Board Agenda Item #64 for August 19, 2014 and its Attachment C

Attachment 1

REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS SITTING AS THE GOVERNING BOARD OF THE FOLLOWING:
COUNTY OF SAN BERNARDINO
BOARD GOVERNED COUNTY SERVICE AREAS
SAN BERNARDINO COUNTY FLOOD CONTROL DISTRICT
AND RECORD OF ACTION

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REPORT/RECOMMENDATION TO THE BOARD OF DIRECTORS OF THE FOLLOWING:
BIG BEAR VALLEY RECREATION AND PARK DISTRICT
BLOOMINGTON RECREATION AND PARK DISTRICT
IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY
INLAND COUNTIES EMERGENCY MEDICAL AGENCY
SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT
AND RECORD OF ACTION

August 19, 2014

FROM: **GREGORY C. DEVEREAUX, Chief Executive Officer**
County Administrative Office

SUBJECT: **2013-14 YEAR-END BUDGET REPORT**

RECOMMENDATION(S)

1. Acting as the governing body of the County of San Bernardino, Board Governed County Service Areas, Big Bear Valley Recreation and Park District, and Bloomington Recreation and Park District:
   a. Authorize the Auditor-Controller/Treasurer/Tax Collector to adjust appropriation and revenue required to finalize the budget for 2013-14, as detailed in the attached 2013-14 Year-End Budget Adjustment Report, Attachment A (Four votes required).
2. Acting as the governing body of the County of San Bernardino, Board Governed County Service Areas, San Bernardino County Flood Control District, In-Home Supportive Services Public Authority, Inland Counties Emergency Medical Agency, and San Bernardino County Fire Protection District:
   a. Accept the 2013-14 Year-End Performance Measure Report, Attachment B.
3. Acting as the governing body of the County of San Bernardino:
   a. Approve the Board Discretionary Fund Allocation Spending Plan, Attachment C.
   b. Authorize the contribution of $4,442,369 resulting from departmental earned leave appropriation savings in 2013-14 to the 2014-15 Earned Leave Reserve.

(Presenter: Katrina Turturro, Deputy Executive Officer, 387-5423)

BOARD OF SUPERVISORS COUNTY GOALS AND OBJECTIVES

Improve County Government Operations.

- Incorporate the Board adopted County Goals and Objectives in the County budget document, tie department performance measures to them and report progress in the quarterly budget updates.

Operate in a Fiscally-Responsible and Business-Like Manner.

FINANCIAL IMPACT

The financial impact of this item is provided in detail in the Year-End Budget Adjustment Report. As of this report there has been no major action required by the Board of Supervisors (Board) since approval of the 2013-14 Third Quarter Budget Report. This action facilitates the closing of the 2013-14 budget for multiple county entities, including the County, the Board Governed County Services Areas and their Zones, Big Bear Valley Recreation and Park District, and Bloomington Recreation and Park District.

As part of the report, it is also recommended that the Board approve an increase in requirements (appropriation) of $16.4 million and an increase in sources (revenue and reimbursements) totaling $4.5 million resulting in the use of $11.9 million in Countywide contingencies (including $5.7 million in Discretionary General Funding). Additionally, Board approval of transfers of appropriation within the same budget unit totaling $4.0 million is requested.

As summarized below, requested use of Discretionary General Funding included in the Year-End Budget Adjustment Report totaling $5.7 million is necessary primarily in order to cover the Discretionary General Funding portion of the cost of the San Bernardino Public Employees Association (SBPEA) Incentive Payment, which was provided to SBPEA employees through the recently negotiated Memorandum of Understanding. The total cost of the incentive payment to the County was $23.1 million, with the non-Discretionary General Fund portion being funded by the federal and state governments, charges for services, and other departmental revenue sources.

Finally, it is recommended that the Board approve a contribution of approximately $4.4 million to the 2014-15 Earned Leave Reserve. As part of the County's 2013-14 First Quarter Budget Report (December 17, 2013, Item 106), $4.4 million was allocated within affected General Fund departments to properly demonstrate the Discretionary General Funding cost (or liability) of paid time off that is earned by employees but not taken, in 2013-14. As this amount represents the cost of leave that is not used, the budget authority was set aside in a newly created appropriation unit that could not be expended against by departments. As part of the First Quarter Report, it was stated that these unused amounts would be placed in the Earned Leave Reserve at the end of the fiscal year in order to eventually be used to fund termination-related cash outs.

BACKGROUND INFORMATION

County Budget Financing Policy 05-01 states that departments are expected to maintain expenditures within their budget authority as adopted by the Board. Also provided in this policy are rules for approval of appropriation changes. Transfers of existing appropriation within a

budget unit can typically be approved by the County Administrative Office. However, exceptions are noted in the policy regarding transfers of appropriation in the salaries and benefits, fixed asset, and operating transfers out appropriation unit, which require Board approval.

In order to facilitate the year-end closing process, it is necessary for the County to make certain adjustments to departmental budget units to cover all appropriation deficits remaining at year-end that were not remedied by the affected department. This item includes the year-end appropriation adjustments needed for the 2013-14 closing. These adjustments consist of the use of Discretionary General Funding and departmental contingencies, changes in requirements (appropriation) offset by changes in sources (revenue and reimbursements), and appropriation transfers that cannot be approved by the County Administrative Office per Board Policy.

The following provides detail on the notable budget adjustments requested as part of this item.

Increases to Requirements Using Contingencies

All requests for use of contingencies (both Discretionary General Funding and departmental contingencies) require approval by the Board. As part of the Year-End Budget Adjustment Report, departments are requesting the use of $11.9 million in contingencies ($5.7 million in Discretionary General Funding contingencies) as a result of increased requirements.

The use of $5.7 million in Discretionary General Funding contingencies is necessary in order to fund the SBPEA Incentive payment. As part of the County's 2014-15 Budget, the Board approved an allocation of $15.1 million into a County General Fund Labor Reserve that was anticipated to fund the SBPEA Incentive payment and other labor related one-time costs. However, since the Labor Reserve was specifically established in 2014-15, the County is unable to utilize the reserve at this time to fund the incentive payment, as the cost for the actual payment ended up being incurred in 2013-14. As a result, it is recommended that the cost for the Discretionary General Funding portion of the incentive payment be funded with Discretionary General Funding contingencies at this time and that $5.7 million from the Labor Reserve be released as part of the 2014-15 First Quarter Budget Report. This will enable the County to utilize the Labor Reserve as originally intended.

Notable requests for use of departmental contingencies are as follows:

County Special Revenue Funds

Behavioral Health – Mental Health Services Act (MHSA) is requesting to utilize $6.2 million in departmental contingencies. As part of the State's Medi-Cal Cost reporting system, Behavioral Health must prepare settlement claims between the MHSA Special Revenue Fund and its General Fund budget unit, which provides client, administrative, and support services for the MHSA program. As part of a two-year process, $6.2 million in costs from 2010-11 through 2013-14 were identified that were originally funded by the Department's MediCal revenue in the General Fund that need to instead be funded by MHSA funds. The Department is recommending to use MHSA contingencies to fund this cost, which will in turn reduce the Department Medi-Cal revenue in its General Fund budget unit for 2013-14.

Changes to Requirements using Departmental Sources

It is recommended that the Board approve an increase in requirements (appropriation) of $4.5 million using departmental sources (revenue and reimbursements).

Notable changes to requirements and sources include:

County General Fund

The Trial Court Funding Maintenance of Effort budget unit is increasing requirements and sources by $0.4 million as a result of higher than anticipated revenues received, which in turn result in the need to make higher than expected payments to the State.

Facilities Management is increasing requirements and sources by $0.4 million primarily for expenses related to additional requisition work requested by County departments and transfers to the Administrative Office of the Courts. These additional costs were offset by increased revenue from the local court and County departments.

Land Use Services Department is increasing requirements and sources by $0.3 million related to an increase in the volume of plan reviews, permit inspections, and land development services, which also result in higher than anticipated costs for departmental administrative expenses. These costs are primarily funded through construction permit revenue and planning services sources.

County Internal Service and Enterprise Funds

Risk Management – Insurance Programs Internal Service Fund is requesting to increase requirements and sources by $1.7 million in order to cover the cost of attorney fees and the cost of a claim paid for Solid Waste Management. This will be funded through the use of departmental retained earnings and revenue received from an insurance recovery.

Appropriation Transfers within the Same Budget Unit

Appropriation transfers within a budget unit that require approval by the Board include transfers out of salaries and benefits, transfers of appropriation to or from operating transfers out, and fixed asset appropriation transfers over specific amounts. Requested transfers of appropriation included in the Year-End Budget Adjustment Report total $4.0 million. These changes do not impact County Discretionary General Funding.

Notable requests for transfers of appropriation are as follows:

County General Fund

Sheriff/Coroner/Public Administrator had higher than anticipated staffing costs in its Operations budget unit while having sufficient salary cost savings in its Detentions budget unit. Additionally, the Department had higher operating costs in the jails which resulted primarily in the need for

additional services and supplies budget authority. The department is requesting to utilize the savings in its Detention-related staffing costs to fund the increased jail operations costs and is requesting to use savings in its fixed asset appropriation units to fund the increased Operations-related staffing costs. This will result in $2.6 million in transfers of appropriation within the department's budget units.

Human Services – Administrative Claim is requesting a shift of appropriation totaling $0.2 million into its operating transfers out, fixed asset, and Central Services appropriation unit from its services and supplies appropriation unit. This is necessary in order to make payments to the Facilities Management Department for furniture purchased at the new Children's Assessment Center, to reclassify expenditures as fixed assets that were previously thought to be operating expenses, and for additional unanticipated Internal Services Department charges.

County Internal Service and Enterprise Funds

Solid Waste – Enterprise Funds is requesting to use $0.8 million in existing appropriation authority from Other Charges, fixed asset, and its Transfers appropriation units in order to fund additional Departmental outside legal costs.

Year-End Performance Measure Report

On February 26, 2013 (Item 24), the Board approved the County objective stating that the "County will incorporate the Board adopted County Goals and Objectives in the County budget document, tie **departmental performance measures** to them and report progress in the quarterly budget updates." In accordance with this objective, a Year-End Performance Measure Report has been prepared which includes each department's performance measures including 2013-14 accomplishments and an explanation on whether the department attained each measure (see Attachment B).

Board Discretionary Fund Allocation Spending Plan

Policy 05-10 – Board Discretionary Funding Allocations was amended by the Board on February 7, 2012, requiring each allocation of Board Discretionary Funds to be approved by a majority of the Board. In accordance with the revised policy, Recommendation No. 3(a) recommends approval of the Board Discretionary spending plan, as detailed in Attachment C. Upon approval of the spending plan, there will be a remaining balance of $2,800,006 in Board Discretionary Funds available to be allocated according to County Policy 05-10.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Michelle Blakemore, Chief Assistant County Counsel, 387-5455) on August 6, 2014; Finance (Matthew Erickson, Chief Administrative Analyst, 387-3937) on August 5, 2014; and County Finance and Administration (Valerie Clay, Deputy Executive Officer, 387-3076) on August 5, 2013.

SAN BERNARDINO COUNTY

BOARD OF SUPERVISORS

DISCRETIONARY FUND

QUARTERLY SPENDING PLAN

ATTACHMENT C

Board of Supervisors Discretionary Fund Quarterly Spending Plan

District #	Recipient of Funding	County Department or 3rd Party	First District	Second District	Third District	Fourth District	Fifth District	Total Discretionary Funding	Description
1st	San Bernardino County Sheriff Department	County Dept	$40,000					$40,000	Funding for Operation Desert Guardian, a Crime Sweep Program
2nd	City of Rancho Cucamonga			($17,366)				($17,366)	Contract Expired. Deobligate remaining unexpended funds
2nd	Local Agency Formation Commission (LAFCO)	County Dept		$24,723				$24,723	Feasibility Study
2nd	San Bernardino County Museum	County Dept		($5,000)				($5,000)	Cancellation of project. Deobligate unexpended funds
4th	Chino Hills 55+Club	3rd Party				$5,000		$5,000	Funding to purchase equipment for the Club in Chino Hills
4th	The Incredible Edible Community Garden	3rd Party				$5,000		$5,000	Funding for a new Community Garden in the City of Montclair
4th	Chino Valley Unified School District	3rd Party				$10,000		$10,000	Lab supplies for a new AP biology course at Chino High School
4th	Upland Pony Baseball Association	3rd Party				$6,000		$6,000	Funding for repairs to snack bar, scoreboard, and field
4th	Museum of History and Art, Ontario	3rd Party				$2,000		$2,000	Funding to support Museum's exhibits, educational programs, lectures, publications and community events
4th	American Legion Ontario Post 112	3rd Party				$32,800		$32,800	Funding to update safety and security amenities at the Legion Hall in Ontario
4th	Chino American Legion Post 299	3rd Party				$21,000		$21,000	Funding to update safety and security amenities at the Legion Hall in Chino

Board of Supervisors Discretionary Fund Quarterly Spending Plan

District #	Recipient of Funding	County Department or 3rd Party	First District	Second District	Third District	Fourth District	Fifth District	Total Discretionary Funding	Description
4th	Scheu Family YMCA of Upland	3rd Party				$750		$750	Funding to support programs, activities, educational programs and community events
5th	San Bernardino County Human Resources	County Dept			$1,500		$1,500	$3,000	2014 Equal Opportunity Commission Diversity Forum
5th	Housing Authority of San Bernardino	County Dept					$200,000	$200,000	Funding for a Homeless Veterans Project in Unincoporated 5th District
5th	San Bernardino County Community Development and Housing	County Dept					$700,000	$700,000	To support the development of long-term affordable housing options to the community of Bloomington
	5% Administrative Fee (on 3rd Party Contracts)		$ -	$ -	$ -	$ 4,128	$ -	$ 4,128	
	Total Discretionary Funding Allocations		$40,000	$2,357	$1,500	$86,678	$901,500	$1,032,035	