increased budgeted staffing by a net 8 positions. This division of the Department of Public Health is a state program that provides case management, diagnosis and treatment services to individuals up to 21 years old with severe qualifying medical conditions and whose families are unable to pay for all or part of the care. The increased staffing is the result of a combination of caseload growth and the need to address lower than State standard staffing related to the previous economic downturn.
- **Probation – Administration, Correction, Detention** recommends the deletion of a total of 5 vacant budgeted positions. Of the five, 3 Probation Officer II positions are requested to be eliminated due to less funding available from the State for the Department's House Arrest Program. Two Background Investigators are requested to be deleted because of decreased workload.

County - Other Funds

- **Arrowhead Regional Medical Center (ARMC)** is requesting a net increase of 70 budgeted positions (111 additions offset by the deletion of 41 positions). The new positions are primarily needed to address existing operational needs related to regulatory requirements, quality improvement, and to maintain staffing ratios based on volume. The deleted positions are recommended to be eliminated based on an operational assessment of staffing requirements.
- **The Department of Behavioral Health – Mental Health Services Act** budget unit is increasing by a net 26 positions. This is primarily related to a recommendation to add 29 new positions for the expansion of regional clinical services, clinical assessment services, recovery based engagement support teams and administrative support.



- **Preschool Services** is recommending the addition of a net 32 budgeted positions, which will enable the Department to serve an additional 250 children as a result of the restoration of federal sequestration funds.

Special Districts and Other Agencies

- **Fire Protection District** is recommending the addition of a net 24 budgeted positions. This is primarily due to the addition of 9 positions in the Fire Hand crew needed to provide more support to the Land Use fuel clearing program, 3 positions to provide full time supervision to the Inmate Fire Crew Program that will be in full force by the end of 2015, and an additional 9 budgeted firefighter positions related to the expansion of the contract with the Fontana Fire Protection District.
- **Other Agencies - In-Home Supportive Services – Public Authority** is recommending the addition of 7 budgeted positions as a result of the Authority assuming Provider Payroll, Enrollment and Orientations responsibilities from the Department of Aging and Adult Services. Additional contract positions are required in order to meet the increased workload.

Budgeted staffing for all other programs increased a net 2 budgeted positions. Significant changes from the previous year's modified budgeted staffing in all other programs include the following:

Information Services Department Application Development unit was shifted to a new Internal Service Fund in 2014-15, resulting in the movement of 87 positions from the County General Fund to County - Other Funds. It has been determined that this division should instead be budgeted as an Internal Service Fund since the group primarily provides services to County departments and recovers all costs via a billable hourly programming rate. Therefore all staff in this unit are recommended to be moved to the Internal Service Fund.

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



BUDGETED STAFFING SUMMARY

Department	2012-13 Final Budget	2013-14 Modified Budget	2014-15 Recommended Budget	Change Between 2013-14 & 2014-15
ADMINISTRATION				
<u>GENERAL FUND</u>				
BOARD OF SUPERVISORS	35	44	48	4
CLERK OF THE BOARD	13	15	14	(1)
COUNTY ADMINISTRATIVE OFFICE	17	17	17	-
COUNTY COUNSEL	89	85	86	1
FINANCE AND ADMINISTRATION	14	15	18	3
HUMAN RESOURCES	79	79	79	-
HUMAN RESOURCES - CENTER FOR EMPLOYEE HEALTH AND WELLNESS	11	12	12	-
INFORMATION SERVICES	94	100	13	(87)
PURCHASING	17	20	22	2
SUBTOTAL GENERAL FUND	369	387	309	(78)
<u>OTHER FUNDS</u>				
FLEET MANAGEMENT	84	87	86	(1)
HUMAN RESOURCES - COMMUTER SERVICES	3	3	3	-
HUMAN RESOURCES - EMPLOYEE BENEFITS AND SERVICES	28	30	31	1
INFORMATION SERVICES - APPLICATION DEVELOPMENT	-	-	87	87
INFORMATION SERVICES - COMPUTER OPERATIONS	122	117	120	3
INFORMATION SERVICES - TELECOMMUNICATIONS SERVICES	92	96	98	2
PURCHASING - PRINTING SERVICES	14	15	15	-
PURCHASING - SURPLUS PROPERTY AND STORAGE OPERATIONS	2	2	3	1
PURCHASING - MAIL/COURIER SERVICES	25	25	25	-
RISK MANAGEMENT - OPERATIONS	58	59	57	(2)
SUBTOTAL OTHER FUNDS	428	434	525	91
TOTAL ADMINISTRATION	797	821	834	13
ECONOMIC DEVELOPMENT AGENCY				
<u>GENERAL FUND</u>				
ECONOMIC DEVELOPMENT	15	13	10	(3)
<u>OTHER FUNDS</u>				
COMMUNITY DEVELOPMENT AND HOUSING	18	21	24	3
WORKFORCE DEVELOPMENT	122	104	105	1
SUBTOTAL OTHER FUNDS	140	125	129	4
TOTAL ECONOMIC DEVELOPMENT AGENCY	155	138	139	1
FISCAL				
<u>GENERAL FUND</u>				
ASSESSOR/RECORDER/COUNTY CLERK	216	222	223	1
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR	280	295	296	1
SUBTOTAL GENERAL FUND	496	517	519	2
<u>OTHER FUNDS</u>				
ASSESSOR/RECORDER/COUNTY CLERK - SPECIAL REVENUE FUNDS	12	11	10	(1)
SUBTOTAL OTHER FUNDS	12	11	10	(1)
TOTAL FISCAL	508	528	529	1



BUDGETED STAFFING SUMMARY

Department	2012-13 Final Budget	2013-14 Modified Budget	2014-15 Recommended Budget	Change Between 2013-14 & 2014-15
ARROWHEAD REGIONAL MEDICAL CENTER				
<u>OTHER FUNDS</u>				
ARROWHEAD REGIONAL MEDICAL CENTER	3,544	3,621	3,691	70
TOTAL ARROWHEAD REGIONAL MEDICAL CENTER	3,544	3,621	3,691	70
HUMAN SERVICES				
<u>GENERAL FUND</u>				
AGING AND ADULT SERVICES - AGING PROGRAMS	47	43	38	(5)
AGING AND ADULT SERVICES - PUBLIC GUARDIAN - CONSERVATOR	19	19	19	-
CHILD SUPPORT SERVICES	435	434	430	(4)
HEALTH ADMINISTRATION	2	2	1	(1)
BEHAVIORAL HEALTH	529	564	582	18
PUBLIC HEALTH	737	713	713	-
PUBLIC HEALTH - CALIFORNIA CHILDREN'S SERVICES	161	166	174	8
HUMAN SERVICES - ADMINISTRATIVE CLAIM	4,215	4,612	4,644	32
VETERANS AFFAIRS	18	22	22	-
SUBTOTAL GENERAL FUND	6,163	6,575	6,623	48
<u>OTHER FUNDS</u>				
HUMAN SERVICES - WRAPAROUND REINVESTMENT FUND	6	6	1	(5)
BEHAVIORAL HEALTH - MENTAL HEALTH SERVICE ACT	367	459	485	26
PRESCHOOL SERVICES	706	674	706	32
SUBTOTAL OTHER FUNDS	1,079	1,139	1,192	53
TOTAL HUMAN SERVICES	7,242	7,714	7,815	101
LAW AND JUSTICE				
<u>GENERAL FUND</u>				
DISTRICT ATTORNEY - CRIMINAL PROSECUTION	477	488	489	1
LAW AND JUSTICE GROUP ADMINISTRATION	1	1	1	-
PROBATION - ADMINISTRATION, CORRECTIONS & DETENTION	1,194	1,188	1,183	(5)
PROBATION - JUVENILE JUSTICE GRANT PROGRAM	38	39	39	-
PUBLIC DEFENDER	237	243	247	4
SHERIFF/CORONER/PUBLIC ADMINISTRATOR	1,648	1,686	1,688	2
SHERIFF - DETENTIONS	1,301	1,385	1,383	(2)
SHERIFF - LAW ENFORCEMENT CONTRACTS	575	573	576	3
SUBTOTAL GENERAL FUND	5,471	5,603	5,606	3
TOTAL LAW AND JUSTICE	5,471	5,603	5,606	3



BUDGETED STAFFING SUMMARY

Department	2012-13 Final Budget	2013-14 Modified Budget	2014-15 Recommended Budget	Change Between 2013-14 & 2014-15
OPERATIONS AND COMMUNITY SERVICES				
<u>GENERAL FUND</u>				
AGRICULTURE/WEIGHTS AND MEASURES	63	63	64	1
AIRPORTS	19	20	20	-
ARCHITECTURE AND ENGINEERING	19	21	22	1
COUNTY MUSEUM	30	22	21	(1)
LAND USE SERVICES - ADMINISTRATION	32	37	36	(1)
LAND USE SERVICES - LAND DEVELOPMENT	-	8	8	-
LAND USE SERVICES - PLANNING	20	26	31	5
LAND USE SERVICES - BUILDING AND SAFETY	21	21	22	1
LAND USE SERVICES - CODE ENFORCEMENT	27	28	30	2
LAND USE SERVICES - FIRE HAZARD ABATEMENT	15	15	17	2
PUBLIC WORKS - SURVEYOR	26	25	25	-
REAL ESTATE SERVICES (RES)	23	23	23	-
RES - FACILITIES MANAGEMENT DIVISION	106	110	102	(8)
RES - UTILITIES	2	2	2	-
REGIONAL PARKS	259	252	232	(20)
REGISTRAR OF VOTERS	24	27	37	10
SUBTOTAL GENERAL FUND	686	700	692	(8)
<u>OTHER FUNDS</u>				
COUNTY LIBRARY	279	279	291	12
COUNTY MUSEUM - MUSEUM STORE	1	1	2	1
PUBLIC WORKS - TRANSPORTATION - ROAD OPERATIONS	354	345	338	(7)
PUBLIC WORKS - SOLID WASTE MANAGEMENT - OPERATIONS	81	82	82	-
REGIONAL PARKS - ENTERPRISE FUNDS	5	4	4	-
REGIONAL PARKS - SPECIAL REVENUE FUNDS	-	-	-	-
SUBTOTAL OTHER FUNDS	720	711	717	6
TOTAL OPERATIONS AND COMMUNITY SERVICES	1,406	1,411	1,409	(2)
TOTAL COUNTY DEPARTMENTS - GENERAL FUND	13,200	13,795	13,759	(36)
TOTAL COUNTY DEPARTMENTS - OTHER FUNDS	5,923	6,041	6,264	223
COUNTY DEPARTMENTS GRAND TOTAL	19,123	19,836	20,023	187
SPECIAL DISTRICTS AND OTHER AGENCIES				
<u>OTHER FUNDS</u>				
SPECIAL DISTRICTS DEPARTMENT	203	185	187	2
FIRE PROTECTION DISTRICT	994	871	895	24
FLOOD CONTROL DISTRICT	158	150	155	5
OTHER AGENCIES	45	40	46	6
SUBTOTAL OTHER FUNDS	1,400	1,246	1,283	37
TOTAL SPECIAL DISTRICTS AND OTHER AGENCIES	1,400	1,246	1,283	37
TOTAL ALL COUNTY ENTITIES	20,523	21,082	21,306	224



CAPITAL IMPROVEMENT PROGRAM**CAPITAL PROJECTS FUNDS SUMMARY**

	Fund CJP	Fund CJV	Sub-Total	ARMC Capital Fund CJE	Total
Requirements					
Services and Supplies		80,045	80,045		80,045
Contributions to Non-Owned Projects	3,042,797		3,042,797		3,042,797
Land	2,200,000		2,200,000		2,200,000
Improvements to Land	14,382,384		14,382,384	397,363	14,779,747
Structures and Improvements	198,633,082	3,634,970	202,268,052	4,098,226	206,366,278
Salaries and Benefits Transfers Out	19,280		19,280		19,280
Fixed Assets Transfers Out	603,171		603,171		603,171
<i>Total Requirements</i>	<u>218,880,714</u>	<u>3,715,015</u>	<u>222,595,729</u>	<u>4,495,589</u>	<u>227,091,318</u>

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

The funds listed in the appropriation summary schedule in this County Budget Summary and presented in the schedules above and below represent projects managed by the Architecture and Engineering Department as well as the Department of Public Works (and "Others"). Architecture and Engineering projects include \$222.6 million in projects managed through Capital Funds and \$4.5 million in projects managed through Arrowhead Regional Medical Center Enterprise Funds, for a total project budget of \$227.1 million. The appropriation for the additional projects administered by the Department of Public Works and other units are found within those Department's budget pages. These schedules do not include operating transfers out or reimbursements as part of total requirements. Instead, they represent total budgeted project costs.



CAPITAL PROJECTS ADMINISTRATION

<u>PROJECTS ADMINISTERED BY</u>	<u>Page #</u>	Discretionary General Funding	Other Funding	Total
<u>ARCHITECTURE AND ENGINEERING DEPARTMENT</u>				
NEW PROJECTS		35,598,564	11,424,250	47,022,814
CARRYOVER PROJECTS		82,566,460	97,502,044	180,068,504
TOTAL PROJECTS ADMINISTERED BY ARCHITECTURE AND ENGINEERING		<u>118,165,024</u>	<u>108,926,294</u>	<u>227,091,318</u>
<u>DEPARTMENT OF PUBLIC WORKS</u>				
TRANSPORTATION				
NEW PROJECTS		5,655,320	14,997,662	20,652,982
CARRYOVER BALANCES		<u>5,844,821</u>	<u>28,902,630</u>	<u>34,747,451</u>
TOTAL PROJECTS ADMINISTERED BY TRANSPORTATION		11,500,141	43,900,292	55,400,433
SOLID WASTE MANAGEMENT				
NEW PROJECTS		0	11,945,354	11,945,354
CARRYOVER PROJECTS		<u>0</u>	<u>2,843,500</u>	<u>2,843,500</u>
TOTAL PROJECTS ADMINISTERED BY SOLID WASTE MANAGEMENT		0	14,788,854	14,788,854
TOTAL PROJECTS ADMINISTERED BY DEPARTMENT OF PUBLIC WORKS		<u>11,500,141</u>	<u>58,689,146</u>	<u>70,189,287</u>
<u>OTHER DEPARTMENTS</u>				
NEW PROJECTS		0	1,742,000	1,742,000
CARRYOVER BALANCES		<u>0</u>	<u>-</u>	<u>-</u>
TOTAL PROJECTS ADMINISTERED BY OTHERS		0	1,742,000	1,742,000
TOTAL 2014-15 CAPITAL IMPROVEMENT PROJECT BUDGET		<u>129,665,165</u>	<u>169,357,440</u>	<u>299,022,605</u>

In the 2014-15 Recommended Budget, \$47.0 million in new projects are funded primarily using County Discretionary General funding. Major projects include the annual allocation of \$20.0 million for the 800 Megahertz (MHz) upgrade Project and \$1.4 million for the General Fund portion of parking and road improvements for the Fleet Management/County Fire/Public Works lots at Third and Lena Road in San Bernardino. In addition, the base budget for CIP of \$12.0 million includes funding for \$3.6 million of deferred maintenance at various County and Regional Park facilities; \$2.4 million for heating, ventilation and air conditioning upgrades and maintenance; \$1.8 million for interior renovations to improve county facilities; \$1.6 million for the County Buildings Acquisition and Retrofit Project including paving, sidewalks, and new landscaping improvements at the County Government Center Campus; \$0.8 million for site infrastructure such as water line repairs, sidewalk replacements and security enhancements; \$0.6 million for pavement management and rehabilitation at various facilities; \$0.6 million for boiler replacements at West Valley Detention Center; \$0.3 million to repair and/or replace various roofs; and \$0.3 million for Americans with Disabilities Act improvements to improve accessibility and fire/life safety projects as they occur during the year.

Projects approved in prior years but not yet completed total an additional \$180.1 million. The major multi-year carryover projects are the 800 MHz Replacement Project, expansion of the High Desert Detention Center, the County Buildings Acquisition and Retrofit Project, the Sheriff's Crime Lab Expansion, and the Sheriff's Aviation Relocation from Rialto Airport to San Bernardino International Airport.

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

For a complete listing of capital improvement program highlights in all funds, please refer to the Capital Improvement Program section of the 2014-15 Recommended Budget book.



DISCRETIONARY GENERAL FUNDING AND RESTRICTED FUNDS

County general fund operations of \$2.6 billion are funded with four major types of sources: countywide discretionary revenue (\$667.1 million), Proposition 172 revenue (\$156.0 million), 1991 and 2011 Realignment revenues (\$491.5 million), and departmental revenue (\$1.3 billion).

- Countywide discretionary revenue includes a variety of revenue sources that are not legally designated for a specific purpose or program. The majority of discretionary revenue is property related revenue, primarily property tax. Other revenue sources in this category include: sales and other taxes, net interest earnings, Countywide Cost Allocation Plan (COWCAP) revenue, which is 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 and set aside funds to meet future known obligations or to build a reserve for large capital projects.

The following sections provide details of:

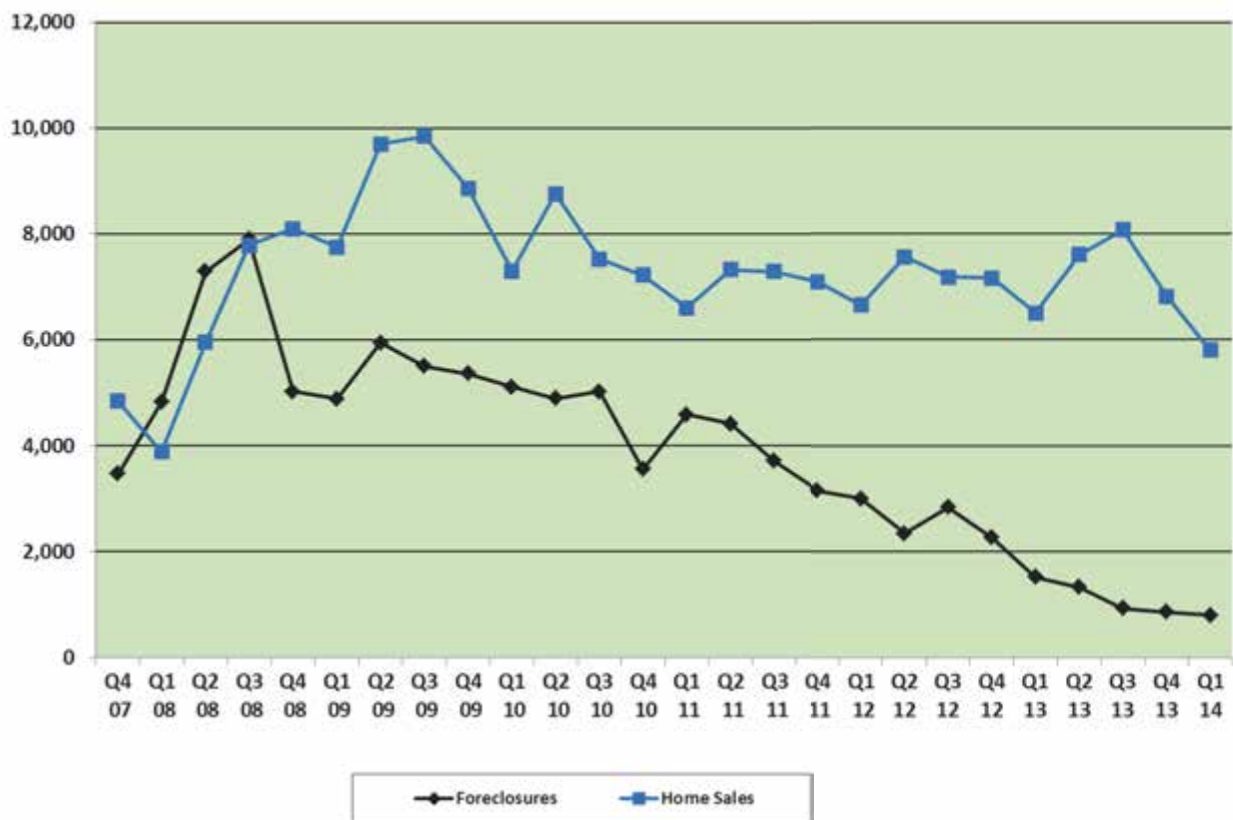
- The economic indicators that are factored into the County's fiscal plan.
- How economic indicators and other factors affect countywide discretionary revenue.
- How Discretionary General Funding (Net County Cost) has been allocated for the fiscal year.
- Information on general fund contingencies and 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 67.6 percent of the County's discretionary revenue and other funding sources. These revenues have been severely impacted by the mortgage and financial crisis, which has had a significant effect on the housing market within the County. During this crisis, home values plummeted while foreclosures and notices of default skyrocketed. Assessed valuation was negatively affected both by homes selling at prices lower than their current assessed valuation, and by Proposition 8 reassessments, which lower valuations of properties (where no change in ownership has occurred) if the current assessed value of such property is greater than the fair market value of the property. However, as shown in the chart below, foreclosures, which at times outstripped home sales, have declined rapidly in the last three calendar years. In addition, as shown in the chart on the next page, the median home prices are rising.

**COUNTY OF SAN BERNARDINO
FORECLOSURES/HOME SALES BY QUARTER
QUARTER 4 2007 THROUGH QUARTER 1 2014**

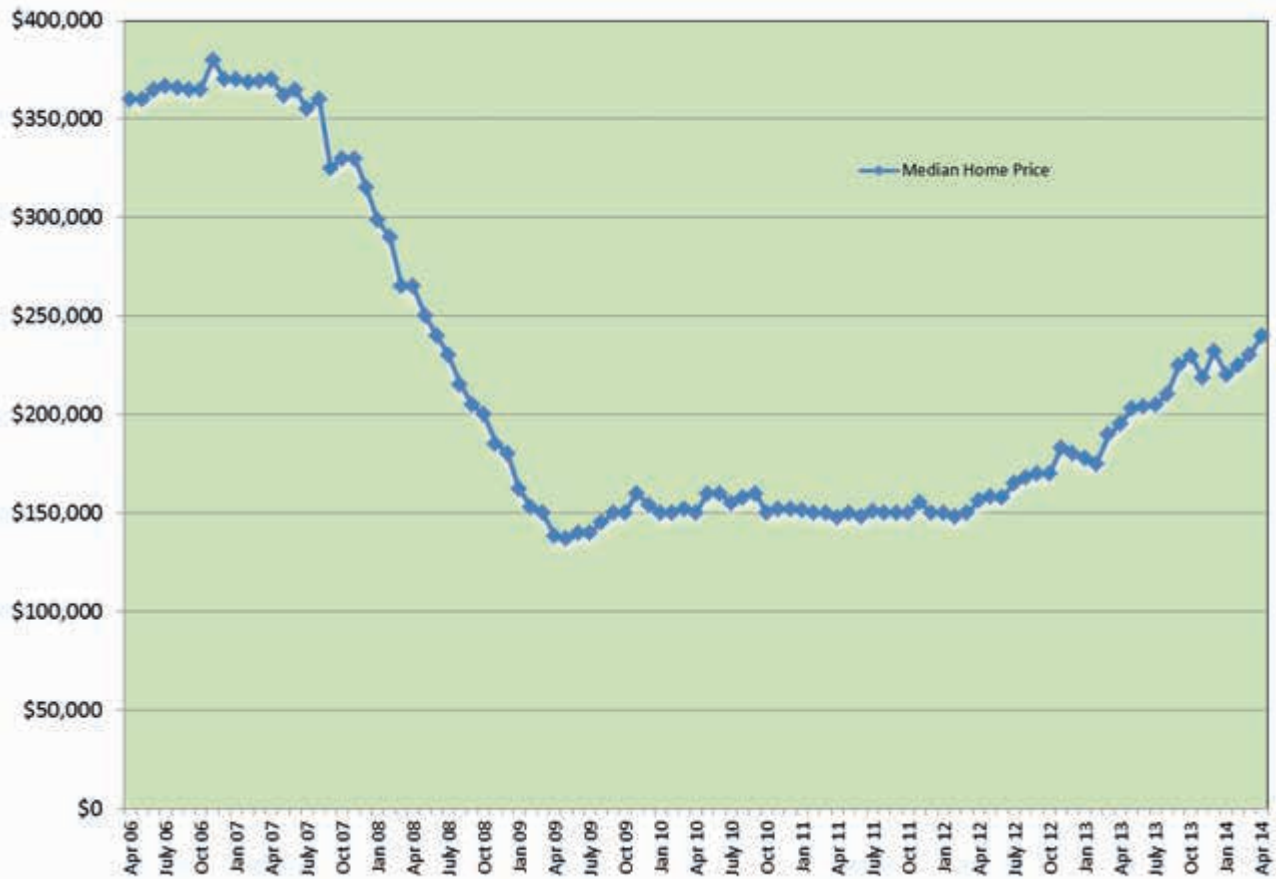


Source: County Assessor and Dataquick



2013 foreclosures were down 54.5% from 2012, and for the first quarter of 2014 are down by 43.5%. 2013 Notices of Default were down by 56.4% from the prior year, and for the first quarter of 2014 are up 4.3% (from 1,667 to 1,739). As foreclosures decline, the County is seeing 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 incline that began in November of 2012, the median price had been stable at approximately \$150,000 for the 34 month period between September 2009 and June 2012. As of April 2014, the County's median home price has risen to \$240,000.

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

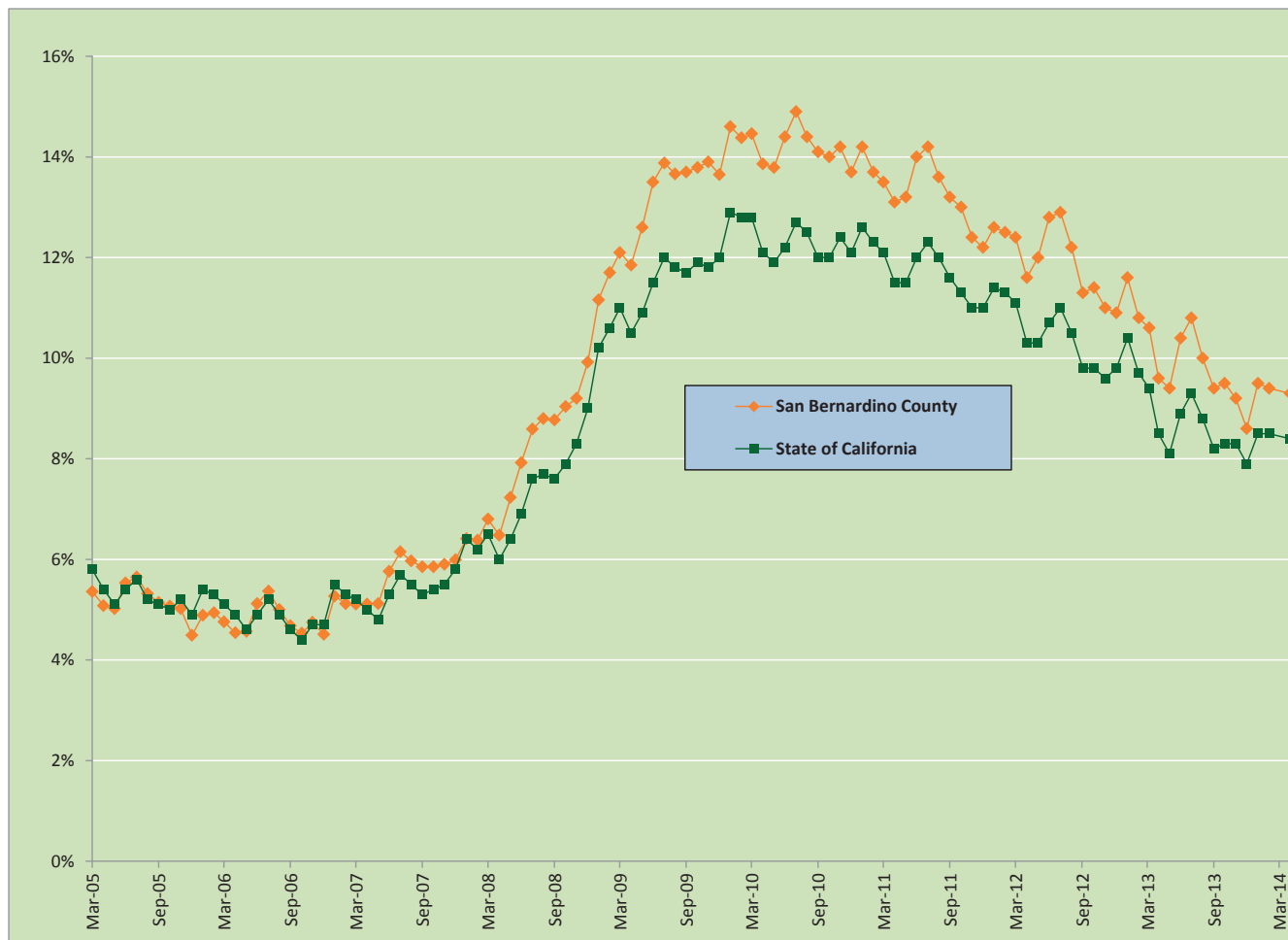


Source: Dataquick



In addition to the decline in property values, the loss of jobs in the County has led to high levels of unemployment, as shown in the chart below. Inland Empire Job losses from 2008 through 2010 totaled 148,500, in large part due to the downturn in the construction sector. County unemployment reached its peak at 14.9% in July 2010. However conditions are improving. 2012 saw job gains of 32,000 followed by a gain of 46,833 in 2013, and job growth for 2014 is forecasted at 40,100. Unemployment has declined from the 2010 peak, but remains high, returning to November 2008 levels at 9.3% as of March 2014, which compares to unemployment rates for the State and the United States of America, which were 8.4% and 6.7%, respectively.

**COUNTY OF SAN BERNARDINO
UNEMPLOYMENT RATES
STATE OF CALIFORNIA AND SAN BERNARDINO COUNTY
MARCH 2005 THROUGH MARCH 2014**



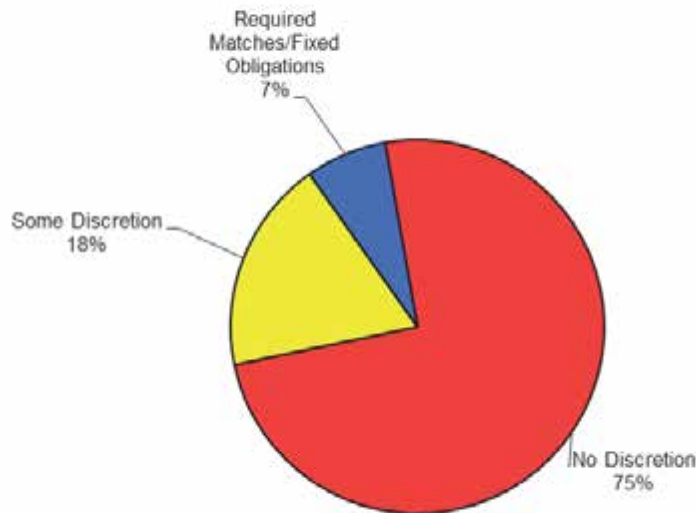
Source: CA Employment Development Department



COUNTYWIDE DISCRETIONARY REVENUE

The entire general fund budget including operating transfers in is \$2.6 billion, however, only \$0.47 billion (or 18%) is truly discretionary as seen in this pie chart.

2014-15 Recommended Budget General Fund Spending

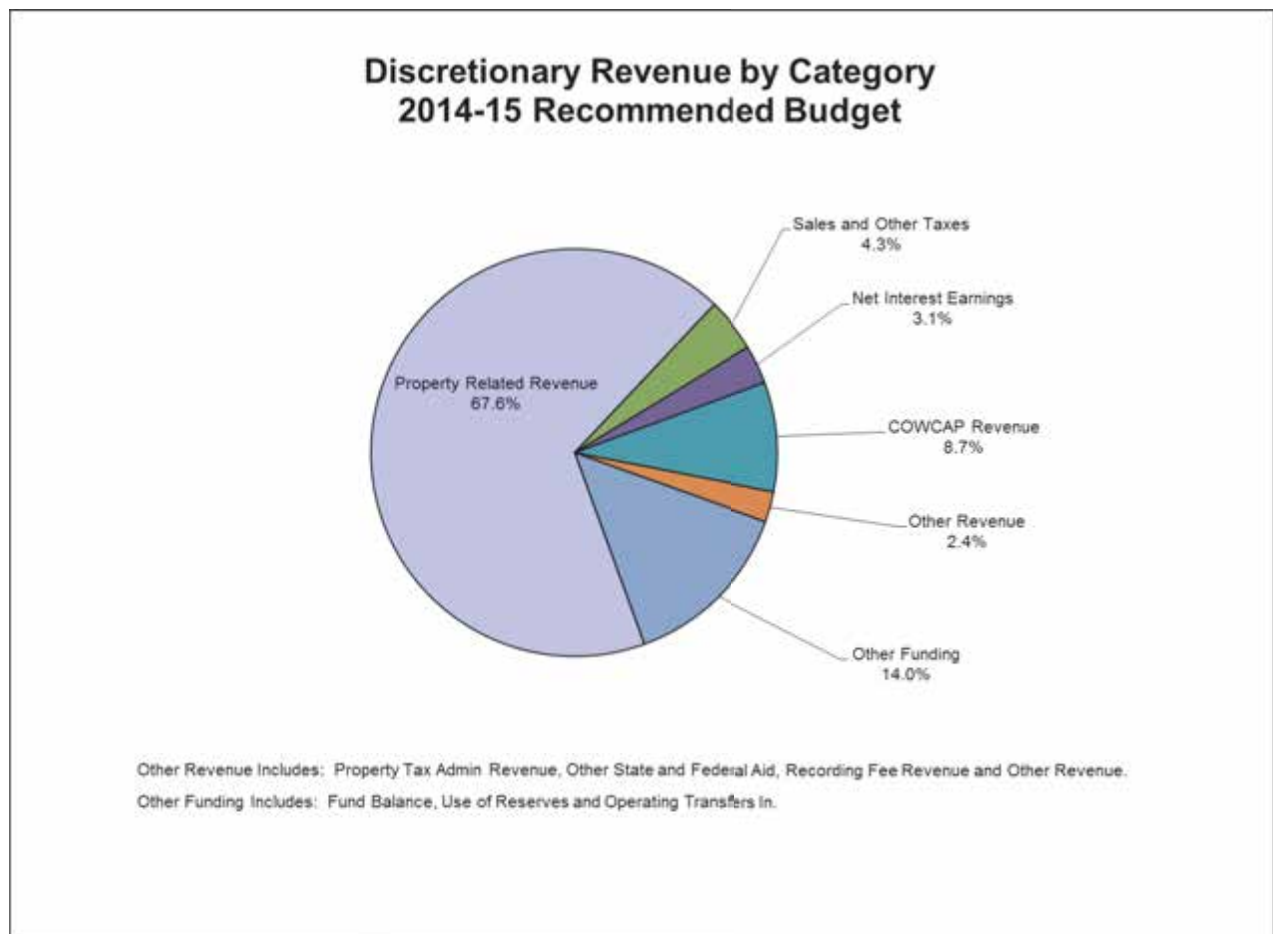


SPENDING WHERE THERE IS NO DISCRETION. INCLUDES:	1,950,253,040
Welfare costs reimbursed by state and federal monies (\$1,000.0 million)	
Other program costs funded by program revenues such as user fees (\$950.2 million)	
REQUIRED HEALTH AND WELFARE MATCHES AND OTHER FIXED OBLIGATIONS:	195,432,663
SPENDING WHERE THERE IS DISCRETION. INCLUDES:	471,626,243
Reserve Contributions (\$45.3 million)	
Law and justice program costs funded by local revenues (\$323.4 million)	
All other program costs funded by local revenues (\$102.9 million)	
TOTAL:	\$2,617,311,946

Countywide discretionary revenue is \$667,058,906 and is first obligated to pay for required health and welfare matches and other fixed obligations, which total \$195,432,663. The remaining amount of \$471,626,243 is available to fund departmental budgets' Net County Cost or other expenditures.



Shown below are the sources of countywide discretionary revenue of \$667,058,906 for the 2014-15 Recommended Budget:



Percentages may not add to 100% due to rounding.



COUNTYWIDE DISCRETIONARY REVENUE WHICH PAY FOR NET COUNTY COST

	2013-14 Adopted Budget	2013-14 Modified Budget	2013-14 Estimate	2014-15 Recommended Budget
Countywide Discretionary Revenue				
Property Related Revenue:				
Current Secured, Unsecured, Unitary	205,120,805	205,772,418	213,304,586	221,098,140
VLF/Property Tax Swap	205,214,371	208,247,095	208,073,777	215,356,359
Supplemental Property Tax	2,750,000	2,750,000	3,000,000	3,000,000
Property Transfer Tax	6,000,000	6,000,000	7,500,000	7,500,000
Penalty on Current Taxes	2,470,000	2,470,000	2,160,000	2,160,000
Prior Property Taxes, Penalties and Interest	2,250,000	2,250,000	1,690,000	1,690,000
Total Property Related Revenue	423,805,176	427,489,513	435,728,363	450,804,499
Sales and Other Taxes:				
Sales and Use Tax	19,587,302	19,587,302	20,427,247	20,245,138
Franchise Fees	5,810,000	5,810,000	6,924,886	5,950,000
Hotel/Motel Tax	1,200,000	1,200,000	1,500,000	1,500,000
Other Taxes	790,000	790,000	790,000	790,000
Total Sales and Other Taxes	27,387,302	27,387,302	29,642,133	28,485,138
Net Interest Earnings	19,225,000	15,429,242	9,186,906	20,550,000
COWCAP Revenue	53,977,428	53,977,428	53,977,428	57,921,243
Property Tax Admin Revenue	10,189,140	8,300,000	8,300,000	8,467,236
Recording Fee Revenue	3,500,000	3,500,000	3,500,000	3,500,000
State and Federal Aid	4,819,131	4,819,131	5,644,371	3,671,482
Other Revenue	430,000	93,708	6,330,014	430,000
Total Countywide Discretionary Revenue	543,333,177	540,996,324	552,309,215	573,829,598
Other Funding Sources				
Available Fund Balance, beginning	188,559,768	188,559,768	188,559,768	56,151,462
Fund Balance for Board Discretionary Fund Allocations	5,852,564	5,852,564	5,852,564	4,641,309
Use of Reserves	35,918,789	35,918,789	35,918,789	5,636,537
Operating Transfers In (One-Time)	10,568,256	4,568,256	3,746,438	5,700,000
Operating Transfers In (Ongoing)	22,800,000	21,100,000	21,100,000	21,100,000
Total Other Funding Sources	263,699,377	255,999,377	255,177,559	93,229,308
Total Countywide Discretionary Revenue and Other Funding Sources	807,032,554	796,995,701	807,486,774	667,058,906
Locally Funded Appropriation				
Total Countywide Discretionary Revenue	543,333,177	540,996,324	552,309,215	573,829,598
Operating Transfers In (Ongoing)	22,800,000	21,100,000	21,100,000	21,100,000
Locally Funded Appropriation	566,133,177	562,096,324	573,409,215	594,929,598

2014-15 Discretionary General Funding of \$667,058,906 includes Countywide Discretionary Revenue of \$573.8 million and Other Funding Sources of \$93.2 million. Per the County Fund Balance and Reserve Policy, the General Purpose Reserve will be built up with one-time sources until the target of 20% of locally funded appropriation is reached. A contribution of \$5,949,265 to the General Purpose Reserve (1% of locally funded appropriation) was approved by the Board of Supervisors as part of the 2013-14 Third Quarter Budget Report on May 6, 2014, and brings the funding level to \$82,440,902, or 13.9% of locally funded appropriation. County policy also requires a minimum of 1.5% of locally funded appropriation be placed in General Fund Mandatory Contingencies, which is \$8,923,944 for 2014-15.



Countywide Discretionary Revenue

Property Related Revenue accounts for 68% of countywide discretionary revenue and other funding sources. These revenues have been severely impacted as a result of the mortgage and financial crisis, which has had a significant effect on the housing market within the County. Assessed valuation has been negatively affected both by homes selling at prices lower than their current assessed valuation, and by Proposition 8 reassessments, which lower valuations of properties (where no change in ownership has occurred) if the current assessed value of such property is greater than the fair market value of the property. However, the median price of a home in the County has started to rise and the volume of home sales remains relatively stable. Rising home prices are also leading to value being added back to the assessment roll for valuations that had been reduced through Proposition 8 reassessments.

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

Elimination of Redevelopment Agencies

A portion of the General Fund's property tax revenue is pass-through of property tax increment belonging to Redevelopment Agencies. Redevelopment Agencies were dissolved as of February 1, 2012, pursuant to ABx1 26. Pursuant to ABx1 26, revenues that would have been directed to the dissolved Redevelopment Agencies will continue to be used to make pass-through payments to other public agencies (i.e., payments that such entities would have received under prior law). In addition, the State projects that the elimination of Redevelopment Agencies will provide additional property tax revenue for local public agencies, including the County. Beginning with 2014-15, the County has budgeted \$2.5 million of additional property tax revenue related to the dissolution of Redevelopment Agencies pursuant to ABx1 26 and continues to budget for pass-through payments consistent with the legislation.

The Teeter Plan

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

The Teeter Secured Levy includes each participating agency's share of the 1% ad valorem secured levy, plus any ad valorem levy for the debt service of voter-approved general obligation bonds. Not included in the Teeter Secured Levy are supplemental roll revenues, special assessments, utility roll revenues, or property tax pass-through amounts 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 2014-15.

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



Current Secured, Unsecured, Unitary

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

VLF/Property Tax Swap

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

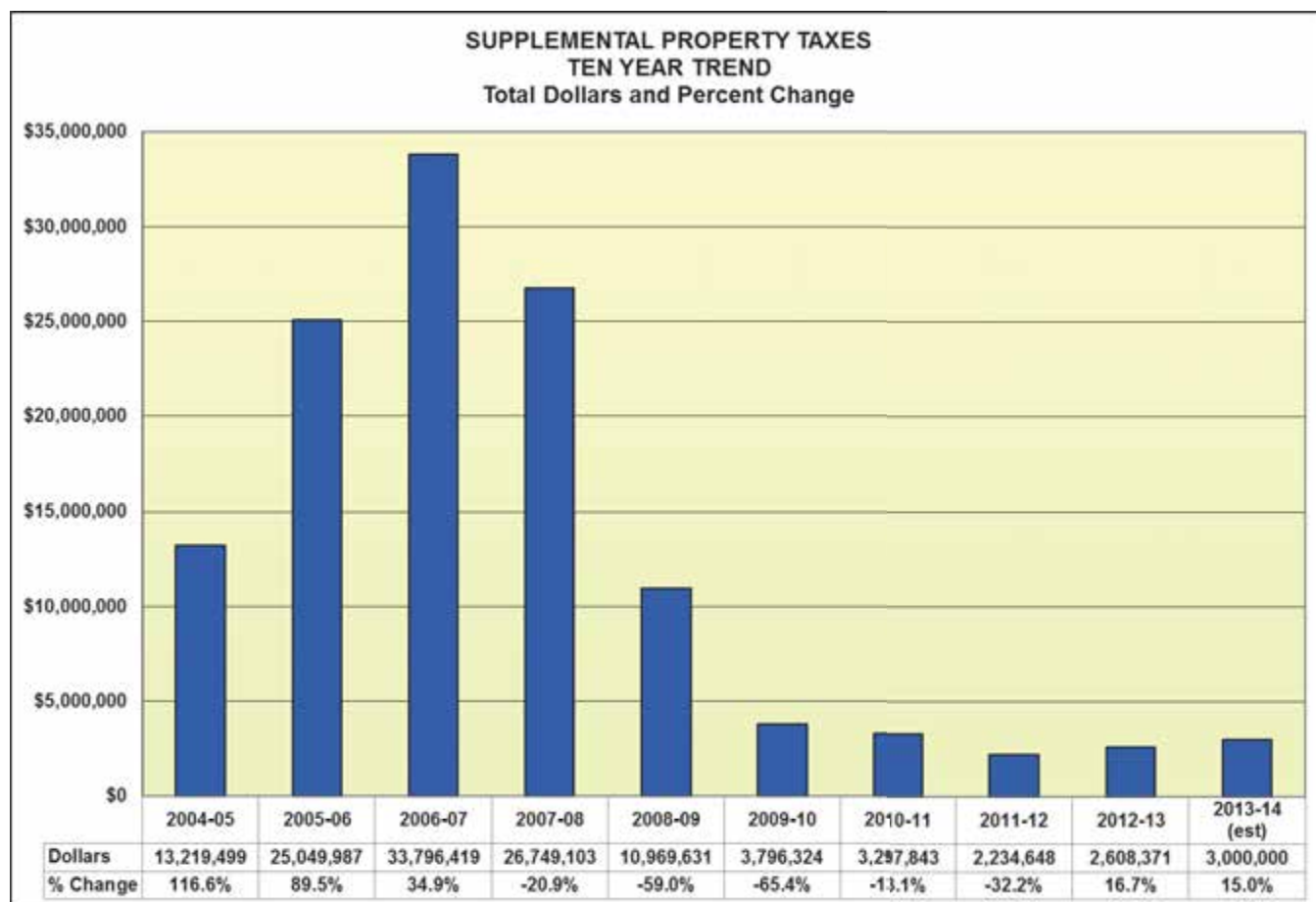
The VLF Backfill was eliminated in the 2004-05 State Budget. In that year, the VLF Backfill to cities and counties was permanently replaced with an equivalent increase in property tax revenues (VLF/Property Tax Swap revenues). This increase was funded by decreases in property tax revenues allocated to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

For 2004-05, the State established the base amount of the VLF/Property Tax Swap. The base is equal to the amount of VLF backfill that the counties and cities would have received in 2004-05, calculated using actual VLF receipt amounts for 2004-05. For years beginning in 2005-06, the VLF/Property Tax Swap amount is calculated using the prior year VLF/Property Tax Swap amount adjusted by the percent change in assessed valuation. This percent change includes both secured and unsecured assessed valuation, but excludes the change in unitary valuations. The 2014-15 budgeted amount reflects the projected increase in assessed valuation of 3.5% as compared to the 2013-14 Adopted Budget.

Supplemental Property Tax

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



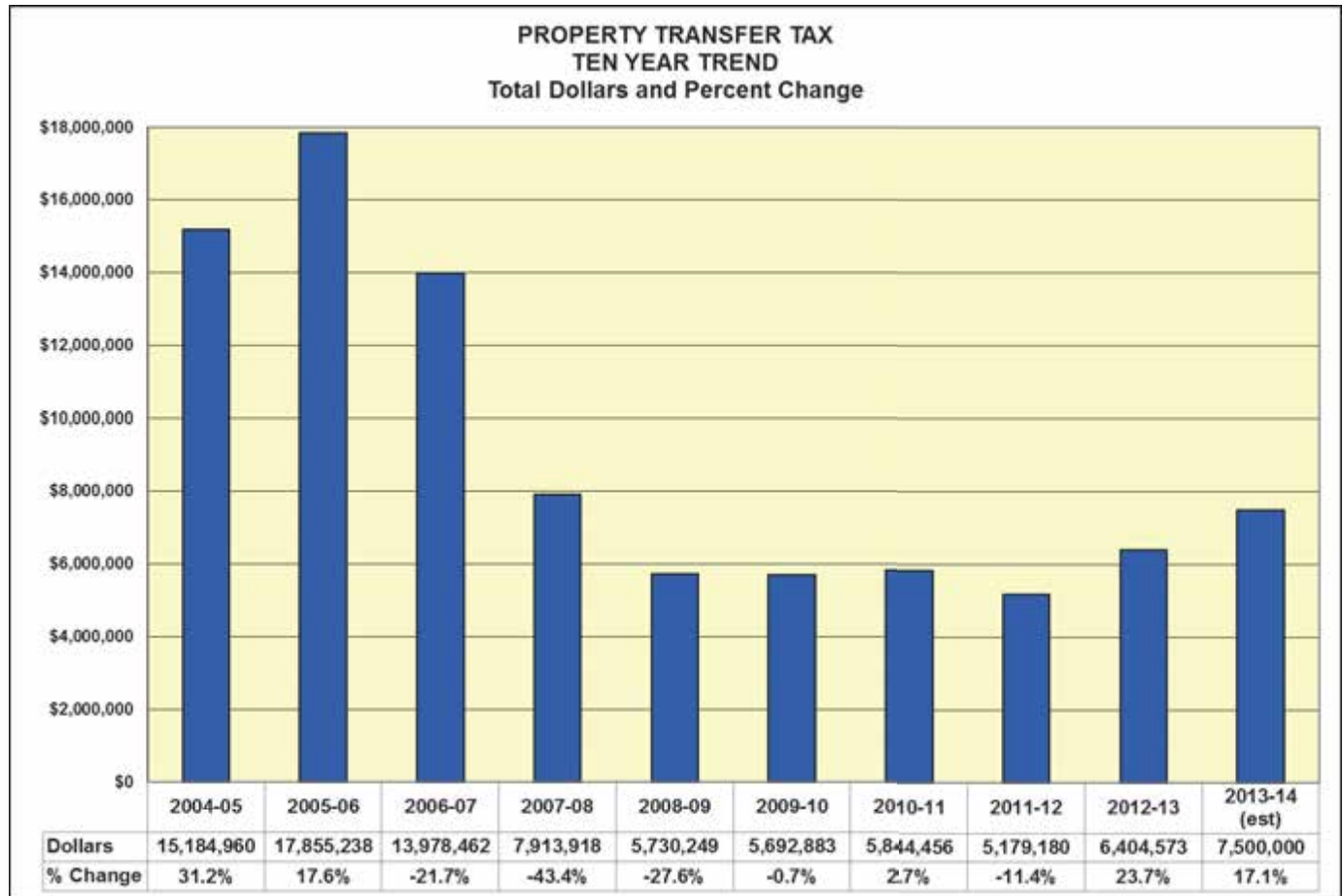


As shown in the chart above, supplemental property tax revenues have declined significantly since 2006-07 as a result of the collapse of the housing market. Supplemental revenue in 2012-13 showed the first year over year increase since 2006-07. The County projects these revenues to be \$3.0 million in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



Property Transfer Tax

The Property Transfer Tax is collected when any lands, tenements, or other realty sold within the County is granted, assigned, transferred, or otherwise conveyed to or vested in the purchaser. The tax is imposed when the value of the property exceeds \$100. The tax rate is \$0.55 for each \$500 of property value. For sales in the unincorporated areas of the County, the County receives 100% of the tax. For sales in cities, the County receives 50% of the tax. The County anticipates that property transfer tax will total \$7.5 million in 2014-15, consistent with 2013-14 estimated revenue. The following chart presents the most recent ten 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 2014-15, Sales and Use Tax revenue is anticipated to remain flat to 2013-14 actual revenue.

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

projection of \$14.5 million excludes the portion of the County ongoing sales tax revenue remitted to the City of Redlands under the sales tax sharing agreement explained below:

Sales Tax Sharing Agreement with the City of Redlands: In August of 2003, the County entered into a sales tax sharing agreement with the City of Redlands. Under the terms of this agreement, the City of Redlands provides certain government services to an unincorporated area of the County, and in return the County pays the City a percentage of the sales tax revenue generated in that geographical area. This geographical area has numerous retail establishments and generates a considerable amount of sales tax revenue. Under the terms of the sales tax sharing agreement, the County currently pays the City of Redlands 90% of the County discretionary sales tax revenue generated in this area.

Sales Tax Risk – Potential Annexations and Incorporations: Based on recent estimates, approximately 29.9% of the County's discretionary sales tax revenue is generated in the unincorporated portion of the spheres of influence of the 24 cities that are within the County's boundaries. A sphere of influence is a 'planning boundary' within which a city or district is expected to grow over time. Therefore, the areas within these spheres are likely to be annexed, and once annexed, the discretionary sales tax revenue generated in that area will go to the city instead of the County. The County would also lose sales tax revenue if a community in the unincorporated area of the County decided to create a new city (incorporate).

Sales Tax/Property Tax Swap of 0.25%

Effective with the fiscal year that began on July 1, 2004, the State changed the way sales tax revenue is distributed to counties and cities. Previously, counties and cities received 1.0% of the State's base sales tax rate. Pursuant to new provisions enacted by the legislature, this 1.0% share of sales tax was reduced by 0.25%, to 0.75%. The additional 0.25% in sales tax revenue was redirected to the state to be used to fund debt service on the California Economic Recovery Bonds, which were approved by voters as Proposition 57. In return, counties and cities receive additional property tax revenue (funded by reducing the schools' share of property tax revenue) in an amount equal to the 0.25% sales tax revenues forgone. The State general fund then makes up the loss of property tax revenue to the schools. This change is referred to as the 'Triple Flip'. The Triple Flip will continue until the California Economic Recovery Bonds are paid. Once the bonds are paid, and the Triple Flip is discontinued, the County's share of the base sales tax rate will return to 1.0%. The bonds are currently scheduled to mature on July 1, 2023.

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

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

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

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



Net Interest Earnings

Net interest earnings for 2014-15 are projected at \$20.6 million. This is \$1.3 million higher when compared to the 2013-14 Adopted Budget amount. The anticipated growth is due to an increase in Teeter revenue penalties and interest and retirement prepay interest. For more information see the section titled 'The Teeter Plan' on page 8 of this section.

COWCAP (Countywide Cost Allocation Plan) Revenue

The budgeted COWCAP Revenue amount reflects the recovered allowable costs included in the 2014-15 Countywide Cost Allocation Plan (COWCAP) published by the Auditor-Controller/Treasurer/Tax Collector. COWCAP revenue is reimbursement for overhead/indirect costs incurred by the General Fund. Reimbursements are received from various state and federal grant programs (that permit such reimbursement) and general fund departments and taxing entities such as the County Library and Board-governed Special Districts. The County anticipates an increase in COWCAP revenue in an amount of \$3.9 million in 2014-15. This increase is primarily due to amounts owed by the Probation Department for ongoing space use and utility costs associated with the new Central Valley Juvenile Detention and Assessment Center, and from ARMC primarily due to a one-time adjustment that reduced ARMC's COWCAP charges in the prior year.

Property Tax Administration Revenue

Property tax administration revenue consists of:

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

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

in the loss of \$2.9 million of annual PTAF fees beginning in 2013-14. The 2014-15 Recommended Budget anticipates revenues to be relatively flat compared to the 2013-14 estimate.

Recording Fee Revenue

The Recorder's Division of the County's Assessor/Recorder/County Clerk's Office collects certain fees for the official recording of documents. Recording Fees are expected to remain flat compared to the 2013-14 estimate.

State and Federal Aid

State and federal aid consists of a payment from the welfare realignment trust fund, which replaced the State revenue stabilization program, SB90 reimbursements from the State, and excess Vehicle License Fee (VLF) revenue. It also includes revenues received from the federal government's Payment in Lieu of Taxes (PILT) program. The Emergency Economic Stabilization Act of 2008 (Public Law 110-343) was enacted on October 3, 2008 and authorized full funding for the PILT program from 2008 through 2012, which generated approximately \$1.0 million in additional PILT revenue annually. Although scheduled to end in 2012, the full funding level for PILT was extended through federal fiscal year 2013 (October 1, 2012 to September 30, 2013). This program has not been reauthorized for the 2014 Federal Fiscal Year. As a result, PILT revenues will decline by \$1.1 million in 2014-15.

Other Revenue

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



Other Funding Sources

Fund Balance

The 2013-14 estimated year-end fund balance for the General Fund is \$56.2 million. This reflects fund balance that is available for appropriation. Anticipated fund balance is a result of County cost savings and additional revenue. Additional revenue includes one-time revenue of \$18.0 million received as a result of due diligence reviews and residual revenue for the dissolved Redevelopment Agencies, and one-time revenue of \$1.8 million for a Court revenue audit.

Use of Reserves

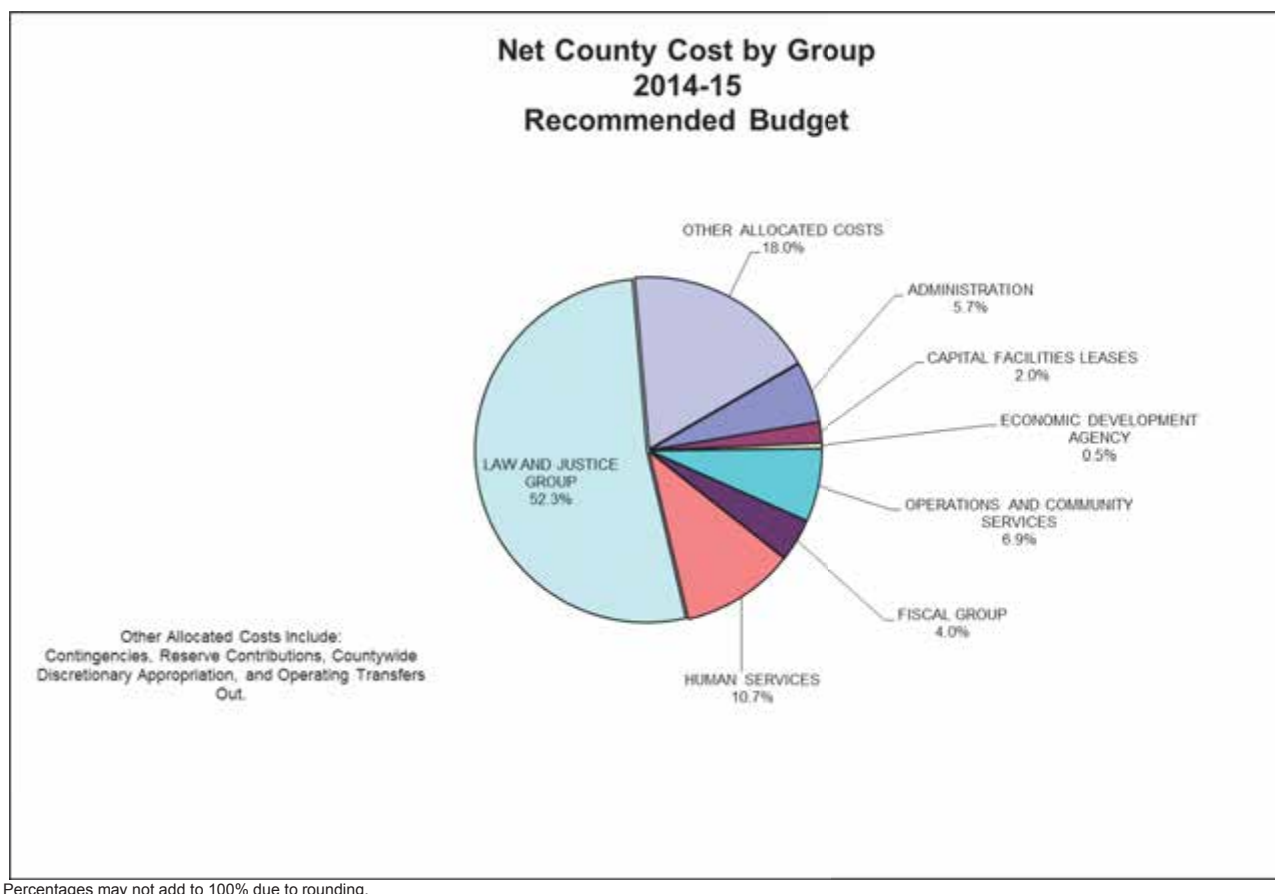
The 2014-15 Recommended Budget anticipates the use of \$0.3 million of the reserve for Land Use Services General Plan/Development Code Amendments to fund a portion of this project, and the use of \$5.3 million of the Glen Helen Grade Separation Project reserve to fund various transportation projects,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

Operating Transfers In

Operating transfers in primarily include \$17.0 million of ongoing tobacco settlement funds to provide \$15.0 million of ongoing funding for debt service on the Arrowhead Regional Medical Center and \$2.0 million of ongoing funding for Public Health. Ongoing operating transfers in also include \$4.1 million of ongoing Courthouse and Criminal Justice Construction funds to fund debt service on the Foothill Law and Justice Center. One time operating transfers in include \$2.2 million from tobacco settlement funds for a land purchase and \$3.5 million of estimated one-time sales tax revenue discussed in the section titled 'Sales and Use Tax'.



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



The schedule on the following page shows a comparison of 2013-14 modified Net County Cost and 2014-15 recommended Net County Cost by department. This schedule also includes requirements and sources, including operating transfers, which are mechanisms to move funding between the various county budget units. Operating transfers are presented in the following chart because the intended purpose is to provide a complete picture of the department's requirements and sources.

Department Title	2013-14 Modified Budget:			2014-15 Recommended Budget:		
	Requirements	Sources	Net County Cost	Requirements	Sources	Net County Cost
BOARD OF SUPERVISORS (ALL DISTRICTS)	7,142,316	-	7,142,316	7,190,670	-	7,190,670
CLERK OF THE BOARD	2,354,436	313,578	2,040,858	2,258,163	248,293	2,009,870
COUNTY ADMINISTRATIVE OFFICE	5,044,435	-	5,044,435	4,511,139	-	4,511,139
COUNTY ADMINISTRATIVE OFFICE - LITIGATION	589,763	-	589,763	392,599	-	392,599
COUNTY COUNSEL	8,780,823	5,683,270	3,097,553	8,817,154	5,713,350	3,103,804
FINANCE AND ADMINISTRATION	2,861,586	-	2,861,586	2,889,619	-	2,889,619
HUMAN RESOURCES	7,297,316	669,917	6,627,399	7,456,955	675,623	6,781,332
HUMAN RESOURCES - UNEMPLOYMENT INSURANCE	4,000,500	-	4,000,500	4,000,500	-	4,000,500
HUMAN RESOURCES - EMPLOYEE HEALTH AND WELLNESS	2,080,388	2,069,041	11,347	2,152,634	2,152,634	-
INFORMATION SERVICES - APPLICATION DEVELOPMENT	15,824,820	13,720,515	2,104,305	2,264,212	216,872	2,047,340
PURCHASING	2,227,760	557,076	1,670,684	2,117,341	590,504	1,526,837
LOCAL AGENCY FORMATION COMMISSION	288,274	-	288,274	288,274	-	288,274
COUNTY SCHOOLS	3,159,104	-	3,159,104	3,270,620	-	3,270,620
ADMINISTRATION SUBTOTAL:	61,651,521	23,013,397	38,638,124	47,609,880	9,597,276	38,012,604
CAPITAL FACILITIES LEASES	13,013,014	-	13,013,014	13,016,519	-	13,016,519
CAPITAL FACILITIES LEASES SUBTOTAL:	13,013,014	-	13,013,014	13,016,519	-	13,016,519
ECONOMIC DEVELOPMENT	3,135,452	155,000	2,980,452	3,468,279	155,000	3,313,279
ECONOMIC DEVELOPMENT AGENCY SUBTOTAL:	3,135,452	155,000	2,980,452	3,468,279	155,000	3,313,279
ASSESSOR/RECORDER/COUNTY CLERK	22,985,256	7,116,602	15,868,654	22,890,787	7,145,500	15,745,287
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR	37,110,409	26,084,063	11,026,346	36,880,704	26,188,884	10,691,820
FISCAL SUBTOTAL:	60,095,665	33,200,665	26,895,000	59,771,491	33,334,384	26,437,107
HEALTH ADMINISTRATION	150,585,267	135,584,459	15,000,808	120,730,613	105,730,613	15,000,000
BEHAVIORAL HEALTH	153,045,439	151,053,228	1,992,211	172,139,912	170,147,701	1,992,211
PUBLIC HEALTH	79,729,138	75,570,548	4,158,590	79,432,808	75,220,029	4,212,779
PUBLIC HEALTH - CALIFORNIA CHILDREN'S SERVICES	21,124,770	16,335,156	4,789,614	21,359,774	16,673,628	4,686,146
PUBLIC HEALTH - INDIGENT AMBULANCE	472,501	-	472,501	472,501	-	472,501
AGING AND ADULT SERVICES	9,168,115	9,168,115	-	8,926,323	8,926,323	-
AGING AND ADULT SERVICES - PUBLIC GUARDIAN-CONSERVATOR	916,642	286,850	629,792	814,564	202,951	611,613
CHILD SUPPORT SERVICES	40,495,812	40,495,812	-	40,039,593	40,039,593	-
HUMAN SERVICES - ADMINISTRATIVE CLAIM	493,430,026	477,722,675	15,707,351	503,236,205	489,059,585	14,176,620
DOMESTIC VIOLENCE/CHILD ABUSE SERVICES	531,812	531,812	-	531,812	531,812	-
ENTITLEMENT PAYMENTS (CHILDCARE)	31,244,447	31,244,447	-	26,360,535	26,360,535	-
OUT-OF-HOME CHILD CARE	810,566	-	810,566	860,566	-	860,566
AID TO ADOPTIVE CHILDREN	56,334,041	54,384,521	1,949,520	59,208,232	57,158,712	2,049,520
AFDC - FOSTER CARE	123,710,568	106,395,312	17,315,256	124,188,480	106,773,073	17,415,407
REFUGEE CASH ASSISTANCE	75,918	75,918	-	91,197	81,197	10,000
CASH ASSISTANCE FOR IMMIGRANTS	1,924,374	1,924,374	-	2,121,954	2,121,954	-
CALWORKS - ALL OTHER FAMILIES	248,426,880	242,216,208	6,210,672	255,137,220	249,744,925	5,392,295
KINSHIP GUARDIANSHIP ASSISTANCE PROGRAM	7,935,732	7,018,722	917,010	8,741,496	7,700,659	1,040,837
SERIOUSLY EMOTIONALLY DISTURBED	-	-	-	-	-	-
CALWORKS - 2 PARENT FAMILIES	39,526,722	38,538,554	988,168	43,900,248	42,877,681	1,022,567
AID TO INDIGENTS (GENERAL RELIEF)	1,711,197	505,000	1,206,197	1,476,197	370,000	1,106,197
VETERANS AFFAIRS	2,159,665	718,427	1,441,238	1,985,233	550,853	1,434,380
HUMAN SERVICES SUBTOTAL:	1,463,359,632	1,389,770,138	73,589,494	1,471,755,463	1,400,271,824	71,483,639
COUNTY TRIAL COURTS - DRUG COURT PROGRAMS	381,101	381,101	-	46,971	46,971	-
COUNTY TRIAL COURTS - GRAND JURY	416,022	-	416,022	429,069	-	429,069
COUNTY TRIAL COURTS - INDIGENT DEFENSE PROGRAM	9,805,546	90,000	9,715,546	10,046,137	32,000	10,014,137
COUNTY TRIAL COURTS - COURT FACILITIES/JUDICIAL BENEFITS	1,216,657	-	1,216,657	1,211,889	-	1,211,889
COUNTY TRIAL COURTS - COURT FACILITIES PAYMENTS	2,536,349	-	2,536,349	2,536,349	-	2,536,349
COUNTY TRIAL COURTS - FUNDING OF MAINTENANCE OF EFFORT	25,510,051	14,182,000	11,328,051	25,509,703	14,182,000	11,327,703
DISTRICT ATTORNEY - CRIMINAL PROSECUTION	65,192,137	33,700,436	31,491,701	65,839,206	34,878,602	30,960,604
LAW & JUSTICE GROUP ADMINISTRATION	110,577	110,162	415	90,208	90,208	-
PROBATION - ADMINISTRATION, CORRECTIONS AND DETENTION	150,700,320	83,673,881	67,026,439	143,295,001	70,214,776	73,080,225
PROBATION - JUVENILE JUSTICE GRANT PROGRAM	129,914	-	129,914	-	-	-
PUBLIC DEFENDER	35,462,476	4,645,553	30,816,923	35,524,591	3,645,749	31,878,842
SHERIFF/CORONER/PUBLIC ADMINISTRATOR	215,113,178	153,050,437	62,062,741	204,564,900	153,943,591	50,621,309
SHERIFF - DETENTIONS	168,889,535	57,391,893	111,497,642	179,208,808	42,301,233	136,907,575
SHERIFF - CONTRACTS	131,049,358	124,029,871	7,019,487	128,348,991	128,348,991	-
LAW AND JUSTICE SUBTOTAL:	806,513,221	471,255,334	335,257,887	796,651,823	447,684,121	348,967,702
AGRICULTURE/WEIGHTS AND MEASURES	6,852,101	5,437,850	1,414,251	6,823,815	5,533,750	1,290,065
AIRPORTS	2,934,893	2,934,893	-	2,810,030	2,810,030	-
ARCHITECTURE AND ENGINEERING	14,165	-	14,165	-	-	-
COUNTY MUSEUM	3,138,460	975,006	2,163,454	3,191,462	457,050	2,734,412
LAND USE SERVICES - ADMINISTRATION	1,182,772	-	1,182,772	467,142	-	467,142
LAND USE SERVICES - PLANNING	9,082,680	3,929,617	5,153,063	7,962,234	3,687,107	4,275,127
LAND USE SERVICES - LAND DEVELOPMENT	858,360	225,000	633,360	1,151,667	548,398	603,269
LAND USE SERVICES - BUILDING AND SAFETY	4,294,958	3,707,750	587,208	5,055,324	4,561,075	494,249
LAND USE SERVICES - CODE ENFORCEMENT	5,540,668	643,756	4,896,912	5,430,663	858,000	4,572,663
LAND USE SERVICES - FIRE HAZARD ABATEMENT	2,511,080	2,251,250	259,830	2,542,266	2,303,869	238,397
PUBLIC WORKS-SURVEYOR	3,674,273	3,092,168	582,105	3,405,098	2,840,652	564,446
REAL ESTATE SERVICES (RES)	1,174,498	1,166,965	7,533	1,164,639	1,164,639	-
RES - FACILITIES MANAGEMENT	13,685,548	12,891,045	794,503	14,249,231	13,636,172	613,059
RES - UTILITIES	19,626,782	277,495	19,349,287	20,372,124	283,329	20,088,795
RES - RENTS AND LEASES	2,409,082	2,409,082	-	1,008,033	1,008,033	-
RES - COURTS PROPERTY MANAGEMENT	2,285,336	2,285,336	-	2,292,520	2,292,520	-
REGIONAL PARKS	10,461,140	7,863,567	2,597,573	11,044,706	7,856,571	3,188,135
REGISTRAR OF VOTERS	9,387,721	2,498,240	6,889,481	8,482,909	1,869,240	6,613,669
OPERATIONS AND COMMUNITY SERVICES SUBTOTAL:	99,114,517	52,589,020	46,525,497	97,453,863	51,710,435	45,743,428
GENERAL FUND DEPARTMENT SUBTOTAL:	2,506,883,022	1,969,983,554	536,899,468	2,489,727,318	1,942,753,040	546,974,278
CONTINGENCIES	145,291,869	-	145,291,869	8,923,944	-	8,923,944
RESERVE CONTRIBUTIONS	12,668,192	-	12,668,192	45,325,081	-	45,325,081
BOARD DISCRETIONARY FUND	5,852,564	-	5,852,564	4,641,309	-	4,641,309
NON DEPARTMENTAL APPROPRIATION	11,295,758	11,295,758	-	7,500,000	7,500,000	-
OPERATING TRANSFERS OUT	96,283,608	-	96,283,608	61,194,294	-	61,194,294
TOTAL COUNTYWIDE ALLOCATED COSTS:	271,391,991	11,295,758	260,096,233	127,584,628	7,500,000	120,084,628
GRAND TOTAL:	2,778,275,013	1,981,279,312	796,995,701	2,617,311,946	1,950,253,040	667,058,906



NON-DEPARTMENTAL BUDGET UNIT

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

APPROPRIATION

	2013-14 Adopted Budget	2013-14 Modified Budget	2013-14 Estimate	2014-15 Adopted Budget
Services & Supplies	1,000,000	1,000,000	543,555	1,000,000
Other Charges	6,500,000	10,295,758	2,297,697	6,500,000
Total Expenditure Authority	7,500,000	11,295,758	2,841,252	7,500,000

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

In 2013-14, a mid-year increase of \$3.8 million was appropriated to pay the one-time cost of the Property Tax Administration Fee (PTAF) litigation. This litigation was initiated by forty-three cities who sued Los Angeles County over the portion of PTAF fees calculated on the State revenue exchanges known as the Triple Flip and Vehicle License Fee (VLF)/Property Tax Swap. All California counties had included the Triple Flip and VLF/Property Tax Swap in the base for the calculation of the cities' share of this fee. The Court recently ruled in favor of the cities.

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



OPERATING TRANSFERS OUT

	2013-14 Adopted Budget	2013-14 Final Budget	2013-14 Estimate	2014-15 Recommended Budget
<u>Operating Transfers Out</u>				
One-Time				
Capital Improvement Fund - Relocate Sheriff's Aviation Division	4,500,000	4,500,000	4,500,000	
Capital Improvement Fund - Expansion of Sheriff's Crime Lab	15,700,000	15,700,000	15,700,000	
Capital Improvement Fund - Purchase of Building in Victorville	4,500,000	4,500,000	4,500,000	
Capital Improvement Fund - Sheriff's Resident Post Improvements	150,000	150,000	150,000	
Transfer to ICEMA - Loss of Court Fine Revenue	110,000	110,000	110,000	
CDH Oversight Board	824,276	824,276	824,276	-
Transfer to Public Works - Transportation Projects	4,533,629	4,700,429	4,700,429	5,580,320
Capital Improvement Fund - Adelanto Detention Center		4,811,750	4,811,750	
Capital Improvement Fund - Land Purchase		2,200,000	2,200,000	
Capital Improvement Fund - Sheriff's Control Center Upgrades		5,000,000	5,000,000	
Capital Improvement Fund - Land Use Services Remodel		1,566,000	1,566,000	
Capital Improvement Fund - Fleet Management/Public Works Pavement Rehab				1,398,564
Lucerne Valley CSA Park Improvements				70,000
Joshua Tree Sidewalks and Signage				75,000
Court Reorganization		200,000	200,000	
Home Ownership Protection Program				200,000
Ongoing				
Capital Improvement Fund - Annual Allocation	12,000,000	12,000,000	12,000,000	12,000,000
Aging and Adult Services	1,057,620	1,057,620	1,057,620	1,057,620
800 MHz Project	20,000,000	20,000,000	20,000,000	20,000,000
Special Districts - Water/Wastewater System for Regional Parks	1,000,000	1,000,000	1,000,000	1,000,000
General Fund Subsidy to County Fire Protection District				
Office of Emergency Services	1,257,695	1,257,695	1,257,695	1,601,228
North Desert Zone	6,125,129	6,125,129	6,125,129	6,772,984
South Desert Zone	3,746,648	3,746,648	3,746,648	3,228,163
Valley Zone	3,348,952	3,348,952	3,348,952	3,432,722
Mountain Zone	621,518	621,518	621,518	45,281
Equipment Purchases	3,500,000	3,500,000	3,500,000	2,719,564
Emergency Fuel	162,848	162,848	162,848	162,848
Court Settlement POB Payment				300,000
County Successor Agency to fund Sales Tax Sharing Agreement	250,000	250,000	250,000	250,000
Flood Control District Stormwater Permit	1,300,000	1,300,000	1,300,000	1,300,000
Total Operating Transfers Out	84,688,315	98,632,865	98,632,865	61,194,294



CONTINGENCIES

The County Contingencies includes the following elements:

ContingenciesMandatory Contingencies

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

Uncertainties Contingencies

Any unallocated funding available from current year sources (both ongoing and one-time) that has not been set-aside or contributed to reserves is budgeted in the contingencies for uncertainties.

Ongoing Set-Aside Contingencies

The County budget process differentiates between ongoing and one-time revenue sources. Ongoing set-asides represent ongoing sources of funding that have been targeted for future ongoing program needs. There are no ongoing set-aside contingencies in 2013-14 and 2014-15.

	2013-14 Adopted Budget	2013-14 Approved Contributions/ (Uses)	2014-15 Recommended Contributions / (Uses)	2014-15 Recommended Budget
Contingencies				
Mandatory Contingencies (1.5% of Locally Funded Appropriation)	8,491,998		431,946	8,923,944
Uncertainties Contingencies	180,870,374	(167,058,482)	(13,811,892)	-
Total Contingencies	189,362,372	(167,058,482)	(13,379,946)	8,923,944

2013-14 Changes to Uncertainties Contingencies

In 2013-14, quarterly budget reports and other mid-year adjustments resulted in adjustments to Uncertainties Contingencies of \$167,058,482.

- \$26,355,715 decrease due to \$63,105,330 in revenue increases offset by \$89,461,045 in appropriation increases. This reflects budget adjustments for the first quarter of 2013-14.
- \$920,661 decrease due to \$13,213,880 in revenue increases offset by \$14,135,541 in appropriation increases. This reflects budget adjustments for the second quarter of 2013-14.
- \$16,794,127 decrease allocated to departments to address the impacts of the Worker's Compensation rebate, which included increased rates to program participants and other impacts to the General Fund.
- \$122,987,979 decrease due to \$37,663,154 in revenue increases offset by \$40,062,411 in appropriation increases and \$120,588,722 in contributions to general fund reserves. This reflects budget adjustments for the third quarter of 2013-14.

2014-15 Mandatory Contingencies

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



2014-15 Uncertainties Contingencies

All available General Fund sources are appropriated in the Recommended Budget or contributed to General Fund Reserves. As a result there is no amount appropriated in the Uncertainties Contingencies in the 2014-15 Recommended Budget.

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.

Total Reserves					
	6/30/13 Ending Balance	Approved 2013-14		6/30/14 Ending Balance	6/30/15 Estimated Balance
		Contributions	Uses		
General Purpose Reserve	70,830,305	11,610,597		82,440,902	82,440,902
Specific Purpose Reserves					
Future Space Needs	22,878,705		(22,878,705)	-	-
Medical Center Debt Service	32,074,905			32,074,905	32,074,905
Retirement	8,500,000			8,500,000	8,500,000
Teeter	24,709,925		(13,040,084)	11,669,841	11,669,841
Insurance	3,000,000			3,000,000	3,000,000
Restitution	1,545,025			1,545,025	1,545,025
Earned Leave	3,596,277	7,006,860		10,603,137	14,106,567
Computer Systems:					
New Property Tax System	20,000,000			20,000,000	20,000,000
New Financial Accounting System	-	13,000,000		13,000,000	13,000,000
Permit Systems Upgrade	-	2,000,000		2,000,000	2,000,000
Capital Projects					
Rancho Court Remodel - District Attorney	-			-	1,570,000
Public Defender - Victorville/Rancho Court Remodel	-			-	600,000
Sheriff Building	-			-	5,000,000
Animal Shelter	-	10,000,000		10,000,000	10,000,000
County Buildings and Acquisition Retrofit Project	-	4,000,000		4,000,000	4,000,000
303 Building Upgrades	-	4,000,000		4,000,000	4,000,000
Lake Gregory Dam	-			-	5,000,000
Rim Forest Drainage	-	5,900,000		5,900,000	5,900,000
Transportation Projects					
Glen Helen Parkway Bridge Replacement/Widening Construction	-			-	1,844,651
Rock Springs Bridge Replacement /Widening Construction	-			-	2,107,000
National Trails Highway	-			-	5,000,000
Glen Helen Grade Separation	-	5,328,000		5,328,000	(5,328,000)
Jail Upgrades					
Glen Helen Rehabilitation Center 512 Bed Step Housing Program	-	22,500,000		22,500,000	22,500,000
Adelanto Detention Center	-	9,969,361		9,969,361	9,969,361
West Valley Detention Center ADA Improvements	-	7,000,000		7,000,000	7,000,000
Labor	-			-	15,100,000
Land Use Services General Plan/Development Code Amendments	-	5,400,000		5,400,000	(308,537)
Asset Replacement					5,600,000
Cal Fresh Waiver Discontinuance	-	5,000,000		5,000,000	5,000,000
Redevelopment Agency Overpayment	-	3,800,000		3,800,000	3,800,000
Worker's Compensation Rebate	-	16,742,096		16,742,096	16,742,096
Total Specific Purpose	116,304,837			202,032,365	241,720,909
Total Reserves	187,135,142			284,473,267	324,161,811



2013-14 Contributions

The Fund Balance and Reserve Policy calls for a General Purpose Reserve targeted at 20% of locally funded appropriation, up from the previous target of 10%. For 2013-14 the general purpose reserve is increased by \$11.6 million which includes an early contribution for 2014-15. This brings the balance in the General Purpose Reserve to 13.9% of locally funded appropriation. The Fund Balance and Reserve Policy calls for continued annual contributions of one-time sources to this reserve until the 20% target is achieved. The following were additional contributions made in 2013-14:

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

2013-14 Approved Uses

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

2014-15 Recommended Contributions and Uses

For 2014-15, the adopted budget includes:

- \$45.3 million of new contributions to reserves including:
 - \$5.6 million to the asset replacement reserve,
 - \$15.1 million to a labor reserve,
 - \$3.5 million to the earned leave reserve,
 - \$5.0 million to the Lake Gregory Dam capital project,
 - \$8.9 million for Transportation projects, and
 - \$7.2 million for various capital improvement projects.
- The use of \$0.3 million of the reserve for Land Use Services General Plan/Development Code Amendments; and
- The use of \$5.3 million of the reserve for Glen Helen Grade Separation to fund the Glen Helen Grade Separation project and various other transportation projects.

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



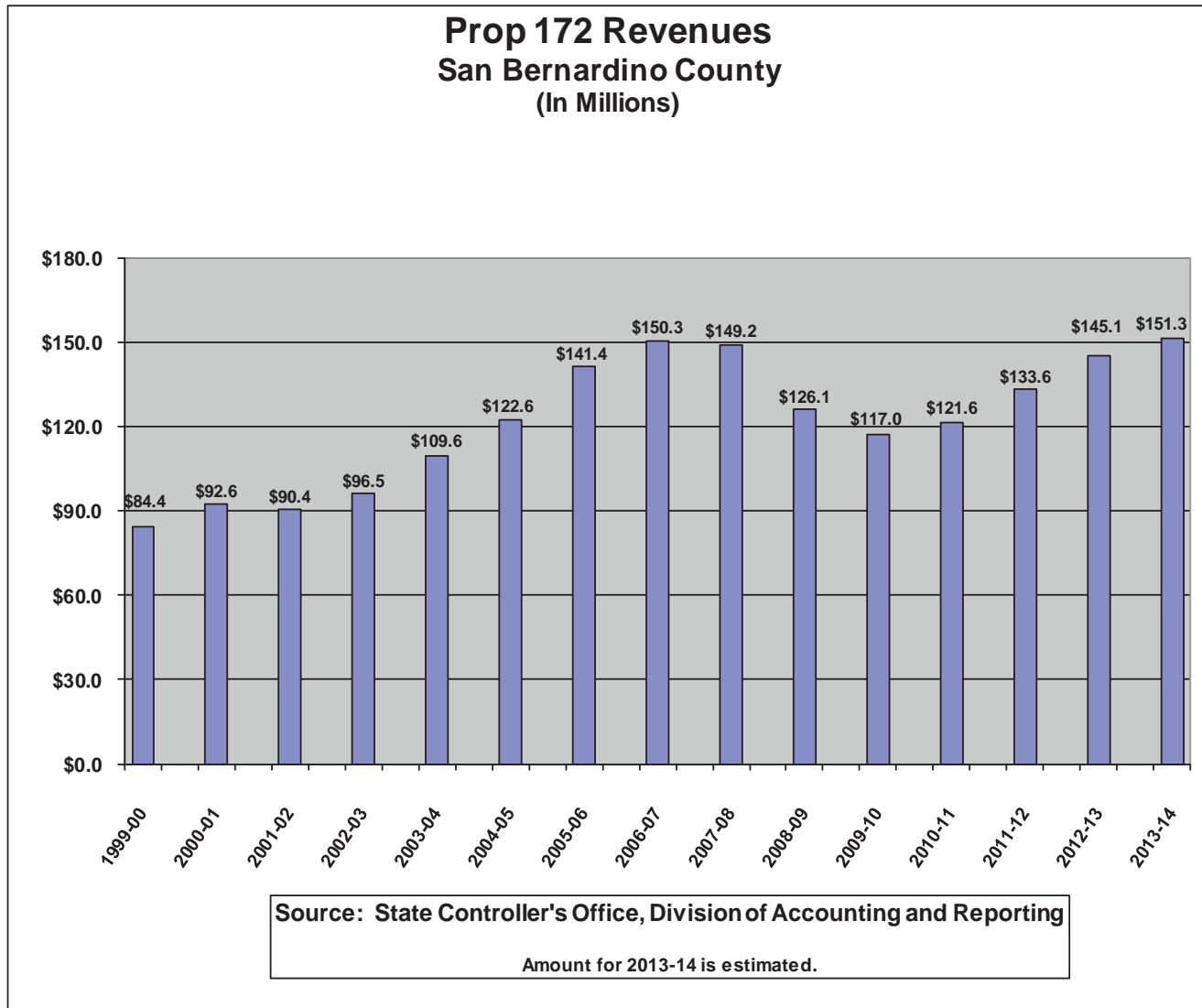
	Year End Actual Balances				Estimated	Recommended
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
General Purpose	\$ 59.7	\$ 59.7	\$ 65.2	\$ 70.8	\$ 82.4	\$ 82.4
Specific Purpose						
Future Space Needs	55.5	22.9	22.9	22.9	-	-
Medical Center Debt Service	32.1	32.1	32.1	32.1	32.1	32.1
Retirement	46.5	8.5	8.5	8.5	8.5	8.5
Teeter	24.7	24.7	24.7	24.7	11.7	11.7
Insurance	3.0	3.0	3.0	3.0	3.0	3.0
Restitution	1.5	1.5	1.5	1.5	1.5	1.5
Earned Leave	-	-	3.6	3.6	10.6	14.1
Fire Facilities	2.0	3.0	4.0	-	-	-
Property Tax Admin Fee Litigation	-	-	14.2	-	-	-
Business Process Improvements	1.3	1.2	-	-	-	-
Justice Facilities	0.1	-	-	-	-	-
Computer Systems:						
Property Tax System	-	-	9.0	20.0	20.0	20.0
New Financial Accounting System	-	-	-	-	13.0	13.0
Permit Systems Upgrade	-	-	-	-	2.0	2.0
Capital Projects:	4.0	4.0				
Rancho Court Remodel - District Attorney	-	-	-	-	-	1.6
Public Defender - Victorville and Rancho Court Remodel	-	-	-	-	-	0.6
Sheriff Building	-	-	-	-	-	5.0
Animal Shelter	-	-	-	-	10.0	10.0
County Buildings and Acquisition Retrofit Project	-	-	-	-	4.0	4.0
303 Building Renovations	-	-	-	-	4.0	4.0
Lake Gregory Dam	-	-	-	-	-	5.0
Rim Forest Drainage	-	-	-	-	5.9	5.9
Transportation Projects:						
Glen Helen Pkwy Bridge Replacement/Widening	-	-	-	-	-	1.8
Rock Springs Bridge Replacement/Widening	-	-	-	-	-	2.1
National Trails Highway	-	-	-	-	-	5.0
Glen Helen Grade Separation	-	-	-	-	5.3	-
Jail Upgrades:						
Glen Helen Rehabilitation 512 Bed Step Housing	-	-	-	-	22.5	22.5
Adelanto Detention Center	-	-	-	-	10.0	10.0
West Valley Detention Center ADA Improvements	-	-	-	-	7.0	7.0
Asset Replacement	-	-	-	-	-	5.6
Labor	-	-	-	-	-	15.1
Workers Compensation Rebate	-	-	-	-	16.7	16.7
Land Use Services Code Amendments	-	-	-	-	5.4	5.1
Cal Fresh Waiver Discontinuance	-	-	-	-	5.0	5.0
Redevelopment Agency Overpayment	-	-	-	-	3.8	3.8
Subtotal - Specific Purpose (1)	170.7	100.9	123.5	116.3	202.0	241.7
Total Reserves (1)	\$ 230.4	\$ 160.7	\$ 188.7	\$ 187.1	\$ 284.4	\$ 324.1



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

	Estimated Beginning Fund Balance	2014-15 Budgeted Revenue	2014-15 Budgeted Usage	Estimated Ending Fund Balance	10% Contingency	Amount Above Required Contingency
Sheriff/Coroner	13,984,058	109,257,000	(109,200,000)	14,041,058	10,925,700	3,115,358
District Attorney	3,737,604	27,315,000	(27,300,000)	3,752,604	2,731,500	1,021,104
Probation	5,535,699	19,528,000	(19,500,000)	5,563,699	1,952,800	3,610,899
Total	23,257,361	156,100,000	(156,000,000)	23,357,361	15,610,000	7,747,361



1991 REALIGNMENT

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

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

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

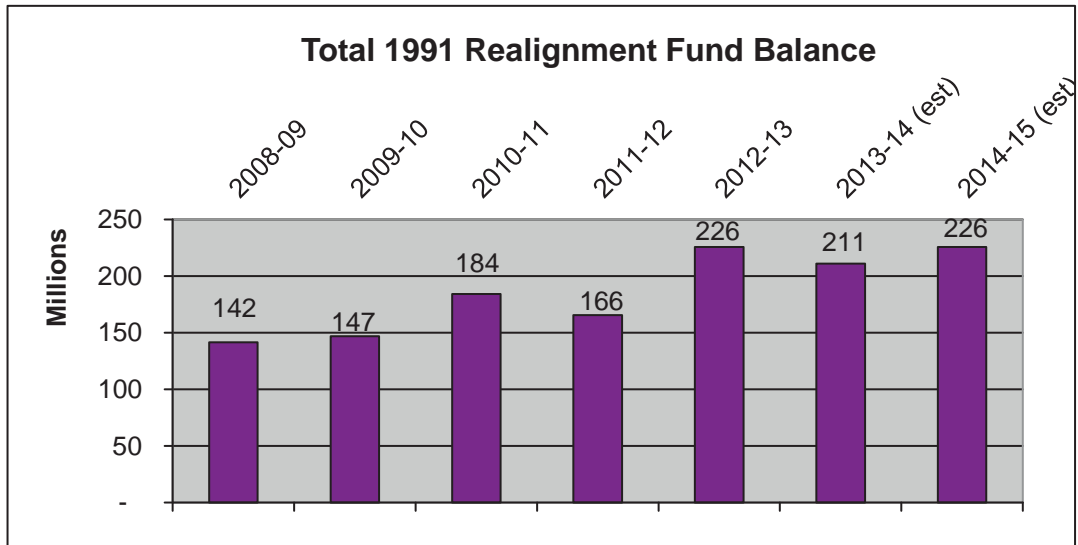
The 1991 Realignment program has some flaws in its design that adversely impact San Bernardino County revenues. First, San Bernardino County is an “under-equity county,” meaning that the County receives a lesser share of revenue relative to other counties based on population and estimated poverty population.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

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

Budgetary Note: Financial information presented in the 1991 and 2011 Realignment budget sections is consistent with state reporting requirements for the 1991 Realignment funds. The State’s reporting requirements are not consistent with the County’s implementation of GASB 34, as it relates to revenue accrual. As such, within the County financial accounting system, an adjustment will be made to show the correct revenues in accordance with the County accrual procedures. This is a revenue timing issue only as a result of delays by the State in distributing sales tax growth revenue.



The graph below shows the history of fund balance for all 1991 Realignment funds.



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

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

Revenues for 2011-12 came in much stronger than anticipated. State-wide, sales tax and VLF increased; however, revenue levels still hadn't reached pre-recession peaks. At the same time the demands for County services continued to increase as economic recovery and job creation remained sluggish. As a result, departmental usage of realignment funds outpaced revenues by \$18 million.

In 2012-13, sales tax and VLF revenues continued to come in strong. Even more encouraging was that both revenue sources saw growth funding paid in 2013-14. Program costs also increased but not as quickly, and fund balance would have increased by approximately \$23 million. However, the annual transfer of funds to ARMC was not needed and as a result fund balance spiked by an additional \$37 million.

For 2013-14, estimated revenues are coming in strong; however, the County is not experiencing a corresponding decrease in demand for services and usage has outpaced revenues. Current projections estimate that 1991 Realignment fund balances will be drawn down by approximately \$15 million in 2013-14.

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



BUDGET HISTORY FOR ALL 1991 REALIGNMENT BUDGET PAGES

	ACTUAL 2012-13	MODIFIED 2013-14	ESTIMATED 2013-14	RECOMMENDED 2014-15
Beginning Fund Balance	175,512,257	225,662,253	225,662,253	211,171,203
Revenue	202,533,009	194,589,200	210,509,641	209,884,028
Departmental Usage	152,383,012	200,998,805	225,000,691	195,160,322
Ending Fund Balance	225,662,253	219,252,648	211,171,203	225,894,909
Change in Fund Balance	50,149,996	(6,409,605)	(14,491,050)	14,723,706

The 2013-14 modified budget does not reflect third quarter budget adjustments, which include an adjustment for a use of fund balance in the Health fund. For 2014-15, departmental usage of \$195.2 million is less than the revenue projection of \$209.9 million, resulting in a projected net increase of \$14.7 million in total fund balance. This is primarily due to the recommended revenue budget not reflecting the potential redirection of Health Realignment funds as a result of AB 85 legislation. This legislation requires a redirection of a portion of realignment revenues to offset state costs for CalWORKS since counties will receive more federal funding through Medi-Cal expansion. Expenditure levels continue to be monitored closely, with specific measures being developed to align departmental usage to ongoing revenue and maintain a sufficient fund balance amount for those years where this balanced budget is not possible.

SUMMARY OF 1991 REALIGNMENT BUDGET UNITS FOR 2014-15

	Mental Health	Social Services	Health	Total
Estimated Beginning Fund Balance	50,625,549	88,354,191	72,191,463	211,171,203
Budgeted Revenue	56,470,492	100,745,583	52,667,952	209,884,028
Budgeted Departmental Usage	55,912,959	100,584,547	38,662,816	195,160,322
Budgeted 10% Transfers	-	-	-	-
Estimated Ending Fund Balance	51,183,083	88,515,227	86,196,599	225,894,909
Estimated Change in Fund Balance	557,533	161,036	14,005,136	14,723,706
<hr/>				
Estimated Ending Fund Balance	51,183,083	88,515,227	86,196,599	225,894,909
10% Contingency Target	5,647,049	10,074,558	5,266,795	20,988,403
Available Ending Fund Balance	45,536,033	78,440,669	80,929,804	204,906,506

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

The 1991 Realignment legislation does allow for some flexibility in usage of funds at the County level. Upon action by the Board of Supervisors, a County can transfer 10% of a given year's revenue from one fund to another. San Bernardino County has used the provision over the years to help support either the health or social services programs. The County did not do a 10% transfer in the prior four fiscal years and is not budgeting one for 2014-15. However, in the event that such transfer is needed, Board of Supervisors approval is required.

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



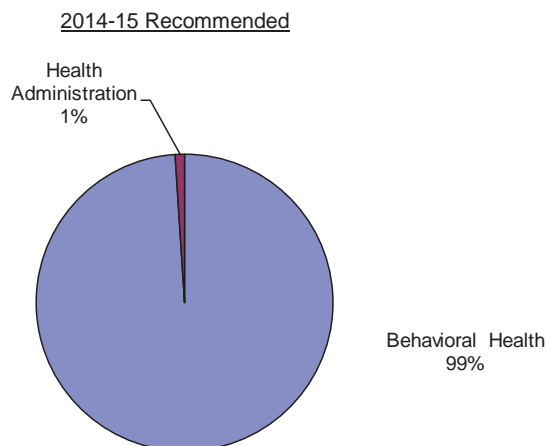
Mental Health

	ACTUAL 2012-13	MODIFIED 2013-14	ESTIMATED 2013-14	RECOMMENDED 2014-15
Beginning Fund Balance	34,689,931	46,623,937	46,623,937	50,625,549
Revenue	52,586,991	46,683,964	56,280,019	56,470,492
Departmental Usage	40,652,985	51,031,711	52,278,407	55,912,959
10% Transfers	-	-	-	-
Ending Fund Balance	46,623,937	42,276,190	50,625,549	51,183,083
Change in Fund Balance	11,934,007	(4,347,747)	4,001,612	557,533

For 2014-15, the Mental Health fund balance is budgeted to increase slightly. While sales tax is projected to increase statewide, the allocation provided to the 1991 Mental Health Realignment account is a fixed amount. A strong year in 2010-11 saw a substantial increase in fund balance that should allow the fund to weather the unpredictability of revenue sources over the next few years. Some growth is expected in 2014-15, but has not been included in the recommended budget at this time due to the uncertainty of the amount and the timing of the actual receipt of the funds in the subsequent budget cycle.

Breakdown of Departmental Usage of Mental Health 1991 Realignment
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	ACTUAL 2012-13	MODIFIED 2013-14	ESTIMATED 2013-14	RECOMMENDED 2014-15
Behavioral Health	40,416,669	50,444,878	51,786,242	55,342,753
Health Administration	236,316	586,833	492,165	570,206
Total Departmental Usage	40,652,985	51,031,711	52,278,407	55,912,959



Social Services

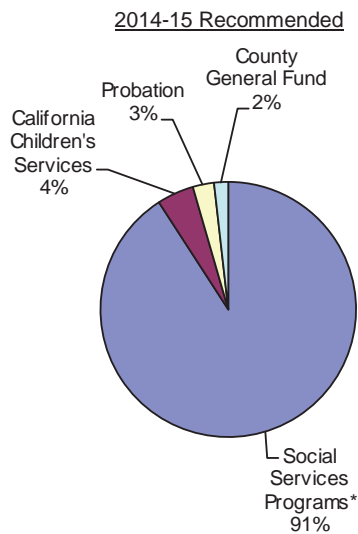
	ACTUAL 2012-13	MODIFIED 2013-14	ESTIMATED 2013-14	RECOMMENDED 2014-15
Beginning Fund Balance	65,883,741	68,986,856	68,986,856	88,354,191
Revenue	97,357,292	96,591,257	108,505,503	100,745,583
Departmental Usage	94,254,178	99,085,635	89,138,168	100,584,547
10% Transfers	-	-	-	-
Ending Fund Balance	68,986,856	66,492,478	88,354,191	88,515,227
Change in Fund Balance	3,103,115	(2,494,378)	19,367,335	161,036

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

Breakdown of Departmental Usage of Social Services 1991 Realignment
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	ACTUAL 2012-13	MODIFIED 2013-14	ESTIMATED 2013-14	RECOMMENDED 2014-15
Social Services Programs*	86,932,689	89,912,162	81,884,076	91,398,771
California Children's Services	2,821,859	4,673,843	2,754,462	4,686,146
Probation	2,700,630	2,700,630	2,700,630	2,700,630
County General Fund	1,799,000	1,799,000	1,799,000	1,799,000
Total Departmental Usage	94,254,178	99,085,635	89,138,168	100,584,547

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



Health

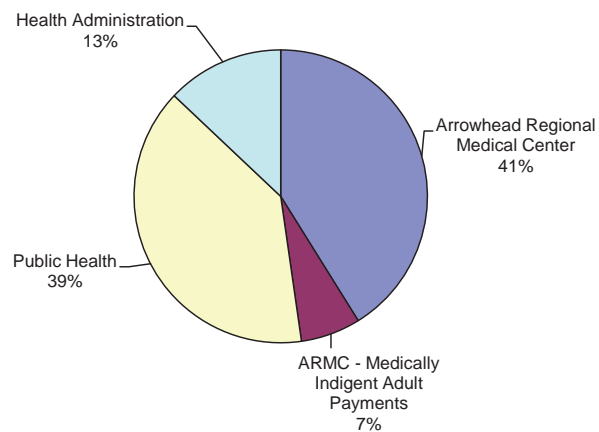
	ACTUAL 2012-13	MODIFIED 2013-14	ESTIMATED 2013-14	RECOMMENDED 2014-15
Beginning Fund Balance	74,938,584	110,051,460	110,051,460	72,191,463
Revenue	52,588,725	51,313,979	45,724,119	52,667,952
Departmental Usage	17,475,850	50,881,459	83,584,116	38,662,816
10% Transfers	-	-	-	-
Ending Fund Balance	110,051,460	110,483,980	72,191,463	86,196,599
Change in Fund Balance	35,112,876	432,520	(37,859,997)	14,005,136

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

Breakdown of Departmental Usage of Health 1991 Realignment

	ACTUAL 2012-13	MODIFIED 2013-14	ESTIMATED 2013-14	RECOMMENDED 2014-15
Arrowhead Regional Medical Center	-	28,006,100	61,008,372	15,905,792
ARMC - Medically Indigent Adult Payments	-	2,550,000	2,550,000	2,550,000
Public Health	10,508,161	15,485,346	15,097,941	15,204,966
Health Administration	6,967,689	4,840,013	4,927,803	5,002,058
Total Departmental Usage	17,475,850	50,881,459	83,584,116	38,662,816

2014-15 Recommended



2011 REALIGNMENT

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

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

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

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

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

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

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



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

BUDGET HISTORY FOR ALL 2011 REALIGNMENT BUDGET UNITS

	ACTUAL 2012-13	MODIFIED 2013-14	ESTIMATED 2013-14	RECOMMENDED 2014-15
Beginning Fund Balance	14,579,889	42,486,068	42,486,068	31,318,143
Revenue	285,129,175	298,212,880	291,405,369	312,425,327
Departmental Usage	257,222,996	319,526,593	302,573,294	315,126,642
Ending Fund Balance	42,486,068	21,172,355	31,318,143	28,616,828
Change in Fund Balance	27,906,179	(21,313,713)	(11,167,925)	(2,701,315)

Total departmental usage of \$315.1 million for 2014-15 is reflected in the table below. Departmental usage is exceeding estimated revenues and will continue to be monitored closely to ensure that fund balance is maintained at adequate levels.

SUMMARY OF 2011 REALIGNMENT BUDGET UNITS FOR 2014-15

	Law Enforcement	CalWORKs MOE	Support Services	Family Support	Total
Estimated Beginning Fund Balance	15,910,169	0	15,407,974	0	31,318,143
Budgeted Revenue	97,874,281	56,467,777	144,093,619	13,989,650	312,425,327
Budgeted Departmental Usage	100,575,596	56,467,777	144,093,619	13,989,650	315,126,642
Estimated Ending Fund Balance	13,208,854	0	15,407,974	0	28,616,828
Estimated Change in Fund Balance	(2,701,315)	0	0	0	(2,701,315)



LAW ENFORCEMENT SERVICES

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

2011 Realignment required each county to develop an implementation plan approved by the Local Community Corrections Partnership and the Board of Supervisors. Since the plan included a significant number of additional positions, an appropriation savings occurred because this new staff required extensive background checks. As a result, a fund balance of \$14.5 million existed in the Law Enforcement fund at the end of 2011-12. The fund balance grew by an additional \$16.7 million in 2012-13 due to growth funds received as well as departments were not able to fully implement AB 109 programs as quickly as anticipated. Fund balance will be used for one time needs as appropriate. Detail of the fund balance for Law Enforcement Services is reflected in the following table:

LAW ENFORCEMENT SERVICES				
	ACTUAL 2012-13	MODIFIED 2013-14	ESTIMATED 2013-14	RECOMMENDED 2014-15
Beginning Fund Balance	14,532,866	31,202,922	31,202,922	15,910,169
Revenue	100,792,118	101,376,195	101,376,195	97,874,281
Departmental Usage	84,122,062	117,999,558	116,668,948	100,575,596
Ending Fund Balance	31,202,922	14,579,559	15,910,169	13,208,854
Change in Fund Balance	16,670,056	(16,623,363)	(15,292,753)	(2,701,315)

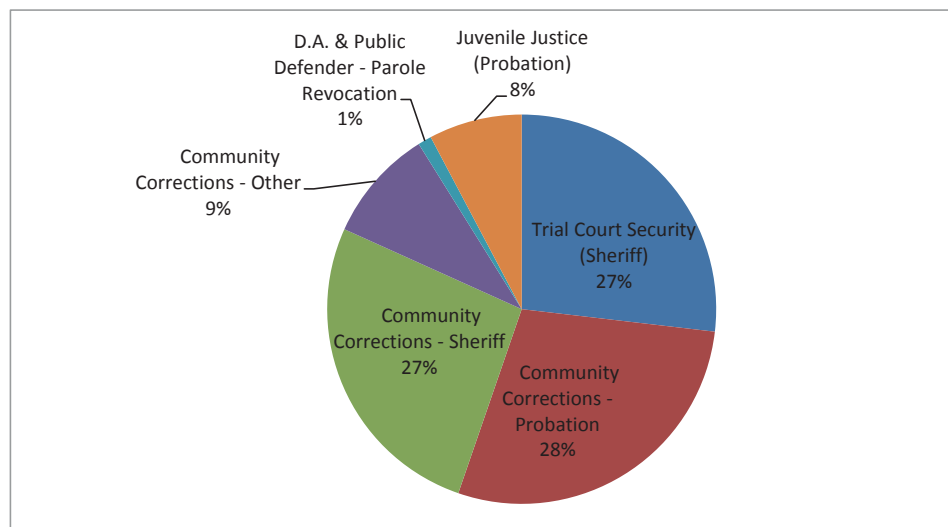
Beginning in 2015-16 a Local Innovation Account may be established by transferring 10% of growth from the sub-accounts in the Law Enforcement fund. Funds in the Local Innovation Account can be appropriated for use consistent with any of the sub-accounts.

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



BREAKDOWN OF LAW ENFORCEMENT DEPARTMENTAL USAGE

	ACTUAL 2012-13	MODIFIED 2013-14	ESTIMATED 2013-14	RECOMMENDED 2014-15
Trial Court Security (Sheriff)	26,402,887	28,483,832	30,214,995	27,000,000
Community Corrections:				
Probation	17,294,164	37,255,686	33,709,436	28,603,628
Sheriff/Coroner/Public Administrator	25,128,163	34,260,471	34,260,471	26,603,551
District Attorney	1,435,313	2,843,626	2,843,626	2,870,581
Public Defender	1,010,565	2,169,593	2,169,593	2,031,824
Public Health	80,235	106,359	87,741	99,605
Aging and Adult Services	6,084	56,250	56,250	12,951
Behavioral Health	3,818,126	4,124,016	4,124,016	4,124,016
Workforce Development	141,315	159,003	159,003	182,000
Human Resources	114,677	131,242	131,242	118,382
D.A. & Public Defender - Parole Revocation (50/50)	1,049,375	1,229,000	1,229,063	1,135,546
Juvenile Justice (Probation)	7,641,158	7,180,480	7,683,512	7,793,512
Total Departmental Usage	84,122,062	117,999,558	116,668,948	100,575,596

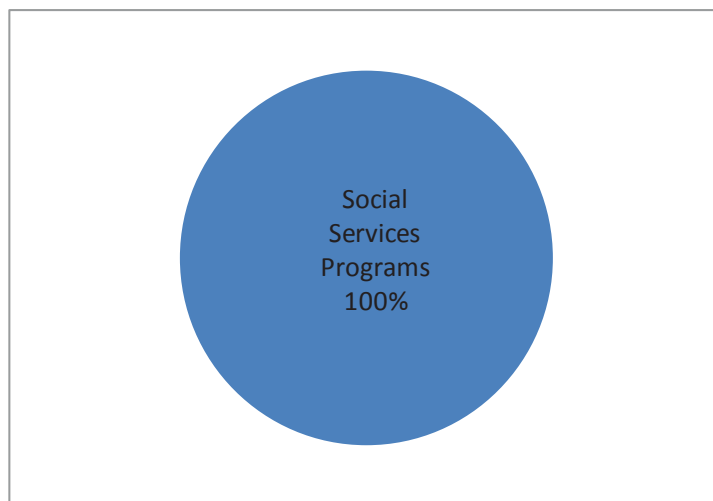
2014-15 Recommended

CalWORKs MOE

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

CalWORKs MOE				
	ACTUAL 2012-13	MODIFIED 2013-14	ESTIMATED 2013-14	RECOMMENDED 2014-15
Beginning Fund Balance	0	0	0	0
Revenue	50,367,027	53,523,959	54,523,959	56,467,777
Departmental Usage	50,367,027	53,523,959	54,523,959	56,467,777
Ending Fund Balance	0	0	0	0
Change in Fund Balance	0	0	0	0

BREAKDOWN OF CalWORKs MOE DEPARTMENTAL USAGE				
	ACTUAL 2012-13	MODIFIED 2013-14	ESTIMATED 2013-14	RECOMMENDED 2014-15
Social Services Programs	50,367,027	53,523,959	54,523,959	56,467,777
Total Departmental Usage	50,367,027	53,523,959	54,523,959	56,467,777

2014-15 Recommended

SUPPORT SERVICES

The 2011 Realignment legislation allows counties to allocate up to 10% between subaccounts (Behavioral Health and Protective Services). 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 2014-15 and, in the event that such transfer is needed, Board of Supervisors approval is required. The Board of Supervisors also has the discretion to establish a Support Services Reserve Sub-account by up to five-percent (5%) from each sub-account's previous year's deposits. Additional historical detail of the Support Services fund is included in the tables below.

SUPPORT SERVICES				
	ACTUAL 2012-13	MODIFIED 2013-14	ESTIMATED 2013-14	RECOMMENDED 2014-15
Beginning Fund Balance	47,023	11,283,146	11,283,146	15,407,974
Revenue	133,970,030	143,312,726	135,505,215	144,093,619
Departmental Usage	122,733,907	148,003,076	131,380,387	144,093,619
Ending Fund Balance	11,283,146	6,592,796	15,407,974	15,407,974
Change in Fund Balance	11,236,123	(4,690,350)	4,124,828	0

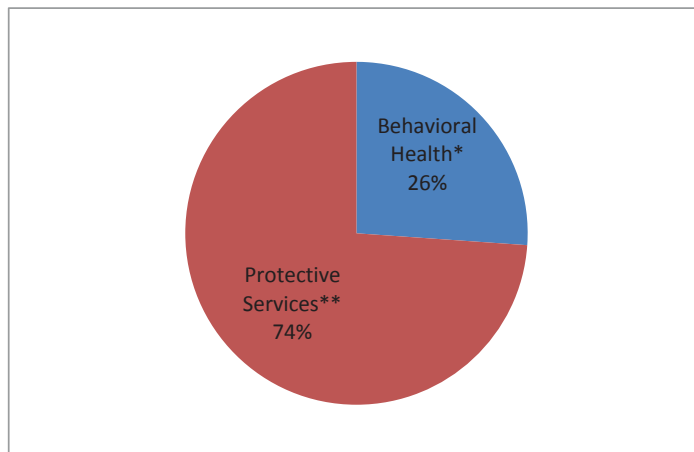
The Support Services fund has two subaccounts: Behavioral Health and Protective Services. Current projections do not reflect any growth in fund balance.

BREAKDOWN OF SUPPORT SERVICES DEPARTMENTAL USAGE				
	ACTUAL 2012-13	MODIFIED 2013-14	ESTIMATED 2013-14	RECOMMENDED 2014-15
Behavioral Health*	31,318,304	43,214,579	38,122,683	37,614,135
Protective Services**	91,415,603	104,788,497	93,257,704	106,479,484
Total Departmental Usage	122,733,907	148,003,076	131,380,387	144,093,619

*The Behavioral Health sub-account funds Drug Court and Rehabilitative Services.

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

2014-15 Recommended



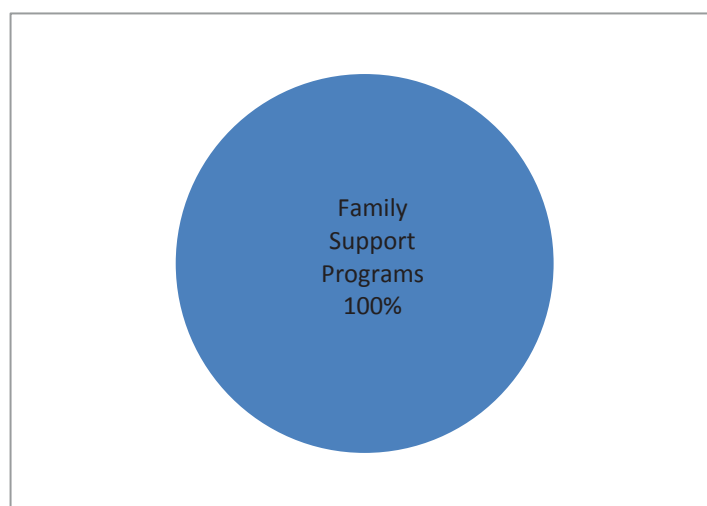
FAMILY SUPPORT

This is a new fund established in 2013-14 per Welfare and Institutions Code 17600.10(a)(5). Funding for Family Support comes from counties' indigent health care savings that will be redirected from counties' 1991 Realignment Health Subaccounts and moved to the new Family Support subaccount at the state level. Funds will then be allocated to counties from the Family Support subaccount in lieu of state general fund for CalWORKs assistance payments. The distribution of funds is still being determined, but it will be based on counties' CalWORKs general fund expenditures. Below is additional historical detail on the Family Support fund:

FAMILY SUPPORT				
	ACTUAL 2012-13	MODIFIED 2013-14	ESTIMATED 2013-14	RECOMMENDED 2014-15
Beginning Fund Balance	0	0	0	0
Revenue	0	0	0	13,989,650
Departmental Usage	0	0	0	13,989,650
Ending Fund Balance	0	0	0	0
Change in Fund Balance	0	0	0	0

BREAKDOWN OF FAMILY SUPPORT USAGE				
	ACTUAL 2012-13	MODIFIED 2013-14	ESTIMATED 2013-14	RECOMMENDED 2014-15
Family Support Programs	0	0	0	13,989,650
Total Departmental Usage	0	0	0	13,989,650

2014-15 Recommended



AUTOMATED SYSTEMS DEVELOPMENT

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

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

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

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

	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Estimate	2013-14 Modified Budget	2014-15 Recommended Budget	Change From 2013-14 Modified Budget
<u>Requirements</u>							
Staffing Expenses	0	0	0	0	0	0	0
Operating Expenses	0	0	78,635	30,000	421,365	391,365	(30,000)
Capital Expenditures	0	0	0	0	11,500,000	11,500,000	0
Contingencies	0	0	0	0	0	0	0
Total Exp Authority	0	0	78,635	30,000	11,921,365	11,891,365	(30,000)
Reimbursements	0	0	0	0	0	0	0
Total Appropriation	0	0	78,635	30,000	11,921,365	11,891,365	(30,000)
Operating Transfers Out	0	0	0	0	0	0	0
Total Requirements	0	0	78,635	30,000	11,921,365	11,891,365	(30,000)
<u>Sources</u>							
Taxes	0	0	0	0	0	0	0
Realignment	0	0	0	0	0	0	0
State, Fed or Gov't Aid	0	0	0	0	0	0	0
Fee/Rate	0	0	0	0	0	0	0
Other Revenue	0	0	0	0	0	0	0
Total Revenue	0	0	0	0	0	0	0
Operating Transfers In	0	0	0	0	0	0	0
Total Financing Sources	0	0	0	0	0	0	0
Net County Cost	0	0	78,635	30,000	11,921,365	11,891,365	(30,000)
				Budgeted Staffing	0	0	0





Janice Rutherford, Chair, Second District Supervisor | Gary Ovitt, Vice Chair, Fourth District Supervisor | Robert A. Lovingood, First District Supervisor
James C. Ramos, Third District Supervisor | Josie Gonzales, Fifth District Supervisor
Gregory C. Devereaux, Chief Executive Officer

County of San Bernardino Administrative Office | 385 N. Arrowhead Ave., 5th Floor | San Bernardino, CA 92415 | 909.387.5417