



Gregory C. Devereaux
Chief Executive Officer

**COUNTY OF
SAN BERNARDINO**

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BOARD OF SUPERVISORS

Brad Mitzelfelt, Vice Chair *First District*
Janice Rutherford *Second District*
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June 2011

I am hereby submitting the 2011-12 Adopted Budget of \$3.98 billion which was approved on June 28, 2011. This is a balanced budget that does not use reserves to fund ongoing costs, and is consistent with policy direction received from the Board of Supervisors. Consistent with county policy, there is limited use of one-time sources to fund costs as part of the county’s multi-year plan to address the five-year structural deficit.

When I was hired a little more than a year ago, the Board of Supervisors expressed a desire to move the County in a new direction. That direction involved taking a hard look at the County’s focus, its fiscal condition, infrastructure and facility needs, operating systems, personnel, and service delivery.

The Board of Supervisors in partnership with San Bernardino Associated Governments (SANBAG) led to the countywide visioning effort. The Countywide Vision was adopted on June 30, 2011 and provides the Board the opportunity to identify the County’s role in achieving the Vision and to clearly focus the County’s resources on the realization of those goals.

This new hard look at the County’s core responsibilities and true financial condition has led to the identification of several major budget and service issues. These include:

- A growing structural budget deficit in both the General Fund and the Fire District;
- Unfunded liabilities, such as leave accounts, and the Government Finance Officers Association (GFOA) recommended level of emergency reserve;
- Underfunded programs, such as Land Use Services, which have created service deficiencies; and pavement maintenance, which has resulted in a decline in road conditions and greater long-term costs;
- Unaddressed needs for basic operating systems, such as the outdated financial accounting and property tax management systems;
- Facility needs, such as a High Desert Public Safety Operations Center and the 800 MHz radio system upgrade to digital technology.

Most of these issues were either not brought to the Board’s attention at all, or were presented in a piecemeal fashion that did not lend itself to a comprehensive approach to resolution or effective decision making. As part of the new direction, the Board has expressed a desire to know about and address these issues. That direction is reflected in the 2011-12 Adopted Budget.

In June 2011, the operating forecast included a \$130.3 million cumulative structural budget deficit for the upcoming five fiscal years. Significant ongoing issues include



previously negotiated salary and benefit increases, retirement cost increases, and additional staffing requirements for the Sheriff/Coroner/Public Administrator Adelanto Detention Center Expansion.

To address this deficit, the County Administrative Office has developed a strategic plan for the upcoming five fiscal years which includes the following measures:

- Defer funding the \$34.2 million Adult Detention Center staffing until the County can afford it. In the interim, work with the Sheriff/Coroner/Public Administrator to take on more revenue-generating federal prisoners or mothball older, more inefficient facilities and shift staff to this facility;
- End the funding of increased health care benefits after current labor agreement expires;
- Negotiate countywide employee compensation reductions;
- Request that employee unions forego previously negotiated across-the-board salary increases; and
- Implement a reduction in service levels.

It is important to note that this strategic plan does not include any potential impacts of the 2011-12 State Budget, which are unknown and unpredictable at this time.

The strategic plan incorporates several ongoing measures in order to balance the budget over the next five years beginning in 2011-12. Measures that have a departmental impact include reduced allocations of discretionary general funding (net county cost), employee compensation reductions, and service level reductions. Net county cost allocations were eliminated for Children's Fund, Children's Network, County Library, Regional Parks, Law and Justice Administration, and Board of Supervisors Priority Policy Needs. In addition, Human Services, Public Health, Public Defender, and other various departments received reductions in their general fund allocation.

The 2011-12 Adopted Budget reflects employee compensation reductions for exempt employees, Probation Officers, and the Attorney Unit. These reductions include employees paying for a larger portion of their retirement costs; converting pensionable flexible benefit plans to non-pensionable medical premium subsidies; reducing step advancements by 2.5%; and eliminating the ongoing retirement pick up for employees with 30 or more years of service. If agreements with labor unions regarding compensation reductions are not reached, the county will either impose the compensation reductions or reduce discretionary general funding to those affected departments. The largest cost reduction measure included in the 2011-12 Adopted Budget is a proposed work schedule reduction of eight hours per pay period for locally funded employees represented by the San Bernardino Public Employees Association (SBPEA). If SBPEA does not agree to forego previously negotiated salary increases, the proposed work schedule reduction will be implemented or discretionary general funding to the affected departments will be reduced.

Countywide balancing measures reflected in the 2011-12 Adopted Budget that have no departmental impact include using remaining debt savings resulting from the optional prepayment of capital leases using funds from the Retirement Reserve in 2010-11 (saving interest costs). Other program and funding changes include the use of Community Development Block Grant (CDBG) funds to support Capital Projects when permitted, to reduce the use of discretionary general funding as a result of increased



departmental revenue, and eliminating the San Bernardino County Employees Retirement Association (SBCERA) Retiree Subsidy for medical costs.

The 2011-12 Adopted Budget of \$3.98 billion began with a \$47.2 million structural deficit which was mitigated by the measures mentioned earlier. The budget uses no one-time monies to fund ongoing costs and does not rely on the use of county reserves for ongoing operations.

THE BUDGET IN BRIEF

This budget book presents the general fund, special revenue funds, capital project funds, internal service funds and enterprise funds of the County. The total spending authority for these funds in 2011-12 is \$3.98 billion. The general fund spending authority totals \$2.2 billion and is funded by countywide discretionary revenues (primarily property taxes), departmental revenues, and other funding sources of the General Fund. Of this \$2.2 billion, only \$525.4 million is truly discretionary.

	Spending Authority (In Millions)		
	2010-11	2011-12	Change
	Final	Adopted	
General Fund	\$ 2,155.1	\$ 2,209.9	\$ 54.8
Restricted Funds	51.5	88.9	37.4
Capital Project Funds	242.1	242.5	0.4
Special Revenue Funds	583.4	624.9	41.5
Enterprise Funds	637.4	654.1	16.7
Internal Service Funds	145.8	161.7	15.9
	<u>\$ 3,815.3</u>	<u>\$ 3,982.0</u>	<u>\$ 166.7</u>

For 2011-12, the \$54.8 million increase in spending authority for the General Fund is primarily the result of increases in Human Services due to increases in the CalFRESH, CalWORKs, and Medi-CAL programs; and Disproportionate Share Hospital Funds and the Intergovernmental Transfer (IGT) Proposal to fund Medi-Cal Managed Care capitation rate increases; and the Sheriff/Coroner/Public Administrator to fund increased staffing and operating expenses. These increases are offset by reductions in Contingencies, and Capital Facilities Leases due to the optional prepayment of a portion of the county’s outstanding debt in 2010-11.

The increase of \$37.4 million in Restricted Funds is primarily due to an increase in Realignment funding of \$39.1 million offset by a slight reduction in Prop 172 funding.

The \$41.5 million increase in Special Revenue Funds can be primarily attributed to increases in Transportation and Community Development and Housing for planned projects, offset by reductions in Mental Health Services Act (MHSA) and American Recovery and Reinvestment Act (ARRA) funding.

The increase of \$16.7 million in Enterprise Funds is primarily the result of increased appropriation for the Arrowhead Regional Medical Center to support staffing increases and operating expenses.



The \$15.9 million increase in Internal Service Funds results from increases in the Information Services Department Telecommunications and Computer Operations budget units to fund operating expenses and Capital Improvement Projects, and Risk Management Insurance Programs due to increases in claims costs and excess insurance premiums.

	Budgeted Staffing		
	2010-11	2011-12	
	<u>Final</u>	<u>Adopted</u>	<u>Change</u>
General Fund	13,470	12,968	(502)
Other Funds	5,790	5,663	(127)
	<u>19,260</u>	<u>18,631</u>	<u>(629)</u>

Adopted budgeted staffing for 2011-12 is 18,631, a total decrease of 629 positions from 2010-11. General Fund staffing has been reduced by 502 positions, from 13,470 to 12,968 primarily due to reduced state and federal funding, the decline in countywide discretionary revenue and vehicle license fee (VLF) revenue. The staffing in all other funds has been decreased by 127 positions from 5,790 to 5,663, resulting from reductions in American Recovery and Reinvestment Act (ARRA) funding and the reclassification of Sheriff/Coroner/Public Administrator – Public Gathering positions as “non-county” employees.

IDENTIFIED NEEDS

The County Administrative Office has identified and made recommendations that the following critical areas be addressed in 2011-12 in order to prevent unnecessary costs and risks:

- Emergency operations needs
- Public safety communications
- Replacement of buildings beyond their useful life
- Outdated fiscal and property tax software operating systems

As a result, the following recommendations were approved in the 2011-12 Adopted Budget:

1. To enhance public safety communications and emergency operations throughout the County, the budget reflects utilizing the High Desert Government Center (HDGC) for a new Public Safety Operations Center (PSOC). The total estimated project cost is \$11.5 million; the Board has approved \$9.0 million funded from savings from the HDGC building and solar projects to begin this project. The project is anticipated to complete in June 2013. Departments within the building will be relocated and space on the 2nd floor will be remodeled to construct an Emergency Operations Center (including Sheriff’s Dispatch relocated from the Victorville Courthouse), an alternate Dispatch Center for County Fire, and an Emergency Center for the High Desert area.
2. Redirecting the annual allocation of \$24.0 million for Future Space Needs, previously intended for the construction of a new government center, to fund a new 800 MHz public safety digital radio system. The estimated cost of this project is \$175.0 million, with an estimated duration of five to seven years. It is anticipated that some of the costs will be funded through grants.
3. For replacement of buildings beyond their useful life, \$30.0 million was set aside to facilitate the purchase of new buildings, the seismic retrofit and modernization of



certain existing buildings, and the demolition of older facilities in which additional investment is not recommended. These acquisitions, improvements and modernizations offer an opportunity to provide reliable and secure space for county staff for the present and foreseeable future. The implementation of this project is expected to be multi-phased spanning several years and adding approximately 100,000 square feet of additional space.

4. In addition, the need for \$20.0 million to begin the first phase of a new integrated property tax system (estimated at \$35.0 million total), and \$6.0 million to replace the financial accounting system (estimated at \$12.0 million total) was approved at the budget hearing.

HIGHLIGHTS OF THE 2011-12 ADOPTED BUDGET

Health

- The Arrowhead Regional Medical Center (ARMC), Department of Public Health, and Department of Behavioral Health, are continuing to focus on the concept of “co-location”, whereby all three county health departments are centrally located and easily accessed in one building in order to provide a one-stop venue for county health services. These services include primary care from ARMC, comprehensive out-patient mental health services from the Department of Behavioral Health, and immunizations and other key Public Health services.
- Building on the concept of co-location, the County has applied to implement a Low Income Health Program in 2011-12 intended to be a bridge to healthcare reform in 2014. This program will cover childless adults ages 19-64 not otherwise covered by Medi-Cal. By implementing this program, the County’s goal is to provide coverage to this population through the health departments so that the County will be the provider of choice in 2014. To this end, the Department of Public Health will begin providing primary care services, and is in the process of establishing Federally Qualified Health Centers within the County to serve both the existing and new population. The ARMC, Behavioral Health, and Public Health departments will continue their collaborative relationships to offer fully integrated care to County residents.

Safety

- Construction contract was awarded in December 2010 on the Sheriff/Coroner/Public Administrator’s Adelanto Jail Expansion Project, which is projected to add 1,368 jail beds to the county’s Adelanto Detention Center by late June 2013. In order to help fund the \$120 million project, the Sheriff/Coroner/Public Administrator Department pursued and was awarded \$82.3 million from the State as part of its Assembly Bill (AB) 900 County Jail Lease-Revenue Funding Program.
- In 2011-12, the Sheriff/Coroner/Public Administrator’s Aviation Division will be moving its operations to the San Bernardino International Airport, as the current hangar used by the Aviation Division requires millions of dollars in repairs and upgrades. Moving to the new location will result in increased square footage and an updated facility at no additional cost, as the new lease will be funded from the



termination of existing leases, and federal asset forfeiture money will be used to fund one-time costs associated with the move.

- The Sheriff/Coroner/Public Administrator increased reliance on US Marshal inmate housing revenues to a total of \$20 million to offset cost increases and decreases in state funding. The department hopes to reduce this degree of reliance once state funding is restored and ongoing cost increases are resolved.
- The District Attorney's budgeted staffing is decreasing by 33 positions primarily due to the expected loss of Vehicle License Fee revenue from the state and fewer sources available in the department's special revenue funds. This reduction in staffing, coupled with 34 positions deleted in the department's 2010-11 budget, are expected to adversely impact the operation of the District Attorney's Office. The impacts include, but are not limited to the following: significant decrease in the department's ability to investigate and prosecute criminal activity related to Family Violence, Gangs, and Auto Theft; virtual elimination of the department's Identity Theft unit; continued decrease in the department's ability to provide timely review of incoming cases; and reduced ability to attend Lifer Parole hearings for the state's most dangerous prison inmates.
- The Probation Department's budget includes a net reduction of 73 positions due to the expected loss of Vehicle License Fee revenue from the state. The impacts from the reduced staffing will be distributed to all departmental operations; however, the department's Community Corrections Bureau (CCB) will clearly experience the brunt of these staffing cuts. All facets of CCB including the Sex Offender, Gang, Domestic Violence, Mental Health, and Drug Court units will be negatively affected. Caseloads for probation officers in CCB will increase dependent on specific assignments; however, the department will be adjusting resources to continue to provide supervision services based on criminogenic risk factors and to maximize public safety with reduced staffing.

Well-Being

- Human Services (HS) continues to provide quality service to its clients despite the tremendous burdens brought upon by the economic downturn. As a result, state and federal funding increases in the HS - Administrative Claim, mostly in Transitional Assistance programs, and subsistence programs of CalWORKs, AFDC-Foster Care, and Aid to Adoptive Children were made to assist residents in need. HS departments are anticipated to serve an additional 3,478 CalWORKs cases (7% increase), 4,954 Medi-Cal cases (4.6% increase) and 15,256 Food Stamp cases (18% increase) over the prior year.
- In 2011-12, a key strategy of the Economic Development Agency (EDA) is to support businesses coming into and currently existing in the County, by ensuring that Workforce Investment Act (WIA) funding assists with layoff aversion 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.



Quality of Life

- The County Library is forecasting significant budgetary constraints for 2011-12 due to reduced revenue sources and obligatory cost increases. In response to these constraints, the County Library is deleting 141 positions from the 2010-11 Adopted Budget (113 vacant and 28 filled), resulting in a realignment of library hours that includes the closing of specific branches on Fridays.
- Regional Parks is planning restroom and shower renovations at Calico off-highway vehicle (OHV) campground funded by OHV license fees.
- Public Works-Transportation will sustain the very good pavement condition index (PCI) of 76 for county maintained roads by surface sealing 40 miles, overlaying 15 miles and rehabilitating 4.7 miles of roads resulting from an \$8.0 million allocation of discretionary general funding in 2011-12.
- 2011-12 Public Works-Transportation Proposition 1B projects of \$20.0 million include rehabilitation of Grass Valley Road; Yucca Loma/Yates road widening; Old Waterman Canyon bridge culvert; Hatchery Drive in Moonridge paving; Valley Boulevard and Cedar Avenue new median construction; and National Trails Highway passing lane in the Oro Grande area. In addition, \$22.0 million in Redevelopment Agency projects include Cherry Avenue grade separation, widening, and Interstate 10 improvement; and Valley Boulevard rehabilitation.

General Operations

- Beginning this fiscal year, a reserve will be established to fund costs associated with cashable employee leave balances. The amount included in the 2011-12 Adopted Budget is \$15.6 million, of which \$3.9 million is an additional allocation of net county cost. The estimated need of \$147 million will be funded over a period of 15 years, with future annual contributions based on actuarial analysis.
- In addition, as a result of budget constraints, County Counsel will no longer have the resources needed to adequately provide legal services to SANBAG, whose legal service needs are increasing based on the expansion of most of its programs and projects.

CHALLENGES IN FISCAL YEAR 2011-12 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 reduced revenues. In addition to the general economy, other major challenges facing the county include state budget impacts.

State Budget

The 2011-12 State Budget included Governor Brown's "vast and historic" realignment of public safety and health and human services to counties. County budget adjustments associated with impacts to public safety and social services realignment were adopted through Board action subsequent to the County's 2011-12 Adopted Budget. It is



important to note that at this time there are no constitutional protections for future requisite realignment funding.

Pending State Budget Actions

In order to balance the State Budget, an assumption of \$4 billion of additional revenues was included in the State Budget. In the event revenues do not materialize, mid-year reductions or “trigger cuts” will be implemented. These cuts may impact county public safety, health and human services, child care, and libraries. In addition, the State Budget proposed the full elimination of redevelopment agencies, with the option to participate in a “voluntary” alternative redevelopment agency if payment to the State is made by counties. This budget action is currently pending court decision expected in early 2012. Any resulting impact to the County will be made through quarterly budget adjustments as impacts are confirmed.

Retirement Costs

Due to the 2008-09 market losses, the county will continue to experience higher retirement contribution rates over the next three fiscal years to ensure retirement liabilities will be funded at a proper level. Furthermore, the county will experience additional contribution rate increases beginning in 2012-13 as a result of recent changes in actuarial assumptions, including the lowering of assumed annual growth of the retirement fund (from 8% to 7.75%) and expanded life expectancy rates. It is estimated that even if the San Bernardino County Employees Retirement Association (SBCERA) pension fund recognizes 7.75% annual growth over the next three fiscal years, employer contribution rates will still increase between 55% and 60%. The county has begun to actively reduce future retirement costs through the proposed compensation reductions mentioned earlier.

CONCLUSION

The 2011-12 Adopted Budget reflects the first phase of the County’s strategic plan to overcome a five-year \$130.3 million cumulative structural budget deficit. The strategic 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 shift their focus to rebuilding the county. This approach eliminates the need to continually focus on programmatic cuts and mitigations, and creates a more positive dynamic.

The 2011-12 Adopted Budget focuses on major policy issues and key projects that require additional funding in an economic climate that continues to cause reductions in county programs and local government. The county is committed to making the most of its funding and capitalizing on the strengths of employees to provide necessary public services in an effective and efficient manner.



GREGORY C. DEVEREAUX
Chief Executive Officer



San Bernardino County Supervisorial Districts



San Bernardino County Board of Supervisors



1
Brad Mitzelfelt, Vice Chair
 First District
 (909) 387-4830
 Hesperia
 (760) 955-5400
 Barstow
 (760) 256-4748



2
Janice Rutherford
 Second District
 (909) 387-4833
 Rancho Cucamonga
 (909) 945-4297



3
Neil Derry
 Third District
 (909) 387-4855
 Big Bear
 (909) 866-0140
 Yucca Valley
 (760) 228-5402



4
Gary C. Ovitt
 Fourth District
 (909) 387-4866
 Chino Hills
 (909) 465-1895



5
Josie Gonzales, Chair
 Fifth District
 (909) 387-4565

Find other elected representatives
www.sbcrov.com

Note: The Board of Supervisors approved new District boundaries that will take effect on October 27, 2011. The new boundaries move the Second District into the Lake Arrowhead, Running Springs and Green Valley Lake areas, move the Third District into Barstow, Lucerne Valley and Twentynine Palms, and move the Fourth District into Upland south of Foothill Boulevard.



**COUNTY OF SAN BERNARDINO
COUNTYWIDE FACTS AND FIGURES**

SIZE:

20,057 square miles (largest county in the contiguous United States by area)

ELEVATION:

Highest Elevation, Mt. San Gorgonio, 11,503 ft.

STRUCTURE: Formed by charter in 1853; five districts based on population. Members serve four-year terms.

INCORPORATED CITIES:

24

POPULATION BY CITY

INCORPORATED CITY	TOTAL 1/1/2011 ESTIMATED POPULATION
Adelanto	31,671
Apple Valley	69,668
Barstow	22,839
Big Bear Lake	5,051
Chino	78,537
Chino Hills	75,345
Colton	52,498
Fontana	198,456
Grand Terrace	12,109
Hesperia	90,726
Highland	53,444
Loma Linda	23,395
Montclair	37,031
Needles	4,874
Ontario	165,392
Rancho Cucamonga	168,181
Redlands	69,231
Rialto	100,021
San Bernardino	211,076
Twentynine Palms	24,646
Upland	74,207
Victorville	117,219
Yucaipa	51,717
Yucca Valley	20,834
Total Incorporated	1,758,168
Total Unincorporated	294,229
Total County of San Bernardino	2,052,397

Source: State of California, Department of Finance, E-1: Population Estimate with Annual Percentage Change-January 1, 2010 and 2011. Sacramento, California, May 2011.

REGIONAL PARKLAND: 8,668 acres

COUNTY LIBRARY: 31 Branches

MAJOR COUNTY EMPLOYERS (June 2010):

Employer	Employees
County of San Bernardino	18,000
U.S. Marine Corp Air/Ground Combat Center	12,486
U.S. Army, Fort Irwin & National Training Center	10,000
San Bernardino City Unified School District	7,722
Stater Brothers	6,900

Source: County of San Bernardino Comprehensive Annual Financial Report for Fiscal Year 2010.

MAJOR COUNTY TAXPAYERS (Secured Taxpayers-2010-11 Property Tax Rolls)

Name	Assessed Value	% of roll
Southern California Edison	\$2,578,022,508	1.63%
Prologis	\$810,062,137	0.51%
Majestic Realty	\$526,921,007	0.33%
Verizon California, Inc.	\$491,408,085	0.31%
Catellus	\$467,595,132	0.30%
Strategic Partners	\$462,769,321	0.29%
Wal-mart	\$393,286,000	0.25%
Ontario Mills Limited Partnership	\$352,287,548	0.22%
High Desert Power	\$348,271,000	0.22%
Cemex	\$348,150,562	0.22%

Source: County of San Bernardino, Auditor-Controller/Treasurer/Tax Collector, Property Tax Section.

EMPLOYMENT MIX (2010):

Services:	
Trade, Transportation, and Utilities	149,360
Information	5,839
Financial Activities	21,815
Professional and Business Services	71,425
Education and Health Services	72,919
Leisure and Hospitality	54,533
Other Services	27,543
Unclassified	1,007
Construction	24,232
Manufacturing	46,448
Natural Resources & Mining	2,987
Government	114,637

Source: California Employment Development Department, SBCO, Quarterly Census of Employment and Wages (QCEW) 2010 Annual averages

UNEMPLOYMENT(June 2011): 14.0%

Source: California Employment Development Department, Labor Market Information, Monthly Labor Force Data for Counties.

POVERTY LEVEL (2009 estimate): 14.3%

Source: U.S. Census Bureau, 2005-2009 SBCO, American Community Survey 3-Year Estimates.

MEDIAN HOME PRICE (July 2011): \$135,150

Source: CA Association of Realtors, 2011.



**COUNTY OF SAN BERNARDINO
COUNTYWIDE FACTS AND FIGURES**

ASSESSED VALUATIONS (2010-11):

\$168,113,767 (in thousands)

Source: County of San Bernardino, Auditor-Controller/Treasurer/Tax Collector, Property Tax Section.

MEDIAN FAMILY INCOME (2009 estimate):

\$57,046

Source: U.S. Census Bureau, 2009 American Community Survey 1-Year Estimates.

PER CAPITA PERSONAL INCOME: \$29,609 (2009)

Source: County of San Bernardino and U.S. Department of Commerce, Bureau of Economic Analysis.

TAXABLE SALES (2009): \$23,652,433 (in thousands)

Source: California State Board of Equalization, Taxable Sales in California.

UNIVERSITIES/COMMUNITY COLLEGES

(Ranked by # of students):

Four Year Universities (Fall 2009)

1. California State University San Bernardino (17,852)
2. University of Redlands (4,431)
3. Loma Linda University (4,114)

Community Colleges (Fall 2009)

1. Chaffey College (21,399)
2. San Bernardino Valley College (14,916)
3. Victor Valley Community College (13,470)
4. Crafton Hills College (6,380)
5. Barstow College (4,791)
6. Copper Mountain College (2,044)

Source: County of San Bernardino; National Center for Education Statistics.

AIRPORTS:

1. Apple Valley Airport
2. Baker Airport
3. Cable Airport
4. Chino Airport
5. Daggett Airport
6. Hesperia Airport
7. Needles Airport
8. Ontario International Airport
9. San Bernardino Airport
10. Southern California Logistics Airport
11. Twentynine Palms Airport

TOURIST ATTRACTIONS:

1. Auto Club Speedway
2. Big Bear Lake Resort
3. Calico Ghost Town*
4. Colorado River
5. Joshua Tree National Park
6. Lake Arrowhead Resort
7. Ontario Mills
8. Route 66
9. San Manuel Amphitheater at Glen Helen*
10. Victoria Gardens

*County owned

TOP 6 HOSPITALS:

(Ranked by # of beds)

1. Loma Linda University Medical Center, Loma Linda (854 beds)
2. Kaiser Foundation Hospital, Fontana (416 beds)
3. Arrowhead Regional Medical Center, Colton (353 beds)
4. Saint Bernardine Medical Center, San Bernardino (342 beds)
5. Community Hospital of San Bernardino, San Bernardino (304 beds)
6. San Antonio Community Hospital, Upland (279 beds)

Source: American Hospital Directory, Hospital Search, September 2011.

RACE/ETHNICITY (2020 Projection):

Hispanic	51.4%
White	29.1%
Black	10.7%
Asian	5.8%
American Indian	0.6%
Pacific Islander	0.3%
Multi-Race	2.1%

Source: State of California, Department of Finance, Demographic Research Unit, Population Projections by Race/Ethnicity, 2000-2050. Percentages are rounded.

MEDIAN AGE (2010): 31.7

Source: U.S. Census Bureau, San Bernardino County, California: 2010 Demographic Profile Data.

BIRTH RATE (2011 estimate): 16.7 (per 1,000 population)

Source: California Public Health, Center for Health Statistics, County Health Status Profiles 2010.

DEATH RATE (2010 estimate): 568.4 (per 100,000 population)

Source: California Public Health, Center for Health Statistics, County Health Status Profiles 2011.

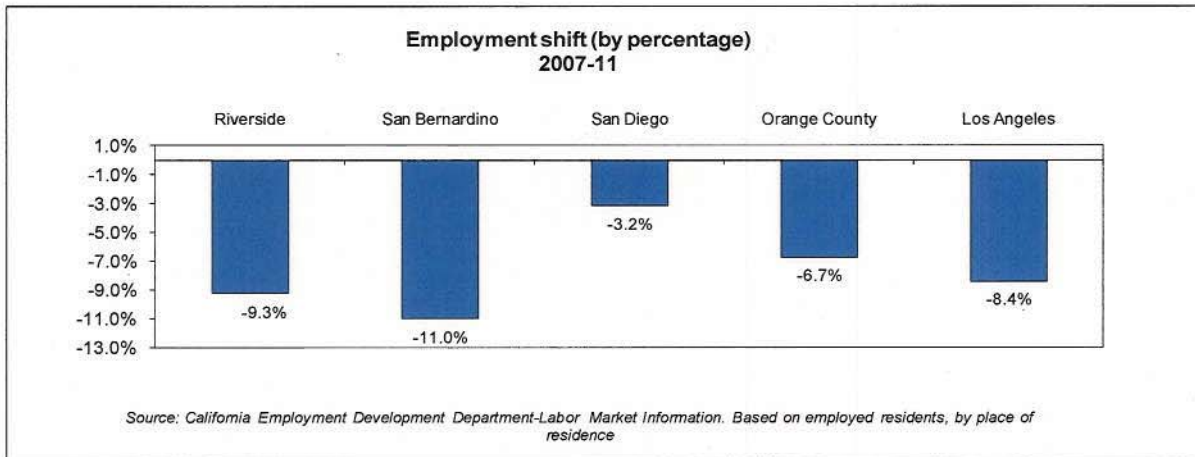
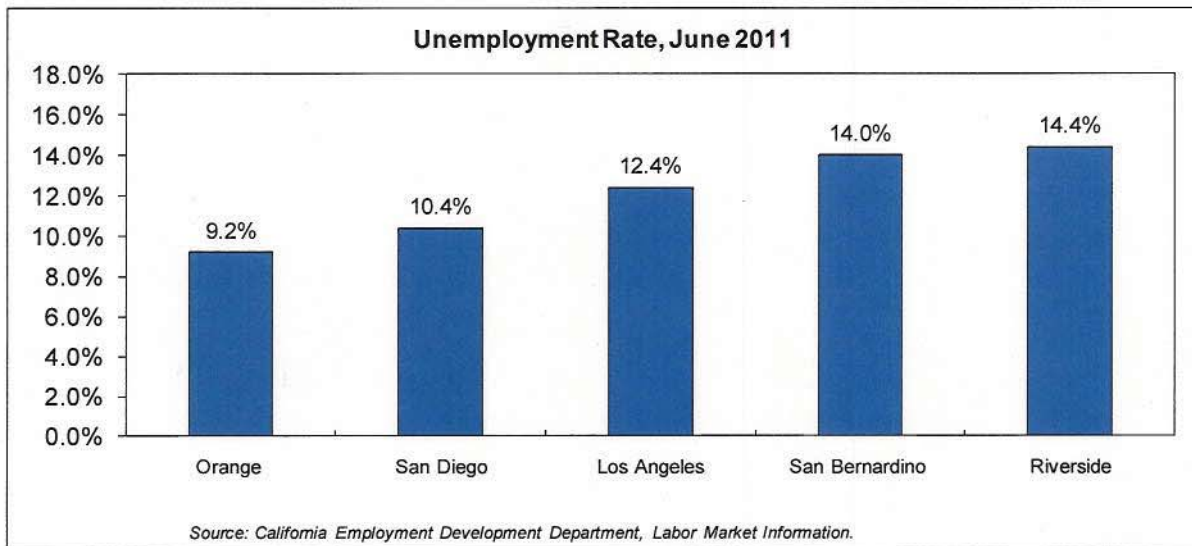
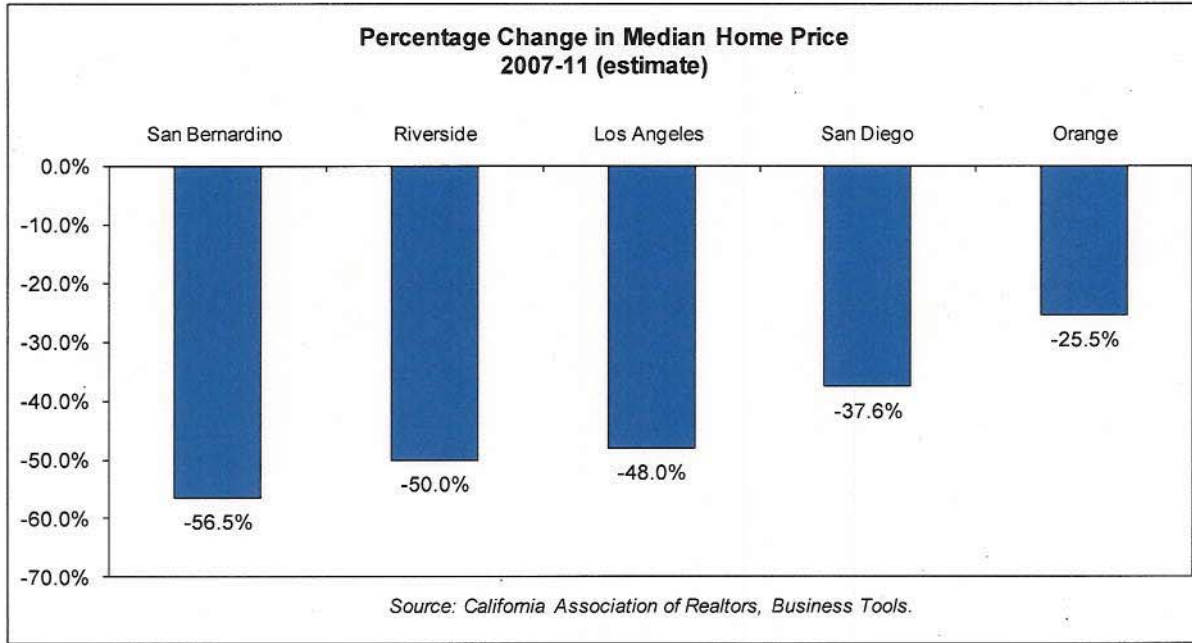
EDUCATIONAL ATTAINMENT (2009 estimate of county population age 25 years and over):

	<u>Percent</u>
Less than 9th grade	10.2%
9th to 12th grade, no diploma	12.5%
High school graduate (includes equivalency)	27.1%
Some college, no degree	23.8%
Associate's degree	8.3%
Bachelor's degree	12.0%
Graduate or professional degree	6.2%

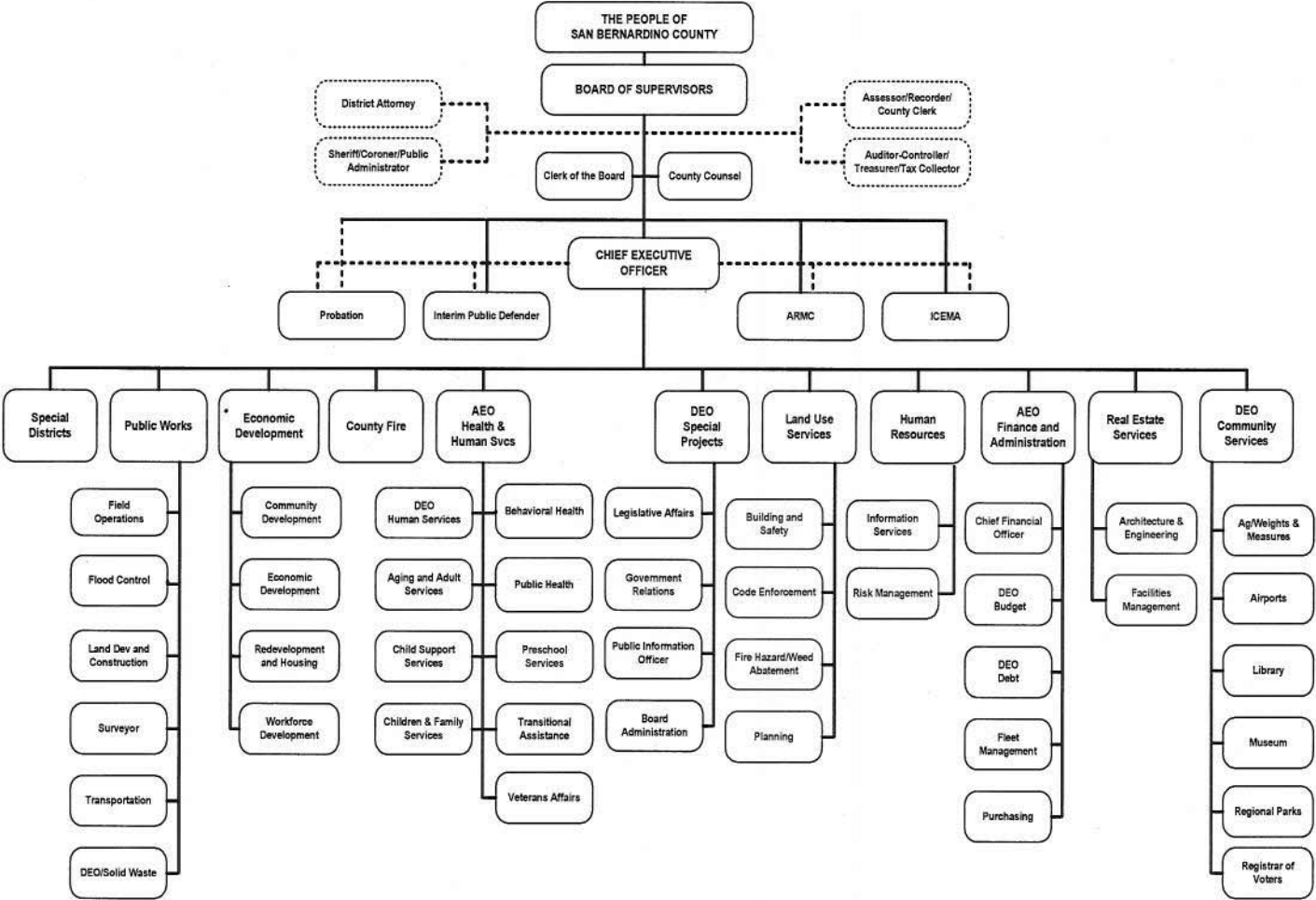
Source: U.S. Census Bureau, 2005-2009 American Community Survey



THE COUNTY OF SAN BERNARDINO COMPARISON TO OTHER COUNTIES



SAN BERNARDINO COUNTY ORGANIZATIONAL CHART



COUNTY OF SAN BERNARDINO

The County of San Bernardino's 2011-12 Adopted Budget covers the period from July 1, 2011 – June 30, 2012. The budget consisting of the general fund, restricted funds, capital project funds, special revenue funds, internal service funds, and enterprise funds has a total appropriation of \$3.98 billion. Each department is responsible for operating within their budget and has the authority to spend up to the approved budget.

When developing their individual budgets, each department considers the following mission, vision, and value statements of the County of San Bernardino:

Mission Statement

The mission of the government of the County of San Bernardino is to satisfy its customers by providing service that promotes the **health, safety, well-being, and quality of life** of its residents according to the County Charter, general laws, and the will of the people it serves.

Goals

On September 28, 2010, the Board of Supervisors adopted the following goals to provide direction to the Chief Executive Officer and the organization, while the county engages in the creation of a new Countywide Vision Statement, and subsequent related goals and objectives.

- Create, Maintain and Grow Jobs and Economic Value in the County
- Improve County Government Operations
- Operate in a Fiscally-Responsible and Business-Like Manner
- Ensure Development of a Well-Planned, Balanced, and Sustainable County
- Maintain Public Safety
- Provide for Health and Social Services Needs of County Residents
- Pursue County Goals and Objectives by Working with Other Governmental Agencies

Development of new Countywide Vision Statement

In the fall of 2010, the County of San Bernardino and San Bernardino Associated Governments (SANBAG) launched an initiative to collaborate with the community to develop a vision for the county's future. Input was received from more than 4,000 residents through an online survey and community meetings held throughout the county. In addition, focus group meetings were convened with more than 25 industry-specific groups, as well as with each of the 24 cities and towns in the county to more fully understand their perspectives and priorities.

The data collected through these outreach efforts was summarized into a report that identified nine core vision "elements," a set of shared values and a series of examples that demonstrate innovative and collaborative solutions to critical issues. The end result, the following Countywide Vision statement, was adopted on June 30, 2011, by the County Board of Supervisors and SANBAG Board of Directors.



Countywide Vision Statement

We envision a complete county that capitalizes on the diversity of its people, its geography, and its economy to create a broad range of choices for its residents in how they live, work, and play.

We envision a vibrant economy with a skilled workforce that attracts employers who seize the opportunities presented by the county's unique advantages and provide the jobs that create countywide prosperity.

We envision a sustainable system of high-quality education, community health, public safety, housing, retail, recreation, arts and culture, and infrastructure, in which development complements our natural resources and environment.

We envision a model community which is governed in an open and ethical manner, where great ideas are replicated and brought to scale, and all sectors work collaboratively to reach shared goals.

From our valleys, across our mountains, and into our deserts, we envision a county that is a destination for visitors and a home for anyone seeking a sense of community and the best life has to offer.

The County and SANBAG are now committed to facilitating discussions centered on how each of the nine core vision elements can be effectively focused to implement the Vision for a complete community – one that affords all citizens an opportunity for healthy lifestyles, strong public safety and quality amenities. These discussions will involve diverse stakeholders representing residents, employers, educators, community and faith-based organizations, and government. The Countywide Vision statement, report and related documents are available for review at www.sbcounty.gov/vision.

Countywide Vision Elements and Shared Values

To achieve a countywide vision to build a complete community, we must work together to improve each essential element of our society:

Jobs/Economy	Public Safety	Environment
Education	Infrastructure	Wellness
Housing	Quality of Life	Image

The following shared values drive how we address these elements. Our values are our identity, which is what sets us apart and makes us unique from other Southern California regions:

Charity	Honesty	People
Collaboration	Innovation	Responsibility
Commitment	Integrity	Self-reliance
Culture	Natural Resources	Sense of Place
Diversity	Opportunity	Sustainability
Efficiency	Participation	Transparency
History	Patience	Volunteerism

The Countywide Vision, and subsequent goals and objectives, will be an important factor in future budget decisions.



COUNTYWIDE SERVICES

The services provided by the county are arranged into categories in accordance with the County Mission Statement. Therefore, the public services provided are categorized by health, safety, well-being, and quality of life services. In addition, the county's fiscal services provide public support. The categories of leadership and support services are essential to the administration of county government. For those departments offering primary services, a single goal and objective has been listed on the following page that best highlights the County's global mission statement.

PUBLIC SERVICES**Health Services**

- Arrowhead Regional Medical Center
- Behavioral Health
- Public Health

Safety Services

- District Attorney
- Law and Justice Group Administration
- Probation
- Public Defender
- Sheriff/Coroner/Public Administrator

Well-Being Services

- Aging and Adult Services/Public Guardian
- Agriculture/Weights and Measures
- Child Support Services
- Human Services Administration
 - Transitional Assistance
 - Children and Family Services
- Land Use Services
- Public Works
- Registrar of Voters
- Veterans Affairs

Quality of Life Services

- Airports
- Community Development and Housing
- Economic Development
- County Library
- County Museum
- Preschool Services
- Regional Parks
- Workforce Development

Fiscal Services

- Assessor/Recorder/County Clerk
- Auditor-Controller/Treasurer/Tax Collector

ADMINISTRATIVE SERVICES**Leadership**

- Board of Supervisors
- County Administrative Office

Support Services

- Architecture and Engineering
- Capital Improvement Program
- Clerk of the Board
- County Counsel
- Facilities Management
- Finance and Administration
- Fleet Management
- Human Resources
- Information Services
- Purchasing
- Real Estate Services
- Risk Management



SYNOPSIS OF SAN BERNARDINO COUNTY GOALS AND OBJECTIVES		
SERVICES	GOALS	OBJECTIVES
HEALTH:		
Arrowhead Regional Medical Center	Promote and increase community collaboration and involvement to increase access to care.	Collaborate with other county departments to maximize the LIHP and allow such designated departments to provide improved coordinated care that will equate to better patient outcomes.
Behavioral Health	Increase access and reduce behavioral health disparities among the diverse racial, ethnic, and cultural communities in San Bernardino County.	Increase number of clients among specified ethnic and cultural groups that are currently underserved or inappropriately served.
Public Health	Promote and ensure a healthful environment.	Increase animal adoptions through increased community involvement, education, and outreach.
SAFETY:		
District Attorney	Promote public safety by punishing criminal conduct.	Continue to promptly, effectively, and ethically prosecute criminal offenses.
Law and Justice Group Administration	Reduce the length of time required to move cases through the criminal justice system.	Increase the number of cases that are electronically filed.
Probation	Ensure treatment and supervision levels are based on criminogenic risk factors.	Assess new juvenile and adult probationers to determine expected risk of recidivating.
Public Defender	Maintain early case resolution.	Maintain early resolution of cases thus minimizing custody time (and attendant costs to the client and the County).
Sheriff/Coroner/Public Administrator	Maintain response capabilities to disasters and other emergencies.	To be able to provide necessary police service to citizens in the unincorporated area of the county.
WELL BEING:		
Aging & Adult Services/Public Guardian	Assist seniors to maintain choices and improve quality of life by increasing knowledge and awareness of available programs and assistance.	Increase individual customers contacted by Senior Information and Assistance (SIA) outreach efforts.
Agriculture/Weights and Measures	Protect the public's health and the environment by preventing foreign pest infestations and the misuse of pesticides in light of increases in county population.	Maintain and service insect detection traps throughout the areas specified by the California Department of Food and Agriculture.
Child Support Services	Improve service delivery to provide timely, effective, and professional service to improve the quality of life of every county resident participating in the child support program.	Ensure the delivery of positive customer service experiences for child support customers.
Transitional Assistance	Increase the work participation rate of recipients of CalWORKs benefits.	Increase the number of Welfare-to-Work mandatory CalWORKs participants who are engaged in a Federal Welfare-to-Work activity.
Children and Family Services	Reduce the number of children who enter foster care each year.	Continue implementation of Family-to-Family (F2F) and other practices that reduce the number of children who must enter foster care.
Land Use Services	Planning-Improve the processing time of project development applications and environmental reviews.	Improve the processing time of project development applications and environmental reviews to be consistent with the Permits Streamlining Act and California Environmental Quality Act (CEQA).
Public Works	Maintain the level of safety and maintenance for county maintained roads.	Maintain the average Pavement Condition Index (PCI) for county roads at a 'good' or higher PCI category.
Registrar of Voters	Increase voter participation in the electoral process.	Continue to promote Vote by Mail and voter education via outreach and marketing activities.
Veterans Affairs	Emphasize higher standards of customer service.	Review customer service policy to ensure full commitment to customers.
QUALITY OF LIFE:		
Airports	Improve Airport infrastructure.	Formulate a plan to address deficiencies in Airport infrastructure
Community Development and Housing	Ensure development of well planned, balanced, and sustainable communities.	Expand the supply of quality, safe, sanitary, and affordable housing for residents of San Bernardino County.
Economic Development	Foster job creation and improve the welfare of county residents.	Identify, attract and facilitate the location and/or relocation of businesses that offer jobs suitable for the job skills available within the County.
County Library	Increase community participation in Library services and programs.	Develop system-wide practices that recruit, train, and promote the successful involvement of volunteers.
County Museum	Enhance public awareness of museum services/programs and increase accessibility to museum collections.	Increase public visitation and use of the County Museum and branch sites.
Preschool Services	Achieve school readiness of enrolled children to ensure they are making progress toward positive outcomes as required by the Desired Results Developmental Profile-Revised Program.	Assess children 3 times per year in accordance with Federal and State Regulations. Teachers will share assessment information with parents and use this input to prepare home and classroom activities responsive to the child's individual needs.
Regional Parks	Provide opportunities that promote a healthy outdoor lifestyle.	Continue to develop youth programs.
Workforce Development	Increase employability of county residents through services provided.	Maintain number of county residents receiving intensive Workforce Investment Act (WIA) services.



BUDGET PLANNING CALENDAR

For 2011-12, the County of San Bernardino's annual budget process has changed due to the elimination of a separate publication of the Annual Report and Business Plan document that was used as an instrument to tie departmental budgets to departmental goals, objectives, and performance measures. The same information has now been incorporated into the budget document. Providing all of this information in one document is more reader friendly and cost effective. Therefore, the 2011-12 Adopted Budget book includes prior year accomplishments, departmental strategic goals, objectives, and performance measures, which demonstrate how departments meet their overall departmental mission as well as the global mission of the county.

ONGOING

The Board of Supervisors provides ongoing policy direction to the Chief Executive Officer.

Departments provide year end estimates of revenues and expenditures to the Finance and Administration Department on a monthly basis and any significant changes are addressed timely.

Each quarter the County Administrative Office brings an agenda item to the Board of Supervisors requesting modification of the adopted budget. These quarterly budget adjustments serve as a management tool to help each department assess the current environment, and anticipate and respond appropriately to that environment. In addition, the quarterly budget adjustments provide the Board of Supervisors with the most current information on county department revenues (sources) and appropriation (requirements) with which to base decisions, and serve as a guideline to lead the county in preparing the upcoming budget.

OCTOBER THROUGH DECEMBER

Capital Improvement Plan – Departments submit annual capital improvement requests for improvements to land or structures that exceed \$5,000. These requests include a project description and justification, financial impact, and funding source. The requests are evaluated and prioritized by Finance and Administration and provided to the Chief Executive Officer for comments and recommendations, and presented to the Board of Supervisors for final approval. In addition, departmental five-year capital improvement plans are updated to re-evaluate priorities based on changing circumstances, staffing levels, and available funding.

Fee and Internal Service Rate Development – Departments develop their recommended fee changes and internal service rate adjustments for the upcoming budget year and submit them to Finance and Administration for review and recommendation to the Chief Executive Officer, and to the Board of Supervisors for final approval. For 2011-12, Finance and Administration required departments to compute their full cost of service, capturing both direct and indirect costs associated with fees and internal service rates. Departments were able to provide an alternate fee or rate amount for the Board of Supervisors, if based on their knowledge, implementation of a full cost fee or rate would not be beneficial.

JANUARY AND FEBRUARY

Five-year Operating Forecast – Finance and Administration develops a five-year operating forecast of financial operations for general fund programs, projecting major revenues (sources) and expenditures (requirements), based on current service levels and expected future changes to those programs or service levels. The analysis includes the identification of trends, significant impacts, and recommendations, which are presented to the Chief Executive Officer for recommendation to the Board of Supervisors for final approval.

Budget Prep System – The in-house budget system is updated for changes in the various Memorandums of Understanding between the county and the various employee representation units.

MARCH AND APRIL

Budget Prep System – The system is opened up for departmental input in preparation of the budget submittal and internal training is conducted for all users of the system.

Internal Service Rates – The rates charged by departments for services provided to other departments are brought before the Board of Supervisors for approval. In addition to rates for internal service funds, rates for



services provided by general fund departments, such as Facilities Management, Human Resources, and Architecture and Engineering are also approved.

Fee Hearing – The Board of Supervisors conducts a public hearing on the Recommended Fee changes for the upcoming fiscal year. Approved fee changes are included in the Recommended Budget submittals to the Board of Supervisors.

Strategic Plan – The upcoming five-year strategic plan is developed based on revenue projections and estimates for cost increases of ongoing costs for the five years. This plan includes the allocation of discretionary general funding (net county cost) and provides estimates of any remaining funding or shortfall needed to maintain current services.

Preparation of Recommended Budget – Departments develop their respective recommended budgets and submit them to Finance and Administration for review, and to the Chief Executive Officer for recommendation, and to the Board of Supervisors for final approval. General fund departments must budget within their respective net county cost allocations given to them based on the strategic plan.

MAY AND JUNE

Submission of Recommended Budget – The Recommended Budget Book is finalized and presented to the Board of Supervisors. The County Administrative Office publishes notices and schedules public hearings to discuss the Recommended Budget.

Budget Hearing and Adoption of Adopted Budget – The Board of Supervisors conducts a public hearing on the Recommended Budget. At this time, the Board may modify the Recommended Budget. All Board approved changes are incorporated into the Adopted Budget.

JULY THROUGH SEPTEMBER

Budget Prep System – Finance and Administration makes final budget changes to the Budget Prep System for items approved by the Board of Supervisors, including final fund balance adjustments.

Preparation of Adopted Budget Book – Finance and Administration updates the Recommended Budget Book to reflect final changes.

2011-12 Budget Calendar

December 22, 2010	Capital Improvement Call Letter to Departments
January 11, 2011	Fee Instructions to Departments
January 31, 2011	Departments Submit Capital Improvement Requests
January 31, 2011	Departments Submit Fee Workbooks
March 8, 2011	Budget Preparation System opened for Departmental Input
March 8, 2011	Budget Preparation System Training
March 18, 2011	Budget Instructions to Departments
April 19, 2011	2011-12 Internal Service Rates Approved
April 19, 2011	Fee Hearing
May 6, 2011	Departments Submit Budget Workbooks
June 3, 2011	Recommended Budget Delivered to the Board of Supervisors
June 16 and 28, 2011	Budget Hearing and Adoption of 2011-12 Budget
October 2011	Adopted Budget Book Printed



General Fund Budget Process

The County Administrative Office has the responsibility of developing the county strategic plan for all general fund departments. This plan begins with a five-year operating forecast which is detailed in the Discretionary General Funding section of this budget book. This forecast highlights what costs are planned to be incurred and the revenue projections in the upcoming fiscal year as well as the next four fiscal years. The county uses this forecast to build their strategic plan for the five years beginning 2011-12.

The strategic plan also focuses on the two restricted funding sources, Proposition 172 and Realignment. **Proposition 172** assists in funding the Sheriff/Coroner/Public Administrator, District Attorney, and Probation departments. **Realignment** assists in funding the general fund departments of Human Services, Behavioral Health, and Public Health for mental health, social services, and health programs. Discretionary general funding (net county cost) is considered if the restricted funding sources, which are determined by the state, are not sufficient to pay for those departments' costs.

For some departments, budgets are also built utilizing revenues generated from fees. On April 19, 2011, the Board of Supervisors held a Fee Hearing. The Fee Hearing is designed to take public testimony related to fee changes for the 2011-12 fiscal year. The fees were adopted on May 3, 2011. This early approval date allows for the incorporation of any fee changes into the recommended budgets. The majority of approved fees become effective with the start of the fiscal year, with the exception of Regional Park fees that generally become effective one month after adoption. Additional Fee Hearings were held on June 7 and June 14, 2011, further revising the 2011-12 County Fee Ordinance, as some departments required additional fee analysis to be performed before recommending changes to the Board.

Due to the current economic conditions, there is no additional funding available to fund ongoing cost increases needed to maintain current services including countywide insurance, central services, retirement cost increases; negotiated salary and benefit increases for the San Bernardino Public Employee Association (SBPEA) and Safety Employee Benefit Association (SEBA) represented employees; and a needed increase to the County Fire subsidy. Therefore, the County Administrative Office has developed a strategic plan focused on addressing the five-year cumulative structural budget deficit that warrants the implementation of various measures. It is important to note that this strategic plan does not include any potential impacts of the 2011-12 State Budget, which are unknown and unpredictable at this time.

The strategic plan incorporates several ongoing measures in order to balance the budget over the next five years beginning in 2011-12, including a request to employee unions not to take previously negotiated across-the-board salary increases. Measures that have a departmental impact include reduced allocations of discretionary general funding (net county cost), employee compensation reductions, and service level reductions. Net county cost allocations were eliminated for Children's Fund, Children's Network, County Library, Regional Parks, Law and Justice Administration, and Board of Supervisors Priority Policy Needs. In addition, Human Services, Public Health, Public Defender, and other various departments received reductions in their general fund allocation. Employee compensation reductions have been reflected for exempt employees, Probation Officers, and the Attorney Unit. The largest cost reduction measure is a proposed work schedule reduction for SBPEA represented employees.

The 2011-12 Adopted Budget was formally approved on June 28, 2011. At that time, the Board of Supervisors approved some additional changes including: an appropriation and revenue increase of \$610,000 for the Arrowhead Regional Medical Center Parking Expansion Project to add approximately 390 parking spaces; a grant award of \$523,230 for the Sheriff/Coroner/Public Administrator to enable the temporary restoration of six unfunded positions for the Department's California Multi-Jurisdictional Methamphetamine Enforcement Team (CAL MMET); a one-time \$75,000 allocation of additional discretionary general funding to the Economic Development Agency for Brand Awareness to increase brand recognition throughout the nation and to work with professional organizations to market the County of San Bernardino, thus bringing jobs to the community; one additional position and \$220,000 in additional ongoing net county cost to support a Code Enforcement Chief and loss of revenue in the Land Use Services Department; a \$419,000 increase in the net county cost subsidy to County Fire, including the addition of three limited term firefighter positions to support the Helendale area; an appropriation increase of \$2.1 million for the Lake Mojave Narrows Dam Project for improvements to the dam at Horseshoe Lake in Victorville; and also directed that any final fund balance adjustment in the general fund be made to the appropriation for contingencies. No money can be spent from contingencies without obtaining Board of Supervisors approval.



Other Funds Budget Process

In addition to the general fund, the County of San Bernardino has capital project funds, special revenue funds, enterprise funds, and internal service funds. All of these funds are restricted to the revenue sources they receive. Each department having these types of funds is responsible for developing its budget based on the revenue (sources) available to them. These sources include projected revenue to be collected in 2011-12 and any revenue not spent and carried forward from prior years (for example, fund balance for special revenue funds). These budgets were also represented during the Budget Hearing. In addition, when the Board of Supervisors approves the adopted budget, they also approve the necessary fund balance adjustments to these funds to agree to the Auditor-Controller/Treasurer/Tax Collector's actual fund balance.

Amending the Adopted Budget

An operating budget is adopted each fiscal year for all Governmental Funds. Expenditures are controlled at the appropriation unit level within budget units for the county. Any increases in appropriation in a budget unit after approval of the adopted budget will be submitted on a quarterly budget report placed on the agenda of the Board of Supervisors and a four-fifths vote is necessary for approval.

Transfers of appropriation within the same budget unit may be approved by the County Administrative Office or the Board of Supervisors depending upon the appropriation unit. Exceptions are noted below:

Transfer of Salaries and Benefits Appropriation:

- Transfers out funded with discretionary general funding (net county cost) are not allowed.
- Transfers out not funded with discretionary general funding require Board of Supervisors approval and should be included in a quarterly budget report.
- Transfers in from other available appropriation within the budget unit will be required if budgeted salaries and benefits appropriation is inadequate to meet expenditures.

Transfer of Fixed Asset Appropriation:

- Transfers out requires Board of Supervisors approval and should be included in a quarterly budget report.
- Transfers in, less than \$10,000, may be approved by the County Administrative Office.
- Transfers in, greater than \$10,000, requires Board of Supervisors approval and should be included in a quarterly budget report.



BUDGET BOOK FORMAT

Budget units presented in this book are displayed at a fund/department level. Although some departments incorporate additional organizational levels when developing their budgets, the fund/department level of presentation was selected to provide consistency between all budget units. A sample of the departmental budget format is included in this overview.

**DEPARTMENT
Department Head**

The department name and responsible administrator are listed at the top.

MISSION STATEMENT

A clear, concise statement of purpose for the department that focuses on the broad, yet distinct, results the department will achieve.

Photo of the Department Head

ORGANIZATIONAL CHART

Demonstrates the names of key personnel and departmental structure by function, including budgeted staffing counts.
To determine total budgeted staffing, count the values listed in each box.

2009-10 AND 2010-11 ACCOMPLISHMENTS

Significant departmental accomplishments for the last two fiscal years. In the future this will only include the previous fiscal year, but as the Annual Report and Business Plan has been incorporated into the budget document for 2011-12, the 2009-10 accomplishments have not yet been published.

2011-12 GOALS, OBJECTIVES, AND PERFORMANCE MEASURES

GOAL 1:

Objective:

Measurement	2008-09 Actual	2009-10 Actual	2010-11 Target	2011-12 Actual	2011-12 Target

The above table describes the department's goals, objectives, and target performance measures for 2011-12. Prior fiscal year actual performance results, including any applicable status updates, are also included.



SUMMARY OF BUDGET UNITS

	2011-12					
	Appropriation	Revenue	Net County Cost	Fund Balance	Revenue Over/ (Under) Exp	Staffing
General Fund						
Name of General Fund Budget Unit	0	0	0			0
Name of General Fund Budget Unit	0	0	0			0
Total General Fund	0	0	0			0
Special Revenue Funds						
Name of Special Revenue Fund Budget Unit	0	0		0		0
Name of Special Revenue Fund Budget Unit	0	0		0		0
Total Special Revenue Funds	0	0		0		0
Internal Service Funds						
Name of ISF Budget Unit	0	0			0	0
Total Internal Service Funds	0	0			0	0
Enterprise Funds						
Name of EF Budget Unit	0	0			0	0
Total Enterprise Funds	0	0			0	0
Total - All Funds	0	0	0	0	0	0

5-YEAR APPROPRIATION TREND					
	2007-08	2008-09	2009-10	2010-11	2011-12
Total	0	0	0	0	0

5-YEAR REVENUE TREND					
	2007-08	2008-09	2009-10	2010-11	2011-12
Total	0	0	0	0	0

5-YEAR NET COUNTY COST TREND					
	2007-08	2008-09	2009-10	2010-11	2011-12
Total	0	0	0	0	0

5-YEAR FUND BALANCE TREND					
	2007-08	2008-09	2009-10	2010-11	2011-12
Total	0	0	0	0	0

5-YEAR REVENUE OVER/(UNDER) EXPENSE TREND					
	2007-08	2008-09	2009-10	2010-11	2011-12
Total	0	0	0	0	0

The above schedule displays a summary of all departmental budget units including budgeted staffing, and the five-year budget trend for the current year and prior four fiscal years including appropriation; revenue; and net county cost, fund balance, or revenue over/(under) expense, where applicable.



Name of Budget Unit

The budget unit name is listed at the top, and begins the section on specific budget unit information. Up to this point the data has been departmental.

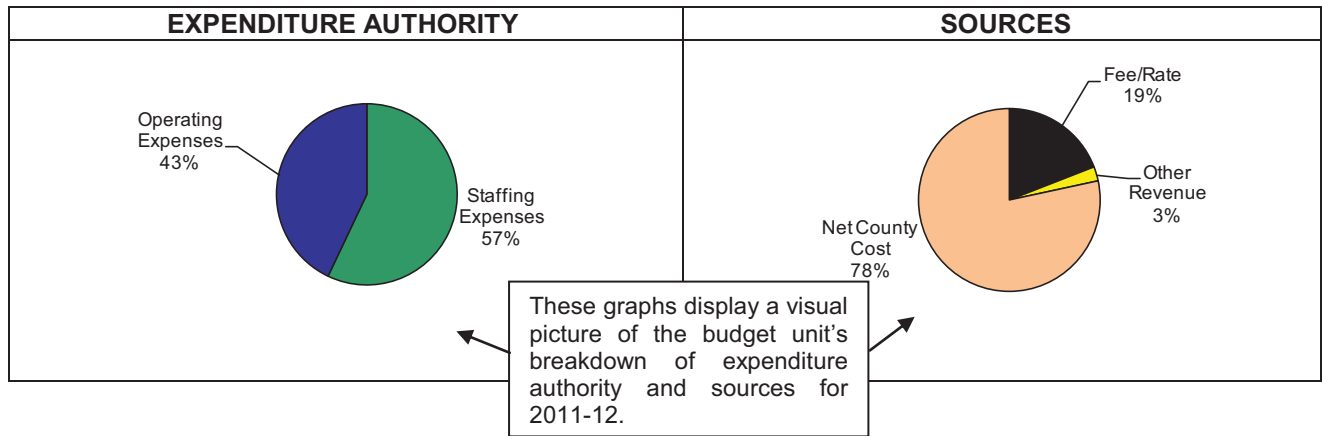
Budget at a Glance	
Total Expenditure Authority	\$1,776,092
Total Sources	\$383,750
Net County Cost	\$1,392,342
Total Staff	13
Funded by Net County Cost	78%

DESCRIPTION OF MAJOR SERVICES

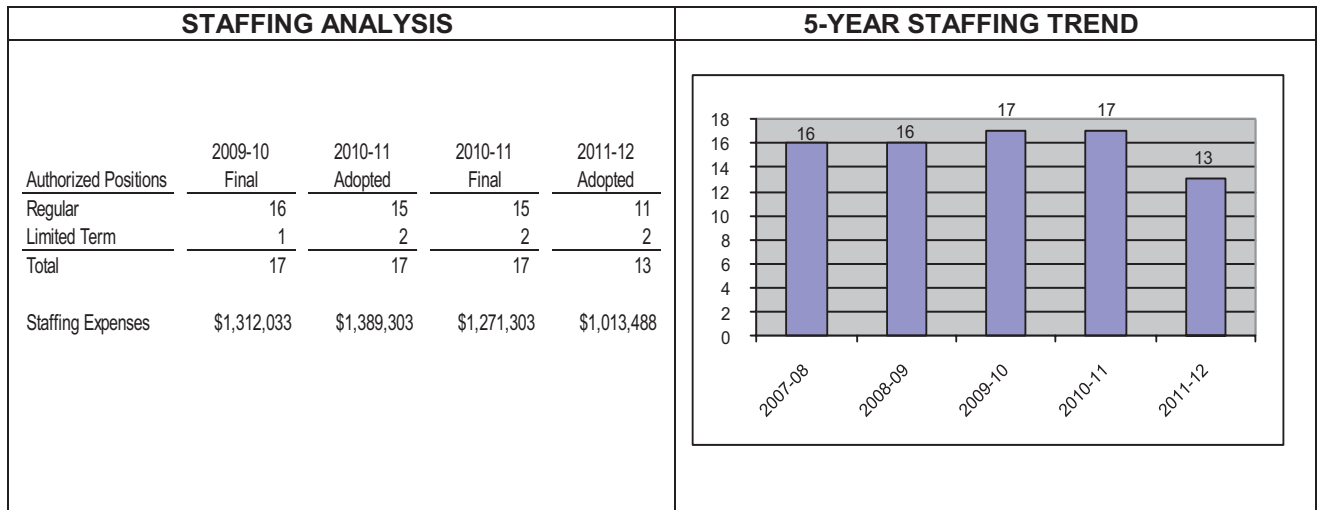
Description of Major Services provides a narrative describing the function and activity of the budget unit.

Budget at a Glance lists the budget unit's 2011-12 expenditure authority, sources (including reimbursements), total budgeted staffing, and percentage of net county cost, if any.

2011-12 ADOPTED BUDGET



BUDGETED STAFFING



The first graph displays the budget unit's current staffing trend, including regular and limited term positions and associated staffing expenses for the current and prior two fiscal years.

The second graph displays a visual picture of the budget unit's five-year budgeted staffing trend for the current year and prior four fiscal years.



ANALYSIS OF 2011-12 ADOPTED BUDGET

The header shows which budget unit you are looking at and lists the Function and Activity per state guidelines.

	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Actual	2010-11 Final Budget	2011-12 Adopted Budget	Change From 2010-11 Final Budget
GROUP:	-						
DEPARTMENT:	-						
FUND:	-						
BUDGET UNIT:							
FUNCTION:							
ACTIVITY:							
Appropriation							
Staffing Expenses	0	0	0	0	0	0	0
Operating Expenses	0	0	0	0	0	0	0
Capital Expenditures	0	0	0	0	0	0	0
Contingencies	0	0	0	0	0	0	0
Total Exp Authority	0	0	0	0	0	0	0
Reimbursements	0	0	0	0	0	0	0
Total Appropriation	0	0	0	0	0	0	0
Operating Transfers Out	0	0	0	0	0	0	0
Total Requirements	0	0	0	0	0	0	0
Departmental Revenue							
Taxes	0	0	0	0	0	0	0
Realignment	0	0	0	0	0	0	0
State, Fed or Gov't Aid	0	0	0	0	0	0	0
Fee/Rate	0	0	0	0	0	0	0
Other Revenue	0	0	0	0	0	0	0
Total Revenue	0	0	0	0	0	0	0
Operating Transfers In	0	0	0	0	0	0	0
Total Sources	0	0	0	0	0	0	0
Net County Cost	0	0	0	0	0	0	0
Budgeted Staffing					0	0	0

BUDGET CHANGES AND OPERATIONAL IMPACT

This narrative section briefly describes any major budget unit changes and highlights the 2011-12 budget by appropriation and departmental revenue line item, including significant changes from the prior year current budget.

STAFFING CHANGES AND OPERATIONAL IMPACT

This narrative section briefly highlights budgeted staffing changes and operational impacts for 2011-12, including significant changes from the prior year budgeted staffing.

2011-12 POSITION SUMMARY

Division	Regular	Limited Term	Total	Filled	Vacant	New	Total
Administration	3	0	3	3	0	0	3
Agenda Process	3	0	3	3	0	0	3
Assessment Appeals	4	2	6	5	1	0	6
Business License/Form 700	1	0	1	1	0	0	1
Total	11	2	13	12	1	0	13

Administration	Assessment Appeals	Agenda Processing	Business License/Form 700
1 Clerk of the Board of Supervisors	1 Board Services Supervisor	2 Senior Board Services Specialists	1 Board Services Specialist
1 Chief Deputy Clerk of the Board	1 Board Services Technician	1 Board Services Specialist	
1 Executive Secretary III	2 Board Services Specialists		
	2 Public Service Employees		

The 2011-12 Position Summary above displays regular and limited term positions by division within the budget unit; including details regarding if the positions are filled, vacant, or new (as of May 6, 2011 when budget workbooks were submitted). It also provides classification detail and position counts for 2011-12 budgeted staffing.



APPROPRIATION SUMMARY

The 2011-12 Adopted Budget includes appropriation of \$3,982,031,175, which is an increase of \$166,730,881 or 4.37% over the 2010-11 Final Budget. The 2010-11 Adopted Budget has been restated due to the movement of Board Elective Projects from Contingencies to Administration in this appropriation summary schedule. The schedule below lists appropriation, however, it does not include operating transfers out. This schedule shows the change from the prior year final budget.

	2009-10 Actual	2010-11 Restated Adopted	2010-11 Final Budget	2011-12 Adopted Budget	Change Between 2010-11 Final & 2011-12	Percentage Change
Countywide Operations						
Administration	56,055,469	64,175,095	54,235,589	60,905,525	6,669,936	12.30%
Contingencies	-	57,685,241	73,029,147	40,096,166	(32,932,981)	(45.10%)
Countywide Discretionary	10,352,730	7,500,000	7,500,000	7,500,000	-	0.00%
Capital Facilities Leases	20,687,803	54,640,359	54,640,359	16,258,391	(38,381,968)	(70.24%)
Economic Development Agency	3,551,980	3,296,638	3,065,030	2,967,151	(97,879)	(3.19%)
Fiscal	53,270,842	53,533,134	52,516,676	59,721,388	7,204,712	13.72%
Human Services	1,207,182,035	1,282,896,222	1,173,969,161	1,242,782,393	68,813,232	5.86%
Law and Justice	660,098,586	666,858,296	656,631,375	691,262,326	34,630,951	5.27%
Operations and Community Services	78,237,057	85,809,195	79,477,626	88,463,200	8,985,574	11.31%
Total General Fund	2,089,436,502	2,276,394,180	2,155,064,963	2,209,956,540	54,891,577	2.55%
Restricted Funds	-	51,548,064	51,548,064	88,906,878	37,358,814	72.47%
Capital Project Funds	99,809,298	122,945,661	242,073,981	242,535,763	461,782	0.19%
Special Revenue Funds	205,828,555	623,465,972	583,408,997	624,859,826	41,450,829	7.10%
Enterprise Funds	535,021,456	612,307,462	637,382,297	654,057,856	16,675,559	2.62%
Internal Service Funds	142,558,922	159,745,134	145,821,992	161,714,312	15,892,320	10.90%
Subtotal	983,218,231	1,570,012,293	1,660,235,331	1,772,074,635	111,839,304	6.74%
Total Countywide Funds	3,072,654,733	3,846,406,473	3,815,300,294	3,982,031,175	166,730,881	4.37%

Countywide Operations

Countywide operations show an increase in appropriation of \$54,891,577 over the prior year final budget. Significant increases are seen in **Human Services** and **Law and Justice** operational groups. Significant reductions are seen in **Contingencies** and **Capital Facilities Leases**. For the operational groups of the general fund and the other fund types, significant changes listed in the appropriation summary are discussed below.

Administration shows a net increase of \$6.7 million. As mentioned above, the **Board Elective Projects** was moved into this operational grouping. Board Elective Projects are accounted for in the Priority Policy Needs budget unit. In the prior year, this budget unit was funded with an annual allocation of \$2,250,000 and unspent carryover funds. For 2011-12, only the carryover funds will be appropriated and this will occur at the close of 2010-11.

Contingencies reflects a reduction of \$32.9 million. The primary reason for this decrease from 2010-11 Final Budget is the result of general fund departments returning excess appropriation and unbudgeted revenues from 2010-11 to contingencies at year end.

Capital Facilities Leases is decreasing by \$38.4 million primarily due to the one-time expenditure authority of \$38.0 million used to optionally prepay a portion of the county's outstanding debt in 2010-11 which generated \$5.5 million in annual savings.

The **Economic Development Agency** shows a \$97,879 decrease primarily due to the elimination of one-time carryover funds and a reduction in discretionary general funding to this budget unit.

Fiscal increased by a net \$7.2 million from the prior year final budget primarily due to \$6.0 million budgeted for the new FAS 2012 project which is a planned upgrade/replacement to the existing financial accounting system. Additionally, the **Assessor/Recorder/County Clerk** increased by \$2.1 million and the **Auditor-Controller/Treasurer/Tax Collector** decreased by \$0.9 million. This appropriation change is the result of the reorganization of the fiscal operating group which transferred the Recorder and County Clerk functions to the Assessor effective January 3, 2011.



Human Services is increasing by a net \$68.8 million over the prior year final budget. **Administrative Claim** budget unit is increasing a net \$24.8 million which is primarily due to appropriation increases in the Cal-FRESH, CalWORKs and Medi-CAL programs.

Additionally, significant increases are budgeted in three subsistence budget units which are funded primarily with state and federal revenues: **Foster Care** (\$7.8 million), **Aid to Adoptive Children** (\$3.2 million), and **CalWORKs – 2 Parent Families** (\$2.0 million). Foster Care is increasing due to court ordered increases of 32% for group home rates. Aid to Adoptive Children and CalWORKs – 2 Parent Families are both increasing due to overall increases in caseload growth.

Reductions in the subsistence budget units of **Entitlement Payments (Childcare)** (\$6.1 million), **Seriously Emotionally Disturbed** (\$4.8 million), and **CalWORKs – Family Group** (\$3.8 million). Entitlement Payments are decreasing due to program changes at the state level, Seriously Emotionally Disturbed program was shifted to county schools and State funding was eliminated and CalWORKs – Family Group is decreasing due to an 8% reduction in grant payments.

Health Administration budget unit is increasing \$21.7 million over the prior year final budget primarily as a result of Disproportionate Share Hospital Funds and the Intergovernmental Transfer (IGT) Proposal to fund Medi-Cal Managed Care capitation rate increases.

Behavioral Health budget unit is increasing over the prior year final budget by \$12.8 million primarily due to increases in staffing expenses; operating expenses related to other charges for state hospitals, out of state placement, rents, leases, and legal fees; and capital expenditures. Additionally, budgeted increases of \$6.7 million are reflected in the **Public Health** budget unit which is primarily the result of staffing expenses. **Public Health's California Children Services** is increasing by \$3.4 million due to staffing increases and operating expenses related to treatment costs.

Law and Justice shows an increase of \$34.6 million over the 2010-11 Final Budget. The **Sheriff/Coroner/Public Administrator** increased by \$35.9 million primarily due to \$19.3 million in staffing expenses related to salary raises, retirement costs and cash outs and a \$21.3 million in operating expenses resulting from COWCAP charges and increased law enforcement liability costs. These increases are offset by a \$4.1 million decrease in capital expenditures. **Probation's Administration, Corrections and Detention** has a net \$3.1 million increase resulting primarily from a reduction of 73 budgeted staffing offset by an increase in operating costs due to COWCAP.

Offsetting these increases are **District Attorney – Criminal Prosecution** reductions totaling \$3.5 million which are primarily the net result of decreases in staffing expenses from the reduction of 33 budgeted positions, reduced reimbursements, and increased costs related to COWCAP charges and **Public Defender** decreases of \$0.9 million which reflect a reduction in staffing expense offset by an increase in operating expenses, primarily COWCAP.

Operations and Community Services shows an increase of \$9.0 million over the prior year final budget. Budget units with significant increases include: **Registrar of Voters** (\$2.4 million) due to projected costs associated with 2011-12 election cycle of three major elections and one small election and COWCAP charges; **Regional Parks** (\$2.9 million) primarily due to the addition of COWCAP charges which were offset by reductions in budgeted staffing and increased reimbursements; **Facilities Management – Utilities** (\$1.9 million) which is due to anticipated rate increases from providers; and **Land Use Services – Planning** (\$1.5 million) which is primarily due to professional services that result from development projects such as Green House Gas.

Offsetting these increases are various reductions in other Operations and Community Services budget units of which the **Facilities Management Department** has the largest reduction of \$2.4 million which is primarily due to the transfer of the management of capital improvement projects from Facilities Management - Maintenance Division to the Architecture and Engineering Department.

Restricted Funds

Restricted Funds consist of two limited use funding sources – Prop 172 and Realignment. Prop 172 revenue assists in funding the Sheriff/Coroner/Public Administrator, District Attorney, and Probation departments. Realignment assists in funding mental health, social services and health programs within the county. All funding not anticipated to be utilized during the fiscal year are appropriated in contingencies in these restricted funds.

Of the total \$88.9 million for these restricted funds, the Realignment portion is \$71.4 million and the Prop 172 portion is \$17.5 million. Appropriation increased from the prior year by \$37.4 million, which primarily consisted of a \$39.1 million increase in Realignment offset by a \$1.7 million decrease in Prop 172. For more details regarding the use of these restricted funds, refer to the Discretionary General Funding section of the 2011-12 Adopted Budget, pages 51-58.

Capital Project Funds

Capital Project Funds appropriation is increasing by \$461,782 from the prior year final budget. Of the \$242.5 million total appropriation for Architecture and Engineering Department's capital projects for 2011-12, \$91.8 million is budgeted for new projects and \$150.7 million is budgeted as carryover projects. For more details regarding capital project funds, refer to the Capital Improvement Program section of the 2011-12 Adopted Budget, pages 641-685.

Special Revenue Funds

Special Revenue Funds are increasing by \$41.5 million overall. Significant changes in appropriation in special revenue funds include:

- \$33.7 million net increase in appropriation for **Public Works – Transportation – Road Operations** budget unit due primarily to the following factors: a \$23.0 million increase in future projects, \$18.1 million in new professional service road construction projects, offset by a \$10.0 million net increase in reimbursements for several shared projects.
- \$31.6 million net increase in appropriation for **Community Development and Housing** which is the result of the following factors: budgeting for all unreserved fund balance, planned increase in projects that require more than one year to complete, and the reprogramming of funds from contingencies as expenditures for planned projects.
- \$6.8 million decrease in **Preschool Services** due to reductions in ARRA funding and changes related to the Head Start Act which impacted staffing and operating expenses.
- \$5.2 million decrease in **Assessor/Recorder/County Clerk's Systems Development** due to a reduction in contingencies to help fund a new property tax system which will include automated recording functionality.
- \$4.4 million net decrease in the **Behavioral Health – Mental Health Services Act (MHSA)** budget unit due primarily to a \$29.2 million reduction in available departmental contingencies which is being used to fund increases in staffing and operating expenses, as well as capital expenditures for approved MHSA plans.
- \$4.0 million decrease in **Probation's Juvenile Justice Grant Program Special Revenue** fund in anticipation of the Vehicle License Fee (VLF) 'sunset' date of June 30, 2011. Appropriation was reduced to reflect the remaining balance of revenues within the program.
- \$3.1 million reduction in **Workforce Development** due primarily to decreases in the ending of programs funded under the American Recovery and Reinvestment Act (ARRA).
- \$3.1 million reduction in **Public Works – Transportation – Facilities Development Plans** special revenue budget units due to the completion of paving projects and the encumbering of funds in 2010-11 for existing projects. No additional expenditures for construction projects are planned for 2011-12.



Enterprise Funds

Enterprise Funds are increasing by \$16.7 million overall. Significant changes in appropriation in enterprise funds are listed below:

Arrowhead Regional Medical Center (ARMC) increased appropriation by \$13.9 million. The three significant areas changing in this budget unit include staffing expenses, operating expenses and costs for fixed assets. Staffing expenses are increasing by \$12.0 million due to the addition of 109 budgeted positions. Increases in operating expenses of \$8.0 million are due to a variety of expenditures such as medical supplies cost and volume increases, physician fees, external care provider services, equipment leases, minor equipment purchases, and computer software projects. These increases will provide for the change in operations resultant from the implementation of the Low Income Health Plan, the Delivery System Reform Incentive Pool, and the Meaningful Use initiative. Each program area has associated increases in revenue and aim to increase the population being served as well as provide enhanced patient outcomes. The other major area is fixed assets for which capital expenditures are increasing \$6.6 million due to planned purchases of new equipment and the replacement of existing equipment.

ARMC Medical Center Lease Payments decreased by \$2.0 million in accordance with the scheduled leased amortization.

The **Public Works – Solid Waste Management Division (SWMD)** increased appropriation by a net \$3.8 million. This division is comprised of several budget units.

SWMD budget units with increases include: Operations (\$3.6 million), Environmental Fund (\$2.7 million), and Environmental Mitigation Fund (\$1.5 million). The majority of the increase in Operations is the result of increases in operating expenditures of \$10.7 million funded by using \$9.1 million previously budgeted as contingencies. Additionally, Operations is planning an increase of \$1.5 million in capital expenditures. For the Environmental Fund, the increase is primarily for capital expenditures. In the Environmental Mitigation Fund, increases are related to the Host Cities program.

SWMD budget units with decreases include: Site Closure and Maintenance Fund (\$3.1 million) with reductions related to the closure of the Big Bear Sanitary Landfill and the Closure and Post-Closure Maintenance budget unit (\$1.6 million) which reduced departmental contingencies.

Internal Service Funds

The departments of Risk Management, Information Services, Purchasing and Fleet Management each have internal service funds (ISF). Risk Management ISFs consist of insurance programs and operations. Information Services has three ISF budget units: Computer Operations, Telecommunication Services and 800 Megahertz – Rebanding Project. The Purchasing department is responsible for three ISF budget units which are Printing Services, Surplus Property and Storage Operations, and Mail/Courier Services. Motor Pool and Garage are the two ISF budget units in the Fleet Management department.

Internal service funds appropriation is increasing by a net \$15.9 million over the prior year final budget. The internal service fund budget units that comprise **Risk Management's** insurance program had the most significant increase in appropriation (\$3.1 million) of which is primarily in operating expenses.

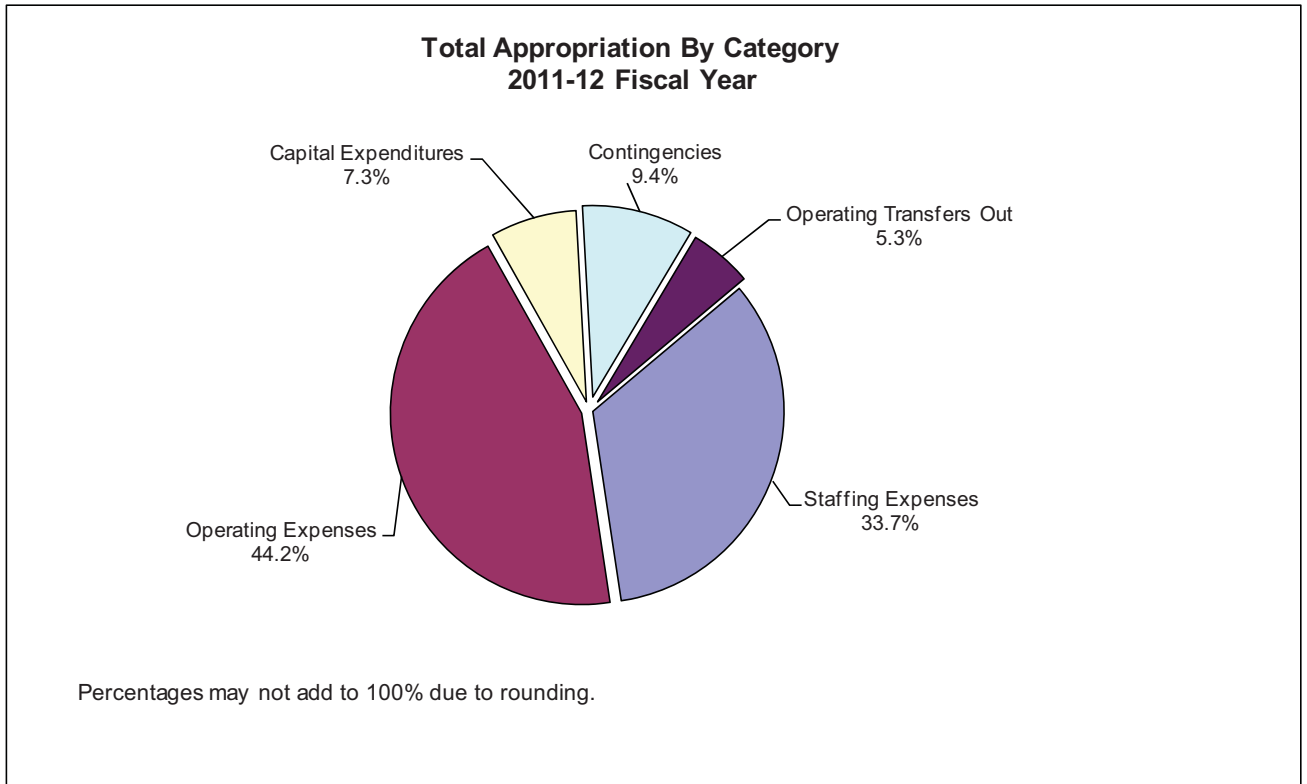
Increases in appropriation are budgeted in Information Services' **Computer Operations** (\$3.6 million) and **Telecommunication Services** (\$8.1 million). For both of these budget units increases are primarily in operating expenses and capital expenditures for equipment

The appropriation summary charts presented on the following pages include expenditures and other funding sources such as operating transfers out for all appropriated funds. Operating transfers out represent funding provided from one budget unit to another within the county. The figures presented on the appropriation summary by category chart are subtotaled prior to the operating transfers out line. The appropriation categories reflected in the subtotal are the same as presented on the first page of this County Budget Summary section. Additionally, there are charts to reflect total appropriation by category, total appropriation by group/agency and total appropriation by fund type.



TOTAL APPROPRIATION BY CATEGORY

	Restated Fiscal Year 2009-10 Final Budget	Restated Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2010-11 Final Budget	Fiscal Year 2011-12 Adopted Budget
Appropriation				
Staffing Expenses	1,410,505,216	1,475,223,787	1,419,302,940	1,491,395,717
Operating Expenses	1,678,090,807	2,078,560,766	1,792,009,603	1,955,539,548
Capital Expenditures	255,142,745	206,768,640	275,912,993	322,105,810
Reimbursements	(142,864,178)	(222,827,341)	(194,812,962)	(203,895,082)
Contingencies	304,180,114	308,680,621	522,887,720	416,885,182
Subtotal	3,505,054,704	3,846,406,473	3,815,300,294	3,982,031,175
Operating Transfers Out	287,490,802	218,456,329	274,634,761	235,581,598
Total	3,792,545,506	4,064,862,802	4,089,935,055	4,217,612,773
Budgeted Staffing	19,675	19,325	19,260	18,631



Below are the significant changes, by appropriation category for all appropriated funds, from prior year final budget (generally actual expenditures in 2010-11) compared to budgeted expenditures in 2011-12:

- **Staffing Expenses** are increasing from the prior year final budget by approximately \$72.0 million or 5.1%. Although budgeted staffing counts are decreasing from the final budget by 629, the increase in this appropriation is primarily the result of vacant positions in 2010-11, additional costs associated with negotiated pay increases for safety employees represented by Safety Employees Benefit Association (SEBA) and general employees represented by the San Bernardino Public Employee Association (SBPEA). For more details regarding departmental budgeted staffing changes, refer to the 'Budgeted Staffing Summary' found later in this section on pages 40-46.

Budget units with significant increases include \$34.2 million in **Human Services – Administrative Claim**, \$19.3 million in **Sheriff/Coroner/Public Administrator**, \$12.0 million in **Arrowhead Regional Medical Center** and \$8.2 million in **Behavioral Health**. Notable decreases include \$6.1 million in **District Attorney – Criminal Prosecution**, \$4.4 million in **Preschool Services**, and \$3.9 million in **Probation's Administration, Corrections and Detention**.

- **Operating Expenses** are increasing by approximately \$163.5 million or 9.1% from the prior year final budget. This appropriation category includes several subcategories: services and supplies, central services, travel and related costs, other charges, and transfers. Subcategories with significant changes include net increases to services and supplies (\$125.2 million), other charges (\$18.7 million) and transfers (\$17.3 million).

Budget units with significant increases in the appropriation category of operating expenses include **Community Development and Housing** (\$52.3 million), **Health Administration** (\$21.7 million), **Sheriff/Coroner/Public Administrator** (\$21.3 million), **Public Works – Transportation – Road Operations** (\$17.7 million), and **Behavioral Health Mental Health Services Act** (\$15.0 million). Budget units with noteworthy decreases in operating expenses include **Capital Facilities Leases** (\$38.5 million), **Human Services – Administrative Claim** (\$9.8 million), and **Workforce Development** (\$9.1 million).

- **Capital Expenditures** are increasing by \$46.2 million or 16.7%. This appropriation category includes several subcategories: land acquisition, improvements to land, easements/rights of way, structures and improvements to structures, vehicles, equipment purchases and lease purchases, and capitalized software. Significant changes in subcategories include land acquisition (-\$2.8 million), improvements to land (\$22.2 million), structures and improvements to structures (\$3.1 million), equipment (\$17.0 million), vehicles (-\$1.7 million), and capitalized software (\$8.4 million).

Budget units with significant changes in capital expenditures include a net \$8.3 million increase in **Capital Improvement Projects** and an increase of \$6.6 million in **Arrowhead Regional Medical Center**.

- **Reimbursements** are increasing by \$9.1 million or 4.7%. Reimbursements represent the amount received as a payment for the services provided on behalf of another governmental unit or department. Reimbursements are considered a funding source. The most significant increases are \$10.0 million in **Public Works – Transportation – Road Operations**, \$2.8 million in **Behavioral Health**, and \$2.2 million in **Assessor/Recorder/County Clerk**. Significant decreases include \$5.1 million in **Workforce Development**, \$2.8 million in **Probation's Juvenile Justice Grant**, and \$1.4 million in the **District Attorney – Criminal Prosecution** budget unit.
- **Contingencies** are decreasing over the prior year final budget by a net \$106.0 million or -20.3%. Significant decreases include \$33.8 million in **general fund contingencies**, \$29.2 million in **Behavioral Health – Mental Health Services Act**, and \$12.7 million in **Arrowhead Regional Medical Center**. Significant increases include \$39.1 in **Realignment** and \$23.0 million in **Public Works – Transportation – Road Operations**.
- **Operating Transfers Out** is a method of providing funding from one budget unit to another for the implementation of a project or program. This line item is decreasing by a net \$39.1 million or -14.2%. The most significant decreases are \$30.0 million in **Countywide Discretionary**, \$23.4 million in **Capital Improvement Projects**, and \$3.0 million in **Public Works – Solid Waste Management Division**. These decreases are offset by a \$5.5 million increase in **Prop 172**, \$4.3 million increase in **Public Works – Transportation – Road Operations** and \$3.9 million in **Human Services – Wraparound Reinvestment Fund**.



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 the appropriation is separated into discretionary versus categorical. General Fund – Restricted Funds consists of Prop 172 and Realignment funds.

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

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

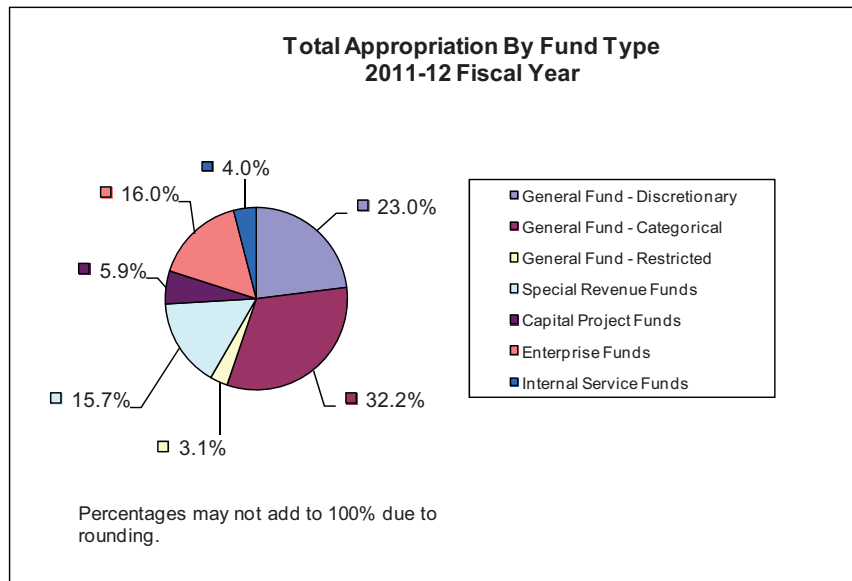
Proprietary Fund Types

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

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

TOTAL APPROPRIATION BY FUND TYPE

	Restated Fiscal Year 2009-10 Final Budget	Restated Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2010-11 Final Budget	Fiscal Year 2011-12 Adopted Budget
General Fund - Discretionary	874,032,073	951,723,562	978,584,442	970,690,923
General Fund - Categorical	1,322,719,128	1,439,841,402	1,323,966,662	1,358,390,035
General Fund - Restricted	88,321,225	91,248,075	91,248,075	131,776,878
Special Revenue Funds	563,970,595	647,173,273	610,647,183	663,041,873
Capital Project Funds	189,254,619	126,529,617	269,682,461	246,736,656
Enterprise Funds	586,672,481	640,260,325	662,395,259	676,603,396
Internal Service Funds	167,575,385	168,086,548	153,410,973	170,373,012
Total	3,792,545,506	4,064,862,802	4,089,935,055	4,217,612,773
 Budgeted Staffing	 19,675	 19,325	 19,260	 18,631

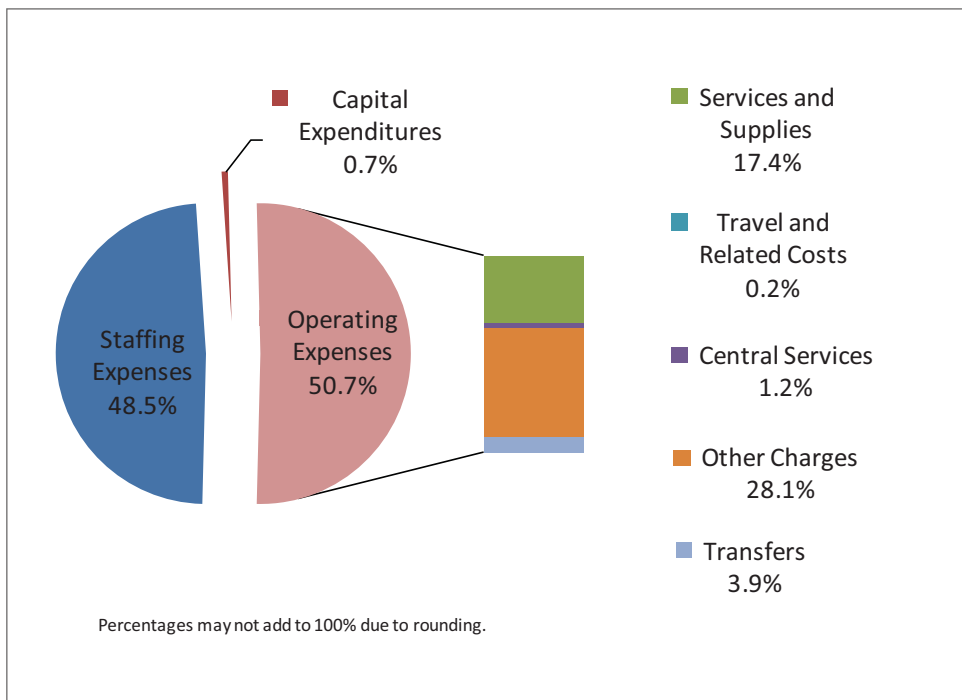


GENERAL FUND APPROPRIATION BREAKDOWN

The appropriation breakdown below represents General Fund – Discretionary and General Fund – Categorical components and does not include General Fund – Restricted, which are the Realignment and Prop 172 budget units.

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

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



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 checked.

	General Fund	Special Revenue Funds	Capital Projects Funds	Enterprise Funds	Internal Service Funds
Administration					
Board of Supervisors	X				
Clerk of the Board	X				
County Administrative Office	X				
County Counsel	X				
Finance and Administration	X	X			
Human Resources	X	X			
Fleet Management					X
Information Services	X				X
Purchasing	X				X
Risk Management					X
Local Agency Formation Commission	X				
County Schools	X				
Capital Facilities Leases					
Capital Facilities Leases	X				
Arrowhead Regional Medical Center					
Arrowhead Regional Medical Center				X	
Economic Development Agency					
Economic Development	X	X			
Community Development and Housing		X			
Workforce Development		X			
Fiscal					
Assessor/Recorder/County Clerk	X	X			
Auditor-Controller/Treasurer/Tax Collector	X	X			
Human Services					
Aging and Adult Services	X				
Behavioral Health	X	X			
Child Support Services	X				
Health Administration	X	X			
Human Services	X	X			
Preschool Services		X			
Public Health	X	X			
Veterans Affairs	X				
Law and Justice					
County Trial Courts	X	X			
District Attorney	X	X			
Law and Justice Group Administration	X	X			
Probation	X	X			
Public Defender	X				
Sheriff/Coroner/Public Administrator	X	X			
Operations and Community Services					
Agriculture/Weights and Measures	X	X			
Airports	X	X			
Architecture and Engineering	X				
County Library		X			
County Museum	X			X	
Facilities Management	X				
Land Use Services	X				
Public Works	X	X		X	
Real Estate Services	X	X			
Regional Parks	X	X		X	
Registrar of Voters	X				
Fish and Game Commission		X			
Capital Improvement Program					
Capital Improvement Program			X		
Other Funding					
Finance and Administration	X	X			



REVENUE SUMMARY

The 2011-12 Adopted Budget is funded from a variety of sources. These sources are listed below. This schedule does not include fund balance carried over from the prior year. It also does not include operating transfers in as they are a mechanism for providing funding from one budget unit to another within the county. The restatement of 2010-11 is due to a change in the reporting of special assessments. These revenues are reflected in fee/rate instead of property related revenues. This schedule shows the change from the prior year final budget.

	2009-10 Actual	2010-11 Restated Adopted	2010-11 Final Budget	2011-12 Adopted Budget	Change Between 2010-11 Final & 2011-12	Percentage Change
REVENUE FOR ALL COUNTY FUNDS						
Taxes						
Property Related Revenue	455,966,102	434,416,431	436,023,560	437,966,141	1,942,581	0.45%
Other Taxes	133,108,093	134,579,755	135,685,430	137,331,729	1,646,299	1.21%
Realignment	131,956,821	158,322,334	151,052,811	160,534,540	9,481,729	6.28%
State, Federal or Government Aid	1,274,238,848	1,420,011,122	1,387,204,755	1,414,349,199	27,144,444	1.96%
Fee/Rate	352,489,716	391,311,215	359,483,516	443,766,012	84,282,496	23.45%
Other Revenue	77,085,816	97,815,597	104,272,799	93,755,293	(10,517,506)	(10.09%)
Subtotal	2,424,845,396	2,636,456,454	2,573,722,871	2,687,702,914	113,980,043	4.43%
ENTERPRISE FUNDS	465,745,837	455,361,773	480,688,033	481,534,949	846,916	0.18%
INTERNAL SERVICE FUNDS	156,399,339	148,938,129	143,527,275	145,157,611	1,630,336	1.14%
Subtotal	622,145,176	604,299,902	624,215,308	626,692,560	2,477,252	0.40%
Total County Budget	3,046,990,572	3,240,756,356	3,197,938,179	3,314,395,474	116,457,295	3.64%

Property Related Revenue

Property related revenue is projected to increase by \$1.9 million or 0.45% from the 2010-11 final budget. This is the result of a projected 0.5% decline in the assessed valuation of properties within the county. This is the third consecutive year of assessed valuation decline. For more detail refer to the paragraph titled 'Property Related Revenue' found in the Discretionary General Funding section of the 2011-12 Adopted Budget, page 62.

Other Taxes

Other taxes are increasing by a net \$1.6 million over the prior year final budget. Sales taxes are projected to increase slightly in 2011-12 as compared to the 2010-11 final budget amounts.

Realignment

Realignment revenues of \$160,534,540 are increasing over the prior year final budget. For more detail refer to the Discretionary General Funding section of the 2011-12 Adopted Budget, pages 53-58.

State, Federal or Government Aid

An overall increase of \$27.1 million from the prior year final budget is reflected in the revenue category of state, federal or government aid. This increase is comprised of both increases and decreases in various programs.

Significant increases in State, Federal or Government Aid include:

- **Community Development and Housing** increased a net \$32.7 million primarily as a result of funding available from the federal grant system.
- The **Human Services – Administrative Claim** budget unit increased \$26.0 million primarily due to increases in CalWORKs, CalFRESH, and Medi-CAL programs.



- **Public Works – Transportation – Road Operations** increased a net \$24.4 million. Additions include Federal grants for various road projects, a contribution from SANBAG for several rehabilitation projects funded with local stimulus funds, and an increase for Federal Highway Administration disaster reimbursement. Offsetting these are reductions in reimbursement from the state for joint share of projects; decreases in American Reinvestment and Recovery Act funds, and decreases in state aid for disasters.
- **Behavioral Health** has a net increase of \$9.8 million primarily due to increases in Managed Care and Special Education Pupils Allocation, Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) and Medi-Cal for the Low Income Health Program.

Significant decreases in State, Federal or Government Aid include:

- The **Behavioral Health – Mental Health Services Act (MHSA)** budget unit decreased \$23.1 million over the prior year final budget due to reductions in personal income to which this tax applies.
- The **Capital Project Funds** are decreasing by \$7.3 million primarily due to receipt of funds prior to year end from the State of California AB900 grant for the reimbursement of construction costs for the Adelanto Detention Center Expansion Project.
- **Preschool Services** state, federal or government aid revenues are decreasing \$6.8 million primarily due to the ending of ARRA funding and the usage of one-time carryover funds.
- The **Human Services** subsistence budget, **Entitlement Payments**, has a reduction of \$6.1 million resulting from CalWORKs eligibility changes and reduced time limits. Additionally, **CalWORKs – All Other Families** decreased \$3.9 million primarily due to an 8% decrease in grants imposed by the State.
- As a result of the sunset of Vehicle License Fee (VLF) funding, the **Probation – Administration, Corrections and Detention** general fund budget unit is decreasing \$5.8 million and the department's **Juvenile Justice Grant Program Special Revenue** fund is decreasing by \$6.4 million.
- **Workforce Development** is decreasing \$3.7 million as a result of two major factors: the loss of American Recovery and Reinvestment Act (ARRA) funding and an anticipated 20% reduction in the federal Workforce Investment Act (WIA) grant allocation.
- The reduction of \$1.7 million in **Regional Parks – Prop 40** is the result of the termination of the Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2002 funding.

Fee/Rate

The revenue category of fee/rate includes the following types of revenues: licenses, permits, fines, fees, rates, and other services. This revenue is anticipated to increase from the 2010-11 final budget by \$84.3 million.

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

- **Countywide Discretionary** is increasing \$31.6 million as a result of charging locally funded general fund departments for overhead as calculated in the Countywide Cost Allocation Plan (COWCAP).
- **Health Administration** is increasing by \$21.5 million as a result of matching revenues associated with Disproportionate Share Hospital Funds and the Intergovernmental Transfer Proposal to fund Medi-Cal Managed Care capitation rate payment enhancements.
- **Public Works – Transportation – Road Operations** is increasing current service revenues in 2011-12 by a net \$20.5 million over the prior year final budget. This increase is primarily a result of revenue from the County Redevelopment Agency projects which were previously budgeted as reimbursements.



- The **Sheriff/Coroner/Public Administrator** has a net \$10.6 million increase in law enforcement services.
- **Assessor/Recorder/County Clerk** is increasing \$1.8 million which reflects a full year of fee/rate revenue for the Recorder/County Clerk function.

Significant decreases in fee/rate revenue include \$ 2.3 million in the **Facilities Management Department** due to the transfer of the capital improvement projects to Architecture & Engineering Department. Additionally, as a result in changes from the State, \$1.9 million in reimbursed child support collections were eliminated from four **Human Services – Subsistence** budget units as the State is temporarily holding onto these funds that were previously allocated to the county.

Other Revenue

Other revenue includes interest earnings, rents and concessions, and tobacco settlement funds. This revenue source is anticipated to decrease by a net \$10.5 million over the prior year final budget.

Significant decreases in this category include \$3.8 million in interest revenue overall from the prior year final budget and a \$5.5 million reduction in the **Countywide Discretionary** budget unit which represents a \$3.5 million one-time payment of interest revenue owed to the general fund by non-general fund budget units and \$2.0 million of unclaimed property tax refunds.

Offsetting these decreases is a budgeted increase of \$2.6 million in **Public Works – Transportation – Road Operations** which represents the anticipated sale of surplus property for the Pepper Avenue at Valley Boulevard intersection project

Enterprise Funds

Enterprise Funds with significant changes from prior year final budget are listed below.

Arrowhead Regional Medical Center (ARMC) revenues are expected to decrease by a net \$34.8 million. This overall decrease is primarily attributable to uncertainty of the continuation of Medi-Cal managed care supplemental payments and changes in federal matching revenue. To offset this revenue decrease there is an increase of \$36.4 million in budgeted Realignment revenues.

Two **Public Works – Solid Waste Management Division** budget units have significant changes. The **Operations** budget unit reflects a \$1.3 million reduction in revenue as a result of the economic downturn and the impact of increased recycling efforts. As such, the department is anticipating a decrease in hauler fees, reduced collection of franchise service fees, and reduced tonnage. The **Environmental Mitigation Fund's** revenue is increasing by \$1.1 million from shared gate fees.

Internal Service Funds

Internal Service Funds with significant changes from prior year final budget are listed below.

The internal service fund budget units that comprise **Risk Management's** insurance program increased revenues by \$0.7 million. This increase is primarily due to increases in Property and General Liability premiums as reserves for these programs need to reach the 80% actuarial confidence level.

Information Services – Telecommunications Services increased revenues by \$1.0 million as a portion of the revenue anticipated in 2010-11 was not received.

Fleet Management's Motor Pool is increasing revenues by \$0.8 million as a result of Board of Supervisors approved rate increases.

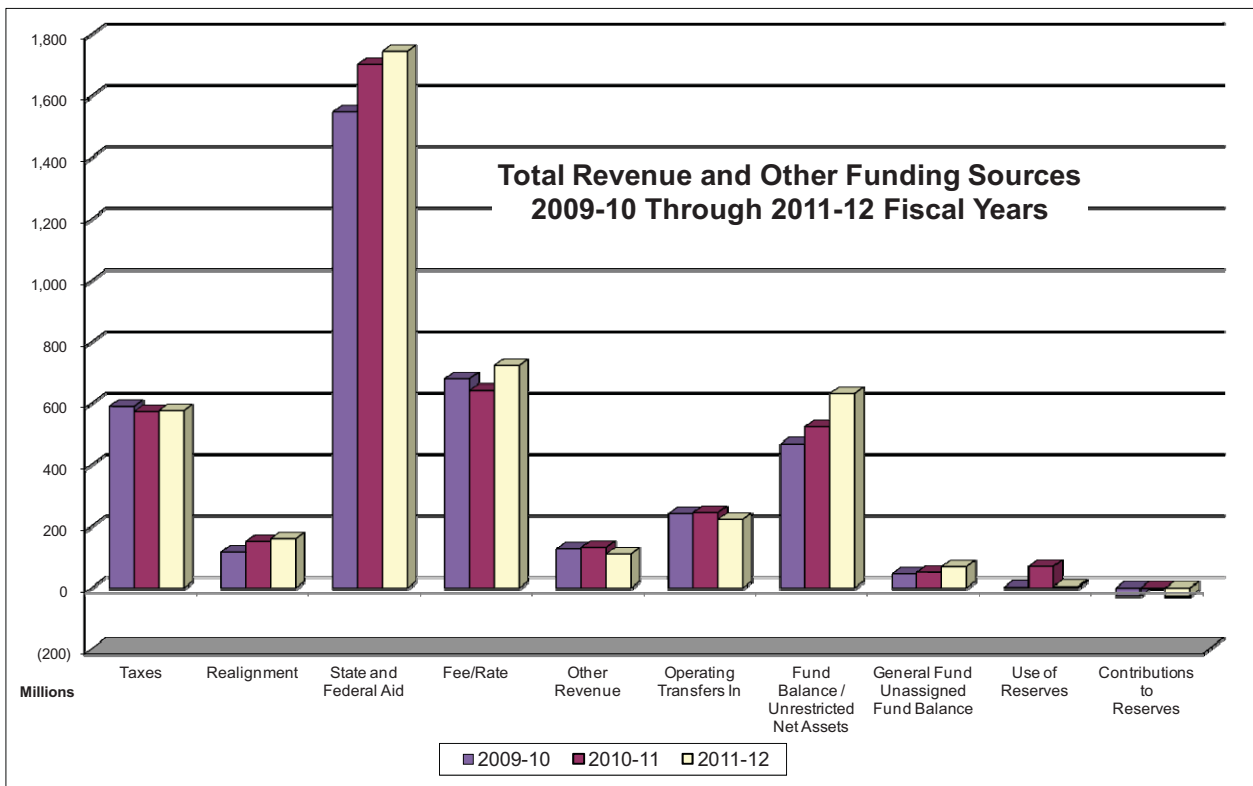


TOTAL REVENUE AND OTHER FUNDING SOURCES

	Restated* Fiscal Year 2009-10 Final Budget	Restated* Fiscal Year 2010-11 Adopted Budget	Fiscal Year 2010-11 Final Budget	Fiscal Year 2011-12 Adopted Budget
Revenue				
Taxes	589,393,015	569,144,186	571,798,776	575,319,685
Realignment	115,761,001	158,322,334	151,052,811	160,534,540
State and Federal Aid	1,548,202,374	1,723,131,129	1,701,368,202	1,745,344,809
Fee/Rate	679,460,522	673,184,367	642,681,050	723,903,231
Other Revenue	126,833,577	116,974,350	131,037,340	109,293,209
Total Revenue	3,059,650,489	3,240,756,366	3,197,938,179	3,314,395,474
Other Funding Sources				
Operating Transfers In	241,665,798	176,089,115	245,271,842	222,344,041
Fund Balance/Unrestricted Net Assets	468,433,378	534,088,486	524,891,887	632,597,505
General Fund Unassigned Fund Balance	46,190,296	51,474,803	51,474,803	69,913,117
Use of Reserves	2,205,545	63,454,032	71,358,344	4,864,427
Contributions to Reserves	(25,600,000)	(1,000,000)	(1,000,000)	(26,501,791)
Total Other Funding Sources	732,895,017	824,106,436	891,996,876	903,217,299
Total Revenue and Other Funding Sources	3,792,545,506	4,064,862,802	4,089,935,055	4,217,612,773

*Restatement represents the reclassification of Special Assessment Revenue to Fee/Rate from Taxes and the separation of Realignment from State and Federal Aid.

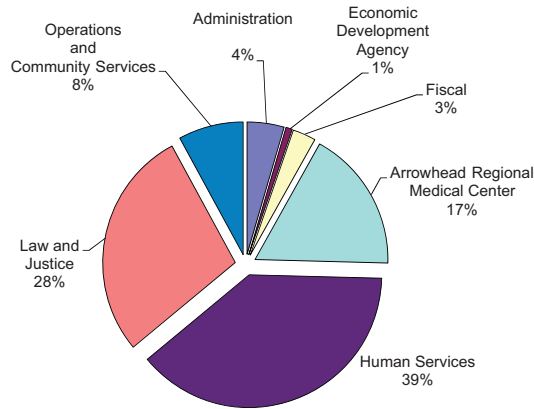
The revenue and other funding sources schedule above includes all county funds. This schedule includes operating transfers in, which are the mechanism for providing funding from one budget unit to another within the county. Additionally, this schedule summary provides the fund balance/unrestricted net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



BUDGETED STAFFING SUMMARY

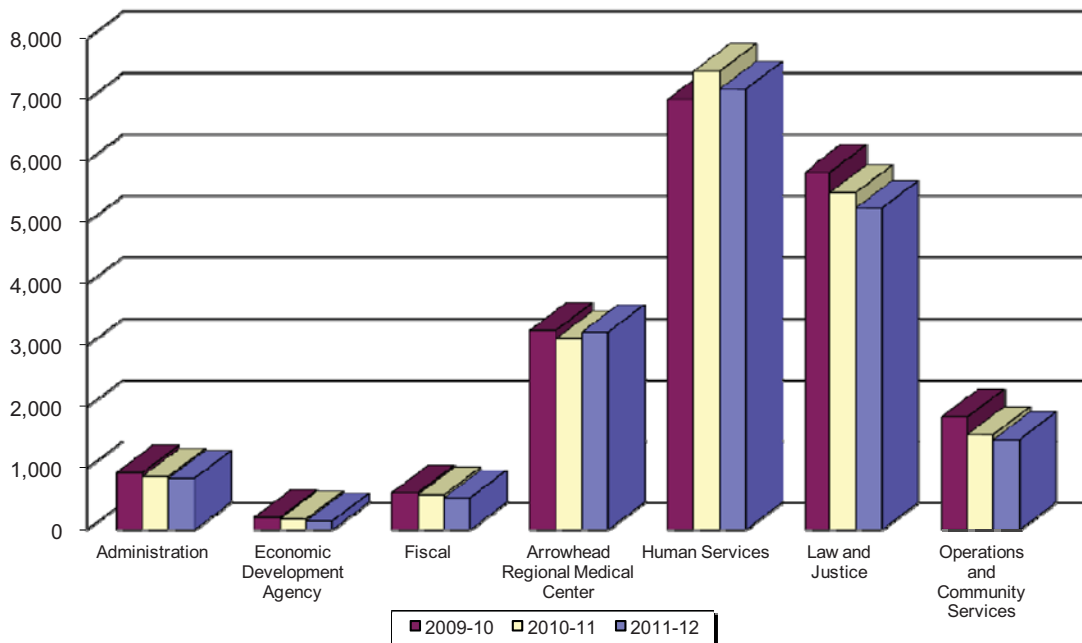
Budgeted staffing is accounted for using headcount; each position, whether full time or part time, is counted as one. The graph below depicts the budgeted staffing by group/agency for the current fiscal year. The following graph illustrates the budgeted staffing for the current fiscal year as well as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

**Budgeted Staffing By Group / Agency
2011-12 Fiscal Year**



Percentages may not add to 100% due to rounding.

**Budgeted Staffing By Group / Agency
2009-10 Through 2011-12 Fiscal Years**



	Change from Final Budget				2011-12 Adopted Budget Staffing	Percentage Change
	2010-11 Final Budget Staffing	Caseload Driven/ Grant or Special Funded Programs	All Other Programs	Total Change		
General Fund	13,470	(283)	(219)	(502)	12,968	(3.7%)
Other Funds	5,790	(127)	-	(127)	5,663	(2.2%)
Total	19,260	(410)	(219)	(629)	18,631	

Budgeted staffing for caseload driven/grant, or special funded programs, decreased overall by a net 410 positions. Significant changes from the previous year’s final budgeted staffing in caseload driven, grant or special funded programs include the following:

General Fund

- **Behavioral Health** decreased budgeted staffing by 28 positions. Included in this decrease are changes in program needs and funding. Changes reflect the CalWORKs funding reduction as well as transfers between Behavioral Health’s general fund and **Mental Health Services Act** special revenue fund which increased by 7 budgeted positions to meet the department’s support needs.
- **Public Health** decreased budgeted staffing by a net 21 positions. This decrease is the result of the deletion of 40 positions, 1 of which was filled. In addition, 19 positions were added as a result of the department’s transition to primary care being offered at the public health clinics.
- **Human Services – Administrative Claim** had a net decrease of 196 budgeted positions of which 227 positions were eliminated due to reduced funding. Strategic and operational adjustments in various Human Services departments and divisions resulted in the addition of 31 positions.
- **District Attorney – Criminal Prosecution** decreased 31 budgeted positions in the caseload driven, grant or special funded programs category. A decrease of 11 positions due to elimination of Vehicle License Fees (VLF) previously received from the State for the following programs: Let’s End Truancy (LET), Citizens’ Option for Public Safety (COPS), and Vertical Prosecution. Also, 20 positions have been deleted due to overall less funding available from the department’s special revenue funds for costs related to the following units: Real Estate Fraud, Auto Insurance Fraud, Workers’ Compensation Insurance Fraud, and Specialized Prosecutions.
- **Probation – Administration, Corrections and Detention** has seen a net decrease of 73 budgeted positions in the caseload driven, grant or special funded programs category primarily due to less funding projected from the state because of the impending termination of that portion of the Vehicle License Fee (VLF) earmarked for public safety programs.
- **Sheriff/Coroner/Public Administrator** increased 6 budgeted positions in the caseload driven, grant or special funded programs category as a result of an additional grant award for 2011-12 which enabled the department to restore 6 unfunded positions for a period of 6 months for the department’s California Multi-Jurisdictional Methamphetamine Enforcement Team (CAL MMET).



Other Funds

- **Workforce Development** – decreased by a net 29 budgeted contract positions as a result of the ending of the American Recovery and Reinvestment Act (ARRA) program which funded these positions.
- **Arrowhead Regional Medical Center (ARMC)** had a net increase of 109 budgeted positions. There are two new programs being added in the upcoming fiscal year of which 9 budgeted positions are being added for the Delivery System Reform Incentive Plan and 10 budgeted positions for the Low Income Health Plan. In addition, 90 other position changes in over 63 different classifications with 90% being clinical position types were added to address direct patient care and staffing issues.
- **Preschool Services** decreased a net 53 budgeted positions. Most positions that were reduced were contract positions utilized to staff classrooms and were no longer needed due to a classroom staffing reorganization due to anticipated decrease in funding. In addition these positions were no longer needed to meet the minimum mandated qualifications of the Head Start Act.
- **Sheriff/Coroner/Public Administrator – Public Gatherings** budget unit decreased by 90 budgeted positions as the staffing in this budget unit have been reclassified within the county’s payroll system as “non-county” employees. All staffing associated with this budget unit provide protective services directly for outside entities for public function and events, and are therefore not considered county employees.
- **County Library** had a reduction of 44 budgeted positions. These deletions (16 vacant and 28 filled) were the direct result of reductions in funding sources available and obligatory cost increases.
- **Public Works – Transportation – Road Operations** decreased a net 12 budgeted positions. The department is eliminating 17 vacant positions, which consist of 8 limited term positions and 9 regular positions that are no longer necessary due to a reduction in workload as funding has declined over the last few years. Offsetting these deletions is the addition of 4 new positions to meet temporary peak workload requirements and to reflect 1 position as a job share.



Budgeted staffing for all other programs decreased overall by a net 219 positions. Significant changes from the previous year's final budgeted staffing in all other programs include the following:

General Fund

- **County Administrative Office (CAO)** decrease budgeted staffing by a net 12 positions as the result of a minor reorganization. Position changes include: 14 transferred to a new budget unit called **Finance and Administration**, 3 positions transferred from the Clerk of the Board, and 1 budgeted position was deleted.
- **Assessor/Recorder/County Clerk** budgeted staffing is decreasing by 18 vacant budgeted positions due to the consolidation of the Recorder/County Clerk function into the Office of the Assessor and resulting administrative efficiencies; and due to less discretionary general funding.
- **Auditor-Controller/Treasurer/Tax Collector** is decreasing budgeted staffing by 30 positions (28 vacant and 2 filled contract positions) resulting from program and process reviews in an ongoing effort to reduce costs, increase efficiency and improve operations; and due to less discretionary general funding.
- **District Attorney – Criminal Prosecution** budgeted staffing decreased by 2 positions that were not related to caseload or grant driven. The decrease is necessary to fund the cost of MOU related step increases for eligible employees.
- **Sheriff/Coroner/Public Administrator** has seen a net decrease of 54 budgeted positions that were not related to caseload or grant driven. Reductions of 44 Sheriff Trainee positions and 19 vacant positions that are designated as part-time extra help are being offset by the funding of 9 positions with reductions in services and supplies appropriation in anticipation of losing the Vehicle License Fee allocation.
- **County Museum** decreased budgeted staffing by a total of 12 positions of which 3 positions were vacant and 9 positions are filled. These reductions are the result of less discretionary general funding.
- **Regional Parks** reduced budgeted staffing by a net 10 positions due to projected budgetary constraints. A reorganization plan includes the reduction of 20 budgeted positions (4 vacant and 16 filled), offset by the addition of 10 new positions (4 full-time and 6 part-time).

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

BUDGETED STAFFING SUMMARY

Department	2009-10 Final Budget	2010-11 Final Budget	2011-12 Adopted Budget	Change Between 2010-11 & 2011-12
ADMINISTRATION				
<u>GENERAL FUND</u>				
BOARD OF SUPERVISORS	69	57	49	(8)
CLERK OF THE BOARD	17	17	13	(4)
COUNTY ADMINISTRATIVE OFFICE	31	30	18	(12)
COUNTY COUNSEL	104	94	91	(3)
FINANCE AND ADMINISTRATION	-	-	14	14
HUMAN RESOURCES	98	81	74	(7)
HUMAN RESOURCES - CENTER FOR EMPLOYEE HEALTH AND WELLNESS	14	11	11	-
INFORMATION SERVICES - APPLICATION DEVELOPMENT	100	97	94	(3)
PURCHASING	16	16	16	-
SUBTOTAL GENERAL FUND	449	403	380	(23)
<u>OTHER FUNDS</u>				
FLEET MANAGEMENT - GARAGE	86	85	83	(2)
FLEET MANAGEMENT - MOTOR POOL	4	4	3	(1)
HUMAN RESOURCES - COMMUTER SERVICES	3	3	3	-
HUMAN RESOURCES - EMPLOYEE BENEFITS AND SERVICES	29	30	30	-
INFORMATION SERVICES - COMPUTER OPERATIONS	134	133	134	1
INFORMATION SERVICES - TELECOMMUNICATIONS SERVICES	105	101	97	(4)
PURCHASING - PRINTING SERVICES	21	18	17	(1)
PURCHASING - SURPLUS PROPERTY AND STORAGE OPERATIONS	2	2	2	-
PURCHASING - MAIL/COURIER SERVICES	28	28	27	(1)
RISK MANAGEMENT - OPERATIONS	69	65	65	-
SUBTOTAL OTHER FUNDS	481	469	461	(8)
TOTAL ADMINISTRATION	930	872	841	(31)
ECONOMIC DEVELOPMENT AGENCY				
<u>GENERAL FUND</u>				
ECONOMIC DEVELOPMENT	30	19	16	(3)
<u>OTHER FUNDS</u>				
COMMUNITY DEVELOPMENT AND HOUSING	40	26	25	(1)
WORKFORCE DEVELOPMENT	133	134	105	(29)
SUBTOTAL OTHER FUNDS	173	160	130	(30)
TOTAL ECONOMIC DEVELOPMENT AGENCY	203	179	146	(33)
FISCAL				
<u>GENERAL FUND</u>				
ASSESSOR/RECORDER/COUNTY CLERK	178	238	220	(18)
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR	390	330	300	(30)
SUBTOTAL GENERAL FUND	568	568	520	(48)
<u>OTHER FUNDS</u>				
ASSESSOR/RECORDER/COUNTY CLERK - SYSTEMS DEVELOPMENT	35	-	-	-
ASSESSOR/RECORDER/COUNTY CLERK - RECORDER RECORDS	4	4	4	-
SUBTOTAL OTHER FUNDS	39	4	4	-
TOTAL FISCAL	607	572	524	(48)



BUDGETED STAFFING SUMMARY

Department	2009-10 Final Budget	2010-11 Final Budget	2011-12 Adopted Budget	Change Between 2010-11 & 2011-12
ARROWHEAD REGIONAL MEDICAL CENTER				
<u>OTHER FUNDS</u>				
ARROWHEAD REGIONAL MEDICAL CENTER	3,255	3,116	3,225	109
TOTAL ARROWHEAD REGIONAL MEDICAL CENTER	3,255	3,116	3,225	109
HUMAN SERVICES				
<u>GENERAL FUND</u>				
AGING AND ADULT SERVICES - AGING PROGRAMS	52	48	48	-
AGING AND ADULT SERVICES - PUBLIC GUARDIAN - CONSERVATOR	27	22	20	(2)
CHILD SUPPORT SERVICES	464	436	435	(1)
HEALTH ADMINISTRATION	2	2	2	-
BEHAVIORAL HEALTH	960	529	501	(28)
PUBLIC HEALTH	863	774	753	(21)
PUBLIC HEALTH - CALIFORNIA CHILDREN'S SERVICES	157	156	159	3
HUMAN SERVICES - ADMINISTRATIVE CLAIM	3,670	4,345	4,149	(196)
VETERANS AFFAIRS	18	19	18	(1)
SUBTOTAL GENERAL FUND	6,213	6,331	6,085	(246)
<u>OTHER FUNDS</u>				
HUMAN SERVICES - WRAPAROUND REINVESTMENT FUND	-	27	28	1
BEHAVIORAL HEALTH - MENTAL HEALTH SERVICE ACT	-	352	359	7
PRESCHOOL SERVICES	802	763	710	(53)
SUBTOTAL OTHER FUNDS	802	1,142	1,097	(45)
TOTAL HUMAN SERVICES	7,015	7,473	7,182	(291)
LAW AND JUSTICE				
<u>GENERAL FUND</u>				
DISTRICT ATTORNEY - CRIMINAL PROSECUTION	526	492	459	(33)
LAW AND JUSTICE GROUP ADMINISTRATION	1	1	1	-
PROBATION - ADMINISTRATION, CORRECTIONS & DETENTION	1,224	1,112	1,039	(73)
PROBATION - JUVENILE JUSTICE GRANT PROGRAM	37	27	26	(1)
PUBLIC DEFENDER	285	255	248	(7)
SHERIFF/CORONER/PUBLIC ADMINISTRATOR	3,659	3,514	3,466	(48)
SUBTOTAL GENERAL FUND	5,732	5,401	5,239	(162)
<u>OTHER FUNDS</u>				
SHERIFF/CORONER/PUBLIC ADMINISTRATOR - PUBLIC GATHERINGS	90	90	-	(90)
SUBTOTAL OTHER FUNDS	90	90	-	(90)
TOTAL LAW AND JUSTICE	5,822	5,491	5,239	(252)



BUDGETED STAFFING SUMMARY

Department	2009-10 Final Budget	2010-11 Final Budget	2011-12 Adopted Budget	Change Between 2010-11 & 2011-12
OPERATIONS AND COMMUNITY SERVICES				
<u>GENERAL FUND</u>				
AGRICULTURE/WEIGHTS AND MEASURES	65	70	67	(3)
AIRPORTS	31	28	26	(2)
ARCHITECTURE AND ENGINEERING	24	15	16	1
COUNTY MUSEUM	55	44	32	(12)
FACILITIES MANAGEMENT	122	116	117	1
FACILITIES MANAGEMENT - UTILITIES	1	1	1	-
LAND USE SERVICES - ADMINISTRATION	8	21	24	3
LAND USE SERVICES - PLANNING	39	18	20	2
LAND USE SERVICES - BUILDING AND SAFETY	25	15	19	4
LAND USE SERVICES - CODE ENFORCEMENT	31	35	31	(4)
LAND USE SERVICES - FIRE HAZARD ABATEMENT	15	11	10	(1)
PUBLIC WORKS - SURVEYOR	41	35	35	-
REAL ESTATE SERVICES	20	22	23	1
REGIONAL PARKS	307	289	279	(10)
REGISTRAR OF VOTERS	35	28	28	-
SUBTOTAL GENERAL FUND	819	748	728	(20)
<u>OTHER FUNDS</u>				
COUNTY LIBRARY	461	324	280	(44)
COUNTY MUSEUM - MUSEUM STORE	4	3	1	(2)
PUBLIC WORKS - TRANSPORTATION - ROAD OPERATIONS	444	382	370	(12)
PUBLIC WORKS - SOLID WASTE MANAGEMENT - OPERATIONS	103	88	87	(1)
REGIONAL PARKS - CALICO GHOST TOWN MARKETING SVCS	2	2	2	-
REGIONAL PARKS - SNACK BARS	3	2	1	(1)
REGIONAL PARKS - ACTIVE OUTDOORS	7	8	5	(3)
SUBTOTAL OTHER FUNDS	1,024	809	746	(63)
TOTAL OPERATIONS AND COMMUNITY SERVICES	1,843	1,557	1,474	(83)
TOTAL COUNTY DEPARTMENTS - GENERAL FUND	13,811	13,470	12,968	(502)
TOTAL COUNTY DEPARTMENTS - OTHER FUNDS	5,864	5,790	5,663	(127)
COUNTY DEPARTMENTS GRAND TOTAL	19,675	19,260	18,631	(629)



CAPITAL IMPROVEMENT PROGRAM

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

The capital project funds listed in the appropriation summary schedules in this County Budget Summary and presented in the schedule below represent those managed by the Architecture and Engineering Department and accounted for in the following funds: CJP, CJV, CMV and CJY. These schedules do not include operating transfers out.

Capital Project Funds

	Nbr of Projects	Discretionary General Funding	Other Discretionary Funding	Restricted Funding	Total
<u>New Projects</u>					
Fund CJP					
Contributions to Other Agencies	0	0	0	0	0
Contributions to Non-Owned Projects	0	0	0	0	0
Improvements to Land	8	2,922,019	4,985,000	396,981	8,304,000
Structures and Improvements	46	57,999,912	24,825,269		82,825,181
Transfers	1	400,000	0	0	400,000
<i>Total CJP New Projects</i>	<u>55</u>	<u>61,321,931</u>	<u>29,810,269</u>	<u>396,981</u>	<u>91,529,181</u>
Fund CJV					
Structures and Improvements	1	300,000			300,000
<i>Total CJV New Projects</i>	<u>1</u>	<u>300,000</u>	<u>0</u>	<u>0</u>	<u>300,000</u>
<i>Total New Projects</i>	<u>56</u>	<u>61,621,931</u>	<u>29,810,269</u>	<u>396,981</u>	<u>91,829,181</u>
<u>Carryover Projects</u>					
Fund CJP					
Contributions to Other Agencies	4	402,500	5,166,646	0	5,569,146
Contributions to Non-Owned Projects	4	0	0	91,810	91,810
Improvements to Land	7	3,080,944	0	1,110,682	4,191,626
Structures and Improvements	62	13,046,296	3,186,682	2,909,039	19,142,017
Transfers	2	181,451	10,000		191,451
<i>Total CJP Carryover Projects</i>	<u>79</u>	<u>16,711,191</u>	<u>8,363,328</u>	<u>4,111,531</u>	<u>29,186,050</u>
Fund CJV					
Contributions to Other Agencies	2	0	0	85,677	85,677
Contributions to Non-Owned Projects	0	0	0	0	0
Improvements to Land	6	572,167	204,045	0	776,212
Structures and Improvements	34	28,708,649	1,417,008	89,360,815	119,486,472
<i>Total CJV Carryover Projects</i>	<u>42</u>	<u>29,280,816</u>	<u>1,621,053</u>	<u>89,446,492</u>	<u>120,348,361</u>
Fund CMV					
Structures and Improvements	1	272,171	0	0	272,171
<i>Total CMV Carryover Projects</i>	<u>1</u>	<u>272,171</u>	<u>0</u>	<u>0</u>	<u>272,171</u>
Fund CJY					
Contributions to Non-Owned Projects	1	900,000			900,000
<i>Total CJY Carryover Projects</i>	<u>1</u>	<u>900,000</u>	<u>0</u>	<u>0</u>	<u>900,000</u>
<i>Total Carryover Projects</i>	<u>123</u>	<u>47,164,178</u>	<u>9,984,381</u>	<u>93,558,023</u>	<u>150,706,582</u>
Total Capital Project Funds	179	108,786,109	39,794,650	93,955,004	242,535,763



In the 2011-12 Adopted Budget, \$91,529,181 in new projects are funded, primarily using county discretionary general funding. Major projects include directing the annual allocation of \$24.0 million for future space needs to fund an 800 MHz digital radio system replacement; \$20.2 million in new discretionary general funding and the redirection of funding of \$9.8 million from existing projects to fund a \$30.0 million Downtown Building Project to acquire existing buildings, seismically retrofit and modernize certain existing buildings and demolish older facilities; and \$2.1 million to fund improvements to the dam and Horseshoe Lake at Lake Mojave Regional Park. In addition, the base budget for CIP includes funding of \$3.7 million to repair and/or replace roofs at the West Valley, Glen Helen, and Adelanto Detention Centers, General Services Building, Sheriff's Headquarters and Civic Center Buildings in San Bernardino; \$2.3 million for site infrastructure and paving projects at various sites; \$2.3 million for building system improvements such as generator replacements, elevator modernization and boiler replacements; and \$1.7 million for Heating, Ventilation and Air Conditioning improvements at General Services Building, Sheriff's Headquarters and Adelanto Detention Center.

Projects approved in prior years but not yet completed total an additional \$150,706,582. The major carryover projects are the expansion of the Adelanto Detention Center, new county office building in Joshua Tree, remodel of an existing building for Behavioral Health's Transitional Age Youth Center in San Bernardino, and the construction of the Baker Family Learning Center, a multi-use facility for Preschool Services and the County Library in Muscoy.

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. Additionally, there are three enterprise funds, which are part of the Arrowhead Regional Medical Center (ARMC), that are used for capital projects of ARMC.

For a complete listing of capital improvement program highlights in all funds, please refer to the Capital Improvement Program section of the 2011-12 Adopted Budget, pages 641-685.



DISCRETIONARY GENERAL FUNDING

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

- Departmental revenue includes fees, service charges, and state and federal support for programs such as welfare, health care, and behavioral health.
- Proposition 172 revenue is a permanent extension of a half-cent Local Public Safety Sales Tax approved by California voters on November 2, 1993. Proceeds of this sales tax must be dedicated to public safety. Proposition 172 revenue is restricted and is used solely for funding the Sheriff/Coroner/Public Administrator, District Attorney, and Probation departments.
- Realignment revenue provides health and welfare funding. In 1991-92, the state approved the Health and Welfare Realignment Program that involves a shift of program responsibilities from the state to the county. This shift is funded through a corresponding shift of dedicated sales tax and vehicle license fee revenue. Realignment revenue is also restricted and used in funding mental health, social services and health programs within the county.
- 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 such as property tax. Other revenue sources in this category include: sales and other taxes, net interest earnings, County Wide Cost Allocation Plan (COWCAP) revenue, property tax administration revenue, recording fee revenue, other state and federal aid, and other revenue. Additionally, the general fund's unassigned fund balance, use of reserves, and operating transfers in, are other funding sources that can be contributed to general fund departments in the same manner as countywide discretionary revenue.

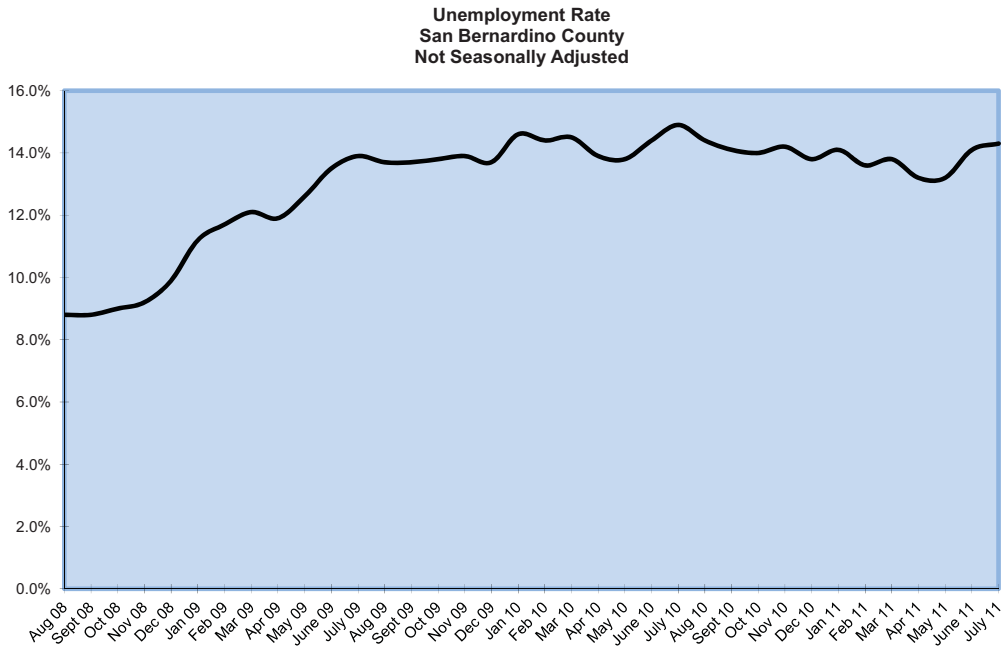
The balance of departmental costs not funded by departmental revenue, Proposition 172 revenue, and/or Realignment revenue is considered net county cost or discretionary general funding. Net county cost is funded by countywide discretionary revenue, which is primarily property related revenue such as property tax.

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

The following sections provide details of the economic indicators that are factored into the County's strategic plan and how these indicators affect the discretionary general funding comprised of Proposition 172 revenue, Realignment revenue, and countywide discretionary revenue. Furthermore, detailed information is included on the contributions and uses of county general fund contingencies and reserves for 2010-11 and the approved contributions and uses of general fund contingencies and reserves for 2011-12.

ECONOMIC INDICATORS

Residents within the County have been significantly impacted by current economic conditions within the county, the region and the state. The chart below illustrates the County’s unemployment rate from August 2008 through July 2011. The County’s (preliminary) unemployment rate for August 2011 is 13.6%. During August 2011, the unemployment rates for the state and the United States of America were 11.9% and 9.1%, respectively.



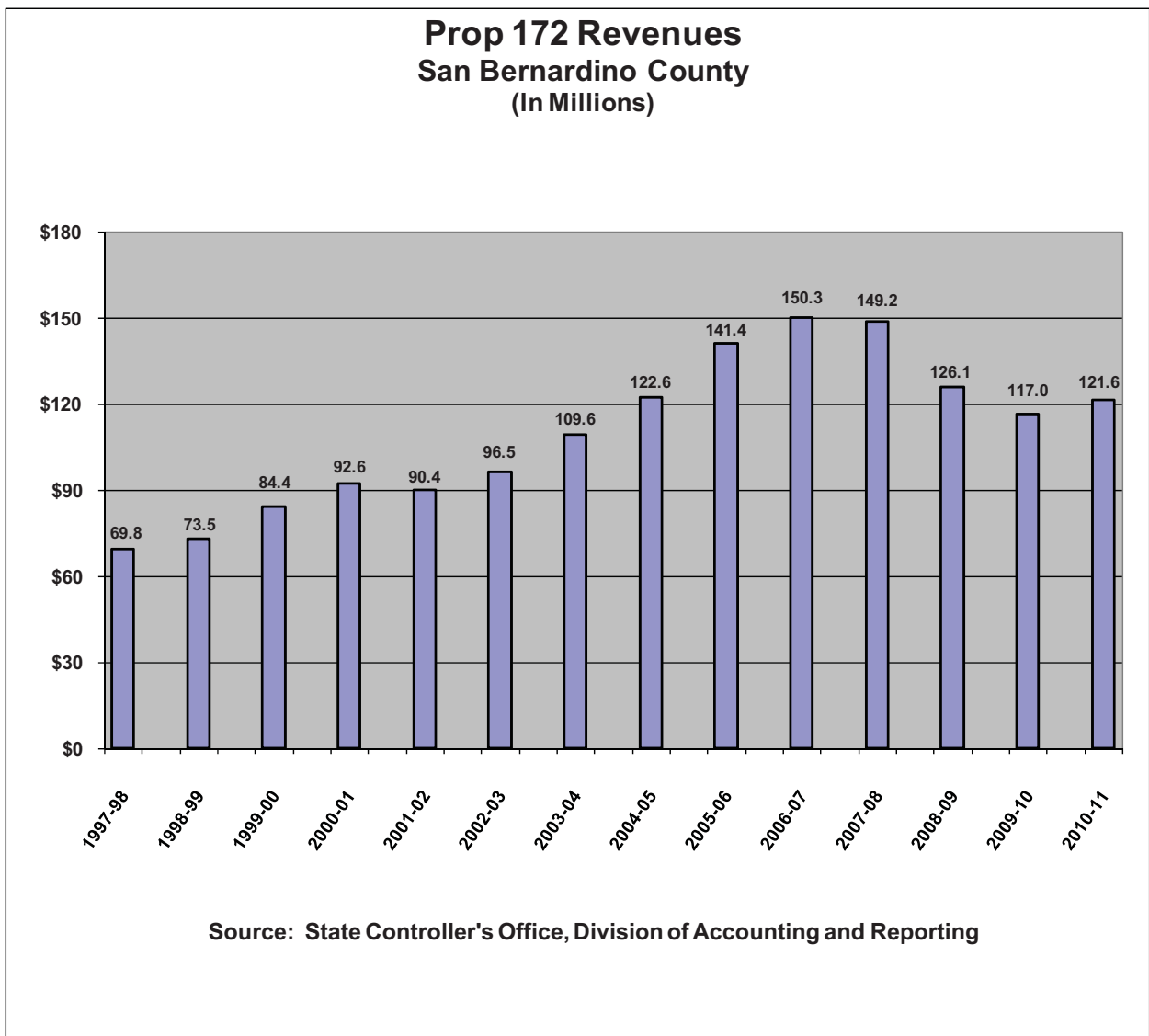
The significant decline in the housing market, which has affected jobs in sectors such as construction, construction-related manufacturing, retail, consumer services, escrow, title and real estate, has contributed to local unemployment.



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, since 1997-98.



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

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

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

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

The chart below illustrates the beginning and estimated ending fund balances of the Prop 172 restricted general fund, budgeted revenue and departmental usage for 2011-12, the required 10% contingency target, and the amount in excess of that target for each of the departments. The chart also reflects \$5.5 million allocated from the Prop 172 restricted fund. This allocation is to be used as a bridge to maintain affected staff in Law and Justice and work schedule reduction departments until completion of labor negotiations, mediation, or arbitration and/or to mitigate impacts of AB109 Realignment as approved by the Board of Supervisors as part of the 2011-12 county budget adoption.

	Beginning Fund Balance	2011-12 Budgeted Revenue	2011-12 Budgeted Departmental Usage	Estimated Ending Fund Balance	10% Contingency	Amount in Excess of Required Contingency	Amount Allocated for Budget Gap	Amount Available
Sheriff	13,486,950	84,150,000	(84,000,000)	13,636,950	8,415,000	5,221,950		
District Attorney	4,739,974	21,060,000	(21,000,000)	4,799,974	2,106,000	2,693,974		
Probation	4,544,933	15,060,000	(15,000,000)	4,604,933	1,506,000	3,098,933		
Total	22,771,857	120,270,000	(120,000,000)	23,041,857	12,027,000	11,014,857	5,500,000	5,514,857



REALIGNMENT

In 1991, the state shifted responsibility for a number of mental health, social services, and health programs to counties. This shift, known as 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 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 Realignment revenues.

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.

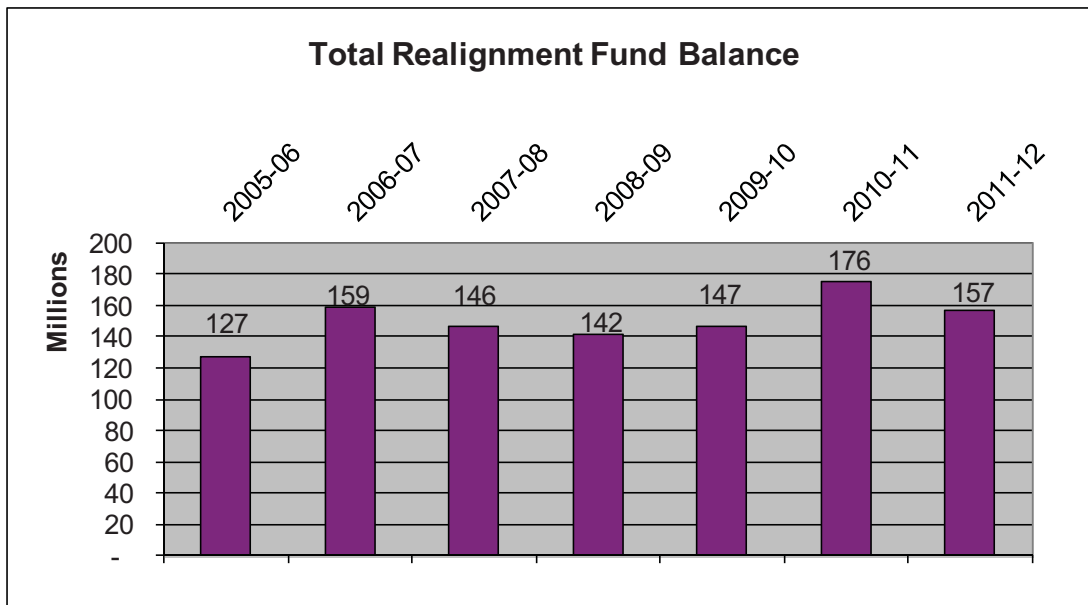
In addition to these program responsibility shifts, a number of programs had changes made to their cost sharing ratios. For example, prior to Realignment, Foster Care costs were funded by 95% state resources and 5% county resources. Now Foster Care is funded by 40% state resources and 60% county resources,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

The Realignment program has some flaws in its design that adversely impact County of San Bernardino revenues. First, San Bernardino County is an “under equity county,” meaning that the county receives a lesser share of revenue relative to other counties based on population and estimated poverty population. Revenue distributions among counties were determined by expenditures in the programs that were transferred just prior to the adoption of Realignment. San Bernardino County was under equity in those programs. 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, that incremental new funding is distributed on existing sharing arrangements between the counties. The counties that are already over equity get a higher percentage of the new revenue while those that are under equity get less.

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

Budgetary Note: Financial information presented in this Realignment budget section is consistent with state reporting requirements for the 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’s accounting system, an adjustment will be made to show the correct revenues in accordance with the county’s accrual procedures. This is a revenue timing issue only as a result of delays by the state in distributing sales tax growth revenue.

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



During 2006-07, significant savings occurred due to less than required realignment support for the ARMC debt service and the availability of ARMC construction litigation monies used to fund budgeted ARMC projects. This savings resulted in an increase of \$32 million in fund balance.

During 2007-08 an unanticipated increase in departmental usage for Behavioral Health, resulting from un-reimbursed Medi-Cal and Title XIX EPSDT claims, coupled with sales tax and vehicle license fee revenue base short falls, resulted in a decrease of \$13 million in fund balance.

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

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

During 2010-11, fund balance increased substantially as a result of ARMC using significantly less realignment than budgeted due to greater than expected revenues.



For 2011-12, revenues are budgeted at 2010-11 levels, with minimal growth for social services realignment only. Going forward, both Health and Social Services are projected to draw down balances as the down economy continues to be a drag on revenues while also contributing to higher service demand.

Budget History for All Realignment Budget Units				
	ACTUAL 2009-10	FINAL 2010-11	ACTUAL 2010-11	ADOPTED 2011-12
Beginning Fund Balance	141,677,297	147,047,736	147,047,736	175,734,148
Revenue	178,012,038	177,546,346	178,187,486	179,051,146
Departmental Usage	172,641,599	151,907,701	149,501,074	197,904,540
Ending Fund Balance	147,047,736	172,686,381	175,734,148	156,880,754
Change in Fund Balance	5,370,439	25,638,645	28,686,412	(18,853,394)

Departmental usage of \$197.9 million exceeds the revenue projection of \$179.1 million, resulting in a net usage of \$18.9 million in total fund balance. Expenditure levels, budgeted based on previous requirements with adjustments for recent program changes, continue to be monitored closely, with specific measures being developed to reduce overall departmental usage until such time as revenue growth is realized and fund balance is restored.

SUMMARY OF REALIGNMENT BUDGET UNITS FOR 2011-12				
	Mental Health	Social Services	Health	Total
Estimated Beginning Fund Balance	22,520,106	76,671,869	76,542,173	175,734,148
Budgeted Revenue	50,574,115	76,524,684	51,952,347	179,051,146
Budgeted Departmental Usage	48,409,069	90,633,560	58,861,911	197,904,540
Budgeted 10% Transfers	-	-	-	-
Estimated Ending Fund Balance	24,685,152	62,562,993	69,632,609	156,880,754
Estimated Change in Fund Balance	2,165,046	(14,108,876)	(6,909,564)	(18,853,394)
Estimated Ending Fund Balance	24,685,152	62,562,993	69,632,609	156,880,754
10% Contingency Target	5,057,412	7,652,468	5,195,235	17,905,115
Available Ending Fund Balance	19,627,740	54,910,525	64,437,374	138,975,639

The 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.

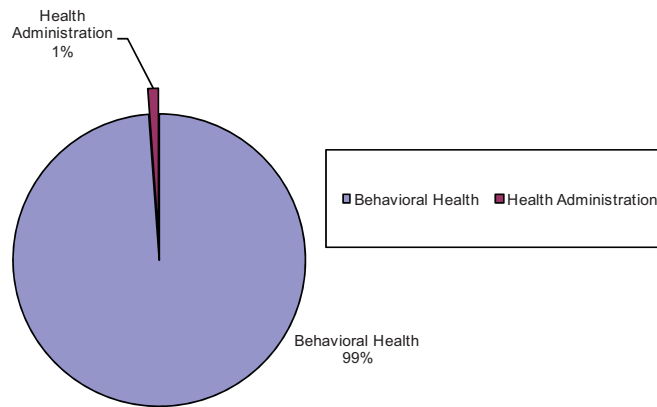
The Realignment legislation does allow for some flexibility in usage of funds at the county level. Upon action by the Board of Supervisors, a county can transfer 10% of a given year's revenue from one fund to another. San Bernardino County has used the provision in past years to help support either the health or social services programs. The county did not do a 10% transfer in the prior three fiscal years and is not budgeting one for 2011-12. 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 Realignment funds are on the following pages.

Mental Health				
	ACTUAL 2009-10	FINAL 2010-11	ACTUAL 2010-11	ADOPTED 2011-12
Beginning Fund Balance	13,940,284	14,484,739	14,484,739	22,520,106
Revenue	50,730,059	50,574,115	50,574,115	50,574,115
Departmental Usage	50,185,604	45,603,576	42,538,748	48,409,069
10% Transfers	-	-	-	-
Ending Fund Balance	14,484,739	19,455,278	22,520,106	24,685,152
Change in Fund Balance	544,455	4,970,539	8,035,367	2,165,046

For 2011-12, the Mental Health fund is budgeted to increase \$2.2 million in fund balance. The Department of Behavioral Health’s ongoing efforts to bring Realignment usage in line with anticipated revenues is reflected in departmental usage budgeted level with prior year’s usage despite many programmatic cuts at the State level.

Breakdown of Departmental Usage of Mental Health Realignment				
	ACTUAL 2009-10	FINAL 2010-11	ACTUAL 2010-11	ADOPTED 2011-12
Behavioral Health	49,854,951	45,207,786	42,142,958	47,842,753
Health Administration	330,653	395,790	395,790	566,316
Total Departmental Usage	50,185,604	45,603,576	42,538,748	48,409,069



Social Services

	ACTUAL 2009-10	FINAL 2010-11	ACTUAL 2010-11	ADOPTED 2011-12
Beginning Fund Balance	88,997,940	91,717,963	91,717,963	76,671,869
Revenue	75,043,932	75,019,884	75,661,024	76,524,684
Departmental Usage	72,323,909	89,969,699	90,707,118	90,633,560
10% Transfers	-	-	-	-
Ending Fund Balance	91,717,963	76,768,148	76,671,869	62,562,993
Change in Fund Balance	2,720,023	(14,949,815)	(15,046,094)	(14,108,876)

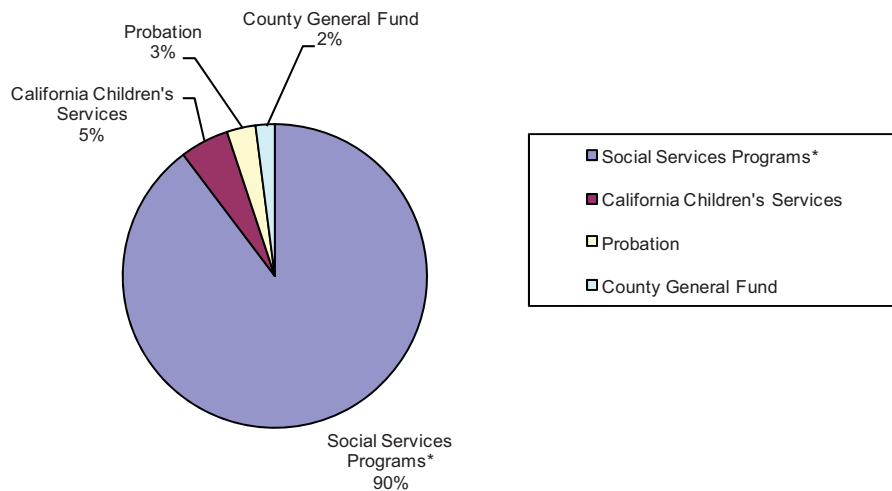
Social Services realignment revenue is composed primarily of sales tax. The split is currently 96% sales tax and 4% vehicle license fees.

For 2011-12, budgeted expense and ongoing revenue are expected to result in usage of fund balance of \$14.1 million. In addition, budgeted departmental usage for 2011-12 continues to outpace revenues, and as such, will be monitored closely to ensure that fund balance is maintained at adequate levels. Recent program changes include the elimination of State funding to counties for the AB 3632 Seriously Emotionally Disturbed program which is shifting the responsibility to schools and the caseload growth for Foster Care measured at a 15% increase in costs for the program.

Breakdown of Departmental Usage of Social Services Realignment

	ACTUAL 2009-10	FINAL 2010-11	ACTUAL 2010-11	ADOPTED 2011-12
Social Services Programs*	64,903,794	82,745,016	82,864,756	81,555,838
California Children's Services	2,920,485	2,725,053	3,342,732	4,578,092
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	72,323,909	89,969,699	90,707,118	90,633,560

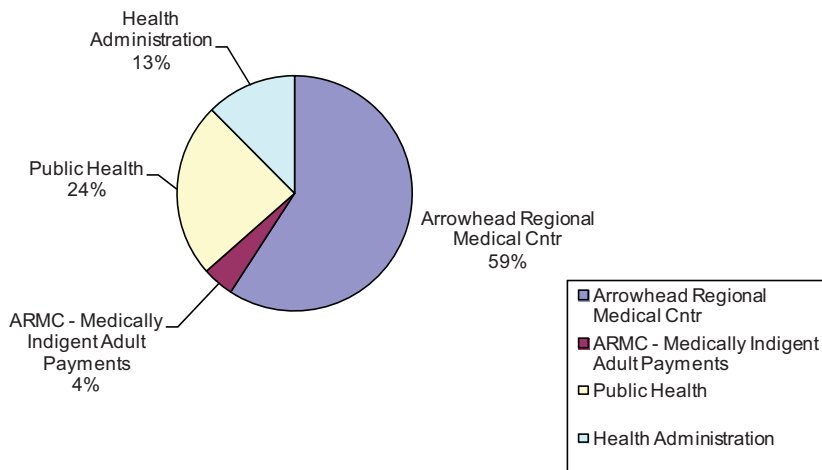
* Soc. Svcs. Programs include: IHSS, Foster Care, Seriously Emotionally Disturbed, Administrative Claim Matches, and Health Administration Support



Health				
	ACTUAL 2009-10	FINAL 2010-11	ACTUAL 2010-11	ADOPTED 2011-12
Beginning Fund Balance	38,739,073	40,845,034	40,845,034	76,542,173
Revenue	52,238,047	51,952,347	51,952,347	51,952,347
Departmental Usage	50,132,086	16,334,426	16,255,208	58,861,911
10% Transfers	-	-	-	-
Ending Fund Balance	40,845,034	76,462,955	76,542,173	69,632,609
Change in Fund Balance	2,105,961	35,617,921	35,697,139	(6,909,564)

For 2011-12, the Health fund is budgeted to spend \$6.9 million of fund balance. Revenue is budgeted at 2010-11 revenue levels, with no anticipated growth or shortfalls in both sales tax and vehicle license fee revenues. While departmental usage is maintained at originally 2010-11 adopted budget levels with an adjustment for elimination of ARMC one-time costs, it continues to outpace revenues. As such, health related expenditures will be monitored closely to ensure that fund balance is maintained at adequate levels.

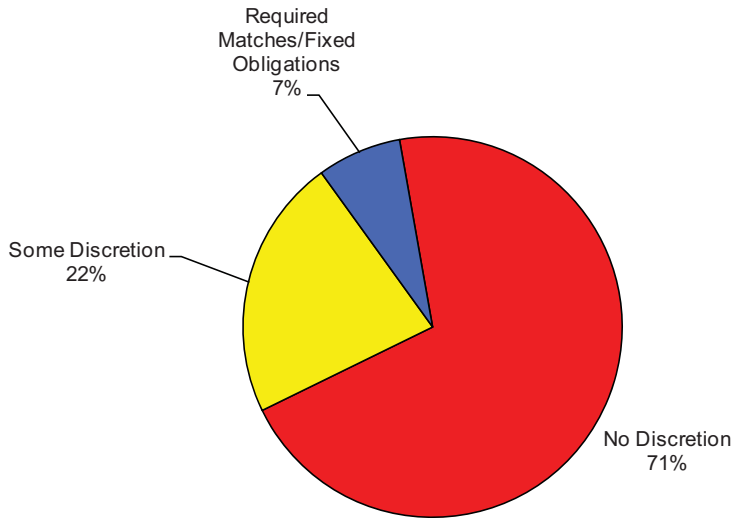
Breakdown of Departmental Usage of Health Realignment				
	ACTUAL 2009-10	FINAL 2010-11	ACTUAL 2010-11	ADOPTED 2011-12
Arrowhead Regional Medical Cntr	37,330,010	-	-	34,820,000
ARMC - Medically Indigent Adult Payments	2,550,000	974,630	974,630	2,550,000
Public Health	5,162,105	10,050,028	9,970,809	14,164,292
Health Administration	5,089,971	5,309,768	5,309,769	7,327,619
Total Departmental Usage	50,132,086	16,334,426	16,255,208	58,861,911



COUNTYWIDE DISCRETIONARY REVENUE

The entire general fund budget including operating transfers in is \$2.4 billion, however, only \$0.5 billion is truly discretionary as seen in this pie chart.

**2011-12 Adopted Budget
General Fund Spending**

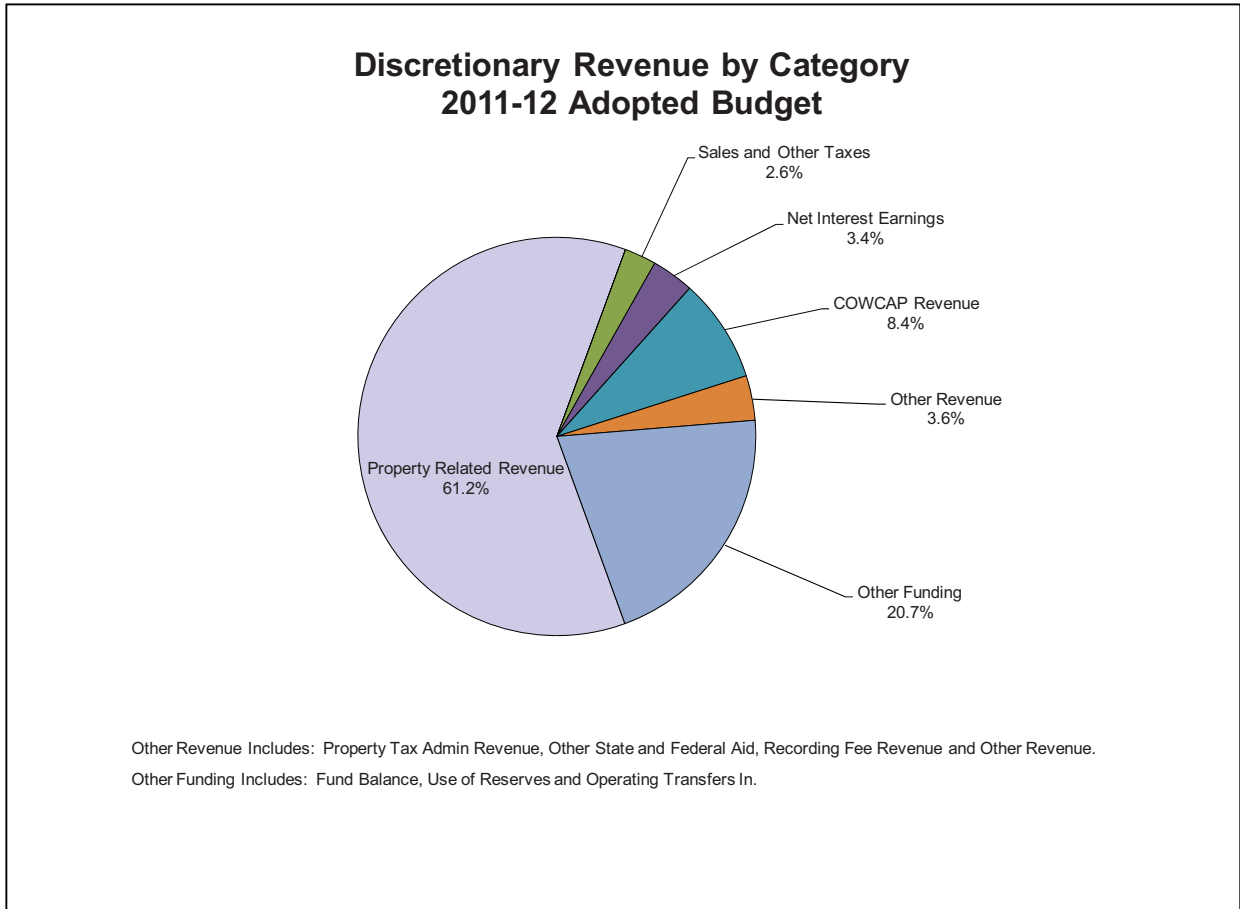


SPENDING WHERE THERE IS NO DISCRETION. INCLUDES:	1,661,440,202
Welfare costs reimbursed by state and federal monies (\$895.6 million)	
Other program costs funded by program revenues such as user fees (\$765.8 million)	
REQUIRED HEALTH AND WELFARE MATCHES AND OTHER FIXED OBLIGATIONS:	168,766,956
SPENDING WHERE THERE IS DISCRETION. INCLUDES:	525,375,591
Reserve Contributions (\$20.0 million)	
Contingencies Contributions (\$19.7 million)	
Law and justice program costs funded by local revenues (\$311.0 million)	
All other program costs funded by local revenues (\$174.8 million)	
TOTAL:	\$2,355,582,749

Total countywide discretionary revenue and other funding sources is \$694,142,547 and is first obligated to pay for the required health and welfare matches and other fixed obligations, which total \$168,766,956. The remaining amount of \$525,375,591 is available to fund departmental budgets' net county cost or other expenditures.



Shown below are the sources of countywide discretionary revenue and other funding sources totaling \$694,142,547 included in the 2011-12 Adopted Budget:



Percentages may not add to 100% due to rounding.



**COUNTYWIDE DISCRETIONARY REVENUE
WHICH PAYS FOR NET COUNTY COST**

	2010-11 Adopted Budget	2010-11 Final Budget	2010-11 Actual	2011-12 Adopted Budget
Countywide Discretionary Revenue				
Property Related Revenue:				
Current Secured, Unsecured, Unitary	203,210,172	200,821,980	200,988,082	201,890,667
VLF/Property Tax Swap	197,988,401	202,506,020	202,506,021	202,506,520
Supplemental Property Tax	4,000,000	3,297,843	3,297,843	4,000,000
Property Transfer Tax	5,400,000	5,844,456	5,844,456	5,400,000
Sales Tax/Property Tax Swap	4,086,219	4,322,164	4,322,164	4,356,763
Penalty on Current Taxes	2,570,000	2,868,433	2,868,433	2,470,000
Prior Property Taxes, Penalties and Interest	4,350,000	3,543,628	3,425,586	4,000,000
Total Property Related Revenue	421,604,792	423,204,524	423,252,585	424,623,950
Sales and Other Taxes:				
Sales and Use Tax	9,540,620	10,202,936	10,202,936	10,437,472
Franchise Fees	7,031,651	5,711,722	5,711,721	5,474,044
Hotel/Motel Tax	1,400,000	1,433,790	1,433,790	1,200,000
Other Taxes	790,000	827,119	826,658	790,000
Total Sales and Other Taxes	18,762,271	18,175,567	18,175,104	17,901,516
Net Interest Earnings	28,544,920	30,762,142	28,464,701	23,887,241
COWCAP Revenue	27,000,022	26,951,983	26,951,983	58,564,924
Property Tax Admin Revenue	12,841,067	14,264,083	14,264,083	13,888,257
Recording Fee Revenue	3,800,000	3,408,904	3,408,904	3,400,000
State and Federal Aid	4,757,395	4,919,547	4,919,547	4,883,223
Other Revenue	2,430,000	8,766,750	9,836,970	3,030,000
Total Countywide Discretionary Revenue	519,740,467	530,453,500	529,273,877	550,179,111
Other Funding Sources				
Fund Balance, beginning	51,474,803	51,474,803	51,474,803	69,913,117
Use of Reserves	63,454,032	71,358,344	70,716,861	4,864,427
Operating Transfers In (One-Time)	499,515	4,818,770	4,318,026	44,346,012
Operating Transfers In (Ongoing)	21,988,281	21,488,281	21,989,025	24,839,880
Total Other Funding Sources	137,416,631	149,140,198	148,498,715	143,963,436
Total Countywide Discretionary Revenue and Other Funding Sources	657,157,098	679,593,698	677,772,592	694,142,547
Locally Funded Appropriation				
Total Countywide Discretionary Revenue	519,740,467	530,453,500	529,273,877	550,179,111
Operating Transfers In (Ongoing)	21,988,281	21,488,281	21,989,025	24,839,880
Locally Funded Appropriation	541,728,748	551,941,781	551,262,902	575,018,991

The 2011-12 countywide discretionary revenue and other funding sources of \$694,142,547 includes Countywide Discretionary Revenue of \$550.2 million and Other Funding Sources of \$144.0 million.

Locally funded appropriation is appropriation funded with Countywide Discretionary Revenue plus the ongoing portion of Operating Transfers In. Per revised County Policy approved by the Board on June 28, 2011, the General Purpose Reserve is now targeted at 20% of locally funded appropriation, up from the previous 10% target. The revised policy states that this reserve will be built up with one-time sources until the established target is achieved. For fiscal year 2011-12, the approved contribution to the General Purpose Reserve is \$5,501,791 which brings this reserve to \$65,235,408, or 11.3% of locally funded appropriation. In addition, existing county policy mandates an appropriated contingency of 1.5% of locally funded appropriation, which is funded in 2011-12 at \$8,625,285.

The County increased the target for the General Purpose Reserve first based on the Government Finance Officers Association (GFOA) definition of a prudent reserve as two months of operating expenses. This is equivalent to 17%. The extra 3% was added to recognize that countywide discretionary revenue is no longer diversified (consists primarily of property taxes), and in recognition of the size of the structural deficits the County had to overcome in this economic downturn, which were in excess of \$80 million for the past two fiscal years, and \$47.2 million in the 2011-12 fiscal year.



COUNTYWIDE DISCRETIONARY REVENUE

Property Related Revenue

Property Related Revenue accounts for over 61% of countywide discretionary revenue and other funding sources. These revenues have been severely impacted as a result of the mortgage crisis, which has had a significant effect on the housing market within the County. For the third consecutive year, the County had a decrease in the assessed valuation of properties within the County. The decrease for 2011-12 of 0.87% compares to an assessed valuation decline of 6.17% in 2009-10 and a decline of 4.55% in 2010-11.

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.

Although assessed valuations have continued to decline, there are indications that the housing market is stabilizing. The median price of a home had remained at or above \$150,000 for the nineteen months ending March 2011, and then dipped slightly to \$147,500 in April 2011. In addition, for calendar year 2010, Notices of Default were down 37.3% as compared to 2009.

The Teeter Plan

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

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

As a participant in the Teeter Plan, the county general fund receives the entire share of its Teeter Secured Levy, regardless of delinquencies. The county general fund also receives all participating agencies share of the penalties and interest associated with the delinquent taxes advanced under the Teeter Plan once they are paid. These interest and penalties are included in net interest earnings in countywide discretionary revenue.

The actual annual advance of the amount of delinquent taxes under the Teeter Plan for 2010-11 declined from previous years. This is due to a decreasing delinquency rate and the decline in the assessed value of properties within the County. As a result, penalties and interest from the Teeter Plan to be collected in 2011-12 are also projected to decline.



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

Current Secured, Unsecured, Unitary

Secured Property Tax Revenue makes up \$179.0 million of the \$201.9 million in the 2011-12 "Current Secured, Unsecured, Unitary" budgeted revenue number, up from \$177.7 million in the 2010-11 Final Budget number. Secured property tax revenue for 2011-12 was projected using an assessed valuation decline of 0.5%. However, after taking into account downward corrections to 2010-11 assessed valuations (and billings) after publication of the 2010-11 Assessment Roll, the 2011-12 secured roll is up slightly up from 2010-11 corrected secured roll.

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 revenue (VLF/Property Tax Swap revenues). This increase was funded by decreases in property tax revenue 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 2011-12 budget for VLF/Property Tax Swap revenue did not take into account the 0.5% projected decline in assessed valuation since it was anticipated that the assessment roll published in July 2011 for the 2011-12 fiscal year would be flat to the roll published in the prior year, and that the 0.5% decline would be as a result of roll corrections to the published roll. VLF/Property Tax Swap revenue is not affected by roll corrections.

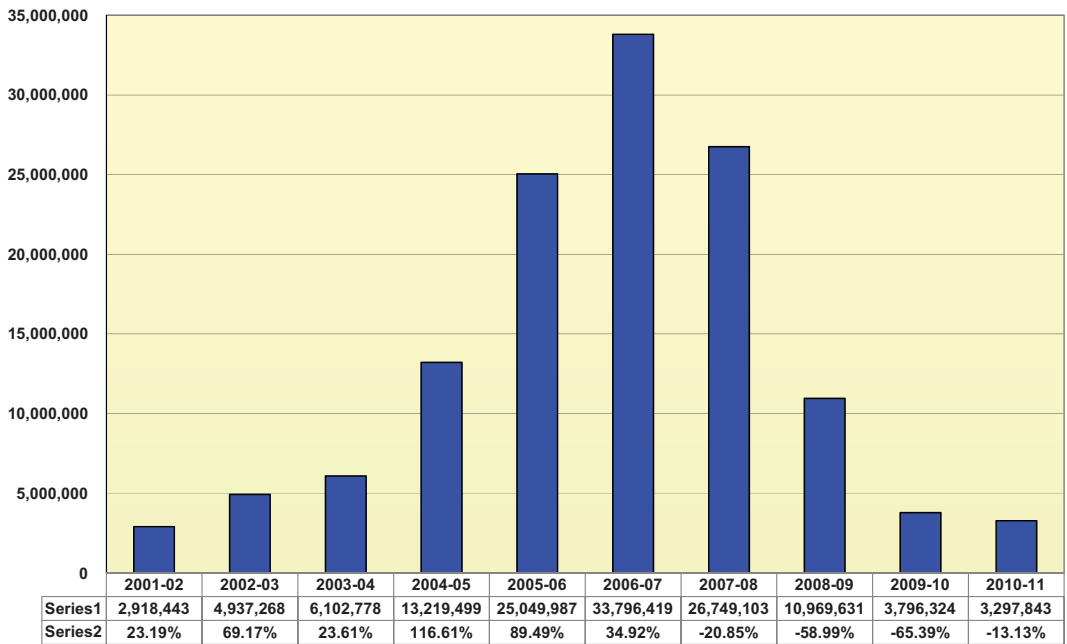
Supplemental Property Tax

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 values are decreasing and home sales are high, refunds may be due to homeowners, and supplemental property tax revenue 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.

In years prior to 2007-08, the county experienced a dramatic rise in supplemental property tax revenue due to the large volume of home sales and significant increases in home prices. However, given their dependence on a soaring housing market, the county budgeted these revenues conservatively since the spikes that began in 2004-05 were not sustainable over the long term.



**SUPPLEMENTAL PROPERTY TAXES
TEN YEAR TREND
Total Dollars and Percent Change**

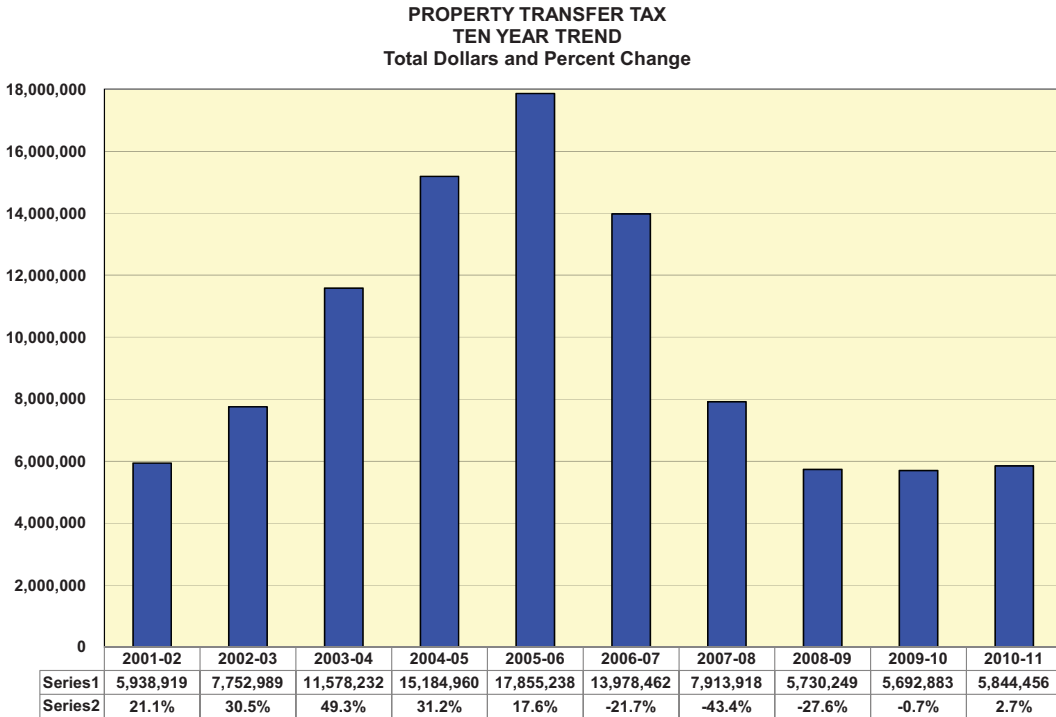


As discussed above, when homes sell at prices lower than the current assessed value reflected on the property tax bill, a refund may be due to the taxpayer. Because many homes have been selling at prices lower than their current assessed values, resulting in the payment of refunds, and because the number of home sales has declined after the expiration of the Federal tax credit, the county estimates only \$4.0 million in supplemental property tax revenues in 2011-12.



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. Given the stability in the median price of a home, but taking into account continued decreases in sales, the County anticipates that property transfer tax will decline slightly in 2011-12 to \$5.4 million. The following chart presents the most recent ten year trend of property transfer tax revenue.



Sales Tax/Property Tax Swap

Effective with the fiscal year that began on July 1, 2004, the state changed the way sales tax revenue is distributed to counties and cities. Previously, counties and cities received 1% of the state’s base sales tax rate, which is currently 7.25%. Pursuant to new provisions enacted by the legislature, this 1% share of sales tax was reduced by 0.25%, to 0.75%. The additional 0.25% in sales tax revenue was redirected to the state to be used to fund debt service on the California Economic Recovery Bonds, which were approved by voters as Proposition 57. In return, counties and cities receive additional property tax revenue in an amount equal to the 0.25% sales tax revenues forgone, funded by reducing the schools share of property tax revenue. The state general fund then makes up the loss of property tax revenue to the schools. This change is referred to as the ‘Triple Flip’. This Triple Flip will continue until the California Economic Recovery Bonds are paid.

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



Sales and Other Taxes

Sales and Use Tax

Countywide discretionary revenue includes 0.75% of the county's 7.75% sales tax rate charged on purchases made in the unincorporated areas of the county.

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 2011-12, sales tax revenue is anticipated to increase slightly from 2010-11 actual receipts. Projected total sales tax revenues generated in the unincorporated area is projected to total \$13.1 million (after adjusting for the Triple Flip) in 2011-12. However, the county will only keep an estimated \$10.4 million of this revenue as a result of a sales tax sharing agreement with the City of Redlands that is described below.

Sales Tax Sharing Agreement with the City of Redlands

In August of 2003, the county entered into a sales tax sharing agreement with the City of Redlands. Under the terms of this agreement, the City of Redlands provides government services to an unincorporated area of the County, and in return the County pays the city a percentage of the sales tax revenue generated in that geographical area. This geographical area has and continues to add 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's discretionary sales tax revenue generated in this area.

Potential Annexations and Incorporations

Based on recent estimates, and adjusted for recent annexations, approximately 40% 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).

Net Interest Earnings

Net Interest Earnings for 2011-12 are projected at \$23.9 million. This is \$4.6 million lower than 2010-11 actual revenue. The decrease is due primarily to \$3.6 million of one-time interest revenue received in 2010-11. This \$3.6 million represents prior year interest revenue due to the general fund from other county funds. The 2011-12 reduction in interest revenue is also due to lower available investment rates and lower interest and penalties from the County's Teeter Plan. For more information see the section titled 'The Teeter Plan' earlier in this section.

COWCAP (County Wide Cost Allocation Plan) Revenue

COWCAP Revenue is reimbursement for overhead/indirect costs incurred by the general fund. Reimbursements are received from various state and federal grant programs (that permit such reimbursement) and fee supported general fund departments and taxing entities such as the County Library and Board-governed special districts. The budgeted COWCAP Revenue amount reflects the recovered allowable costs included in the 2011-12 County Wide Cost Allocation Plan (COWCAP) published by the Auditor-Controller/Treasurer/Tax Collector. The increase of \$31.6 million from the 2010-11 final budget reflects a change in business practice. First, all general fund departments will now be charged this expense, and not just those that are fee supported. This is to assist these departments in developing fees based on full cost of providing service, including county overhead. Secondly, the COWCAP billing will now include the space use component.



Property Tax Admin 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.

This revenue is projected to decrease by \$0.4 million from the 2010-11 final budget based on actual amounts received in 2010-11, adjusted to reflect lower expenditures in departments whose costs are used in calculating this fee.

Recording Fee Revenue

The Recorder's Division of the County's Assessor/Recorder/County Clerk's Office collects certain fees for the official recording of documents. Recording Fees are expected to remain flat as compared to the 2010-11 final budget.

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, and SB90 reimbursements from the state. 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 will generate approximately \$1.0 million in additional PILT revenue for those five years. The Board of Supervisors approved placing this additional \$1.0 million to the High Desert Fire Station Reserve.

Other Revenue

Other Revenue includes overhead charges recovered through city law enforcement contracts with the Sheriff/Coroner/Public Administrator, 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 2010-11 actual year-end fund balance for the general fund is \$69.9 million.

Use of Reserves

The 2011-12 budget anticipates the release of the remaining balance of the Business Process Improvement Reserve, in the amount of \$0.9 million, to be made available for use in 2011-12. Additionally, \$4.0 million from the capital project reserve will be utilized for the replacement of buildings that are beyond their useful life as part of the County Building Program totaling \$30.0 million approved in the 2011-12 Adopted Budget.

Operating Transfers In

Operating transfers in includes the following sources:

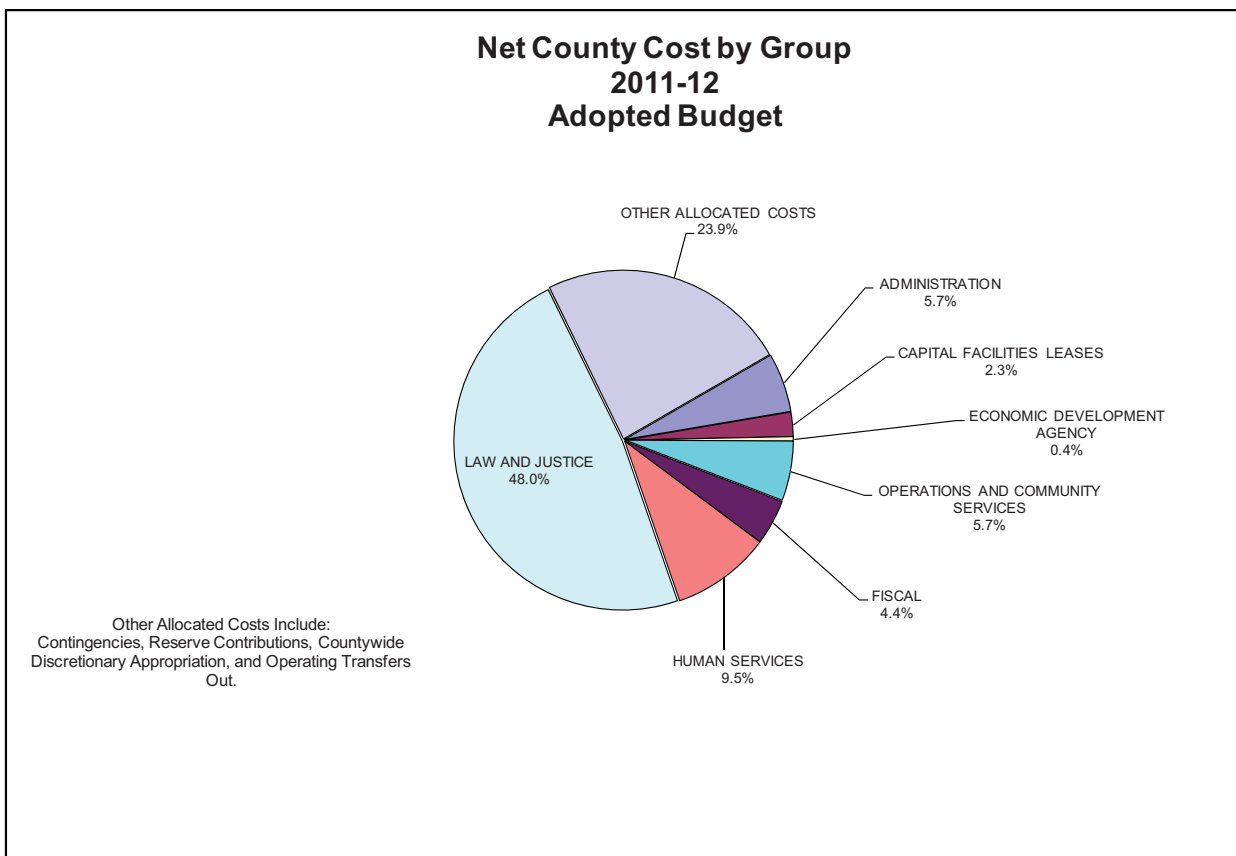
One-time sources

- \$16.5 million of Courthouse and Criminal Justice Construction funds related to reimbursement of prior year costs to be used to address long term needs.
- \$11.0 million of excess tax sale proceeds, and \$4.0 million of recording fees to be used for a new property tax system.
- \$5.5 million of excess Prop 172 stabilization funds as a bridge to maintain affected Law and Justice and work schedule reduction departments until completion of labor negotiations, mediation or arbitration and/or to mitigate impacts of AB 109 Realignment.
- \$4.5 million reimbursement from SANBAG for the Valley and Pepper Intersection project.

Ongoing sources

- \$17.0 million of 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.
- \$5.0 million of Courthouse and Criminal Justice Construction funds to pay for debt service on the Foothill Law and Justice Center.
- \$1.7 million of Community Development Block Grant funds to pay for general fund discretionary capital improvement program projects.
- \$1.1 million from Real Estate Services for rental income of county buildings.

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



Percentages may not add to 100% due to rounding.

The schedule on the following page shows a comparison of 2010-11 final net county cost and 2011-12 adopted net county cost by department. This schedule also includes appropriation and revenue, 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 appropriation and revenue. Operating transfers are excluded from the countywide appropriation and revenue summaries presented in the County Budget Summary section of the 2011-12 Adopted Budget Book, as their inclusion would overstate countywide appropriation and revenue on a consolidated basis.



Department Title	2010-11 Final Budget:			2011-12 Adopted Budget:			Change Between 2010-11 Final & 2011-12 Adopted:		
	Appropriation	Revenue	Net County Cost	Appropriation	Revenue	Net County Cost	Appropriation	Revenue	Net County Cost
BOARD OF SUPERVISORS (ALL DISTRICTS)	8,869,044	-	8,869,044	7,903,032	-	7,903,032	(966,012)	-	(966,012)
CLERK OF THE BOARD	2,013,815	338,155	1,675,660	1,776,092	383,750	1,392,342	(237,723)	48,595	(286,318)
COUNTY ADMINISTRATIVE OFFICE	5,796,162	-	5,796,162	4,075,332	-	4,075,332	(1,720,830)	-	(1,720,830)
COUNTY ADMINISTRATIVE OFFICE - LITIGATION	270,081	48,510	221,571	392,708	-	392,708	122,627	(48,510)	171,137
COUNTY COUNSEL	9,111,036	5,850,483	3,260,553	8,613,610	5,455,250	3,158,360	(497,426)	(395,233)	(102,193)
FINANCE AND ADMINISTRATION	-	-	-	2,272,535	-	2,272,535	2,272,535	-	2,272,535
HUMAN RESOURCES	5,005,730	278,392	4,727,338	4,720,452	312,700	4,407,752	(285,278)	34,308	(319,586)
HUMAN RESOURCES - UNEMPLOYMENT INSURANCE	4,010,028	-	4,010,028	4,000,500	-	4,000,500	(9,528)	-	(9,528)
HUMAN RESOURCES - EMPLOYEE HEALTH AND WELLNESS	437,707	953,156	(515,449)	1,034,048	1,034,048	-	596,341	80,892	515,449
INFORMATION SERVICES - APPLICATION DEVELOPMENT	14,865,831	7,582,884	7,302,947	14,780,223	7,579,518	7,200,705	(105,608)	(3,366)	(102,242)
PURCHASING	1,301,517	413,692	887,825	1,240,471	431,846	808,625	(61,046)	18,154	(79,200)
LOCAL AGENCY FORMATION COMMISSION	344,637	-	344,637	344,637	-	344,637	-	-	-
COUNTY SCHOOLS	2,897,138	-	2,897,138	3,286,324	-	3,286,324	389,186	-	389,186
ADMINISTRATION SUBTOTAL:	54,942,726	15,462,272	39,480,454	54,439,964	15,197,112	39,242,852	(502,762)	(265,160)	(237,602)
CAPITAL FACILITIES LEASES	54,640,359	38,000,000	16,640,359	16,258,391	-	16,258,391	(38,381,968)	(38,000,000)	(381,968)
CAPITAL FACILITIES LEASES SUBTOTAL:	54,640,359	38,000,000	16,640,359	16,258,391	-	16,258,391	(38,381,968)	(38,000,000)	(381,968)
ECONOMIC DEVELOPMENT	3,065,030	201,441	2,863,589	2,967,151	25,000	2,942,151	(97,879)	(176,441)	78,562
ECONOMIC DEVELOPMENT AGENCY SUBTOTAL:	3,065,030	201,441	2,863,589	2,967,151	25,000	2,942,151	(97,879)	(176,441)	78,562
ASSESSOR/RECORDER/COUNTY CLERK	17,909,126	3,470,815	14,438,311	19,964,359	5,348,400	14,615,959	2,055,233	1,877,585	177,648
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR	34,607,550	24,126,528	10,481,022	33,757,029	24,086,883	9,670,146	(850,521)	(39,645)	(810,876)
AUTOMATED SYSTEMS DEVELOPMENT	-	-	-	6,000,000	-	6,000,000	6,000,000	-	6,000,000
FISCAL SUBTOTAL:	52,516,676	27,597,343	24,919,333	59,721,388	29,435,283	30,286,105	7,204,712	1,837,940	5,366,772
HEALTH ADMINISTRATION	52,070,117	37,070,117	15,000,000	75,802,735	60,799,005	15,003,730	23,732,618	23,728,888	3,730
BEHAVIORAL HEALTH	116,439,381	114,447,170	1,992,211	129,238,880	127,246,669	1,992,211	12,798,499	12,799,499	-
PUBLIC HEALTH	63,169,063	59,432,420	3,736,643	69,696,516	65,949,624	3,746,892	6,527,453	6,517,204	10,249
PUBLIC HEALTH - CALIFORNIA CHILDREN'S SERVICES	15,433,361	11,472,950	3,960,411	18,668,538	14,290,446	4,378,092	3,435,177	2,817,496	617,681
PUBLIC HEALTH - INDIGENT AMBULANCE	472,501	-	472,501	472,501	-	472,501	-	-	-
AGING AND ADULT SERVICES	10,746,636	9,562,605	1,184,031	10,022,572	10,022,572	-	(724,064)	459,967	(1,184,031)
AGING AND ADULT SERVICES - PUBLIC GUARDIAN-CONSERVATOR	540,738	353,153	187,585	832,631	242,344	590,287	291,893	(110,809)	402,702
CHILD SUPPORT SERVICES	39,696,127	39,696,127	-	40,407,888	40,407,888	-	711,761	711,761	-
HUMAN SERVICES - ADMINISTRATION CLAIM	396,105,044	381,706,938	14,398,106	420,921,899	407,405,793	13,516,106	24,816,855	25,698,855	(882,000)
DOMESTIC VIOLENCE/CHILD ABUSE SERVICES	443,526	443,526	-	666,812	666,812	-	213,286	213,286	-
ENTITLEMENT PAYMENTS (CHILDCARE)	33,372,813	33,372,453	360	27,264,832	27,264,832	-	(6,107,981)	(6,107,621)	(360)
OUT-OF-HOME CHILD CARE	660,561	3,147	657,414	660,566	-	660,566	5	(3,147)	3,152
AID TO ADOPTIVE CHILDREN	46,780,825	45,180,381	1,600,444	49,968,138	48,038,618	1,949,520	3,207,313	2,858,237	349,076
AFDC - FOSTER CARE	95,010,332	82,341,130	12,669,202	102,784,212	90,722,104	12,062,108	7,773,880	8,380,974	(607,094)
REFUGEE CASH ASSISTANCE	46,993	45,313	1,680	57,738	57,738	-	10,745	12,425	(1,680)
CASH ASSISTANCE FOR IMMIGRANTS	1,087,121	1,087,666	(545)	1,297,984	1,297,984	-	210,863	210,318	545
CALWORKS - ALL OTHER FAMILIES	267,451,501	261,883,554	5,567,947	263,668,563	257,076,949	6,591,714	(3,782,938)	(4,806,705)	1,023,767
KINSHIP GUARDIANSHIP ASSISTANCE PROGRAM	5,818,578	4,621,077	1,197,501	5,928,840	4,594,851	1,333,989	110,262	(26,226)	136,488
SERIOUSLY EMOTIONALLY DISTURBED	4,796,304	3,774,992	1,021,312	-	-	-	(4,798,304)	(3,774,992)	(1,023,312)
CALWORKS - 2 PARENT FAMILIES	42,389,097	41,306,819	1,082,278	44,389,301	43,279,568	1,109,733	2,000,204	1,972,749	27,455
AID TO INDIGENTS (GENERAL RELIEF)	1,624,440	426,644	1,197,796	1,785,134	495,375	1,289,759	160,694	68,731	91,963
VETERANS AFFAIRS	1,599,098	439,934	1,159,164	1,696,566	420,000	1,276,566	97,468	(19,934)	117,402
HUMAN SERVICES SUBTOTAL:	1,195,756,157	1,128,668,116	67,088,041	1,266,442,846	1,200,269,072	66,173,774	70,686,689	71,600,956	(914,267)
COUNTY TRIAL COURTS - DRUG COURT PROGRAMS	429,918	424,918	5,000	368,185	368,185	-	(61,733)	(56,733)	(5,000)
COUNTY TRIAL COURTS - GRAND JURY	576,723	-	576,723	412,540	-	412,540	(164,183)	-	(164,183)
COUNTY TRIAL COURTS - INDIGENT DEFENSE PROGRAM	8,973,413	171,300	8,802,113	9,284,045	120,000	9,164,045	310,632	(51,300)	361,932
COUNTY TRIAL COURTS - COURT FACILITIES/JUDICIAL BENEFITS	1,429,195	-	1,429,195	1,288,342	-	1,288,342	(140,853)	-	(140,853)
COUNTY TRIAL COURTS - COURT FACILITIES PAYMENTS	2,505,233	-	2,505,233	2,505,233	-	2,505,233	-	-	-
COUNTY TRIAL COURTS - FUNDING OF MAINTENANCE OF EFFORT	27,310,490	18,607,000	8,703,490	27,054,567	17,926,316	9,128,251	(255,923)	(680,684)	424,761
DISTRICT ATTORNEY - CRIMINAL PROSECUTION	61,251,118	25,065,548	36,185,570	57,731,327	24,945,636	32,785,691	(3,519,791)	(119,912)	(3,399,879)
LAW & JUSTICE GROUP ADMINISTRATION	308,183	154,159	154,024	183,300	183,300	-	(124,883)	29,141	(154,024)
PROBATION - ADMINISTRATION, CORRECTIONS AND DETENTION	107,089,367	45,763,911	61,325,456	109,908,433	40,379,045	69,529,388	2,819,066	(5,384,866)	8,203,932
PROBATION - COURT-ORDERED PLACEMENTS	1,053,834	-	1,053,834	1,529,717	-	1,529,717	475,883	-	475,883
PROBATION - JUVENILE JUSTICE GRANT PROGRAM	-	-	-	-	-	-	-	-	-
PUBLIC DEFENDER	32,707,647	1,682,697	31,024,950	32,070,114	2,070,543	29,999,571	(637,533)	387,846	(1,025,379)
SHERIFF/CORONER/PUBLIC ADMINISTRATOR	413,430,908	260,875,623	152,555,285	449,288,793	272,175,278	177,113,515	35,857,885	11,299,655	24,558,230
LAW AND JUSTICE SUBTOTAL:	657,066,029	352,745,156	304,320,873	691,624,596	358,168,303	333,456,293	34,558,567	5,423,147	29,135,420
AGRICULTURE/WEIGHTS AND MEASURES	5,980,537	5,383,445	598,092	6,383,146	5,331,670	1,051,476	402,609	(53,775)	456,384
AIRPORTS	3,088,478	3,088,478	-	2,946,349	2,946,349	-	(142,129)	(142,129)	-
ARCHITECTURE AND ENGINEERING	(65,000)	-	(65,000)	-	-	-	65,000	-	65,000
COUNTY MUSEUM	3,117,899	1,615,981	1,501,918	3,533,743	1,673,195	1,860,548	415,644	57,214	358,630
FACILITIES MANAGEMENT	14,679,893	14,641,479	38,414	12,270,181	12,270,181	-	(2,408,712)	(2,371,298)	(38,414)
FACILITIES MANAGEMENT - UTILITIES	18,915,207	2,849,818	16,065,389	19,741,736	1,912,093	17,829,643	826,529	(937,725)	1,764,254
LAND USE SERVICES - ADMINISTRATION	310,000	-	310,000	-	-	-	(310,000)	-	(310,000)
LAND USE SERVICES - PLANNING	4,573,733	2,133,427	2,440,306	6,080,765	2,642,008	3,438,757	1,507,032	508,581	998,451
LAND USE SERVICES - BUILDING AND SAFETY	3,230,783	3,061,417	169,366	3,465,788	2,952,731	513,057	235,005	(108,686)	343,691
LAND USE SERVICES - CODE ENFORCEMENT	3,817,881	701,773	3,116,108	4,744,996	568,950	4,176,046	927,115	(132,823)	1,059,938
LAND USE SERVICES - FIRE HAZARD ABATEMENT	1,797,208	2,024,251	(227,043)	1,899,146	1,679,965	219,181	101,138	(344,286)	446,224
PUBLIC WORKS-SURVEYOR	3,552,346	3,304,229	248,117	4,236,618	3,976,715	259,903	684,272	672,486	11,786
REAL ESTATE SERVICES	1,355,175	1,505,595	(150,420)	1,110,781	1,110,781	-	(244,394)	(394,814)	150,420
REAL ESTATE SERVICES - RENTS AND LEASES	474,198	480,854	(6,656)	1,279,005	1,279,005	-	800,807	798,151	6,656
REAL ESTATE SERVICES - COURTS PROPERTY MANAGEMENT	2,151,623	2,167,395	(15,772)	2,336,364	2,336,364	-	184,741	168,969	15,772
REGIONAL PARKS	8,318,434	7,082,004	1,236,430	11,216,005	7,651,925	3,564,080	2,897,571	569,921	2,327,650
REGISTRAR OF VOTERS	6,911,479	3,544,044	3,367,435	9,351,048	2,513,500	6,837,548	2,438,569	(1,030,544)	3,470,113
OPERATIONS AND COMMUNITY SERVICES SUBTOTAL:	82,209,874	53,586,190	28,623,684	90,595,671	50,845,432	39,750,239	8,385,797	(2,740,758)	11,126,555
GENERAL FUND DEPARTMENT SUBTOTAL:	2,100,196,851	1,616,260,518	483,936,333	2,182,050,007	1,653,940,202	528,109,805	81,853,156	37,679,684	44,173,472
CONTINGENCIES	73,029,147	-	73,029,147	40,096,166	-	40,096,166	(32,932,981)	-	(32,932,981)
RESERVE CONTRIBUTIONS	1,000,000	-	1,000,000	26,501,791	-	26,501,791	25,501,791	-	25,501,791
BOARD ELECTIVE PROJECTS	1,382,855	196,888	1,185,967	8,997,953	-	8,997,953	7,615,098	(196,888)	7,811,986
NON DEPARTMENTAL APPROPRIATION	7,500,000	7,500,000	-	7,500,000	7,500,000	-	-	-	-
OPERATING TRANSFERS OUT	120,442,251	-	120,442,251	90,436,832	-	90,436,832	(30,005,419)	-	(30,005,419)
TOTAL COUNTYWIDE ALLOCATED COSTS:	203,354,253	7,698,888	195,655,365	173,53					

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 Pays for Net County Cost' found earlier in this section of the budget book.

APPROPRIATION

	2010-11 Adopted Budget	2010-11 Final Budget	2010-11 Actual	2011-12 Adopted Budget
Appropriation				
Salaries & Benefits	456,123	456,123	441,076	435,051
Services & Supplies	1,000,000	1,000,000	863,926	1,000,000
Other Charges	6,043,877	6,043,877	2,259,259	6,064,949
Total Expenditure Authority	7,500,000	7,500,000	3,564,261	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 Pays for Net County Cost' is reduced by these expenditures.

In addition to these 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

	2010-11 Adopted Budget	2010-11 Final Budget	2010-11 Actual	2011-12 Adopted Budget
Operating Transfers Out				
One-Time				
Capital Improvement Fund - New Crime Lab	24,750,000	24,750,000	24,750,000	
Capital Improvement Fund - Crestline Library Project	200,000	200,000	200,000	
Capital Improvement Fund - Funds returned for reallocation				20,221,931
Capital Improvement Fund - County Building Program				2,100,000
Capital Improvement Fund - Lake Mojave Narrows Dam Project				
Capital Facilities Leases - Prepayment of Long Term Debt	38,000,000	38,000,000	38,000,000	
Business Process Improvement Reserve allocations	704,032	62,549	62,549	287,270
Justice Facilities Reserve allocations		52,562	47,328	
Capital Improvement Fund - Adelanto Detention Center Expansion		30,788,250	30,788,250	
High Desert Juvenile Detention Center - Secondary Water Source		1,063,500	1,063,560	
Garage - Motor Pool				386,565
Flood Control - Rimforest Drainage				350,000
Flood Control - Stormwater Program				4,297,504
Transportation - Maintain County Roads (PCI)				8,000,000
Correction - Return Prior Year Unused Priority Policy Needs Allocation			9,296	
Fee Waivers Slide and Grass Valley Fires			4,954	
Ongoing				
Capital Improvement Fund - Annual Allocation	15,300,000	15,300,000	15,300,000	15,300,000
Aging and Adult Services				1,057,620
800 MHz Project				24,000,000
Public Works - Fund 2 positions in land development				283,000
General Fund Subsidy to County Fire Protection District:	7,380,942	7,380,942	7,380,942	
Office of Emergency Services				1,340,296
North Desert Zone				5,575,773
South Desert Zone				3,446,867
Valley Zone				2,437,006
TENS (Reverse 911) Project			148,750	
Capital Improvement Fund - Fontana Western Sphere MOU	1,448,115	1,448,115	1,444,595	
General Fund Subsidy to County Library	761,850	761,850	761,850	
County Redevelopment Agency to fund Sales Tax Sharing Agreement	353,000	334,483	172,668	353,000
Flood Control District Stormwater Permit	300,000	300,000	300,000	1,000,000
Total Operating Transfers Out	89,197,939	120,442,251	120,434,742	90,436,832



GENERAL FUND – FIVE YEAR OPERATING FORECAST, 2011-12 THROUGH 2015-16

Long-term financial planning is an effective tool for creating sustainable budgets and providing fiscal stability beyond the annual budget horizon. 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.

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

The forecast is developed using a baseline environment, that is, revenues and expenditures are projected based primarily on trend analysis, specific circumstances and present level of services provided by the County. This forecast is not a prediction of what is certain to happen but rather a projection of what will occur in the absence of any mitigating actions. 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:

- Salaries and Benefits are projected to increase. The increase in the forecast reflects only current negotiated agreements between the county and employee representation units, and includes costs for budgeted positions.
- Retirement costs are anticipated to increase due to market losses incurred by the County's pension system.
- Additional Staffing for the Adult Detention Center Expansion will require a significant amount of funding beginning in 2013-14.

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Assessed Valuation Change	-0.5%	2.0%	2.0%	2.0%	2.0%
Revenue Growth:					
Property Related	\$ 3.1	\$ 8.1	\$ 8.3	\$ 8.4	\$ 8.5
Prop 172	2.5	2.4	2.4	2.5	2.5
Other Revenue	(9.0)	0.2	0.1	0.2	0.2
Total	<u>\$ (3.4)</u>	<u>\$ 10.7</u>	<u>\$ 10.8</u>	<u>\$ 11.1</u>	<u>\$ 11.2</u>
Increase in Costs:					
Salaries & Benefits	\$ (15.1)	\$ (4.2)	\$ (2.5)	\$ (3.0)	\$ (3.3)
Retirement Increases	(13.4)	(17.3)	(20.8)	(16.5)	(4.1)
Insurance and Central Services	(2.5)	0.7	0.7	(2.8)	-
Adult Detention Center Staffing	-	-	(34.2)	-	-
Unfunded Leave Liability	(3.9)	-	-	-	-
Increase Subsidy to County Fire	(5.4)	(4.6)	(1.2)	(0.8)	-
Other Costs	(3.5)	(3.9)	(1.6)	(4.4)	(3.1)
Total	<u>\$ (43.8)</u>	<u>\$ (29.3)</u>	<u>\$ (59.6)</u>	<u>\$ (27.5)</u>	<u>\$ (10.5)</u>
Net Yearly Operating Deficit	<u>\$ (47.2)</u>	<u>\$ (18.6)</u>	<u>\$ (48.8)</u>	<u>\$ (16.4)</u>	<u>\$ 0.7</u>
Cumulative Yearly Operating Deficit	<u>\$ (47.2)</u>	<u>\$ (65.8)</u>	<u>\$ (114.6)</u>	<u>\$ (131.0)</u>	<u>\$ (130.3)</u>



Due to the projected budget gaps and operating cost pressures, the County Administrative Office has developed a strategic plan to address the \$130.3 million cumulative structural budget deficit for the five years. The plan maintains a structurally balanced budget for 2011-12 and future years. This strategic plan is detailed in the County Budget Overview's 'General Fund Budget Process' section of the 2011-12 Adopted Budget book. The process of developing this plan began by identifying several critical areas which have, or are expected to have, an impact on the financial condition of the county in 2011-12. Once the critical issues were identified, specific measures have begun to be implemented. The county anticipates it will adhere to policy, make the necessary tough decisions, and adopt a structurally balanced budget each fiscal year.



CONTINGENCIES

The county Contingencies includes the following elements:

Contingencies

Mandatory Contingencies

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

Uncertainties Contingencies

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

Ongoing Set-Aside Contingencies

The county budget process differentiates between ongoing and one-time revenue sources. Ongoing set-asides represent ongoing sources of funding that have been targeted for future ongoing program needs.

	2010-11 Adopted Budget	2010-11 Approved Contributions/ (Uses)	2011-12 Adopted Contributions / (Uses)	2011-12 Adopted Budget
Contingencies				
Mandatory Contingencies (1.5% of Locally Funded Appropriation)	7,796,107		829,178	8,625,285
Uncertainties Contingencies	25,889,134	39,343,906	(33,762,159)	31,470,881
Ongoing Set-Aside Contingencies				
Future Space Needs	24,000,000	(24,000,000)	-	- (1)
Total Contingencies	57,685,241	15,343,906	(32,932,981)	40,096,166

(1) In the 2011-12 Adopted Budget the \$24.0 million in the Future Space Needs Contingency account has been allocated to the County's 800 MHz project.



2010-11 Changes to Uncertainties Contingencies

In 2010-11 quarterly budget reports resulted in adjustments to the Uncertainties Contingencies of \$39,343,906 as follows:

- \$7,558,249 increase due to \$1,312,930 in revenue increases and \$6,245,319 in appropriation decreases. This reflects the budget adjustments for the first quarter of 2010-11.
- \$2,911,505 decrease due to \$17,899,490 in revenue decreases offset by \$14,987,985 in appropriation decreases. This reflects the budget adjustments for the second quarter of 2010-11.
- \$658,402 increase due to \$2,993,005 in revenue increases offset by \$2,334,603 in appropriation increases. This reflects the budget adjustments for the third quarter of 2010-11.
- \$34,070,911 increase due to \$84,368,681 in revenue decreases and \$118,439,592 in appropriation decreases. This reflects budget adjustments for the fourth quarter of 2010-11.
- \$32,151 decrease due to \$144,064 in revenue increases and \$176,215 in appropriation increases. This reflects final budget adjustments for 2010-11.

2010-11 Changes to Ongoing Set-Aside Contingencies

County Contingency Policy 02-10 requires that remaining balances in the ongoing set-asides be transferred to the corresponding reserve account at the end of the fiscal year.

- Future Space Needs Ongoing Set-Aside:

Use of the entire \$24.0 million set-aside for Future Space Needs was approved as follows: \$1,063,500 million for a secondary water source at the High Desert Juvenile Detention Center and \$22,936,500 to fund a portion of the County's share of the Adelanto Detention Center Expansion. These uses were approved on November 2, 2010 and February 15, 2011 as part of the quarterly budget adjustments. No balance remains to transfer to the reserve at the end of the fiscal year.

2011-12 Mandatory Contingencies

The base allocation to the mandatory contingencies is \$8,625,285, the amount required pursuant to Board policy, based on the budgeted locally funded appropriation of \$575.0 million.

2011-12 Ongoing Set-Aside Contingencies

As seen in the Reserves section, the County has set aside a significant amount of one-time money that can assist the county temporarily for unforeseen increases in expenditures or reductions in revenues. Beginning in the 2006-07 fiscal year the county also began to set-aside portions of ongoing funding for future use.

- Future Space Needs Ongoing Set-Aside:

In the 2011-12 adopted budget, the County's set aside of \$24.0 million in ongoing revenue sources to fund future spaces needs has been allocated to a new 800 MHz digital radio system for Public Safety.

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 June 28, 2011, the Board of Supervisors approved a revised county policy that provides guidelines and goals for reserve levels. This revised policy calls for the County’s General Purpose Reserve to be targeted at 20% of locally funded appropriation, up from the prior target of 10%. The Board of Supervisors has also established specific purpose reserves to meet future needs.

	6/30/10 Ending Balance	Approved 2010-11		6/30/11 Ending Balance	Adopted 2011-12		6/30/12 Estimated Balance
		Contributions	Uses		Contributions	Uses	
General Purpose Reserve	59,733,617			59,733,617	5,501,791		65,235,408
Specific Purpose Reserves							
Future Space Needs	55,480,455		(32,601,750)	22,878,705			22,878,705
New Property Tax System	-				20,000,000		20,000,000
Retirement	46,500,000		(38,000,000)	8,500,000	-		8,500,000
Medical Center Debt Service	32,074,905			32,074,905			32,074,905
Teeter	24,709,925			24,709,925			24,709,925
Capital Projects	4,000,000			4,000,000	-	(4,000,000)	-
Insurance	3,000,000			3,000,000			3,000,000
High Desert Fire Station	2,000,000	1,000,000		3,000,000	1,000,000		4,000,000
Restitution	1,545,025			1,545,025			1,545,025
Business Process Improvement	1,281,189		(62,549)	1,218,640		(1,151,697) (1)	66,943
Justice Facilities	52,562		(52,562)				
Total Specific Purpose	170,644,061	1,000,000	(70,716,861)	100,927,200	21,000,000	(5,151,697)	116,775,503
Total Reserves	230,377,678			160,660,817			182,010,911

(1) \$287,270 of this amount represents funding for projects carried over from the prior year.

2010-11 Contributions

For 2010-11 the general purpose reserve remained unchanged. Because locally funded appropriation was projected to decrease, no decrease or increase was recommended. Other contributions include:

- \$1.0 million contribution to the High Desert Fire Station Reserve.

2010-11 Uses

- \$38,000,000 use of the Retirement Reserve to optionally prepay a portion of the County’s outstanding debt which generated \$5.5 million in annual savings.
- \$24,750,000 use of the Future Space Needs Reserve for the purchase and improvement of a building to house the Sheriff/Coroner/Public Administrator’s new crime lab.
- \$7,851,750 use of the Future Space Needs Reserve to fund a portion of the County’s share of the Adelanto Detention Center Expansion.
- \$62,549 of the Business Process Improvement Reserve to reflect funding for completed projects approved in prior years.
- \$52,562 of the Justice Facilities Reserve for the Sheriff/Coroner/Public Administrator’s Regional Training Center female housing fire alarm upgrade, installation of an emergency generator at the



Sheriff/Coroner/Public Administrator’s scientific investigation division, and the replacement of an air conditioning unit at the Glen Helen Rehabilitation Center.

2011-12 Adopted Contributions and Uses

For 2011-12, the revised 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 2011-12 there is an increase to the General Purpose Reserve of \$5,501,791. This brings the balance of the General Purpose Reserve to \$65,235,408, which is 11.3% of locally funded appropriation. The revised Fund Balance and Reserve Policy calls for continued annual contributions of one-time sources to this reserve until the 20% target is achieved.

The adopted budget also includes:

- \$1.0 million contribution to the High Desert Fire Station Reserve.
- \$20.0 million contribution for a new Property Tax System Reserve.
- \$1,151,697 use of the Business Process Improvement Reserve, including \$287,270 to fund a case management project for the Public Defender, and the remainder to be released into the general fund and made available for appropriation. The Business Process Improvement reserve will be eliminated at the end of 2011-12, and any remaining amount will fall into fund balance at the end of the fiscal year.
- \$4.0 million use of the Capital Projects Reserve to be contributed towards the funding of the County Building Program.

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

	Year End Actual Balances					Adopted
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Total General Purpose Reserve	52.5	57.2	59.7	59.7	59.7	65.2
Specific Purpose Reserves						
Future Space Needs	19.6	37.7	31.9	55.5	22.9	22.9
New Property Tax System						20.0
Retirement	30.7	38.6	46.5	46.5	8.5	8.5
Medical Center Debt Service	32.1	32.1	32.1	32.1	32.1	32.1
Jail Expansion (formerly Future Financing)	16.4	21.5	-	-	-	-
Juvenile Maximum Security	9.4	13.9	-	-	-	-
Teeter	17.7	17.7	24.7	24.7	24.7	24.7
Moonridge Zoo	3.8	4.8	-	-	-	-
Capital Projects	4.0	4.0	4.0	4.0	4.0	-
Insurance	3.0	3.0	3.0	3.0	3.0	3.0
High Desert Fire Station	-	-	-	2.0	3.0	4.0
Restitution	1.9	1.8	1.7	1.5	1.5	1.5
Electronic Voting System	0.5	0.4	0.3	-	-	-
Business Process Improvement	0.6	4.4	2.1	1.3	1.2	0.1
Justice Facilities	0.1	0.1	0.1	0.1	-	-
Total Specific Purpose Reserves	(1) 139.7	180.0	146.4	170.7	100.9	116.8
Total Reserves	(1) 192.2	237.2	206.1	230.4	160.7	182.0

(1) Totals may not add due to rounding.



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COUNTY DEBT POLICY

The County has a separate policy that covers the issuance, management and administration of the County's portfolio of long term debt. The policy requires, in general, that:

1. Debt will not be used to finance ongoing operational costs.
2. Whenever possible, the County will pursue alternative sources of funding in order to minimize the level of debt.
3. That whenever practical, voter approval on the method of debt shall be utilized.

More specifically, the policy includes guidelines on the following elements:

1. The policy allows for the issuance of variable rate obligations to the extent that they do not exceed 25% of total debt outstanding.
2. The policy details the guidelines to be followed prior to the issuance of variable rate debt including feasibility, structure, and annual analysis to determine advisability of conversion to fixed rate debt.
3. The policy requires that the term of bonds be no longer than the economic useful life of the property, or in excess of available payment streams.
4. The policy requires annual review of the County's portfolio of long term obligations to initiate any type of restructuring, refunding, or refinancing beneficial to the County.
5. The policy outlines requirements for the investment of bond proceeds.
6. The policy outlines the responsibilities of the County's Debt Advisory Committee, which is a formal committee of the Board of Supervisors. These responsibilities include oversight and review of all debt policy and debt issuance activities and to make recommendations to the Board of Supervisors regarding appropriate actions on debt matters.

CASH FUNDED PROJECTS

As detailed above, County policy requires prudent management of liabilities and, whenever possible, alternative sources of funding in order to minimize the level of debt. In the past several years, the County has satisfied certain portions of its capital needs without the issuance of long term debt. This includes the major projects listed below:

- Construction of the High Desert Juvenile Detention Center, funded with a combination of state grant monies and the County's cash. This project was completed in September 2004.
- The cash purchase of the Adelanto Adult Detention Facility. This project was completed in January 2006.
- The cash purchase and renovation of an office building in downtown San Bernardino. This project was completed in July 2007.
- The cash funding of a major remodel of the 6th floor of the Arrowhead Regional Medical Center to convert it from administrative space to a medical/surgery wing. This project was completed in October 2009.
- The cash funding of a new medical office building at the Arrowhead Regional Medical Center. This project was completed in September 2010.
- The cash funding of a new High Desert Government Center in Hesperia. This project was completed in October 2010.
- The cash funding of the new Central Valley Juvenile Detention and Assessment Center. This project was completed in August 2011.
- The cash funding of the County's portion of the Adelanto Adult Detention Facility Expansion which is funded by a combination of state grant monies and a County contribution. Construction commenced in December 2010. Estimated project completion is late 2013.



COUNTY BUDGETING POLICY AS IT RELATES TO LONG TERM DEBT

The County's Budgeting Policy includes policies related to long term debt of the County. These include:

1. Retirement System Funding - Requires that the Board first consider setting aside any savings related to negative Unfunded Accrued Actuarial Liability to fund a reserve for reduction of any existing pension obligation bonds or as a hedge against future interest rate increases.
2. Use of Variable Rate Interest Savings - Requires that when amounts budgeted for variable rate interest expense on long-term debt exceeds actual variable rate interest expense for the year, that such savings will be used in the succeeding fiscal year to reduce the outstanding principal of long-term debt. This applies only to debt service paid from discretionary revenue sources of the general fund. It is normal for budgeted amounts to exceed actual amounts because debt covenants require conservative budgeting of variable rate interest expense.
3. Use of Savings from Interest Rate Swap Agreements Associated with the Issuance of Debt - Requires that any County benefit realized on interest rate swap agreements, when there is a potential mismatch between swap payments and debt service payments, be retained as a contingency to offset the County's share of increases in debt service caused by the swap agreement. This contingency amount will not exceed \$5.0 million per interest rate swap agreement.

Note: The County currently has no interest rate swaps outstanding and has no plan to enter into an interest rate swap.

COUNTY LONG TERM DEBT

The following discussion relates to long-term debt backed by the full faith and credit of the County's general fund⁽¹⁾. Other long term debt, such as that of the County's redevelopment agency and special districts are included in separate budget documents prepared for those entities.

The County's outstanding long term debt has been issued for the following purposes:

- To finance construction and improvement of County structures.
- To refinance County pension obligations.
- To finance improvements at the County owned landfills.

The County finances such projects with a variety of debt instruments. For construction and improvement projects, and for the improvement projects at the County landfills, the County has utilized lease obligations with a non-profit public benefit corporation. Such obligations are in the form of Certificates of Participation. For pension obligations the County has issued Pension Obligation Bonds.

(1) In June of 2007 the County privately placed \$18.4 million of revenue bonds for Courthouse improvements. These bonds are secured solely by a surcharge on civil filings that is collected by the local courts. These bonds are not backed by the County's general fund and are, therefore, not included in this discussion. For more information on the surcharge revenues see the 'Courthouse Seismic Surcharge' budget unit on page 391.



As of June 30, 2011, the County's long term obligations include debt issued to finance or partially finance the following projects:

- Construction and equipping of the Arrowhead Regional Medical Center
- Construction of the West Valley Detention Center
- Construction of the Foothill Law and Justice Center and hangars at the Chino Airport
- Improvement projects at County landfills
- Refinancing of a portion of the County's Unfunded Accrued Actuarial Liability in the years 1995, 2004 and 2008.

Significant 2010-11 Debt Related Actions

On September 1, 2010, the County made optional prepayments of the entire outstanding principal of the following long term debt issuances.

- 2008 Glen Helen Pavilion, Series A
- 2008 Glen Helen Pavilion, Series B
- 1997 Public Improvement Financing
- 1996 Government Center Refinancing
- 1996 WVDC Refinancing

A summary of long term debt issuances of the County, which includes a reference to the section of the book where the obligation is budgeted, is included on the following pages.



County of San Bernardino
 Outstanding General Fund Certificates of Participation and Pension Obligation Bonds
 Budgetary Basis

Fiscal Year Ending June 30	Pension Obligation Bonds						Certificates of Participation				Total Outstanding General Fund Debt
	2008		2004		1995		2002		2001/02		
	Pension Obligation Bonds \$160,900,000		Pension Obligation Bonds ⁽¹⁾ \$463,895,000		Pension Obligation Bonds \$386,265,591		Justice Center Refunding \$68,100,000		WVDC Refunding ⁽²⁾ \$94,920,000		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2012	805,000	9,575,262	11,570,000	16,645,231	41,505,000	1,471,352	5,155,000	1,312,200	6,225,000	2,805,270	97,069,314
2013	880,000	9,524,543	14,100,000	15,973,653	13,160,377	32,059,623	5,475,000	1,106,000	6,490,000	2,526,945	101,296,141
2014	865,000	9,472,019	16,950,000	15,139,811	12,791,883	34,788,117	5,585,000	887,000	6,800,000	2,220,884	105,499,713
2015	920,000	9,418,290	20,020,000	14,127,066	12,401,627	37,653,373	5,950,000	607,750	7,145,000	1,862,341	110,105,447
2016	1,035,000	9,359,445	23,355,000	12,918,239	12,035,880	40,619,120	6,205,000	310,250	7,510,000	1,484,761	114,832,694
2017	1,060,000	9,296,385	27,025,000	11,491,751	11,673,496	43,711,504	-	-	7,900,000	1,087,081	113,245,217
2018	1,130,000	9,230,466	31,015,000	9,825,205	11,361,080	46,888,920	-	-	8,305,000	668,031	118,423,702
2019	19,990,000	8,594,754	16,235,000	8,453,186	11,054,980	50,205,020	-	-	8,735,000	226,531	123,494,471
2020	15,860,000	7,515,669	25,000,000	7,179,750	10,753,631	53,666,369	-	-	-	-	119,975,419
2021	20,880,000	6,409,795	25,000,000	5,584,250	10,507,053	57,227,947	-	-	-	-	125,609,045
2022	26,200,000	4,992,687	25,000,000	3,988,750	9,790,585	58,119,415	-	-	-	-	128,091,437
2023	31,875,000	3,244,630	25,000,000	2,393,250	-	-	-	-	-	-	62,512,880
2024	37,960,000	1,142,596	25,000,000	797,750	-	-	-	-	-	-	64,900,346
2025	-	-	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-	-	-
2027	-	-	-	-	-	-	-	-	-	-	-
2028	-	-	-	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-	-	-	-
Totals	159,460,000	97,776,539	285,270,000	124,517,889	157,035,591	456,410,761	28,370,000	4,223,200	59,110,000	12,881,845	1,385,055,825

(1) Debt schedules for variable rate issues are based on the estimated average interest rate at the time of issuance and do not reflect amounts budgeted for the 2011-12 fiscal year.

(2) West Valley Detention Center

Debt Service Budget Information:

The 1995, 2004 and 2008 Pension Obligation Bonds are budgeted in individual department budgets as a portion of salary and benefit expense.

The General Fund Certificates of Participation are budgeted in the Administration Section of this budget book in the Capital Facilities Leases budget.



County of San Bernardino
Outstanding Enterprise Fund Certificates of Participation
Budgetary Basis

Fiscal Year Ending June 30	Certificates of Participation										Total Outstanding Enterprise Fund Debt
	2008 Solid Waste Series B ⁽¹⁾		Arrowhead Refunding County Medical Center Series 2009		County Medical Center Series 1996		County Medical Center Series 1995		County Medical Center Series 1994		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2012	7,470,000	3,501,639	9,990,000	14,208,313	360,000	3,213,975	3,245,000	1,709,013	3,775,000	6,562,863	54,035,802
2013	8,045,000	2,967,926	10,305,000	13,813,888	380,000	3,194,550	3,465,000	1,490,938	3,990,000	6,349,325	54,001,626
2014	8,700,000	2,391,962	10,790,000	13,302,063	400,000	3,174,075	3,705,000	1,257,913	4,205,000	6,123,963	54,049,975
2015	9,385,000	1,769,970	11,405,000	12,765,688	420,000	3,152,550	3,955,000	1,008,963	4,445,000	5,886,088	54,193,258
2016	10,120,000	1,099,544	11,905,000	12,203,638	445,000	3,129,844	4,225,000	743,113	4,695,000	5,634,738	54,200,875
2017	10,920,000	376,820	12,445,000	11,605,400	465,000	3,105,956	4,505,000	459,388	4,965,000	5,369,088	54,216,651
2018	-	-	13,090,000	10,972,838	490,000	3,081,500	4,815,000	156,488	5,235,000	5,088,588	42,929,413
2019	-	-	24,405,000	10,035,463	515,000	3,056,375	-	-	-	4,944,625	42,956,463
2020	-	-	25,685,000	8,774,650	545,000	3,029,875	-	-	-	4,944,625	42,979,150
2021	-	-	15,015,000	7,711,050	570,000	3,002,000	-	-	12,180,000	4,518,325	42,996,375
2022	-	-	16,330,000	6,860,250	600,000	2,972,750	-	-	12,570,000	3,746,350	43,079,350
2023	-	-	17,165,000	5,985,113	630,000	2,942,000	-	-	13,290,000	3,035,200	43,047,313
2024	-	-	32,355,000	4,718,766	665,000	2,909,625	-	-	-	2,669,725	43,318,116
2025	-	-	34,065,000	3,016,753	695,000	2,875,625	-	-	-	2,669,725	43,322,103
2026	-	-	22,935,000	1,541,794	735,000	2,839,875	-	-	13,060,000	2,343,225	43,454,894
2027	-	-	17,900,000	469,875	7,120,000	2,643,500	-	-	13,725,000	1,673,600	43,531,975
2028	-	-	-	-	24,030,000	1,864,750	-	-	13,675,000	1,005,694	40,575,444
2029	-	-	-	-	25,280,000	632,000	-	-	14,335,000	340,456	40,587,456
Totals	54,640,000	12,107,861	285,785,000	137,985,538	64,345,000	50,820,825	27,915,000	6,825,813	124,145,000	72,906,200	837,476,236

(1) Debt schedules for variable rate issues are based on the estimated average interest rate at the time of issuance and do not reflect amounts budgeted for the 2011-12 fiscal year.

Debt Service Budget Information:

The 2008 Series B Solid Waste Certificates of Participation are budgeted in the Operations and Community Services section of this budget book, in the Solid Waste Management Operations Enterprise Fund budget.

The 1994, 1995, 1996 and 2009 Medical Center Certificates of Participation are budgeted in the Arrowhead Regional Medical Center section of this budget book in the Medical Center Lease Payments budget.



EFFECTS OF EXISTING DEBT LEVELS ON CURRENT AND FUTURE OPERATIONS

Debt service on the Certificates of Participation and Pension Obligation Bonds referenced in the previous schedules will not negatively affect current or future operations of the County. In aggregate, current required debt service expenditures remain relatively level for all fiscal years through 2022-23 and then drop significantly in succeeding years.

OTHER LONG TERM DEBT

The Library has a note payable to the California Infrastructure and Economic Development Bank for funds borrowed to finance the construction of a library in Apple Valley. This note is backed by the full faith and credit of the general fund; however it is paid from and budgeted in the County Library budget, found in the Operations and Community Services section of this budget book. The outstanding principal amount of this note as of June 30, 2010, the last date for which audited information is available, was \$1,610,894. Annual debt service on this obligation is approximately \$109,000 per year through fiscal year 2030-31.

LEGAL DEBT LIMIT

The County's legal debt limit, which applies only to General Obligation Bonds, is 1.25% of Assessed Valuation. As of June 30, 2010, the last date for which audited information on outstanding debt is currently available, the County's Debt limit and legal debt margin were calculated as follows:

	(1)	(1)	(1)	(1)
Fiscal Year	Assessed Valuation	Legal Debt Limit	Bonded Debt	Legal Debt Margin
2009-10	173,348,202	2,166,853	1,440	2,165,413

(1) Amounts in thousands

Source: San Bernardino County Comprehensive Annual Financial Report for the year ended June 30, 2010

The County general fund has no outstanding General Obligation Bonds, and therefore no debt service payments for General Obligation Bonds are budgeted in this document. The Bonded Debt referred to in the table above is the debt of County Service Areas and is included in the budget document published by Special Districts.



CALIFORNIA GOVERNMENT CODE

Government Code Sections 29000 through 29144 and Section 30200 provide the statutory requirements pertaining to the form and content of the State Controller's prescribed Line-Item Budget. Government Code Section 29009 requires a balanced budget in the recommended, adopted, and final budgets, defined as "the funding sources shall equal the financing uses".

COUNTY CODE

Title 1. Division 2. Chapter 2:

Section 12.0201:

On November 2, 2010, the County Code was amended to establish the position of Chief Executive Officer.

Section 12.0203:

The Chief Executive Officer shall be appointed by and serve at the pleasure of the Board of Supervisors.

Section 12.0206:

Under the supervision of the Board of Supervisors, and subject to the approval and direction and control thereof, the Chief Executive Officer shall be responsible for the performance of such duties and ministerial functions as may be placed in his or her charge by the Board of Supervisors, and in connection therewith, shall report to the Board from time to time the status and enforcement of the Board's policies, rules, and regulations. The Chief Executive Officer shall, among others:

- Act as the primary administrative advisor to the Board of Supervisors on all matters relating to the efficient and economical administration of county government.
- Provide budgetary, fiscal, and administrative support, oversight, and direction as it pertains to Board of Supervisors' policy and procedures for all elected and all Board of Supervisor appointed department heads and their agencies and departments.
- Supervise, in cooperation with the County Auditor, the preparation of the annual County Budget. In the performance of this duty, the Chief Executive Officer shall review all departmental and agency requests and all items in the recommended budget, including revenues, expenditures, and reserves. He or she shall submit his or her recommended budget to the Board of Supervisors.
- Review all departmental and agency requests for adjustments and transfers of appropriations from contingencies and among budget units and make recommendations on them to the Board of Supervisors.

Section 12.0211:

Pursuant to Government Code § 29125, the Board of Supervisors designates the Chief Executive Officer as the County officer with the authority to approve, with respect to an adopted budget, any transfers and revisions of appropriations, objects, and sub-objects within a budget unit.

BASIS OF ACCOUNTING

Governmental fund types are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued if their receipt occurs within sixty days after the end of the accounting period, and recognized as revenue.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Exceptions to this general rule include the following: principal and interest on long-term debt is recognized when due; prepaid expenses are reported as current period expenditures rather than allocated; and accumulated unpaid vacation, sick leave and other employee benefits are reported in the period due and payable, rather than in the period earned by employees.

Proprietary fund types are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred.



BASIS OF BUDGETING

Governmental Funds:

An operating budget is adopted each fiscal year for the governmental fund types in accordance with provisions of the County Budget Act. The County's financial statement, the Comprehensive Annual Financial Report (CAFR), is prepared using generally accepted accounting principles (GAAP). Budgets for the governmental fund types are adopted with the following differences from GAAP:

Encumbrance accounting is employed in governmental funds. For budget purposes, outstanding encumbrances (which represent the unspent amounts of purchase orders and contracts funded in the fiscal year), are treated as expenditures in that fiscal year. This affects only the "actual" data that appears in that budget book. For GAAP purposes, in the fund financial statements of the CAFR, encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures and liabilities. Appropriation for these encumbrance commitments survive the expiration of the fiscal year to the extent that encumbrances exist. Encumbrances cancelled subsequent to the end of the fiscal year also cancel the underlying appropriation.

On a budgetary basis, unrealized gains and losses on the fair value of investments are not recognized. For GAAP purposes, such gains or losses are recognized.

Proprietary Funds:

The Board of Supervisors approves an annual spending plan for proprietary funds. Although the adopted expense estimates are not appropriation, these county funds have budgetary controls the same as those for the governmental fund types. Because these funds collect fees and revenues generally to cover the cost of the goods and services they provide, their accounting and budgeting bases are closer to commercial models. Budgeting, like accounting, is done on the accrual basis and generally according to GAAP.

COUNTY POLICIES

When building the 2011-12 budget, the following County policies were considered:

BUDGETING POLICY

The objective of the Budgeting Policy is to help ensure the County has adequate resources to meet its basic financial obligations, and to serve as a vehicle to help the County achieve financial continuity and stability. This policy will serve as a guide when preparing budget plans and quarterly budget reports for Board of Supervisors approval.

Balanced Budget

To obtain a balanced budget, total revenues, including carry-over fund balances, will equal the total fund appropriation and reserves. The annual operating budget will be structurally balanced upon adoption by the Board of Supervisors. One-time funds will not be used to fund ongoing operational costs, except within the context of a larger plan to balance ongoing revenues and expenses over a multi-year period, as detailed under "Use of One-Time Funding Sources". Significant budget variances and recommended actions will be reported to the Board of Supervisors on a quarterly basis.

Long Range Planning

As part of the annual budget process, the County will prepare a multi-year forecast of financial operations for the general fund. This forecast includes changes in costs to maintain current service levels and costs related to new programs or program enhancements. The County will project major revenues and expenditures of the general fund, and report significant findings and recommendations to the Board of Supervisors.

Appropriation Changes

An operating budget is adopted each fiscal year for all Governmental Funds. Expenditures are controlled at the appropriation unit level (i.e., salaries and benefits, services and supplies, fixed assets, etc.) within budget units. Departments are expected to maintain expenditures within their budget authority as adopted by the Board of Supervisors. Any increase in appropriation in a budget unit after adoption of the budget shall be included in the quarterly budget reports and must be approved by a four-fifths vote of the Board of Supervisors. Transfers of appropriation within the same budget unit may be approved by the County Administrative Office or Board of Supervisors depending upon the appropriation unit. Exceptions are noted below:



Transfer of Salaries and Benefits Appropriation:

- Transfers out funded with discretionary general funding are not allowed.
- Transfers out not funded with discretionary general funding are required to be included in the quarterly budget reports for Board of Supervisors approval.
- Transfers in from other available appropriation within the budget unit will be required if budgeted salaries and benefits appropriation is inadequate to meet expenditures.

Transfer of Fixed Asset Appropriation:

- Transfers out are required to be included in the quarterly budget reports for Board of Supervisors approval.
- Transfers in, less than \$10,000 are approved by the County Administrative Office.
- Transfers in, greater than \$10,000 requires Board of Supervisors approval either through a separate board agenda item or inclusion in the quarterly budget report.

Use of One-Time Funding Sources

The appropriation of carry-over fund balances and other one-time funding sources must be managed with care. These sources are most appropriately used to fund one-time expenses such as capital expenditures, start-up costs for new programs, or to supplement the general purpose reserve to attain the 20% target level as defined in the County's "Fund Balance and Reserve Policy". A goal is to invest one-time monies in a way that increases ongoing revenues and/or reduces ongoing expenses.

It is the policy of the County that one-time funds will not be used to finance ongoing operational costs, except within the context of a larger plan to balance ongoing revenues and costs over a multi-year period. Such a plan could involve short-term use of one-time funds to preserve essential public services where longer-term financial forecasts demonstrate the near-term future potential for ongoing revenues to fund those services.

Revenue Forecasting

Because of the complexity of the County budget, realistic projections of revenue are crucial to accurate budgeting. Revenue forecasting will be undertaken annually through a review of local historical revenue trends and analysis of federal, state, and local economic projections. Especially in regard to those revenues that tend to be most volatile and sensitive to changes in the economy, forecasting will involve analysis of economic, demographic, business cycle and other factors that might impact those revenues. These unpredictable revenues, including, but not limited to interest income and fees, will be estimated and budgeted conservatively. Revenue forecasts will not be based on straight-line assumptions.

Property Tax Revenue Stabilization

The County's discretionary revenue primarily comes from property taxes. Revenue growth rates can vary dramatically from year to year due to fluctuations in the economy and housing market. These fluctuations can result in insufficient revenue growth to fund increases in required governmental services during slow economic periods. This policy expands on the current policy of establishing set-aside contingencies for future County needs by appropriating anticipated property tax revenue growth, in excess of the lesser of 8% or of the average annualized rate of growth of actual revenues, to an ongoing revenue stabilization set-aside contingency. This ongoing revenue stabilization set-aside contingency will be made available for allocation in years when property tax revenue is anticipated to increase at a rate less than the average annualized rate of growth of actual revenues. For purposes of this paragraph, property tax revenue is defined as Current Secured (the current 1% general tax levy on locally assessed secured property on the assessment roll) and VLF/Property Tax Swap (the County's "vehicle license fee adjustment amount" as defined in Section 97.70 of the Revenue and Taxation Code) received by the County general fund. The average annualized rate of growth of actual revenues will be calculated using the most recent fifteen years' worth of data.

Any unspent money from this ongoing revenue stabilization set-aside contingency in a given year will be used to prepay or defease debt in the subsequent year, fund large County projects, supplement reserves or fund any other one-time costs the Board of Supervisors may direct.



Prop 172 Revenue Stabilization

The County's Prop 172 Sales Tax revenue can only be used for local public safety activities and is allocated to the Sheriff/Coroner/Public Administrator, District Attorney and Probation Departments. Revenue growth rates can vary dramatically from year to year due to fluctuations in the economy and retail spending. These fluctuations can result in insufficient revenue growth to fund increases in required public safety activities. When this occurs, the County General Fund may temporarily allocate financial resources away from other important County programs as a backfill to offset the Prop 172 revenue shortfall. The County will set-aside any Prop 172 revenue in excess of the lesser of 8% or of the average annualized rate of growth of actual revenues, to an ongoing Prop 172 revenue stabilization set-aside contingency. This ongoing Prop 172 revenue stabilization set-aside contingency will only be used to fund Prop 172 base restoration or the cost to maintain current services in years when Prop 172 revenue is anticipated to increase at a rate less than the average annualized rate of growth of actual revenues. The average annualized rate of growth of actual revenues will be calculated using the most recent fifteen years' worth of data.

Any one-time unspent money from this ongoing Prop 172 revenue stabilization set-aside contingency or other available one-time Prop 172 amounts that fall into fund balance at the end of the fiscal year will be used as follows: first, to reduce the amount contributed by the County General Fund from its discretionary revenue sources until such time as the prior General Fund backfills of Prop 172 shortfalls are recouped, and second, to address one-time costs for public safety activities.

Encumbrances

An encumbrance is not an actual expenditure or a liability but merely a reserve of budgetary appropriation in a given fiscal year. Expenditures and/or liabilities are recorded when, and if, goods are actually provided or services are actually rendered. At the end of each fiscal year, departments will have three options to manage current fiscal year encumbrances: cancel the encumbrance, roll forward the encumbrance if needed, or obtain County Administrative Office approval to leave the encumbrance in the current budget fiscal year. If the department decides to roll forward the encumbrance, the amount to be spent in the new fiscal year must be re-budgeted as an appropriation and therefore use new fiscal year funding sources.

Program Efficiency and Performance Measurement

Efficiency and economy in the delivery of County services is a top priority. The County integrated performance measures within the budget. County departments will be encouraged to make productivity improvements within their service delivery areas.

Retirement System Funding

Careful management of financial resources to pay retirement costs is critical to the County's long-term financial health. Accordingly, for any savings resulting from negative Unfunded Accrued Actuarial Liability (UAAL) contribution rates, the Board will first consider setting aside these savings in a reserve for reduction of any existing pension obligation bonds or as a reserve against future rate increases.

Risk Management Self-Insurance Funds

The County will maintain an 80% confidence level in all Risk Management self-insurance funds as determined by a yearly actuarial study.

Grant Funding

The County will aggressively pursue opportunities for federal, state or local grant funding including private foundations. An aggressive policy of pursuing opportunities for federal or state grants provides citizens with the assurance that the County is striving to obtain all state and federal funds to which it is entitled – thereby reducing dependence on local taxpayers' funds. However, prior to applying for, and accepting such intergovernmental aid, the County will consider the current and future implications of either accepting or rejecting the grant. That consideration shall include: 1) the amount of matching local funds required; 2) in-kind services to be provided; 3) length of grant, and whether the County is required to continue the service after the grant has ended; and 4) related operating expenses. The County shall also assess the merits of any individual grant program as if it were funded with local tax dollars.



Use of Variable Rate Interest Savings

Covenants in debt instruments require conservative budgeting of variable rate interest expense. When amounts budgeted for variable rate interest expense for such debt instruments exceed actual interest expense for the year, such savings will be used in the succeeding fiscal year to reduce the total outstanding principal amount of long-term debt. This policy will apply only to interest savings/debt instruments that are paid from discretionary revenue sources of the County's General Fund.

Use of Savings from Interest Rate Swap Agreements Associated with the Issuance of Debt

It is the policy of the Board that any benefit realized on interest rate swap agreements where the swap payment received by the County and the actual debt service payment due from the County are not equal per the terms of the swap agreement, be retained as a contingency to offset the County share of any future increases in debt service caused by the swap agreement. This contingency amount will not exceed \$5.0 million dollars per interest rate swap agreement. The contingency will be retained in the fund that is responsible for payments under the swap.

Intent to Recover Full Cost of Service

The full cost of service should be calculated for all County services to provide a basis for setting fees or charges. Full cost should include direct and indirect costs. This calculation shall be reviewed and updated annually.

CONTINGENCY POLICY

The objective of the Contingency Policy is to help protect the County from unforeseen increases in expenditures or reductions in revenues, or from extraordinary events that might otherwise substantially harm the fiscal health of the County. In so doing, it is also intended to help avoid undue service level fluctuations during periods of economic instability. This policy will serve as a guide when preparing budget plans and quarterly budget reports for Board of Supervisors approval.

General Fund – Mandatory Contingencies

The County will maintain an appropriated contingency in the General Fund to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting the County's operations that could not have been reasonably anticipated at the time the budget was prepared. Funding shall be targeted at no less than 1.5% of locally funded appropriation. Locally funded appropriation are those funded by countywide discretionary revenue, such as unrestricted property tax, sales tax, interest income, and other revenues not linked to specific programs, and by ongoing operating transfers in. In the event the locally funded appropriation declines from the previous year, the mandatory contingencies shall have no downward adjustments.

General Fund – Ongoing Set-Aside Contingencies

Ongoing set-aside contingencies represent ongoing sources of funding that have been targeted for future debt obligations or planned future ongoing program/operational needs. Set-asides are appropriated as contingencies and approved during the formal adoption of the budget. Any balance of such contingency set-asides remaining at the end of the fiscal year shall be transferred into a corresponding general fund reserve account as of June 30.

General Fund – Uncertainties Contingencies

Any unallocated funding available from current year sources (both ongoing and one-time) that has not been set aside and any unassigned fund balance carried over from the prior year, will be budgeted as Uncertainties Contingencies. The use of these contingencies requires prior approval by the County Administrative Office before obtaining approval by the Board of Supervisors. The County Administrative Office will only recommend uses as a last resort, and only if the requesting department: 1) has no other unanticipated sources of funding to appropriate, and 2) has no other appropriation within its own budget unit to cover the budget overrun, and 3) has no appropriation available in another fund that it controls that can be legally applied to cover the budget overrun.



Restricted Fund – Prop 172-Contingencies

Restricted Proposition 172 sales tax revenues are used solely for public safety programs. The County has allocated using the funds solely for funding the Sheriff/Coroner/Public Administrator, District Attorney, and Probation departmental programs. The County will maintain an appropriated contingency to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting this restricted funding stream that could not have been reasonably anticipated at the time the budget was prepared. The appropriation for contingency for the Prop 172 fund shall be targeted at no less than 10% of the current year's budgeted Prop 172 revenue. Said contingencies shall be budgeted at the 10% level separately for each department receiving Prop 172 revenues.

Restricted Funds – Realignment-Contingencies

Restricted Realignment funds from dedicated sales tax and vehicle license fee revenue are used in funding mental health, social services and health programs within the County. The County will maintain an appropriated contingency within these funds to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting these restricted funds which could not have been reasonably anticipated at the time the budget was prepared. The appropriation for contingency for Realignment funds shall be targeted at no less than 10% of the current year's budgeted Realignment revenues. Said contingencies shall be budgeted at the 10% level separately for each program receiving Realignment revenues.

Master Settlement Agreement Fund – Contingencies

Master Settlement Agreement funds from the tobacco settlement lawsuit are used to fund health related expenditures. The County will maintain an appropriated contingency within the Master Settlement Agreement fund to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting this fund that could not have been reasonably anticipated at the time the budget was prepared. The appropriation for contingency within this Master Settlement Agreement Fund shall be targeted at no less than 10% of the current year's budgeted Master Settlement Agreement revenues.

FUND BALANCE AND RESERVE POLICY

The objective of the Fund Balance and Reserve Policy is to help ensure the County maintains a minimum level of unassigned fund balance designated as general purpose reserve to meet seasonal cash flow shortfalls, revenue shortfalls, unanticipated expenditures, economic downturns or a local disaster. The policy also addresses the circumstances under which unassigned fund balance can be "spent down" and how the unassigned fund balance will be replenished if it falls below the established minimum.

General Fund – New Classification of Fund Balance (Per the Government Accounting Standards Board-GASB)

Previously the fund balance in the General Fund was classified as Reserved and Unreserved (delineated further as designated and undesignated) for accounting purposes. Reserved fund balance is legally restricted funds established for a future specific use and is not available for general appropriation. Unreserved/designated fund balance has been set-aside by the Board of Supervisors for a specific purpose. Unreserved/undesignated fund balance is available for those uses the Board deems necessary and is typically described as "fund balance available for appropriation" in budget reports.

GASB has issued Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. This statement is effective for financial statements with periods beginning after June 15, 2010. Therefore, effective the fiscal year beginning July 1, 2010, the above classifications will be replaced with five new categories: nonspendable, restricted, committed, assigned, and unassigned. Although only the General Fund is addressed in this policy, Statement No. 54 applies to the Special Revenue, Debt Service, Capital Project and Permanent funds as well. The fund balance will be reported in the following five new categories, representing a hierarchy in most restrictive (1) to least restrictive (5):

1. Nonspendable Fund Balance: Amounts cannot be spent because they are: (a) not in spendable form or (b) legally or contractually required to be maintained intact. Due to the nature or form of the resources, they generally cannot be expected to be converted into cash or a spendable form. These fund balance amounts are automatically recorded each year by the Auditor-Controller/Treasurer/Tax Collector to match the balances of the associated balance sheet account codes. No Board action is required to change these amounts.



2. Restricted Fund Balance: Amounts are restricted by external parties, i.e., creditors, grantors, contributors, or laws/regulations of other governments or restricted by law through constitutional provisions or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource provider.
3. Committed Fund Balance: Amounts that can only be used for a specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision making authority. The formal action must occur prior to the end of the reporting period, however, the amount may be determined in the subsequent period. These are self-imposed limitations on available resources. These committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same action it employed to previously commit those amounts. These committed amounts would be approved and adopted by formal action of the Board.
4. Assigned Fund Balance: Amounts constrained by the government's intent to be used for specific purposes that are neither restricted nor committed. The intent will be expressed by the body or official to which the governing body has delegated the authority, i.e. the County Administrative Office.
5. Unassigned Fund Balance: The General Fund, as the principal operating fund, often will have net resources in excess of what can properly be classified in one of the four categories already described. Therefore, in order to calculate unassigned fund balance, total fund balance less nonspendable, restricted, committed, or assigned equals unassigned fund balance. This amount is available for any purpose and will be placed in either the General Purpose Reserve, General Fund – Mandatory Contingencies or the General Fund - Uncertainties Contingencies until allocated for a specific purpose by the Board, by a four-fifths vote.

Unassigned Fund Balance – General Purpose Reserve

An adequate amount of General Purpose Reserve is essential to the financial strength and flexibility of the County. The General Purpose Reserve has no identified contingent liability or specific future use. It is intended for unanticipated major emergencies; to allow a transition period when key economic indicators point to recession likely to substantially reduce county revenues and increase safety net expenditures; and to ensure the County's ability to make debt service payments in periods of declining general purpose revenues. The County shall establish an unassigned fund balance designated as General Purpose Reserve for the General Fund targeted at 20% of locally funded appropriation based on adopted budget. Locally funded appropriation are those funded by countywide discretionary revenue, such as unrestricted property tax, sales tax, interest income, and other revenues not linked to specific programs, and by ongoing operating transfers in. The unassigned fund balance designated as General Purpose Reserve shall be built up with one-time sources until the established target is achieved. In the event the locally funded appropriation declines from the previous fiscal year, the General Purpose Reserve shall have no downward adjustments. Increases to the General Purpose Reserve generally are only made once at the beginning of the fiscal year.

Unassigned Fund Balance – Mandatory Contingencies

The County shall also maintain Mandatory Contingencies at a minimum of 1.5% of locally funded appropriation based on adopted budget. The amount needed to fund the Mandatory Contingencies for the succeeding fiscal year will be categorized as unassigned fund balance. In the event the locally funded appropriation declines from the previous fiscal year, the Mandatory Contingencies shall have no downward adjustments. Increases to the Mandatory Contingencies generally are only made once at the beginning of the fiscal year.

Unassigned Fund Balance – Uncertainties Contingencies

The remaining unassigned fund balance amount not allocated to the General Purpose Reserve or Mandatory Contingencies will be included in Uncertainties Contingencies.

Unassigned Fund Balance Spend Down

Use of unassigned fund balance will be limited to nonrecurring expenditures, debt reduction, one-time capital costs or emergency situations (such as economic conditions or natural disasters). The County generally will use the Uncertainties Contingencies first, then the Mandatory Contingencies and finally the General Purpose Reserve allocation when using the unassigned fund balance.

The County recognizes that unforeseen events may cause the use of unassigned fund balance which will result in it falling below the established minimum. However, if this occurs, or is expected to occur within the five year



planning cycle, the budget balancing strategies will be invoked to determine corrective actions. When necessary, the following budget balancing strategies will be used in order of priority: 1) Seek other revenue opportunities, including new service fees or increase existing fees; 2) Reduce expenditures through improved productivity; 3) Reduce or eliminate services; 4) Reduce employee salaries and benefits. After evaluating and implementing where possible the above budget balancing strategies, the unassigned fund balance may be used as a temporary fix to address an ongoing budget gap if incorporated in a multi-year plan to balance ongoing revenues and expenses. A planned draw down of unassigned fund balance generally should not exceed 3% of locally funded appropriation in a given fiscal year.

Unassigned Fund Balance Replenish Procedures

Generally before the unassigned fund balance can be withdrawn below the target, a replenishment plan must be adopted. The unassigned fund balance shall be built up with one-time sources until the established target is achieved/replenished. One-time sources will be used to replenish reserves before using for one-time, non-emergency expenses.

DEBT POLICY

The objective of the County's Debt management policy is to minimize the amount of outstanding debt necessary to fulfill its infrastructure and economic development responsibilities, and maintain the County's ability to incur present and future debt at minimal interest rates. The use of debt shall not endanger the County's ability to finance essential County services. The County recognizes that capital markets change and unforeseen circumstances may occur resulting in situations that are not covered by this policy. In such situations, flexibility to modify certain policy requirements may be necessary to achieve policy goals.

General

Debt will not be used to finance ongoing operational costs. However, debt may be used, where economically efficient, to reduce or eliminate current long-term operational liabilities. Whenever possible, the County shall pursue alternative sources of funding, when cost effective, in order to minimize the level of debt.

Types of Debt

General Obligation Bonds (property tax supported) usage will be evaluated first since it is the least costly debt. Public support will be assessed for ballot placement due to the costs involved for an election. Revenue Bonds/Certificates of Participation may be considered for use where General Obligation Bonds are not practical. Short-term borrowing, such as commercial paper, bond anticipation notes, and lines of credit, will be considered as interim funding sources in anticipation of long-term financing.

Issuance

The County may elect to issue bonds/certificates of participation as variable rate instruments to provide flexibility and/or to attempt to achieve interest savings. There are guidelines to be considered when issuing variable rate debt: 1) Economic and cash flow projections for variable rate issues shall be calculated at the then applicable fixed rate. 2) The County will first consider structuring the principal and interest repayments related to the entire project for which the debt will be issued on an approximately equal annual basis over the life of the borrowing. 3) Total variable rate debt shall be limited to no more than 25% of total debt outstanding. 4) No less than annually, analysis of each outstanding variable rate bond issue shall be undertaken to determine the advisability of converting the issue to fixed-rate debt. 5) Variable rate bonds shall be structured to protect the County to the greatest extent possible against cyclical interest rate fluctuations.

Management

County financial management policies shall be designed to maintain a balanced relationship between debt service requirements and current operating costs, encourage growth of the tax base, actively seek alternative funding sources, minimize interest costs and maximize investment returns. In accordance with this principle, the following must be considered: 1) The County shall issue bonds with terms no longer than the economic useful life of the project. 2) The County shall obtain secured guarantees for bonds supported by a dedicated revenue source to the extent possible. 3) The County shall also obtain assurances of project viability and guarantees of completion prior to the issuance of bonds. 4) The County shall invest the proceeds of bond/certificates of participation sales to conform to State and County requirements to maximize investment security and earnings. 5) The County shall establish affordability guidelines in order to preserve credit quality, which may be suspended for emergency purposes, or because of unusual circumstances.



CAPITAL BUDGET POLICY

The objective of the Capital Budget policy is to ensure that the County maintains its public infrastructure in the most cost efficient manner. The County's capital budget will include as complete, reliable, and attainable cost estimates as possible.

Project cost estimates for the Capital Budget should be based upon a thorough analysis of the project and are expected to be as reliable as the level of detail known about the project. The plan for funding projected staffing, operation and maintenance, and utility costs must be identified as part of the approval process for each capital project. All Capital Budget proposals shall be formulated and presented to the Board of Supervisors within the framework of a general capital budget in conjunction with the operating County General Fund Budget. Capital projects will not be budgeted unless there are reasonable expectations that resources will be available to pay for them. Capital projects which are not encumbered or completed during the fiscal year will be re-budgeted or carried over to the next fiscal year, except as reported to and subsequently approved by the Board. All re-budgeted capital projects will be so noted in the Adopted Capital Budget. Similarly, multi-year projects with unencumbered or unexpended funds will be carried over to the subsequent year(s).

Periodic financial reports will be prepared to enable the County Administrative Office to monitor/manage the capital budget and compare actual program revenues and expenditures with budgeted amounts. The Board may take necessary action, including increasing appropriation or revenue, to maintain a balanced Capital Budget. Major capital assets will be inventoried and assessed on an annual basis to project long-term equipment replacement and maintenance needs.

INVESTMENT POLICY

The Investment Policy is prepared in accordance with California State Law, reviewed annually by the County's Treasury Oversight Committee and approved by the Board of Supervisors. The policy establishes cash management and investment guidelines for the County Treasurer, who is responsible for the management of the County Treasury Pool, which consists of the pooled monies held on behalf of the County, school districts, community college districts, and certain special districts within the county.

It is the policy of the County Treasurer to invest public funds in a manner which will preserve the safety and liquidity of all investments within the County investment pool while obtaining a reasonable return within established investment guidelines. The portfolio should be actively managed in a manner that is responsive to the public trust and consistent with state law. The County investment pool will be guided by the following principles, in order of importance 1) The primary objective of the County Treasurer when investing public funds is to safeguard investment principal; 2) The secondary objective is to maintain sufficient liquidity to ensure that funds are available to meet daily cash flow requirements; 3) The third objective is to achieve a reasonable rate of return or yield consistent with these objectives.

The Investment Policy contains a requirement that 40% of the County investment pool should be invested in securities maturing in one year or less, and the entire portfolio should maintain a duration-to-maturity of less than 1.5 years. Investments of the County pool are placed in those securities authorized by various sections of the California Government Code and the County's Investment Policy, which include obligations of the United States Treasury, agencies of the United States Government, local bond issues, bankers acceptances, commercial paper of prime quality, certificates of deposit (both collateralized and negotiable), repurchase and reverse repurchase agreements, medium term corporate notes, and shares of beneficial interest in diversified management companies (mutual funds). Investments in repurchase agreements cannot exceed a term of 180 days and the security underlying the agreement shall be valued at 102% or greater of the funds borrowed against the security.

With respect to reverse repurchase agreements, the Investment Policy provides for a maximum maturity of 92 days (unless the reserve repurchase agreement includes a written guarantee of a minimum earning or spread for the entire period of such agreement) and a limitation on the total amount of reverse repurchase agreements to 10% of the total investments in the County pool. Securities lending transactions are considered reverse repurchase agreements for purposes of this limitation.

