

Financing

Countywide Automation Replacement

Debt Service

General Government Building Replacement

Non-Departmental – Other Financing Uses

Non-Departmental Revenues

Other Post Employment Benefits

Pension Obligation Bonds

Public Facility Fees

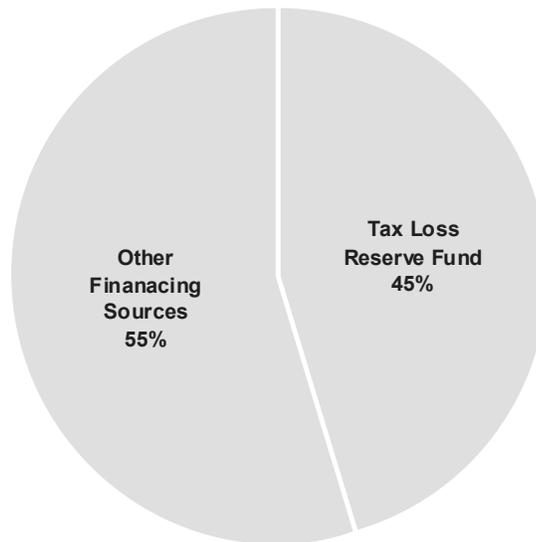
Tax Reduction Reserve

PURPOSE STATEMENT

To provide funding for implementation of Countywide automation systems and information needs to enhance the performance and productivity of public services.

	2009-10	2010-11	2011-12	2011-12	2011-12
<u>Financial Summary</u>	<u>Actual</u>	<u>Actual</u>	<u>Requested</u>	<u>Recommended</u>	<u>Adopted</u>
Taxes	\$ 0	\$ 0	\$ 0	\$ 1,296,735	\$ 1,296,735
Revenue from Use of Money & Property	53,689	36,679	0	0	0
Intergovernmental Revenue	230,481	0	0	0	0
Charges for Current Services	(73,480)	182,000	0	0	0
Other Revenues	0	105	0	0	0
Other Financing Sources	1,628,106	1,763,636	0	1,569,019	1,569,019
Interfund	148,224	1,198,537	0	0	0
Total Revenue	\$ 1,987,020	\$ 3,180,957	\$ 0	\$ 2,865,754	\$ 2,865,754
Fund Balance Available	\$ 292,130	\$ 646,806	\$ 0	\$ 0	\$ 59,048
Cancelled Reserves	175,359	0	280,265	280,265	280,265
Total Financing Sources	\$ 2,454,509	\$ 3,827,763	\$ 280,265	\$ 3,146,019	\$ 3,205,067
Salary and Benefits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Services and Supplies	320,120	517,348	1,940,000	1,940,000	1,940,000
Other Charges	112,020	0	0	0	0
Fixed Assets	520,620	2,025,262	477,000	477,000	477,000
Gross Expenditures	\$ 952,760	\$ 2,542,610	\$ 2,417,000	\$ 2,417,000	\$ 2,417,000
Contingencies	0	0	0	0	0
New Reserves	1,920,236	1,851,799	0	729,019	788,067
Total Financing Requirements	\$ 2,872,996	\$ 4,394,409	\$ 2,417,000	\$ 3,146,019	\$ 3,205,067

Source of Funds



SERVICE PROGRAMS

Staffing for Countywide Automation is found in the Information Technology Fund Center 114. This budget has a total expenditure level of \$2,417,000 and provides the following services:

Countywide Automation Replacement

Provides for the implementation of new and replacement automation systems and equipment which allow for the continuation of essential County services as identified and approved by the Board of Supervisors.

Total Expenditures: \$2,417,000.00 Total Staffing (FTE): 0.00

COUNTY ADMINISTRATOR'S COMMENTS AND RECOMMENDATIONS

This fund center addresses the replacement and upgrade of large scale automation equipment and systems as identified by the Information Technology Division of the newly formed General Services Agency. Funds to support Countywide Automation projects are normally derived from the General Fund through overhead charges identified in the County's Cost Plan. The FY 2011-12 depreciation schedule for Countywide Automation identifies that approximately \$1.6 million in funding from overhead charges is applied to finance the expense in this budget. These charges are related to the depreciation of automation assets.

The recommended budget for FY 2011-12 Countywide Automation Fund Center is based on funding for projects reviewed and approved by the Information Technology Executive Steering Committee (IT-ESC) and routine annual equipment replacement and upgrades of County systems. The total recommended operational expenditure for FY 2011-12 is \$2,417,000, a 226% increase over the adopted level for FY 2010-11

Recommended service and supply expense totals \$1,940,000, an increase of approximately \$1.7 million more than the FY 2010-11 adopted budget. The substantial increase in this category of expense is due to two large automation projects. The Property Tax Replatform project is budgeted \$1.5 million and the upgrade for the Integrated Document Management System is budgeted for \$440,000. In addition their recommended budget for 2011-12 includes \$477,000 in fixed assets, a \$128,938,37%, increase over the adopted level for FY 2010-11. The expense in this budget can vary greatly from year to year, based upon whether large new projects are included in the budget. The FY 2010-11 mainly addressed normal recurring expenses for routine upgrades in equipment and software. The FY 2011-12 budget includes the first phase of the Property Tax Replatform project, a large an non-recurring project which shifts the current Property Tax System from a mainframe based system to a more modern server based system.

Financing sources for this budget total \$3,146,019, a \$553,557, 47% increase over the adopted level for FY 2010-11. Funding from General Fund from depreciation charges total \$1,569,019, a decrease of \$194,617, 11%, from the FY 2010-11 adopted budget. An allocation of \$1,296,735 from the Tax Loss Reserve Fund (Teeter funds) and the cancellation of \$280,265 of the Countywide Automation Tax System Replacement Reserve designation are used to fund the \$1,577,000 expense for the Property Tax Replatform project described later in this narrative. The recommended budget for Countywide Automation provides \$2.4 million to fund automation projects and also provides \$729,012 in new reserves for the Countywide Automation Fund. The \$729,012 in new reserves is approximately \$1.1 million, 60%, less than the amount of new reserve funding in the FY 2010-11 adopted budget.

The following section provides a brief description of the projects recommended for approval. Projects are identified as being either "Recurring" or "Non-Recurring". Recurring projects are generally considered to be a normal expense for operations, such as replacement or upgrades of existing software and hardware in existing systems. Non-Recurring projects are projects which substantially change an operational process, or significantly change or expand the capacity and capability of the technological applications and tools used by the County.

Recommended FY 2011-12 Projects Approved by the IT-ESC

IT-ESC is the governance body which reviews and recommends County technology projects to the County Administrator and Administrative Office. The Executive Steering Committee is composed of thirteen (13) County managers. Eight (8) are permanent members, and to assure that all stakeholders have an opportunity for direct

representation, three members are appointed or elected to serve on a rotating basis. Permanent members collectively represent those organizations that utilize the majority of services provided by Information Technology. The County Administrative Officer (CAO) is a member and serves as committee chair.

There are three IT-ESC approved projects totaling \$2,117,000 included in the recommended FY 2011-12 budget. Two of the following three projects are non-recurring projects which expand the service levels provided by the County's technology infrastructure. The following summarizes the project recommended by the IT-ESC for FY 2011-12:

1. Integrated Document Management (IDM) upgrade (Recurring)

Expense: \$440,000
Source of Funding: Countywide Automation Funds.
Operational Costs: Once the upgrade is completed, no new funding is necessary for the ongoing operational costs for maintenance of the IDM system as these costs are a part of the existing annual allocation for Information Technology Fund Center 114 budget.

This project upgrades the current software used for IDM since support for the current version ended in March 2010. IDM provides county departments with the capability to electronically store large quantities of documents in an electronic format. The system provides the following benefits:

- Reduce production of paper reports and documents (e.g. mainframe reports, telephone bills, photocopies).
- Increase ease of access to County documents and utilize other document management capabilities such as versioning and auditing.
- Help departments meet legal mandates pertaining to the retention and destruction of documents through the use of records management.
- Establish the ability to scan HR documents, attach the electronic documents to HR records in SAP, and allow viewing of the documents by authorized users.

2. Agenda Management software purchase (Non-Recurring)

Expense: \$100,000
Source of Funding: Countywide Automation Funds.
Operational Expense: Upon implementation of the Agenda Management system, no new funding is necessary for the ongoing operational costs for maintenance of the IDM system as these costs will be absorbed as part of the existing annual allocation for Information Technology Fund Center 114 budget.

This project will use commercial software to convert the current manual and paper based processes for preparing items for the Board of Supervisor's weekly agenda to an electronic based system. Currently, documents for the agenda are printed and then sent to the Administrative Office for review. The proposed Agenda Management system will provide the capability to transmit, review and revise agenda documents electronically. It will also prepare the agenda cover sheets and reduce staff time scanning documents for posting on the internet. The system is intended to reduce the use of paper and staff time for agenda preparation. It is noted that paper copies of the agenda will still be available to members of the public.

3. Property Tax System Replatform (Non-Recurring)

Phase 1 expense: \$1,577,000
Sources of Funding: \$1,296,735 from the Tax Loss Reserve Fund (Teeter funds) and the cancellation of \$280,265 of the Countywide Automation Tax System Replacement Reserve designation
Operational Expense: Annual \$400,000 decrease in mainframe equipment and software expense. Upon implementation of the Property Tax Replatform project, there will be a shift of existing operational expense from current maintenance expense for the existing Property Tax System to the new system resulting in a net reduction of annual operational expense.

County developed tax systems, including the Property Tax System, are involved in the collection and subsequent disbursement of approximately 32% of all county funding. In FY 2010-11, this amounted to nearly \$145 million. Consequently, having reliable systems that run on modern hardware and software platforms is critical to the efficient operation of the County.

This project will move (modernize) the Property Tax System from the existing mainframe system to a new computing environment. There are two fundamental drivers for this project:

- 1) reduce the costs associated with the current mainframe frame based environment and
- 2) provide a database and software development environment which makes Property Tax System on-going maintenance, enhancement and development easier and more cost-effective.

The Property Tax System modernization will provide access to up-to-date and more widely supported software development and maintenance tools. In turn, this will enhance the ability of information technology personnel supporting the Property Tax applications to more effectively support and maintain the system. It will also improve the team's ability to enhance and extend Property Tax System features and functionality in response to departmental needs.

The recommended budget funds the first of two phases for the project. The estimated expense for the entire project is \$5 million. The second phase of the project is anticipated to require the hiring of six Limited Term staff to backfill for existing staff who will be working on the project for approximately two and half years, beginning in FY 2012-13. The staff is distributed as follows:

- Assessor 3.0 FTE
- Auditor–Controller 2.0 FTE
- Tax Collector-Treasurer 1.0 FTE

The current estimated cost for the 6.0 FTE in backfill staff over the two and half year development of the project is \$1.7 million. This expense will not begin until FY 2012-13. No positions are proposed to be added to the County Position Allocation List at this time.

The first phase of this project is to develop an RFP and a contract with a vendor that is experienced in providing the tools and expertise necessary to successfully complete modernization of the Property Tax System. The County has a choice of how much vendor involvement it wishes to retain during the modernization project. For example, one of the potential vendors, Clarity Solutions, has described two different implementation paths: "Turnkey" or "Knowledge Transfer". The recommended first phase of funding for FY 2011-12 is to develop the RFP and fund the vendor contract.

Other Projects Recommended for FY 2011-12

There are three initiatives, totaling \$300,000, budgeted that are equipment replacements and upgrades to County communications. There is no increase in operational expense for these projects.

1. Upgrade and modernization of Board of Supervisor (BOS) chambers recording and projection equipment (Recurring)

Expense: \$20,000
Source of Funding: Countywide Automation Funds.

This project replaces outdated recording and projection equipment used in Board of Supervisors Chambers.

2. Upgrade and expand equipment housed in the County's data center (Recurring)

Expense: \$40,000
Source of Funding: Countywide Automation Funds.

This project upgrades and replaces Blade Center Servers and disk storage in the data center.

3. Upgrade and maintain public safety radio communications equipment and systems (Recurring)

Expense: \$240,000
Source of Funding: Countywide Automation Funds.

This project replaces equipment for three radio channels for County public safety radio communications which are no longer supported by the manufacturer. The channels being replaced are the Red channel (used for Sheriff emergency dispatch and interoperability with other law enforcement), Fire channel (used for County fire, CalFire, communications), and Brown channel (used by County Office of Emergency Services and the Health Agency for communications). Also included is the replacement of two auxiliary radio receives at Lodge Hill and Tespesquet peak.

BUDGET AUGMENTATION REQUESTS ADOPTED

Unit Amount	Description	Results
Gross Requested: \$100,000	<p>Electronic Agenda Management System.</p> <p>This project is the development of an automated agenda management program which will use commercially available software products to transform the current manual, paper based agenda preparation to an electronic based system.</p> <p>The current agenda creation process is a series of highly manually and labor intensive procedures. By implementing an automated solution, many of these procedures will be streamlined or eliminated.</p> <p>Implementing an automated solution will significantly reduce the number of paper documents that are currently printed; standardize the agenda preparation process across all departments; include a workflow process which will track each agenda item in the preparation process.</p>	<ul style="list-style-type: none"> • Move towards a paperless agenda which is in line with the County's "going green" efforts saving approximately \$16,000 per year in charges for paper and charges for scanning and set up from Reprographics • Reduce staff time required to create the agenda through; <ul style="list-style-type: none"> ○ Auto page numbering features ○ Elimination of the manual scanning and collating process ○ Ability for multiple users to simultaneously review documents online from any location • Enhanced search function will make it easier for the public to navigate and find particular items of interest on the agenda
Countywide Automation Fund \$100,000		

Unit Amount	Description	Results
<p>Gross Requested: \$1,5770.000</p> <p>Source of Funding: \$1,296,735 from the Tax Loss Reserve Fund (Teeter funds) and the cancellation of \$280,265 of the Countywide Automation Tax System Replacement Reserve designation</p> <p>The total estimated expense for both phases of the project is \$5 million.</p> <p>In FY 2012-13, it is anticipated that a total of 6.0 FTE in limited term staff will be needed to complete this project.</p>	<p>Property Tax System Replatform.</p> <p>This Budget Augmentation Request funds the first of two phases.</p> <p>The Property Tax System is the single largest remaining application suite on the mainframe. Moving the Property Tax System to another environment would significantly reduce overall mainframe usage. The project would result in two additional benefits:</p> <ol style="list-style-type: none"> 1) Eliminate costs associated with mainframe use for the 3 departments, Tax Collector Treasurer, Assessor and Auditor-Controller, using the application and 2) Act as a catalyst to eliminate the rest of the applications and data from the mainframe, thus allowing decommissioning of the platform. <p>The project goal is to move the current Property Tax System and data from the mainframe to Windows/Intel and Microsoft Corporation architecture.</p> <p>In FY 2012-13, it is anticipated that a total of 6.0 FTE in limited term staff will be required. The staff are distributed as follows Assessor 3.0 FTE Auditor-Controller 2.0 FTE Tax Collector-Treasurer 1.0 FTE</p> <p>The total current estimated staff cost over the two and half year development of the project is \$2.16 million. This expense will not begin until FY 2012-13. No positions are proposed to be added to the County Position Allocation list at this time.</p>	<ol style="list-style-type: none"> 1) Reduce annual mainframe hardware and software costs operating costs by \$400,000 2) Avoid system obsolescence by moving a critical set of applications, commonly described as the Property Tax System, from the mainframe to a more modern application and system development environment 3) Move Property Tax System data to a modern database 4) Position the County to provide additional Property Tax related services electronically or on-line. 5) Extend the life of the current system by a minimum of 10 years.

BOARD ADOPTED CHANGES

The Board adopted Supplemental Budget Document included a technical correction to the Countywide Automation Fixed Asset List to add recommended fixed asset for the Property Tax System at a cost of \$77,000. Since funding for the Property Tax System was included in the budget, including the amount needed for the fixed asset, this addition simply adds the fixed asset to the list of fixed assets approved by the Board. There is no change to the revenues of expenditure figures shown in the recommended and adopted budget.

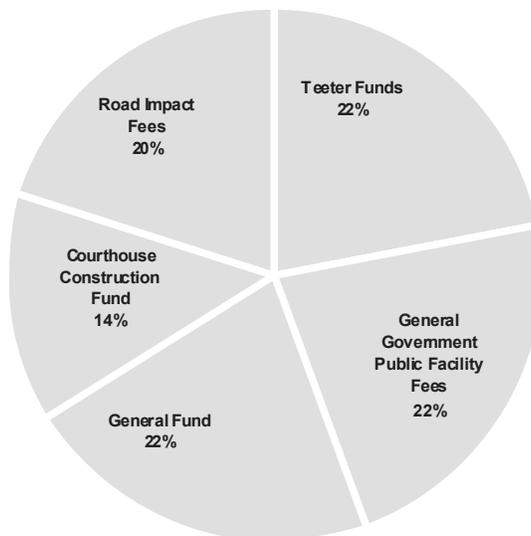
At the end of Fiscal Year 2010-11, Fund Center 266 had a fund balance of \$59,048. This fund balance amount was added to the Countywide Automation Replacement reserve designation.

PURPOSE STATEMENT

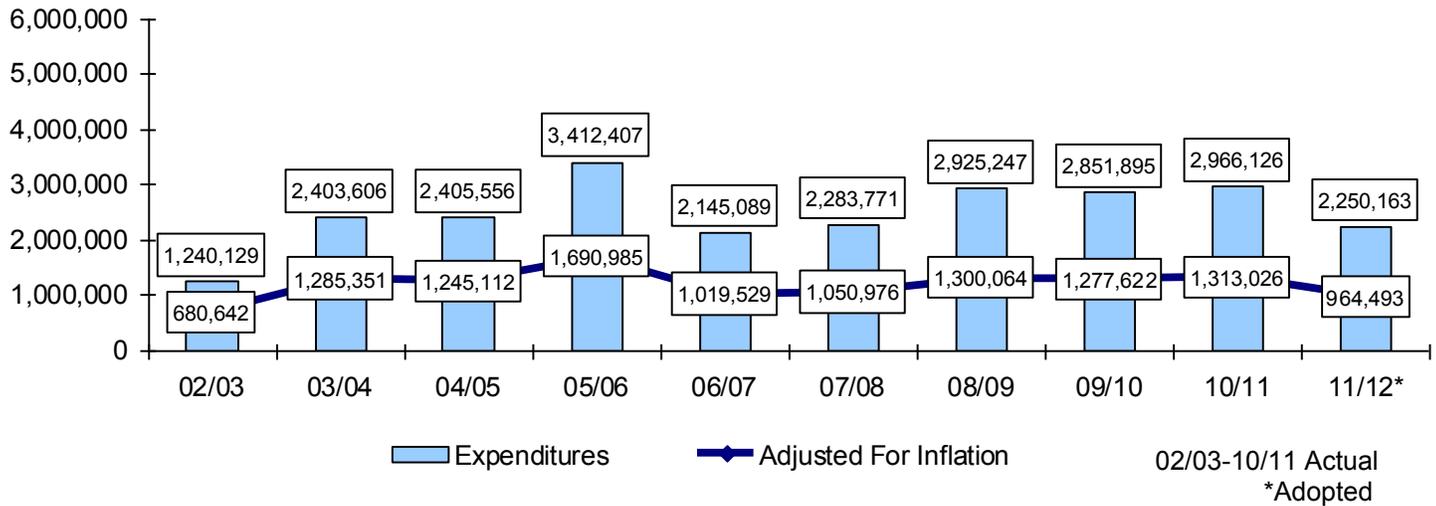
This fund center accounts for the payment of interest and principal associated with the County's long term debt based upon the Board of Supervisors budget policies. Recommendations for debt financing of major projects are made by the County's Debt Advisory Committee in accordance with the provisions laid out in the County's Debt Management Policy. Debt service payments are funded with a variety of revenue sources as outlined below. Every attempt is made to provide for debt service payments through dedicated revenues that can be maintained over the life of the debt, before General Fund dollars are used. There are no County operations, programs or services directly associated with this fund center.

<u>Financial Summary</u>	2009-10 <u>Actual</u>	2010-11 <u>Actual</u>	2011-12 <u>Requested</u>	2011-12 <u>Recommended</u>	2011-12 <u>Adopted</u>
Taxes	\$ 500,000	\$ 495,880	\$ 500,000	\$ 500,000	\$ 500,000
Fines, Forfeitures and Penalties	306,069	307,169	308,119	308,119	308,119
Revenue from Use of Money & Property	(1,900)	0	0	0	0
Other Financing Sources	<u>2,011,089</u>	<u>2,163,078</u>	<u>1,442,044</u>	<u>1,442,044</u>	<u>1,442,044</u>
Total Revenue	\$ 2,815,258	\$ 2,966,127	\$ 2,250,163	\$ 2,250,163	\$ 2,250,163
Fund Balance Available	\$ 1,902	\$ 14,471	\$ 0	\$ 0	\$ 0
Cancelled Reserves	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Financing Sources	<u>\$ 2,817,160</u>	<u>\$ 2,980,598</u>	<u>\$ 2,250,163</u>	<u>\$ 2,250,163</u>	<u>\$ 2,250,163</u>
Salary and Benefits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Services and Supplies	0	0	0	0	0
Other Charges	2,800,785	2,966,126	2,250,163	2,250,163	2,250,163
Fixed Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Gross Expenditures	\$ 2,800,785	\$ 2,966,126	\$ 2,250,163	\$ 2,250,163	\$ 2,250,163
Contingencies	0	0	0	0	0
New Reserves	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Financing Requirements	\$ 2,800,785	\$ 2,966,126	\$ 2,250,163	\$ 2,250,163	\$ 2,250,163

Source of Funds



10 Year Expenditures Adjusted For Inflation



COUNTY ADMINISTRATOR’S COMMENTS AND RECOMMENDATIONS

During FY 2010-11, a comprehensive debt management policy was created and approved by the Board of Supervisors. This policy generally reflects the robust debt management practices that have existed for many years. All new debt issuance must be reviewed by the Debt Advisory Committee prior to being recommended to the Board of Supervisors. The Debt Advisory Committee was established by the Board of Supervisors during FY 1991-92.

San Luis Obispo County’s legal debt limit is 1.25% of the total assessed value of the County, as prescribed by California Government Code. The gross assessed value of taxable property in the County is estimated at \$38,774,371,889 as of June, 30, 2011, making the legal debt limit \$484,679,649. The County currently carries \$10,760,000 in debt applicable to the legal limit, utilizing approximately 2.2% of its legal debt maximum, leaving a 97.8% debt margin.

The County’s target is to keep the annual debt service paid for by the General Fund to 5% or less of the General Fund operating budget (reference performance measure #1 of the Administrative Office for more details). The current percent is approximately 2.6%, well below the target.

The debt payments (including both principal and interest) contained in this fund center are as follows:

- \$1,484,894 for the 2002 Certificate of Participation (COP) for the New County Government Center located in the City of San Luis Obispo. This debt is paid with a combination of Teeter funds (\$500K), General Government Public Facility Fees (\$500K), and \$484,894 from the General Fund.
- \$306,419 for the 2007 COP for the Paso Robles Courthouse. This debt is paid with Courthouse Construction funds.
- \$450,850 for the 2008 COP for the Vineyard Drive interchange in North County (near Templeton). This debt is paid with Road Impact Fees.
- \$8,000 of the expense in this budget is attributable to the administrative fees and expenses associated with the issuance and management of the above noted debt.
- The County also issued Pension Obligation Bonds during FY 2004-05. The details can be found in the Pension Obligation Bond fund center.

BOARD ADOPTED CHANGES

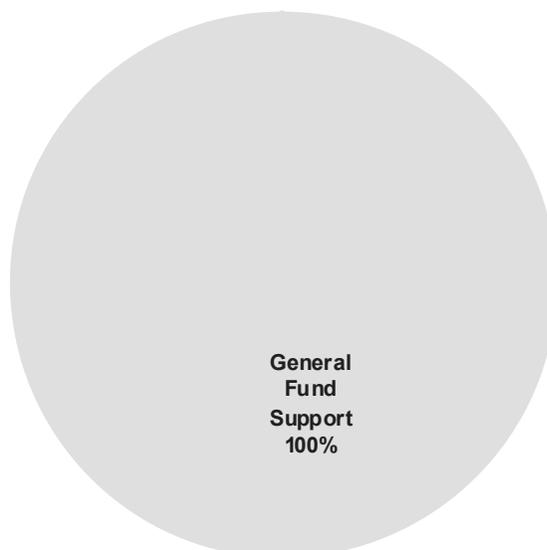
None.

PURPOSE STATEMENT

The purpose of this fund is to set aside funding to help pay for the replacement of the County's general government buildings. Funding levels for this fund are determined each year by calculating the annual depreciation associated with County buildings as identified in the County's Cost Allocation Plan. Building replacement funds are expended based on the needs identified in the County's Facilities Master Plan. There are no County operations, programs or services directly associated with this fund center.

	2009-10	2010-11	2011-12	2011-12	2011-12
<u>Financial Summary</u>	<u>Actual</u>	<u>Actual</u>	<u>Requested</u>	<u>Recommended</u>	<u>Adopted</u>
Revenue from Use of Money & Property	\$ 30,544	\$ 24,540	\$ 0	\$ 0	\$ 0
Other Financing Sources	<u>2,286,946</u>	<u>2,677,919</u>	<u>2,684,683</u>	<u>2,684,683</u>	<u>3,320,873</u>
Total Revenue	\$ 2,317,490	\$ 2,702,459	\$ 2,684,683	\$ 2,684,683	\$ 3,320,873
Fund Balance Available	\$ 0	\$ 70,430	\$ 0	\$ 0	\$ 9,900
Cancelled Reserves	<u>3,397,104</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Financing Sources	<u>\$ 5,714,594</u>	<u>\$ 2,772,889</u>	<u>\$ 2,684,683</u>	<u>\$ 2,684,683</u>	<u>\$ 3,330,773</u>
Salary and Benefits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Services and Supplies	0	0	0	0	0
Other Charges	1,774,117	233,343	0	0	0
Fixed Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Gross Expenditures	\$ 1,774,117	\$ 233,343	\$ 0	\$ 0	\$ 0
Contingencies	0	0	0	0	0
New Reserves	<u>2,930,613</u>	<u>1,955,889</u>	<u>2,684,683</u>	<u>2,684,683</u>	<u>3,330,773</u>
Total Financing Requirements	\$ 4,704,730	\$ 2,189,232	\$ 2,684,683	\$ 2,684,683	\$ 3,330,773

Source of Funds



COUNTY ADMINISTRATOR'S COMMENTS AND RECOMMENDATIONS

This fund center supports the long-term commitment to strategic planning as identified in the five-year Capital Improvement Plan and the Countywide Facilities Master Plan. The funding for this fund center is based upon the annual depreciation of County buildings as identified in the Cost Allocation Plan (countywide overhead).

The depreciation schedule indicates that \$2,684,683 should be placed into reserves to help fund replacement and new building projects. The full amount is recommended for placement into the reserve. This is the first time in three years that the full amount is being placed into reserves. In the prior three years, a portion of the depreciation was redirected to the General Fund in order to help balance the operating budget as part of the short-term budget balancing strategies.

BOARD ADOPTED CHANGES

The actual Fund Balance Available (FBA) for the General Fund was higher than budgeted. \$636,190 of this additional funding was allocated to the General Government Building Replacement designation. In prior years, some of the funds in this designation had been reallocated in order to help balance the General Fund (as part of the short-term budget balancing solutions). The addition of the \$636,190 makes this fund "whole" with respect to what should have been placed in the designation per the depreciation schedule (as referenced above). Additionally, the fund center ended the fiscal year with \$9,900 in unanticipated interest revenue. This amount was also allocated to the General Government Building Replacement designation.

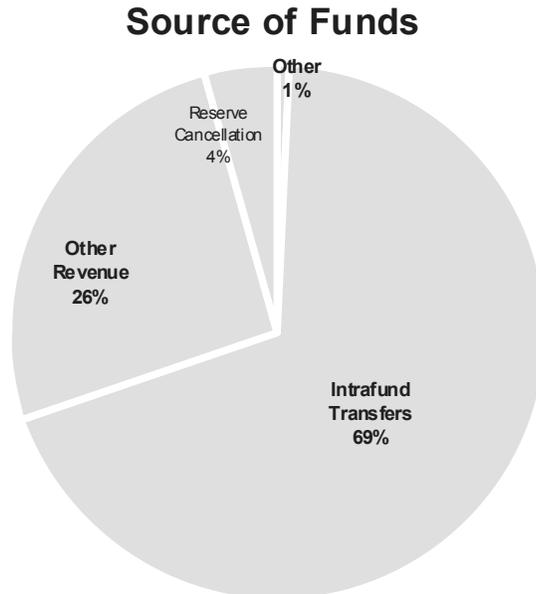
**Non-Departmental Revenues-Other Financing Use
Fiscal Year 2010-11 Proposed Budget**

Fund Center 102

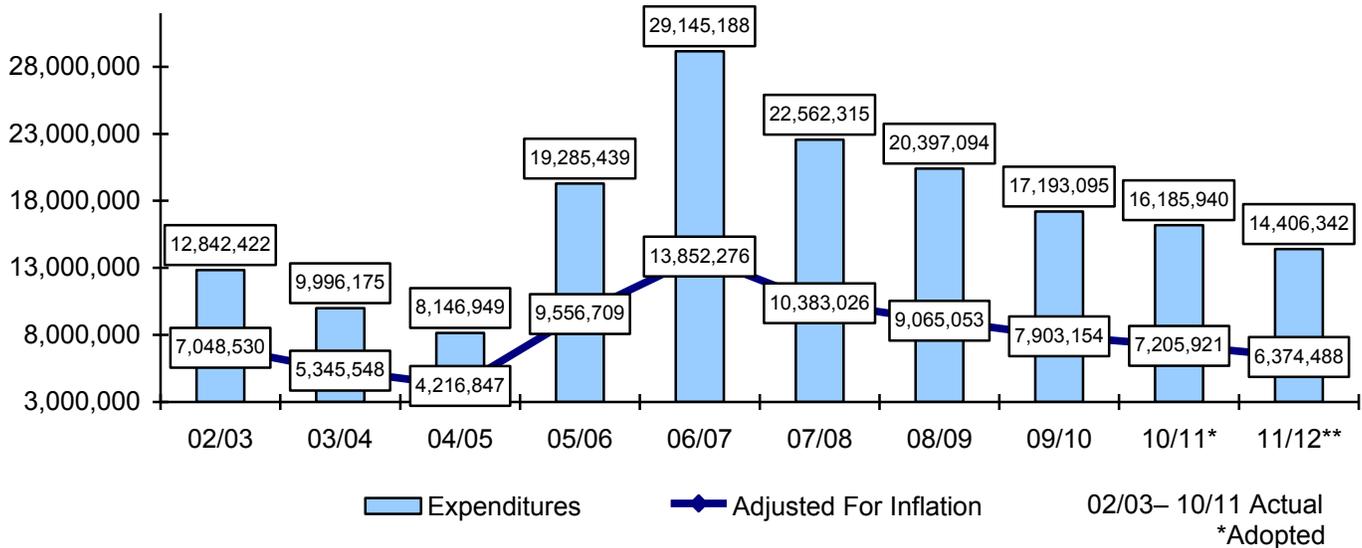
PURPOSE STATEMENT

The fund center provides General Fund support to “Other Funds” to help finance their operations. This fund center is also the receiving budget for overhead charged to County departments. There are no County operations, programs or services directly associated with this fund center.

	2009-10	2010-11	2011-12	2011-12	2011-12
<u>Financial Summary</u>	<u>Actual</u>	<u>Actual</u>	<u>Requested</u>	<u>Recommended</u>	<u>Adopted</u>
Charges for Current Services	\$ 59,348	\$ 35,383	\$ 30,715	\$ 30,715	\$ 30,715
Other Financing Sources	1,585,768	6,979,743	0	1,700,000	1,712,000
Interfund	<u>3,983,099</u>	<u>3,535,283</u>	<u>2,911,736</u>	<u>2,911,736</u>	<u>2,911,736</u>
**Total Revenue	\$ 5,628,215	\$ 10,550,409	\$ 2,942,451	\$ 4,642,451	\$ 4,654,451
Other Charges	<u>17,193,095</u>	<u>18,630,584</u>	<u>15,665,786</u>	<u>14,406,342</u>	<u>19,212,016</u>
**Gross Expenditures	\$ 17,193,095	\$ 18,630,584	\$ 15,665,786	\$ 14,406,342	\$ 19,212,016
Less Intrafund Transfers	<u>11,883,477</u>	<u>11,459,510</u>	<u>10,108,959</u>	<u>10,035,388</u>	<u>10,035,388</u>
**Net Expenditures	\$ 5,309,618	\$ 7,171,074	\$ 5,556,827	\$ 4,370,954	\$ 9,176,628
General Fund Support (G.F.S.)	\$ <u>(318,597)</u>	\$ <u>(3,379,335)</u>	\$ <u>2,614,376</u>	\$ <u>(271,497)</u>	\$ <u>4,522,177</u>



10 Year Expenditures Adjusted For Inflation



COUNTY ADMINISTRATOR’S COMMENTS AND RECOMMENDATIONS

This fund center contains all of the recommended General Fund “contributions” to non-General Fund departments and all countywide overhead charges paid by various County departments and agencies. Additionally, this fund center serves as a “clearing house” for charges between the General Fund and non-General Fund departments.

Summary of General Fund contributions to Non-General Fund departments

The recommended General Fund contribution to non-General fund departments is approximately \$14.4 million. The recommended contributions include:

Fund Center	FY 2010-11 Adopted	FY 2011-12 Recommended	Percent Change
Parks	\$3,278,260	\$3,278,260	0%
Roads	\$6,294,577	\$5,330,263	-15%
Capital Projects Fund	\$0	\$0	0%
Library	\$529,361	\$516,121	-2%
Debt Service	\$495,513	\$484,894	-2%
Organizational Development	\$0	\$242,166	N/A
Community Development	\$303,050	\$300,936	-0.7%
Automation Replacement Fund	\$1,763,636	\$1,569,019	-11%
Building Replacement Fund	\$2,521,534	\$2,684,683	+6%
TOTAL	\$15,185,931	\$14,406,342	-5.1%

- The General Fund contribution to Parks is to help fund the parks and recreation facilities in the unincorporated areas of the County.
- The General Fund contribution to Roads is for the pavement management program and various roads projects.

- There are few new capital projects included in the budget this year and those included are not funded by the General Fund. Note that this is one of the shorter term strategies to close the budget gap for FY 2011-12, i.e. defer capital projects requiring General Fund financing.
- The General Fund contribution to the Library is to pay for the Library Director position (statutorily required) and to fund additional positions to support open hours as agreed to several years ago.
- The General Fund contribution to the Debt Service Fund is for a portion of the debt service for the new County Government Center building located within the City of San Luis Obispo.
- The General Fund contribution to Organizational Development (OD) is to support the operations of the Employee University and other organizational development programs. Note that as part of the “short-term” solutions being used to help balance the overall General Fund, the General Fund contribution to OD is reduced. The standard is to allocate \$450,000 per year from the General Fund to Organizational Development. For FY 2011-12, it is recommended that \$242,166 be allocated from the General Fund with the difference funded with reserves. Note that \$0 was allocated from the General Fund for FY 2010-11.
- The General Fund contribution to Community Development includes funding for the Economic Vitality Corporation (EVC), the Housing Trust, and homeless services.
- The General Fund contribution to the Automation Replacement Fund is to help fund new and replacement automation equipment and programs. The dollar amount is based upon the depreciation schedule for automation assets per the Board Adopted Cost Allocation Plan.
- The General Fund contribution to the Building Replacement Fund is to help offset the costs of new and replacement buildings. The dollar amount is also based upon the depreciation schedule for buildings per the Board Adopted Cost Allocation Plan.

For more information regarding the services and financial status of the funds noted above, please reference the specific fund centers.

Countywide Overhead Charges

Annually, the Board of Supervisors adopts the “Cost Plan,” which allocates the costs of the central servicing departments (Human Resources, Administration, General Services, County Counsel, and Auditor-Controller) as well as depreciation charges to departments and outside agencies that receive the services. This portion of the budget reflects all of the countywide overhead charges paid by various County departments and other agencies. The total overhead revenue to the General Fund is \$12,977,839, which is about \$2 million less than the FY 2010-11 charges. This reduction is a direct result of operational efficiencies, the contraction of the workforce and programs and services.

Other

As mentioned above, this fund center serves as a “clearing house” between the General Fund and non-General Fund departments. Those recommended in this budget include:

- \$6,000,000 of revenue was included as a repayment of the loan to the Los Osos Sewer project for FY 2010-11. During FY 2007-08, the Board of Supervisors approved loans funded by General Fund Contingencies to the Los Osos Sewer project. The \$6 million loan targeted for repayment in FY 2008-09 and FY 2009-10 was delayed to FY 2010-11. As of the writing of this document, the repayment is on track for FY 2010-11 and therefore is not included for FY 2011-12.

BOARD ADOPTED CHANGES

During budget hearings, \$12,000 was transferred from the Tax Reduction Reserve to the General Fund in order to help pay for additional funding granted to three agencies per the Contributions to Other Agencies fund center (106). Given that this fund center (fund center 102) serves as the “clearing house” for transfers between the General Fund and other funds, the \$12,000 was added to this fund center (as a financing source).

The actual Fund Balance Available (FBA) for the General Fund was higher than budgeted. As a result, some of the additional funding was allocated as follows (which pass through this fund center for accounting purposes):

- \$3,035,109 to the Tax Reduction Reserve
- \$384,375 to the Facilities Planning Designation (for capital projects)
- \$500,000 to the Roads designation
- \$636,190 to the General Government Building designation (for capital projects)
- \$250,000 to the Organization Development reserve (to help fund the Employee University)

**Non-Departmental Revenues
Fiscal Year 2011-12 Final Budget**

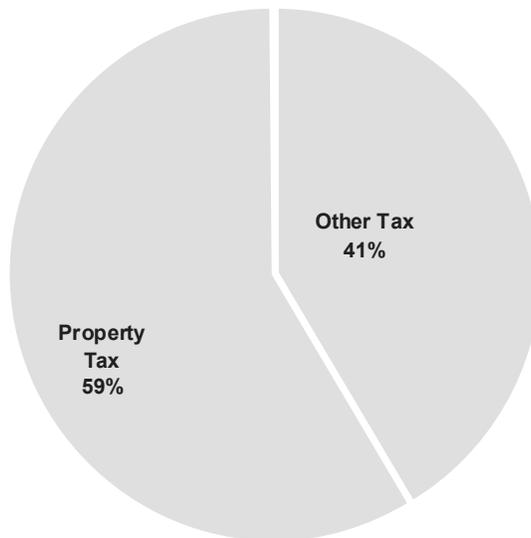
Fund Center 101

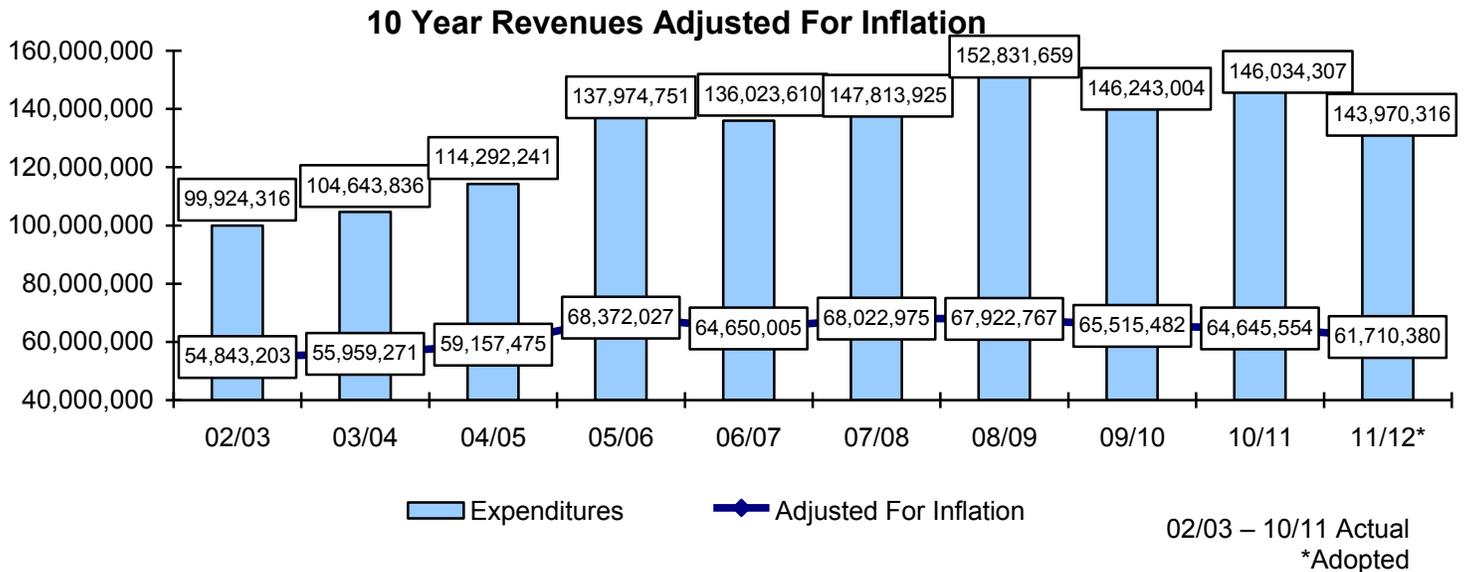
PURPOSE STATEMENT

This fund center acts as the receiving budget for all general purpose revenues such as property and sales taxes, license and permit revenue and some state and federal aid that are not directly attributable to any single department's activities. Non-departmental revenues are used to fund the Net County Cost for General Fund supported departments. There are no County operations, programs or services directly associated with this fund center.

	2009-10	2010-11	2011-12	2011-12	2011-12
<u>Financial Summary</u>	<u>Actual</u>	<u>Actual</u>	<u>Requested</u>	<u>Recommended</u>	<u>Adopted</u>
Taxes	\$136,319,834	\$136,489,499	\$134,698,003	\$134,868,954	\$134,868,954
Licenses and Permits	2,688,034	2,913,203	2,775,000	2,775,000	2,775,000
Fines, Forfeitures and Penalties	0	48,092	0	0	0
Revenue from Use of Money & Property	384,798	240,224	300,000	300,000	300,000
Intergovernmental Revenue	3,972,127	3,520,159	3,400,800	3,400,800	3,400,800
Charges for Current Services	2,552,652	2,476,632	2,294,944	2,294,944	2,294,944
Other Revenues	983	23,680	4,005	4,005	4,005
Interfund	<u>324,576</u>	<u>322,818</u>	<u>326,613</u>	<u>326,613</u>	<u>326,613</u>
**Total Revenue	\$146,243,004	\$146,034,307	\$143,799,365	\$143,970,316	\$143,970,316
Services and Supplies	<u>2</u>	<u>3</u>	<u>5</u>	<u>5</u>	<u>5</u>
**Gross Expenditures	\$ 2	\$ 3	\$ 5	\$ 5	\$ 5
General Fund Support (G.F.S.)	<u>\$146,243,002)</u>	<u>\$146,034,304)</u>	<u>\$143,799,360)</u>	<u>\$143,970,311)</u>	<u>\$143,970,311)</u>

Source of Funds





COUNTY ADMINISTRATOR’S COMMENTS AND RECOMMENDATIONS

This fund center receives all of the General Fund revenues not directly attributable to any single department’s operation (commonly referred to as discretionary revenue or non-departmental revenue). Overall, non-departmental revenue is recommended at approximately \$144 million, which is approximately \$2 million or 1.5% lower than the FY 2010-11 adopted amount. This is the third year in a row that non-departmental revenue is budgeted at a lower level and is a direct reflection of the struggling economy. In total, there are over 35 sources of revenue for this fund center. The most significant are noted below:

- Current and Secured Property taxes are budgeted at \$84.3 million, which is about \$570,000 or a half a percent less than FY 2010-11. The overall housing market continues to struggle as sales of existing homes remain sluggish and new construction is virtually non-existent.
 - Note: When comparing to FY 2007-08 and earlier, the secured property tax numbers included unitary tax revenues. As of FY 2008-09, unitary taxes were separated into their own revenue category so they could be more clearly identified.
- Unitary taxes (the property taxes on utilities such as power plants as well as pipelines throughout the county) are budgeted at \$7.56 million, which is a 2% increase.
- Property Tax in Lieu of Vehicle License Fee (VLF) revenue is budgeted at \$27 million, which is virtually flat as compared to FY 2010-11. This revenue source is part of the “VLF Swap” whereby counties receive additional property tax from the State in lieu of VLF revenue.
- Supplemental Property taxes are budgeted at \$1 million, which is \$500,000 or 33% less than FY 2010-11. This is a direct reflection of the continued soft housing market.
- Sales and Use taxes are budgeted at \$5.5 million, which is the same as the FY 2010-11 amount.
- Transient Occupancy Tax (TOT) (commonly referred to as the bed tax charged on hotel and motel rooms) is budgeted at \$6 million, which is \$130,000 or 2% less than the FY 2010-11 adopted amount.

BOARD ADOPTED CHANGES

None.

**Other Post Employment Benefits
Fiscal Year 2011-12 Final Budget**

Fund Center 413

PURPOSE STATEMENT

This fund center accounts for the payment of retiree health benefits, otherwise referred to as Other Post Employment Benefits. Funding for payments related to Other Post Employment Benefits comes from payroll charges to departments which are transferred into this fund center before payments are made. There are no County operations, programs or services directly associated with this fund center.

OPERATING DETAIL (1)	2009-10 ACTUAL (2)	2010-11 ACTUAL (3)	2011-12 RECOMMENDED (4)	2011-12 ADOPTED BY THE BOS (5)
OPERATING REVENUES				
Charges to Department	2,342,428	1,815,491	1,500,000	1,500,000
TOTAL OPERATING REVENUES	2,342,428	1,815,491	1,500,000	1,500,000
OPERATING EXPENSES				
Insurance Benefit Payments	1,058,267	829,664	800,000	800,000
TOTAL OPERATING EXPENSES	1,058,267	829,664	800,000	800,000
OPERATING INCOME (LOSS)	1,284,161	985,827	700,000	700,000
NON-OPERATING REVENUES (EXPENSES)				
Interest	33,988	990	1,000	1,000
Fed Aid Medicare Part D	319,286	342,312	0	0
Special Dept Expense	(2,950,623)	(1,329,129)	(701,000)	(701,000)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(2,597,349)	(985,827)	(700,000)	(700,000)
INCOME BEF. CAPITAL CONTRBS. & TRANSFERS	(1,313,188)	0	0	0
CHANGE IN NET ASSETS	(1,313,188)	0	0	0
Net assets - beginning	1,313,188	0	0	0
Net assets - ending	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

COUNTY ADMINISTRATOR'S COMMENTS AND RECOMMENDATIONS

During FY 2006-07, accounting changes required local governments to account for the cost of health care benefits promised to employees who would be retiring over the next 30 years. For some entities, the cost is hundreds of millions of dollars and they will be required to issue debt and/or reduce services to pay for these benefits. While our liability for these expenses is modest compared to many other governmental agencies- the current estimate is \$25 million- the Auditor-Controller recommended that the County set aside funds to pay for these future expenses (FY 2007-08 was the first year the County set aside funds).

Departments are charged via payroll costs in order to fund this liability and the total amount to be set aside for FY 2011-12 is \$1.5 million (roughly the same as FY 2010-11). This amount is about \$800,000 less than the years prior to FY 2010-11. In April of 2010, the Board of Supervisors adopted the Auditor-Controller's recommendation to deposit and invest these funds in an irrevocable trust. It is anticipated that this trust will earn a higher investment return as compared to the County Treasury and as a result of these additional earnings; the charges to departments are reduced (compared to fiscal years 2007-08 through 2009-10).

BOARD ADOPTED CHANGES

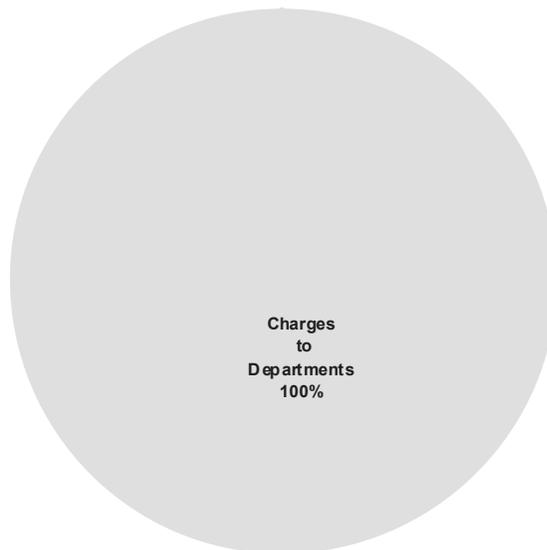
None.

PURPOSE STATEMENT

This fund center accounts for debt service payments towards Pension Obligation Bonds that have been issued to help cover unfunded pension costs. Funding for debt service payments comes from payroll charges to departments which are transferred into this fund center before payments are made. The refinancing of unfunded pension obligations of the Pension Trust resulted in an annual savings. There are no County operations, programs or services directly associated with this fund center.

	2009-10	2010-11	2011-12	2011-12	2011-12
<u>Financial Summary</u>	<u>Actual</u>	<u>Actual</u>	<u>Requested</u>	<u>Recommended</u>	<u>Adopted</u>
Revenue from Use of Money & Property	\$ 29,539	\$ 15,690	\$ 12,000	\$ 12,000	\$ 12,000
Other Revenues	6,179,806	7,312,187	8,062,000	8,062,000	8,062,000
Other Financing Sources	<u>42,565,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenue	\$ 48,774,345	\$ 7,327,877	\$ 8,074,000	\$ 8,074,000	\$ 8,074,000
Fund Balance Available	\$ 210,270	\$ 154,274	\$ 492,965	\$ 492,965	\$ (250,950)
Cancelled Reserves	<u>1,188,346</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>743,915</u>
Total Financing Sources	<u>\$ 50,172,961</u>	<u>\$ 7,482,151</u>	<u>\$ 8,566,965</u>	<u>\$ 8,566,965</u>	<u>\$ 8,566,965</u>
Salary and Benefits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Services and Supplies	30,000	30,000	30,000	30,000	30,000
Other Charges	49,268,854	7,507,747	7,963,469	7,963,469	7,963,469
Fixed Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Gross Expenditures	\$ 49,298,854	\$ 7,537,747	\$ 7,993,469	\$ 7,993,469	\$ 7,993,469
Contingencies	0	0	0	0	0
New Reserves	<u>719,834</u>	<u>195,353</u>	<u>573,496</u>	<u>573,496</u>	<u>573,496</u>
Total Financing Requirements	\$ 50,018,688	\$ 7,733,100	\$ 8,566,965	\$ 8,566,965	\$ 8,566,965

Source of Funds



COUNTY ADMINISTRATOR'S COMMENTS AND RECOMMENDATIONS

This fund center reflects the debt service payment for Pension Obligation Bonds (POBs). The Board of Supervisors approved the use of \$137 million of POBs in FY 2004-05 to address unfunded pension liability costs. The bonds are amortized over a 30 year period and created an annual savings of over \$1 million (i.e. compared to what would have otherwise been paid). The bonds are paid by charging each department a percentage of payroll. Additionally, the Board approved using \$2 million of FY 2004-05 year-end fund balance to help pay down the debt.

A portion of this debt was issued at a variable rate and during FY 2009-10 the lock period on the rate expired and the rate increased. In order to avoid significant cost increases, these variable rate bonds were refinanced with fixed rate securities. The fixed rate is higher than the original rate issued but not nearly as high as what the variable rate increase would have been. As a result, this annual debt payment increased by about \$700,000 per year beginning with FY 2010-11, but the refinance avoided an additional increase of approximately \$1.5 million per year.

BOARD ADOPTED CHANGES

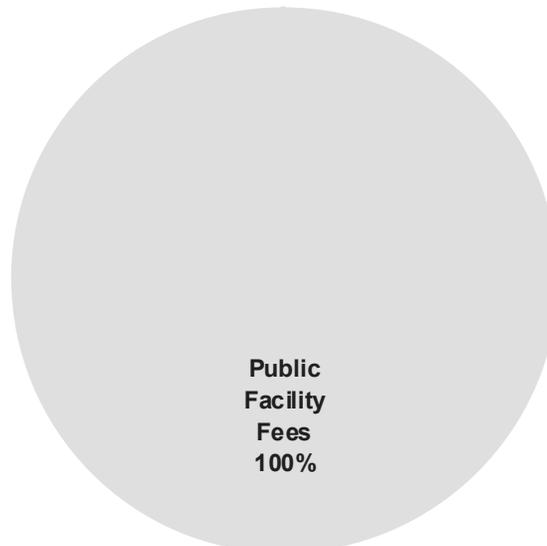
None.

PURPOSE STATEMENT

The purpose of the program is to finance, through development fees, public facilities and improvements for fire, law enforcement, libraries, parks and general government in order to reduce the impacts caused by new development projects within the unincorporated area of the county. The public facility fee program was established in 1991 (libraries in 1996).

	2009-10	2010-11	2011-12	2011-12	2011-12
<u>Financial Summary</u>	<u>Actual</u>	<u>Actual</u>	<u>Requested</u>	<u>Recommended</u>	<u>Adopted</u>
Revenue from Use of Money & Property	\$ 100,329	\$ 53,699	\$ 0	\$ 0	\$ 0
Charges for Current Services	<u>1,146,804</u>	<u>1,073,702</u>	<u>1,019,904</u>	<u>1,019,904</u>	<u>1,019,904</u>
Total Revenue	\$ 1,247,133	\$ 1,127,401	\$ 1,019,904	\$ 1,019,904	\$ 1,019,904
Fund Balance Available	\$ 0	\$ 0	\$ 0	\$ 0	\$ 155,781
Cancelled Reserves	<u>3,993,736</u>	<u>3,906,940</u>	<u>360,771</u>	<u>360,771</u>	<u>360,771</u>
Total Financing Sources	<u>\$ 5,240,869</u>	<u>\$ 5,034,341</u>	<u>\$ 1,380,675</u>	<u>\$ 1,380,675</u>	<u>\$ 1,536,456</u>
Salary and Benefits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Services and Supplies	0	0	0	0	0
Other Charges	1,909,593	4,360,677	500,000	500,000	500,000
Fixed Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Gross Expenditures	\$ 1,909,593	\$ 4,360,677	\$ 500,000	\$ 500,000	\$ 500,000
Contingencies	0	0	0	0	0
New Reserves	<u>1,360,610</u>	<u>1,717,914</u>	<u>880,675</u>	<u>880,675</u>	<u>1,036,456</u>
Total Financing Requirements	\$ 3,270,203	\$ 6,078,591	\$ 1,380,675	\$ 1,380,675	\$ 1,536,456

Source of Funds



COUNTY ADMINSTRATOR'S COMMENTS AND RECOMMENDATIONS

This fund center tracks the revenues and expenditures associated with Public Facility Fees (PFF). The Board of Supervisors established the PFF program in 1991 to help ensure new development projects contribute to the cost of providing public facilities and services. Library fees were established in 1996. Since that time, PFFs have contributed to the development of a number of County facilities.

Revenues for the PFF budget are recommended to be \$1,019,904. This is a decrease of \$11,477 or less than 1% as compared to the FY 2010-11 adopted budget. Although four of the five categories of PFF are budgeted for a slight increase above FY 2010-11 levels, Parks PFF revenues are declining. Unlike the other four categories, Parks does not collect PFF revenues from the permits issued for the construction of new office, retail or industrial facilities and buildings. This has contributed to the decline in FY 2010-11 and the revenues anticipated for FY 2011-12. As building permit activity is showing a slight upward trend, it is anticipated that most PFF revenues will show a slight 1% to 2% increase in FY 2011-12. It is also noted that in April 2011, the Board directed the Planning and Building Department staff to develop changes to the PFF ordinance which would defer collection of fees at the time the final building permit is signed. Currently, PFF fees are collected with the application for permits. If the ordinance change is approved, the FY 2011-12 revenues will be considerable less than the amount in the recommended budget.

PFF Categories:

Library

Revenue is budgeted at \$97,156, an increase of \$1,914, 2%. All of the Library revenue is recommended to be added to reserves and will be used to make payments for the loan from General Government Building Reserves for the Cambria Library building.

Fire

Revenue is budgeted at \$418,286, an increase of \$8,242, 2%. All of the Fire revenue will be added to reserves.

Parks

Revenue is budgeted at \$292,827, a decrease of \$23,060, 7%. All of the Parks revenue will be added to reserves.

General Government

Revenue is budgeted at \$139,229, an increase of \$2,742, 2%. Expenditures are budgeted at \$500,000 in order to help pay a portion of the debt service for the New County Government Center. The difference of \$360,771 will come from reserves.

Law Enforcement

Revenue is budgeted at \$72,406, an increase of \$1,427, 2%. All of the Law Enforcement revenue will be added to reserves.

BOARD ADOPTED CHANGES

Although no changes were made to this budget, on July 26, 2011, the Board of Supervisors amended the Public Facilities Plan and the Public Facilities Ordinance, Title 18 of the County Code. The amendment allows the deferral of 80% of the Public Facility Fees for projects subject to the Public Facility Fee Ordinance to the final inspection of the project. Prior to this amendment, Public Facility Fees were collected at the issuance of the building permit. Deferral of the Public Facility Fees will likely result in a substantial reduction to the revenue amounts shown in this budget since the finalization of building permits normally take longer than one year from the date of permit issuance. There will be no impact to the expenditures shown in this budget as there are sufficient funds in the public facility designations to cover proposed expenditures.

PURPOSE STATEMENT

This reserve was established in order to offset a potential loss of property tax revenue related to the depreciation of the Diablo Canyon Nuclear Power Plant. There are no County operations, programs or services directly associated with this Fund Center.

<u>Financial Summary</u>	<u>2009-10 Actual</u>	<u>2010-11 Actual</u>	<u>2011-12 Requested</u>	<u>2011-12 Recommended</u>	<u>2011-12 Adopted</u>
Revenue from Use of Money & Property	\$ 92,983	\$ 52,458	\$ 0	\$ 0	\$ 0
Other Financing Sources	0	1,499,963	0	0	3,035,109
Total Revenue	\$ 92,983	\$ 1,552,421	\$ 0	\$ 0	\$ 3,035,109
Fund Balance Available	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Cancelled Reserves	1,000,000	0	0	1,700,000	1,712,000
Total Financing Sources	\$ 1,092,983	\$ 1,552,421	\$ 0	\$ 1,700,000	\$ 4,747,109
Salary and Benefits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Services and Supplies	0	0	0	0	0
Other Charges	1,758,438	44,308	0	1,700,000	4,512,000
Fixed Assets	0	0	0	0	0
Gross Expenditures	\$ 1,758,438	\$ 44,308	\$ 0	\$ 1,700,000	\$ 4,512,000
Contingencies	0	0	0	0	0
New Reserves	92,983	8,961,433	0	0	235,109
Total Financing Requirements	\$ 1,851,421	\$ 9,005,741	\$ 0	\$ 1,700,000	\$ 4,747,109

COUNTY ADMINISTRATOR’S COMMENTS AND RECOMMENDATIONS

This fund was established a number of years ago when changes were made to the depreciation method for the Diablo Canyon Power Plant, which resulted in lower property tax revenue for the County. In order to help offset this change in methodology, the County was allocated additional funds. These funds were placed into this reserve for future use. The intention was to use this reserve to help balance the budget during economic downturns.

As part of the strategy to balance the County General Fund for FY 2011-12, \$2.27 million of short-term funding is utilized, which equates to 20% of the gap in the operating budget. The use of this amount of short-term funding aligns with the Board adopted budget goals and policies and budget balancing strategies and approaches. It is recommended that \$1.7 million of this reserve be used as part of the short-term solutions. With the use of this \$1.7 million, approximately \$11.4 million will remain in the reserve for future use.

BOARD ADOPTED CHANGES

During budget hearings, \$12,000 was transferred from the Tax Reduction Reserve to the General Fund in order to help pay for additional funding granted to three agencies per the Contributions to Other Agencies fund center (106). The details are included in this latter fund center.

The actual Fund Balance Available (FBA) for the General Fund was higher than budgeted. As a result, \$3,035,109 was allocated to the Tax Reduction Reserve for future use. \$2,800,000 is planned to be used to help pay for the County’s cost related to the Los Osos bankruptcy, which will be repaid from garbage franchise fees generated from the Los Osos area. The remaining \$235,109 is to be set aside for future use (i.e. “rainy day” funds).