



As the County Administrative Officer for the County of San Bernardino, I am pleased to present the 2008-09 Final Budget on behalf of the Board of Supervisors to the residents of San Bernardino County. This document, which was adopted on June 24, 2008, stands as a fiscally sound spending plan, provides for the operational needs of County departments, and preserves the current level of service while addressing the County's growth.

The use of County resources continues to focus in the areas of public safety; capital improvements; economic development; and planning for the future. Additionally, we continue to spotlight customer service by expanding our Service FIRST program and improving resident's access to county services through enhancements in technology.

## **THE BUDGET IN BRIEF**

The County produces two budget books. This budget book presents the General Fund, restricted financing funds, special revenue funds, capital project funds, and enterprise funds. Additionally, there is a budget book for Board Governed Special Districts. The total spending authority for the County and Board Governed Special Districts in 2008-09 is \$3.8 billion and \$0.5 billion, respectively for a combined total of \$4.3 billion.

The General Fund spending authority totals \$2.4 billion and is funded by countywide discretionary revenues, financing transfers from departments, the use of reserves, and the beginning fund balance of the General Fund. Of this \$2.4 billion, the Board of Supervisors has discretion over \$698.1 million.

When the 2008-09 final budget was adopted, there was \$59.7 million in general purpose reserves and \$219.8 million in specific purpose reserves, including \$38.9 million in ongoing set-asides established to fund the annual costs for the County's future space needs, retirement costs, the jail expansion and a new juvenile detention facility. These ongoing set-asides, if unspent at the end of the fiscal year, will be transferred to the corresponding specific purpose reserve.

## **2008-09 HIGHLIGHTS**

### **Health**

The three major health departments are committed to the concept of integration – integrating health care services in community-based, full-service clinics thereby bringing the most efficient, service-oriented health care to the residents of San Bernardino County. With Public Health providing preventive care, Arrowhead Regional Medical Center (ARMC) providing primary care, and Behavioral Health providing comprehensive mental health services, the County will be in a position to provide unparalleled access to a full range of health care services to the community. In addition to integration efforts, ARMC has successfully redesigned its Emergency Room Operations in order to better serve its patients. This redesign has significantly reduced wait times and has improved service delivery overall. For Behavioral Health, continued funding from the Mental Health Services Act will allow the department to realize full-service partnerships throughout the community, building a system of care and treatment to target the homeless, incarcerated, and ethnic communities.

**Safety**

In the area of Safety, the County is continuing to support the comprehensive crime prevention and neighborhood revitalization program, Operation Phoenix, which began in the City of San Bernardino and was expanded to include unincorporated areas of the County. In the High Desert, resources are being allocated to support gang suppression in a program called Desert HEAT. Funds were also allocated for fire and emergency services. These allocations include funds for the design of a new fire station to be constructed in the Ludlow/Amboy area, for continuation of the Telephone Emergency Notification System (TENS), which is the reverse 911 notification system, and for background checks of citizens wanting to participate in the Citizens Emergency Response Team, which assists communities during disasters.

**Well-Being**

Funding increases in the Human Services subsistence programs of Foster Care, CalWORKs, and Aid to Adoptive Children were made to assist residents in need as a result of the slowing economy. In Land Use Services, funding was allocated for the development or completion of several plans, including the Santa Ana Wash; the Snow Drop Road specific plan; the establishment of a regional conservation strategy for the West Mojave area; and comprehensive guides for quality land development for two areas, Cedar Avenue and Helendale-Silver Lakes. For Airports, an incentive fund was established last year with the goal of attracting and retaining businesses at the Chino Airport. Funding for this economic plan is continued in the upcoming year.

**Quality of Life**

The County Library continues to expand its physical capacity and its use of computer and electronic resources. New mid-year additions include library branches in the Chino Hills and Phelan areas. Funding assistance is also planned for the Bloomington Library located on the Bloomington High School campus. Technology plans for the County Library include expansion of the use of radio frequency identification and installation of self-service checkout equipment at the libraries. The County Museum received funding for exhibit fabrication for the new Hall of Geological Wonders.

The County continues to improve public access to information and services through enhancements in technology. While the public has had the ability to receive electronic updates of selected departmental information through email for some time, this service began with a limited number of departments. It has now become available to all departments. The public is able to communicate with Board staff and access current information via the Board of Supervisors website. The Clerk of the Board recently updated its Internet website to include video broadcasts of Board meetings. Other service delivery enhancements that will be forthcoming include Land Use Services' plans to utilize an electronic process for development and construction plan review and a new web-based reservation system for Regional Parks.

In August 2007, the County began its "Green County San Bernardino" initiative as a way of preserving our environment. Resource conservation continues to be an area the County is actively pursuing. With regard to water conservation and electricity use, funding was provided in 2008-09 to Facilities Management for assessment of utility usage and the use of alternative energy sources. Additionally, this department is developing a California Friendly Landscaping Research Project that includes the testing of irrigation equipment, water conservation, and landscaping options. In order to improve air quality and reduce fuel consumption, the Fleet Management Department continues to incorporate ultra low emission vehicles (ULEV), including hybrid vehicles, into the County fleet.

**CHALLENGES IN FISCAL YEAR 2008-09 AND BEYOND**

As the population of the County continues to increase, the needs of the County continue to grow. Challenges facing the County include State and Federal budget impacts, increases in salary and benefit costs from pending negotiations, the economic slowdown and its impact on County revenues and services, and changes in the municipal bond market.

State and Federal funding reductions are anticipated. Adjustments for these impacts will be made mid-year in the County budget after the impacts are known. As a result of our strong financial management and conservative budgeting practices, the County has notable contingencies in the 2008-09 financial plan that will assist in lessening the effect of the State budget crisis.

The County faces the challenge of funding increased costs with revenues that are not expected to perform well in the near term. Salary and benefit cost increases for many of the County's employee representation units were not known when this budget was adopted. As such, these costs are not included in the budget. Since the adoption of the Final Budget, several representation units have signed agreements and other units are still in negotiations.

Decreases in the taxable values of properties result in reduced growth in property related revenues, which make up more than two-thirds of the County's ongoing discretionary funding. In anticipation, the County has been conservative in its budgeting of property-related revenues, especially those that are most susceptible to market changes. In addition, the County chose in prior years, when revenues were growing substantially, to dedicate and set-aside increases in ongoing funding sources to pay for future capital projects and increases in future retirement costs. Even with these mitigations, the County will be faced with the challenge of continuing to provide quality services to its residents while managing the impacts of reduced revenue growth.

The economic slowdown is evidenced by an increasing unemployment rate, inflation, a decline in housing sales and prices, increases in foreclosures, and slowing retail sales. How much further the decline will go remains uncertain.

In an attempt to assist residents of the County in the slowing economy, the Department of Economic Development is intensifying its efforts to deliver needed services that focus on reemployment, job identification and job training. Additionally, the department will be applying for Federal funds to assist in re-occupying foreclosed homes.

In recent months, mortgage-related losses have put investment banks and municipal bond insurers under increasing financial pressure. This has resulted in the decline in the ratings of many of these firms and a questionable future outlook for some of these major financial institutions. Because most of the County's bonds are insured, the downgrade in the ratings of municipal bond insurers has also negatively affected the rating on the related County bonds. These downgrades, coupled with reduced demand for bonds from usual purchasers, have resulted in higher interest rates for certain types of bonds. To address these issues, the County refinanced all of its variable rate auction bonds and continues to monitor all of its outstanding long-term debt for negative impacts. The County is also exploring options to address increased interest rates related to insurance-backed variable rate demand bonds. As a result of this market turmoil, the County may continue to experience higher-than-typical interest costs and access to the municipal credit markets may be weakened, potentially increasing the estimated cost of the County's upcoming capital projects.

## CONCLUSION

The 2008-09 San Bernardino County Budget meets the County's budget objectives and addresses the major policy issues that face the County. As the County enters a new year and looks forward to the challenges that lie ahead in future years, it will continue to strive to efficiently and effectively meet the needs and priorities of San Bernardino County citizens.



**MARK H. UFFER**  
County Administrative Officer