Budget Message

The budget message provides an overview of the County's budget. The message sets a context for budget decisions by describing the economic conditions and changes to financing and revenue sources which help to shape the budget. It provides a summary of expenditures for the current year in comparison to expenditure levels in the previous year to demonstrate the impact that economic conditions have on County financing. Changes to staffing levels and service level program impacts are also discussed to provide the reader with a link between how financing decisions impact County operations and service provision.

County of San Luis Obispo

COUNTY GOVERNMENT CENTER, RM. D430 • SAN LUIS OBISPO, CALIFORNIA 93408 • (805) 781-5011

Dan Buckshi
COUNTY ADMINISTRATOR

October 1, 2012

Honorable Board,

During June 11–13, 2012, the Board held a public hearing to discuss the County's proposed spending plan for Fiscal Year 2012-13. The Board adopted the budget on June 19, 2012 and subsequently made adjustments to fund balances available, reserves, designations and contingencies (based upon the year-end fund balances) on September 18, 2012 (agenda item #15 from the Auditor-Controller's Office).

The Final 2012-13 budget (General Fund and all other funds) authorizes a spending level of $490,863,186. The General Fund is budgeted at $403,014,000.

The April 26, 2012 budget message provides an overview of the key components of the County's proposed spending plan. The following is a summary of the changes made to the proposed budget during and after the June budget hearings.

Changes to the Proposed Budget:
The following changes were made via the supplemental budget document. Note that a copy of the supplemental budget document is available at:
http://agenda.slocounty.ca.gov/agenda/sanluisobispo/Proposal.html?select=1122

- Child Support Services: Amended the Position Allocation List (PAL) to change an Administrative Services Officer I to an Administrative Services Officer I/II.

- District Attorney's Office: Moved the revenue budgeted for the State-Aid Realignment 2011 from account 4200022 to 4200352 within the District Attorney's budget.

- General Services: Added a 1.0 Limited Term Capital Projects Coordinator and the corresponding expense of $43,795 to the General Services budget. The addition of this position was approved by your Board on May 8, 2012. This change in the supplemental budget is to continue the position for FY 2012-13 (to address a timing issue from when the position was added in May, which was after the FY 2012-13 Proposed Budget was printed).

- Health Agency, Behavioral Health Division: Approved the new Mental Health Nurse Practitioner job specification and salary and amend the PAL for Behavioral Health by eliminating 1.5 Nurse Practitioner positions and replace with 1.5 Mental Health Nurse Practitioner positions.

- Public Defender: Added $45,277 of revenue and expense to the Public Defender's budget for State-Aid 2011 Realignment.

- Public Works Internal Service Fund:
    - Reallocated $55,000 within the Fund to purchase equipment and amend the fixed asset list.
    - Incorporated the list of capital projects for FY 2012-13 for Public Works.

- Sheriff's Department: Added a 0.50 Legal Clerk position to reflect the change authorized by your Board on May 8, 2012. Added $32,600 of associated revenue and expense.

- Social Services: Added a 1.0 Program Manager I position to reflect the change authorized by your Board on April 24, 2012.

The following changes to the Proposed Budget were made by your Board during the budget hearings (changes other than the supplemental budget):

- The following changes were made to Contributions to Other Agencies (Fund Center 106). Note that these changes were funded by previously unallocated appropriations.
    - Increased the allocation to United Way 2-1-1 by $10,000 for a total of $35,000
    - Increased the allocation to Transitional Food and Shelter by $4,000 for a total of $20,000
    - Increased the allocation to the Food Bank by $8,000 for a total of $100,000

- Restored $27,000 of funding for the San Luis Obispo Literacy Council. This was offset by a decrease in the Library's Materials appropriation.

<u>Position Allocation Changes</u>:
The total number of positions approved during budget hearings was 2,422.25, which was 3 less than the current number of positions. All of the eliminated positions are vacant.
<u>Changes made after Budget Hearings</u>:

Once the fiscal year ended June 30, 2012, the Auditor's Office began the "year-end" closing process, which includes the calculation of the actual fund balances (compared to what was projected as part of the budget preparation process). On September 18, 2012 (agenda item #15), the Board approved an agenda item from the Auditor-Controller, which adopted the final appropriations, reserves, designations, and contingencies. Actual Fund Balance Available (FBA) for all funds was $14,216,776 higher than in the proposed budget. The General Fund FBA was $11,080,287 higher than what was budgeted. The additional FBA is broken into two categories- "standard" FBA and the portion related to the repayment of the General Fund loan to the Los Osos wastewater project. The additional FBA was allocated as follows:

<u>Standard General Fund FBA of $3,630,287:</u>

- $1,500,000 to FC 245 – Roads:
    - $825,000 to pavement management
    - $675,000 to maintenance

- $600,000 to Parks Projects designation

- $250,000 to Fire Equipment Replacement designation

- $18,000 to FC 290 - Community Development (intended for Economic Vitality Corporation (EVC) via contract increase)

- $62,500 to FC 106 – Contributions to Other Agencies

- $50,000 intended for SLO County Visitors and Conference Bureau (VCB) via contract increase
- $12,500 increase to District Community Project Funds ($2,500 per District)

- $1,199,787 to FC 230 – Capital Projects for the creation of the new Solar/Energy designation

The additional funding for Parks is intended to help fund future Parks' projects or major maintenance projects which are currently on a backlog list.

During budget hearings, the VCB requested an additional $50,000 in order to continue its implementation of the SLO Uniquely Cluster of the Economic Strategy. Additionally, as part of the budget process, the EVC requested additional funds to help fund its operations. It is recommended that $18,000 of FBA be set aside to potentially fund this request. Staff is working with the EVC regarding their plans for the use of these funds.

It was recommended that District Community project funds be increased by $12,500, $2,500 per supervisorial district, in order to offset reductions made in prior years.

On August 28, 2012, staff provided an update to your Board regarding countywide energy policies and strategies. At that time, it was proposed that staff investigate options for installing solar panels on county buildings and land. It was recommended that $1,199,787 of the additional FBA be set aside in a new reserve/designation in order to help fund future projects.

<u>Additional General Fund FBA of $7,450,000 related to the repayment of the Los Osos loan:</u>

- $4,000,000 to the Pension Obligation Bond (POB) repayment designation
- $3,450,000 to FC 230 - Capital Projects, Facilities Planning designation

The POB repayment designation is located in the General Fund. These funds will be used to help pay down the POB bonds.

The allocation to the capital projects designation is intended to be set aside in order to help fund future projects included in the County's capital projects plans (5 year plan).

The allocation of the additional FBA is intended to be one-time and not a commitment to ongoing, additional allocations due to the one-time nature of FBA. The spreadsheet immediately following this page summarizes the year-end Fund Balances Available.

Sincerely,

Dan Buckshi
County Administrator

EXHIBIT 1

COUNTY OF SAN LUIS OBISPO
June 30, 2012
Proposed versus Actual Fund Balance Available

COUNTY FUNDS	Fund #	Estimated Fund Balance Unreserved/ Undesignated June 30, 2012	Actual Fund Balance Unreserved/ Undesignated June 30, 2012	Difference Over (Under)	Appropriation to Contingencies	Designation	General Reserve	Revenue Adjustment Inc/(Decr)	Object Level Appropriation Adjustment
General Fund	10000	20,700,000	31,780,287	11,080,287	0	4,250,000	0		6,830,287
Capital Projects	11000	0	229,826	229,826		229,826			
Road Fund	12000	0	1,056,718	1,056,718		1,056,718			
Community Development	12005	0	65,685	65,685	65,685				
Parks	12015	264,995	665,784	400,789	240,789	160,000			
Co-Wide Automation Repl	12020	0	993,572	993,572		993,572			
Road Impact Fees	12035	0	312,088	312,088		312,088			
Wildlife & Grazing	12040	0	5,946	5,946		5,946			
Driving Under Influence	12045	66,184	156,682	90,498	13,157	77,341			
Library	12050	278,657	537,052	258,395	258,395				
Fish & Game	12055	0	19,163	19,163		19,163			
Organization Development	12060	202,100	252,558	50,458			50,458		
Pension Obligation Bonds	18010	135,000	(211,649)	(346,649)		(346,649)			
TOTAL		21,646,936	35,863,712	14,216,776	578,026	6,758,005	50,458	0	6,830,287

County of San Luis Obispo

COUNTY GOVERNMENT CENTER, RM. D430 • SAN LUIS OBISPO, CALIFORNIA 93408 • (805) 781-5011

JIM GRANT
COUNTY ADMINISTRATOR

April 26, 2012

Honorable Board of Supervisors,

The Fiscal Year (FY) 2012-13 Proposed County budget is submitted for your review and consideration. Your Board will review the budget in detail at public budget hearings, scheduled for June 11 – 13, 2012, during which time you may add, delete, or modify the proposal as you deem appropriate.

Introduction

This budget, as proposed by staff to your Board, is an effort to allocate scarce resources in an effective and efficient manner in order to achieve the County's vision of a safe, healthy, livable, prosperous, and well governed community. This budget proposal complies with all aspects of the State Budget Act (Government Code 29000 – 29144), Board adopted Budget Goals and Policies, Budget Balancing Strategies and Approaches, and the Board's priorities. All of these guiding principles and strategies were utilized in an attempt to strike a balance between sound fiscal management and the continued provision of programs and services to the public. Striking this balance is as difficult as ever given the continued fiscal challenges facing the nation, state, and our local communities.

This budget represents year five of the County's seven year plan (commonly referred to as the Seven Year Pain Plan). The intent of the plan is to incrementally and methodically close the structural budget gap over a seven year period and maintain a high level of service to the public. Your Board and County employees at all levels of the organization continue to do a commendable job of implementing this plan as the structural gap is shrinking as envisioned.

FY 2012-13 represents year five of the Seven Year Pain Plan, which began in FY 2008-09. The budget gap for FY 2008-09 was $18 million, $30 million for FY 2009-10, $17 million for FY 2010-11, $11.4 million for FY 2011-12, and $2 million for FY 2012-13. It was previously anticipated that FY 2009-10 would be the most difficult year from a numbers perspective and this is holding true today. The structural gap is shrinking due to the many actions taken by your Board and staff over the past five years. The good news (the first good budget news we've had in quite some time) is that the $2 million gap for FY 2012-13 is considerably less than the forecasted gap of $6 million. The gap is smaller due to continued focus on reducing labor costs- primarily salary and pension costs (as noted further below).

The Budget Gap

The budget gap for a Status Quo budget for the General Fund in FY 2012-13 is $2 million. Generally speaking, a Status Quo budget is defined as one that takes current year staffing and program expenditures and costs them out for the next year with no material changes (i.e. inflationary increases only and no increases or decreases to staffing or program levels). It also includes the reduction of grant funded programs and positions in instances where the grants are no longer available.

Similar to prior years, the key drivers of the gap are flat and in some cases decreasing revenues related to the housing market (property taxes, building permits, property transfer taxes, etc.). This proposed budget includes the 2011 Public Safety Realignment (AB 109), whereby responsibility for oversight of some prisoners and parolees transferred from the State to counties. As a result, 28 positions were added mid-year to the FY 2011-12 budget (October 25, 2011) as was $4 million (annually) of associated revenues and costs. The transfer of responsibility is having a significant impact upon the operations of the Sheriff-Coroner, Probation, Health Agency, and District Attorney departments. As of now, the revenues appear to be generally approximate to the associated costs, however, County staff will be keeping a close eye on this balance for if revenues do not keep pace with expenditures, this realignment could significantly increase the size of our budget gap.

As noted above, one of the primary reasons for the shrinking gap is the progress that continues to be made in containing and reducing salary and pension costs. It's been approximately two years since your Board approved the "Three-Point Plan," which includes a Tier 2 pension plan for new employees, pension cost sharing for new and existing employees, and an updated approach to setting salaries. In short, over 90% of new employees are covered by the Tier 2 lower cost pension plan, employees and the County are splitting pension cost increases 50/50, and salaries have remained flat. As a result of the implementation of this plan, the County is saving over $26 million annually in labor costs.

Closing the Gap

The $2 million gap is closed by implementing the approaches contained in the Seven Year Pain Plan referenced above. Combinations of short-term solutions are proposed as well as considerable expenditure reductions. The short-term solutions address approximately 15% ($300,000) of the total gap and the remaining 85% ($1.7 million) is closed via on-going expenditure reductions. This approach is in line with the budget balancing strategies in that the amount of short-term solutions is being winnowed down each year so that the target of achieving structural balance at the end of seven years can be achieved.

The $1.7 million of recommended expenditure reductions are in accordance with the priorities provided by your Board. Meeting legal mandates, paying debt service, and public safety are your Board's highest priorities (in order). This recommended budget allocates sufficient funding in order to meet our legal mandates and to keep our creditors whole. Additionally, the public safety departments are recommended for a higher level of funding as compared to most other non-public safety departments. The General Fund support for the four public safety departments is recommended to be kept the same as the current year. In contrast, most of the non-public safety departments are receiving 1% to 3% less General Fund support as compared to the FY 2011-12 budget.

It is important to note that while the budget gap is less than what was previously anticipated, the budget is contracting yet again this year and as a result, there will be reductions to programs and services. However, the impacts are considerably less as compared to prior years. Latter portions of this budget message contain a summary of the impacts and the departmental budget sections contain more detailed explanations.

The State Budget

As of the writing of this document, very little progress has been made by the State in addressing its continued budget challenges. In January, the Governor presented his proposal for closing the $10.3 billion gap. In summary, his proposal includes $4.2 billion of expenditure reductions, $4.7 billion of revenue increases, and $1.4 billion of other solutions. The revenue increases are contingent upon voter approval in November of this year.

The Governor's January proposal would have a relatively minor impact upon the County's budget. However, many of the residents of the County would be significantly impacted as subsidies to low income individuals and families would be sharply reduced as would services to the elderly and disabled (the CalWORKS and In-Home Supportive Services programs are slated for substantial reductions).

The Legislature has taken little to no action on the Governor's January proposal and it appears they are not planning to take up the issue until the Governor's May Revise budget is issued. As a result, it seems likely that the State budget will remain unresolved until after our County's budget hearings are complete. Unfortunately, this approach has become the norm for the Legislature and we will operate as we have in prior years whereby we will continue to monitor the situation in Sacramento and make adjustments locally once more information is known.

Summary of Expenditures

- The proposed FY 2012-13 budget for Total Government Funds is approximately $469.4 million, which is about a $5 million increase over the current year's adopted budget (reference the following chart for more detail). The primary reason for the increase is the transfer of public safety responsibility and the associated costs and revenues from the State to counties (commonly referred to as AB 109 public safety realignment).

- The proposed General Fund budget is approximately $391.8 million, which is an $8.5 million increase compared to the current year's adopted budget. Again, the primary reason for the increase is the public safety realignment.

- Detailed information about budget changes can be found in the narrative information provided for each fund center (please refer to the index for a listing of all fund centers). The detailed information for each fund center includes a Department narrative as well as a County Administrative Office (CAO) narrative. The former provides an overview of key issues facing each department and the latter provides context to the numbers. The approach in the CAO narratives is to convey what is changing from one year to the next and the corresponding impacts to programs and services

All Funds Expenditure Comparison			
Fund	**FY 2011-12 Adopted**	**FY 2012-13 Proposed**	**% Increase /Decrease**
General Fund	$ 383,347,164	$ 391,812,041	2.21%
Automation Replacement	$ 3,205,067	$ 4,259,105	32.89%
Building Replacement	$ 3,330,773	$ 2,732,613	-17.96%
Capital Projects	$ 838,413	$ 1,355,133	61.63%
Community Development	$ 4,494,337	$ 4,015,303	-10.66%
County Medical Services Program	$ 5,173,959	$ 5,095,977	-1.51%
Debt Service	$ 2,250,163	$ 2,256,488	0.28%
Driving Under the Influence	$ 1,540,028	$ 1,439,590	-6.52%
Emergency Medical Services	$ 820,400	$ 801,000	-2.36%
Fish and Game	$ 37,137	$ 20,000	-46.15%
Library	$ 8,591,855	$ 8,176,476	-4.83%
Organizational Development	$ 837,671	$ 662,100	-20.96%
Parks	$ 7,579,173	$ 8,318,097	9.75%
Pension Obligation Bonds	$ 8,566,965	$ 8,446,800	-1.40%
Public Facilities Fees	$ 1,536,456	$ 1,058,942	-31.08%
Road Fund	$ 21,902,372	$ 26,674,317	21.79%
Tax Reduction Reserves	$ 4,747,109	$ -	-100.00%
Traffic Impact Fees	$ 5,620,539	$ 2,282,820	-59.38%
Wildlife and Grazing	$ 8,882	$ 3,500	-60.59%
Total	**$ 464,428,463**	**$ 469,410,302**	1.07%

SUMMARY OF GENERAL FUND DOLLARS ALLOCATED TO DEPARTMENTS

Fund Center	Department Name	FY 2011-12 Adopted	FY 2012-13 Proposed	Percent Change
104	Administrative Office	$1,702,003	$1,667,963	-2.0%
141	Ag Commissioner	$2,119,898	$2,092,150	-1.3%
137	Animal Services	$508,473	$490,629	-3.5%
109	Assessor	$8,475,653	$8,536,641	0.7%
107	Auditor-Controller	$3,834,849	$3,761,645	-1.9%
166	Behavioral Health	$7,436,665	$6,448,961	-13.3%
100	Board of Supervisors	$1,656,006	$1,656,006	0.0%
182	CalWORKS	$370,818	$348,526	-6.0%
134	Child Support Services	$36,510	$0	-100.0%
110	Clerk-Recorder	$779,292	$417,767	-46.4%
290	Community Development	$300,936	$308,436	2.5%
143	Contributions to Court Operations	-$415,295	-$112,488	72.9%
106	Contributions to Other Agencies	$1,439,538	$1,458,569	1.3%
111	County Counsel	$3,352,370	$3,301,264	-1.5%
140	County Fire	$10,668,463	$12,160,384	14.0%
132	District Attorney (includes Victim Witness)	$8,693,948	$8,672,834	-0.2%
138	Emergency Services	$152,518	$194,690	27.7%
215	Farm Advisor	$462,151	$470,657	1.8%
181	Foster Care	$836,497	$811,402	-3.0%
185	General Assistance	$474,701	$637,993	34.4%
113	General Services	$7,328,758	$5,904,978	-19.4%
131	Grand Jury	$138,038	$138,425	0.3%
112	Human Resources	$2,063,485	$2,079,560	0.8%
114	Information Technology	$8,295,193	$8,016,277	-3.4%
184	Law Enforcement Medical Care	$1,350,833	$1,607,842	19.0%
377	Library	$516,121	$516,121	0.0%
200	Maintenance Projects	$1,136,550	$1,983,700	74.5%
183	Medical Assistance Program	$3,771,612	$4,152,558	10.1%
275	Organizational Development	$492,166	$450,000	-8.6%
305	Parks	$3,278,260	$3,420,055	4.3%
142	Planning and Building	$6,036,342	$5,910,847	-2.1%
139	Probation Department	$8,895,580	$8,894,286	0.0%
135	Public Defender	$4,578,803	$4,884,029	6.7%
160	Public Health	$3,948,568	$3,977,380	0.7%
201	Public Works Special Services	$1,443,604	$1,400,297	-3.0%
105	Risk Management	$597,630	$552,504	-7.6%
245	Roads	$5,830,263	$5,931,000	1.7%
136	Sheriff-Coroner	$37,153,739	$37,741,323	1.6%
180	Social Services	$5,606,456	$5,271,897	-6.0%
108	Treasurer/Tax Collector	$1,599,934	$1,631,379	2.0%
186	Veterans Services	$333,530	$340,571	2.1%
130	Waste Management	$618,470	$599,916	-3.0%
	TOTAL	**$157,899,929**	**$158,728,974**	**0.5%**

Note 1: This chart is intended to provide a summary of the amount of General Fund dollars allocated to departments (not expenditures). The chart does not include the Non-Departmental Revenue fund center nor other fund centers that do not provide programs and services (e.g. debt service, building replacement, etc).

Note 2: The details for each fund center included in this summary chart are available in the departmental sections of the budget.

Note 3: The Clerk-Recorder's Office budget is 1% below the FY 2011-12 Adopted budget when adjustments are made to account for election cycles.

Recommended Staffing

The Proposed Budget recommends 2,419.75 full time equivalent (FTE) permanent and limited term positions. This represents a net decrease of three positions (-0.1%) as compared to the FY 2011-12 current year budget. All of these positions are vacant. It is worth noting that 40.25 positions were added mid-year FY 2011-12. The primary reason for the mid-year increase is that 28 positions were added as a result of the 2011 Public Safety Realignment as previously noted. Most of the other positions added are grant funded.

POSITIONS SUMMARY		
2011-12 Adopted Budget	2,382.50	
2011-12 Current Allocation	2,422.75	
2012-13 Recommended	2,419.75	
Net Change (from Adopted)	37.25	
Net Change (from Current)	-3.00	
Percent Change (from Current)	-0.1%	
Department	**Additions**	**Deletions**
Agricultural Commissioner		-1.00
Assessor	4.50	
Auditor-Controller	2.00	-1.00
Behavioral Health	3.75	-0.50
Child Support Services		-2.00
General Services		-5.00
Health Agency		-2.50
Human Resources	1.00	
Information Technology		-1.00
Library		-2.00
Office of Emergency Services	0.25	
Parks	3.00	
Planning and Building		-2.00
Probation	0.25	
Reprographics ISF		-1.00
Sheriff-Coroner		-1.00
Social Services	0.25	
Treasurer-Tax Collector-Public Administrator	1.00	
TOTAL	**16.00**	**-19.00**

Note: The three positions listed as additions to Parks are actually a transfer from the General Services fund center as the grounds function is being moved.

Land Based Budgets – Net Decrease of 3.0 FTE positions:

The Land Based budgets are comprised of the Agricultural Commissioner, Planning and Building, Community Development, Public Works Internal Service Fund (ISF), Public Works Special Services, Roads, and Road Impact Fees.

Overall, General Fund support to the budgets within the Land Based functional area is decreasing slightly, $88,313 or less than 1%, when compared to FY 2011-12 adopted levels. Revenues, overall, are expected to decrease by $139,838 or 1.5% from FY 2011-12 adopted amounts for Land Based fund centers. This is primarily due to a $257,585 or 7% decrease in revenue projected for the Agricultural Commissioner due to the reduction in funding for detection of agricultural pests received from the US Department of Agriculture.

Agricultural Commissioner

General Fund support for the Agricultural Commissioner is recommended to decrease $27,748 or 1%. Expenditures are recommended to decrease $285,333 or 5% compared to the FY 2011-12 adopted budget. A vacant 1.00 FTE Agricultural Resource Specialist position is proposed to be eliminated. There will be no service level impacts as a result of this reduction.

Revenues are recommended to decrease $257,585 or 7% primarily due to a reduction of funding from the U.S. Department of Agriculture for the detection of agricultural pests identified in California. Unclaimed Gas Tax revenue declined $22,471 or 2% based on the reduction in County General Fund support for agricultural programs in FY 2011-12. As reported in prior years, a provision of State law requires the County to maintain a level of General Fund support for qualifying programs at least equal to the average amount expended for the five preceding fiscal years unless a county is facing unusual economic hardship that precludes this level of support. San Luis Obispo County has been granted a waiver of this requirement and will receive Unclaimed Gas Tax revenue in FY 2011-12. Given the recommended 1% reduction in General Fund for FY 2012-13, the County will again need to apply for a waiver of this provision for the FY 2012-13 Unclaimed Gas Tax distribution.

Planning and Building

The level of General Fund support for Planning and Building is recommended to decrease $125,495 or 2% compared to the FY 2011-12 adopted Budget. Overall, recommended revenues are increasing $123,051 or 2%. While the economic downturn continues to impact the housing market and construction industry, the FY 2012-13 recommended budget includes an increase of more than $337,700 or 21% in building permits revenue. This increase is primarily due to the two large solar projects under construction in the Carrizo Plain, which will require several thousand hours of inspection time. Approximately $166,000 in additional funding for two energy programs, the PG&E funded Innovator Pilot grant and the Energy Watch Partnership, also contributes to the overall increase in revenue in the FY 2012-13 budget. These increases in revenue offset reductions from other sources such as $99,253 or 61% in the Energy Efficiency Community Development Block Grant and $69,618 or 29% in Subdivision Permit fees.

Recommended expenditures for the FY 2012-13 budget are essentially flat with the FY 2011-12 adopted budget. Salary and benefit expenditures are increasing slightly, $42,150 or less than 1%. Two (2) vacant positions, one Division Manager and one Permit Technician, are

proposed for elimination due to the decline in permitting activity and a recent reorganization of the department. No service level impacts are anticipated from the elimination of these two positions.

Public Works

The Public Works Internal Service Fund (ISF/Fund Center – 405) provides all of the staffing for Roads (Fund Center 245), Public Works Special Services (Fund Center 201), Waste Management (Fund Center 130) and Special District budgets. Recommended appropriations for those budgets, along with summaries for each program that purchases services from the ISF are indicated in the Service Program Summary.

The recommended FY 2012-13 budget of $30,446,011 is an increase of $1.6 million or 6% compared to the estimated FY 2011-12 amount of $28.7 million primarily due to a $1.5 million or 25% increase in services and supply accounts. These increases are primarily attributable to increased costs associated with countywide overhead, garage, fuel and facility services accounts.

In FY 2011-12, the Los Osos Wastewater project continues to move forward with a request for construction bids for the collection system and the MidTown Restoration Project as well as various right-of-way acquisitions. It is expected that the request for construction bids will be released for the treatment plant in FY 2012-13 with construction on both the collection system and treatment plant to begin in FY 2012-13.

Roads

The recommended FY 2012-13 budget for Roads provides for an overall increase of General Fund support of $100,737 or 1% as compared to FY 2011-12 adopted amounts. While this level of funding will contribute to a slightly improved condition of County roads, any future reduction in funding for the pavement management program could have a negative impact on the condition of County roads over the next 10 years. It is anticipated that the Willow Road interchange and road extension project will be completed in FY 2012-13. The Price Canyon Road bridge widening project will continue as the project moves into the design phase.

Public Protection – Net decrease of 2.50 FTE positions:

The Public Protection Functional Area includes the Sheriff-Coroner, District Attorney (which includes Victim-Witness), Child Support Services, Public Defender, Probation, County Fire, Emergency Services, Animal Services, Waste Management, Grand Jury and the County's contribution to Court Operations. In keeping with the Board's priorities, General Fund reductions recommended for the Sheriff-Coroner, District Attorney, Probation and County Fire are less than those recommended for most other departments, having been held at the prior year's adopted level. As in past years, the Board's intent is to give these four departments priority in the allocation of resources to ensure the County continues to effectively protect public safety despite the financial hardships facing the County in recent years.

The recommended General Fund contribution to Public Protection in FY 2012-13 is $73.6 million, an increase of $2.6 million dollars or 3.7% compared to the FY 2011-12 adopted budget. Almost half of this increase, $1.2 million, is due to increased County Fire and Sheriff's

Office staffing in California Valley related to the two large-scale solar projects under construction there. This additional expense is offset by sales tax that will be received in FC 101 – Non-Departmental Revenue from both projects. The remainder of the increase in General Fund support is due to the inclusion of $776,926 of vehicle replacement expense in the County Fire budget, which is offset by funds cancelled from the designation set up for this purpose; and declining revenues in the budgets for Public Defender and Court Operations.

Recommended revenues for the public protection budgets, totaling $54.5 million, are budgeted to increase $4.6 million or 9% compared to FY 2011-12 adopted budget. Revenue from Proposition 172, the half-cent sales tax dedicated to public safety, was on track to exceed the FY 2011-12 budgeted amount, and is budgeted to increase in FY 2012-13 as well, by almost $2.3 million or 13%, compared to the FY 2011-12 adopted amount. Prop 172 revenue is allocated to the Sheriff-Coroner, Probation, District Attorney and County Fire departments and accounts for $19.7 million or 46% of all revenue budgeted for these four departments.

A total of 28.5 positions were added for public safety mid-year FY 2011-12. The majority, 24.00 FTE positions in all (17.00 FTE in the Sheriff's Office and 7.00 FTE in the Probation Department), were added as a result of the Public Safety Realignment Act of 2011 (AB 109). Under AB 109, the State has provided resources to manage offender populations previously overseen by the California Department of Corrections and Rehabilitation (CDCR). Another 4.50 FTE were also added mid-year; 0.50 FTE to the Probation Department based on receipt of Federal grant funding, and 4.00 FTE to the Sheriff's Department to add a new beat in the Carrizo Plain during the construction of the aforementioned solar plants.

A total of 3.00 FTE positions are recommended to be deleted in FY 2012-13. Two (2.00 FTE) vacant Legal Clerk positions are recommended to be eliminated due to a reorganization and declining workload in Child Support Servicers, and a 1.00 FTE vacant Chief Deputy position is recommended to be reduced from the Sheriff's Office PAL based on the Sheriff's decision to keep the Undersheriff position as part of his organization. This is slightly offset by bringing two 0.75 positions to full-time status; one each in Probation and the Office of Emergency Services.

County Fire

General Fund support is budgeted to increase $1,491,921 or 14% for County Fire. However, this increase is almost entirely the result of two new expense items added in FY 2012-13—both of which are offset by funding outside the County Fire budget. The first is the addition of $643,000 of new expense to increase staffing at Fire Station 42 – Carrizo Plain, due to the two large-scale solar projects being constructed there. This new expense is offset by revenue budgeted in FC 101 – Non-Departmental Revenue based on the sales tax that will be received from these two projects. The other new expense item is the addition of $796,926 of expense for the replacement of fire vehicles. These expenditures are offset by funding canceled from the County Fire Equipment Replacement designation, which was created for this purpose. Funding for the Fire Vehicle Replacement designation is added each year based on a 30-year replacement schedule. After accounting for these two issues, the General Fund support for Fire is essentially flat with the current year.

Expenditures are recommended to increase $1,675,621 or 11%. The increase is split roughly fifty-fifty between an increase in the contract with CAL FIRE and the $796,926 recommended for vehicle replacement. CAL FIRE, the fire service of the State of California, serves as the County Fire Department under a contract with the County. The CAL FIRE contract is

recommended to increase $845,260 or 6% over the FY 2011-12 adopted amount due mainly to three added expense items.

- $577,407 of contract cost recommended in order to provide full-time staffing for Fire Station 42 in California Valley during the construction of the solar projects.
- $281,752 of contract expense recommended in order to staff Fire Station 12 in San Luis Obispo for half a year. During fire season, which generally runs from June to November, the State pays to staff Station 12. During the rest of the year the County pays to staff the station under what is called an "Amador agreement." In FY 2011-12, due to sharp increases in charges for State administrative costs and employee benefit rates, off-season staffing for Station 12 was cut from the CAL FIRE contract. The State later reduced its employee benefit charges by approximately $390,000, allowing the County to avoid the closure of Station 12 while staying within the existing budget.
- $162,438 is recommended in order to add a Fire Captain position at Fire Station 43 in Creston. Adding this position, combined with internal staffing adjustments using positions already included in the contract, will allow the new fire station in Creston to be staffed full-time. Approximately $130,000 of this position is offset by expenditure savings elsewhere in the budget.

Public Defender

The level of General Fund support for this budget is recommended to increase $305,226 or 6% compared to the FY 2011-12 adopted budget, primarily due to declining revenues. Revenues from adult defendant reimbursement fees continue to decline due to revision of the fee schedule in 2009, which has resulted in a lower assessed dollar value per case, and the general decline in the overall crime rate, which has reduced the total number of cases.

Court Operations

The contribution from this budget to the General Fund is recommended to decrease $302,807 or 73% compared to the FY 2011-12 adopted budget. The reduction is due to declining revenues, primarily those received from County Motor Vehicle/Criminal Fines, State Penalty Assessments, and Traffic School Fees. This budget funds the continuing County obligations to the California Superior Court. In the late 1990s, the State passed the Trial Court Funding Act. This legislation revised the financial and operational relationships between counties and courts by shifting the overall responsibility for court operations to the California State Judicial Council. The financial arrangement that resulted from the Trial Court Funding Act established a Maintenance of Effort (MOE) expense that requires the County to pay a specified amount to the State of California, based on a formula, to support Court Operations. Revenues received in excess of these budgeted expenses contribute to the County General Fund.

Child Support Services

Child Support Services operates almost entirely on revenue from State and Federal sources. For several years, a minimal amount ($36,510) of General Fund support has been recommended for this budget to offset some of the charges from the Sheriff's department for providing "service of process" –i.e., delivery of summons and complaints. However, in FY 2012-13, no General Fund support is recommended for Child Support Services. The downturn in the economy has reduced the Department's workload and has created an opportunity to reorganize the Department's staffing structure, resulting in an expected expenditure savings of

$107,709. As part of the reorganization, 2.00 FTE Legal Clerks positions are recommended to be deleted in FY 2012-13. Both positions are expected to be vacant at the end of FY 2011-12. In addition, due to a scheduled retirement, the Department's Administrative Services Manager position is recommended to be replaced with a lower cost Administrative Services Officer position. There will be no service level impacts as a result of the recommended organizational changes.

Health and Human Services – Net increase of 1.0 FTE positions

The Health and Human Services (HHS) category includes Social Services, Public Health, Behavioral Health, Law Enforcement Medical Care, Driving Under the Influence and Veterans Services. Funding for community based organizations, indigent medical care and the County's contribution to the Community Health Centers for operation of outpatient health clinics is also included in this area.

HHS programs are largely administered by counties on behalf of the State or Federal governments. Historically, the State and Federal governments have not provided sufficient funds to keep up with growing expenses. In doing so, they have put local governments in the position of either cutting these programs or reducing other local services to pay for them. During the recent economic crisis, the County has reduced expenditure levels in many of the HHS budgets as our ability to make up the difference between rising costs and shrinking State and Federal revenue with General Fund support has declined. It appears that the worst may be behind us and this trend is beginning to reverse itself. This is in part a result of the 2011 realignment of funding sources and program responsibility of several health and human services programs.

As previously noted, the FY 2011-12 State budget and accompanying legislation included a major realignment of public safety programs from the State to local governments. Several HHS programs were realigned including mental health and substance abuse treatment programs, Foster Care, Child Welfare Services and Adult Protective Services. The goal of this realignment is to shift program management and fiscal responsibility to the level of government that can best provide the services needed by their community, eliminate duplication of effort and thus generating savings, and increase program flexibility. The 2011 Realignment is funded with a dedicated portion of State sales tax (1.0625%) and a portion of Vehicle License Fees (VLF). The State projects that the funding from these revenue streams will continue to grow over the next few years, potentially eliminating the historical gap in funding, though this remains to be seen. The recommended FY 2012-13 budget includes estimates based on revenue projections made by the State. However it is important to note that the Realignment trailer bills enacted in 2011 are silent as to what happens if revenues come in at lower than expected levels.

In FY 2012-13, revenues of HHS programs increase approximately $3.9 million or 2% while total expenditures increase almost $3.3 million or 2% compared to the FY 2011-12 adopted budget. This results in a reduction in General Fund support of more than $600,000 or 2.4% with no associated significant service level impacts. The most significant decrease in General Fund support is in Behavioral Health, with a smaller but substantial decrease in the Department of Social Services budget.

Social Services:

The overall level of General Fund support for the Department of Social Services is recommended to decrease $218,654 or 3% compared to FY 2011-12 adopted budget. The recommended budget for Social Services sets General Fund support at the minimum contribution required to leverage State and Federal programs that require matching funds from the County.

In the Fall of 2011 the Department of Social Services began receiving a number of new funding streams as a result of the 2011 Realignment mentioned above. The most notable addition is funding redirected from the 1991 Health and Human Services Realignment Mental Health sub-account to Social Services to cover an increased county share of CalWORKS expenses. Other funding streams were added as well, mainly related to Foster Care and Adoptions. At the time of budget preparation, the Governor has proposed significant programmatic and funding changes that could have a major impact on the department's programs. Specifically, major changes to the CalWORKS and In Home Supportive Services (IHSS) programs are proposed. Given that the proposed changes have not yet been approved, the recommended budget does not adjust for potential changes.

Health Agency:

The Health Agency encompasses Public Health, Behavioral Health, the Medical Assistance Program and the County Medical Services Program (both of which are indigent health care budgets), Driving Under the Influence and Emergency Medical Services. In addition, Animal Services is a division of the Health Agency, but is included in the Public Protection functional group. The overall budget information that follows excludes the Animal Services budget. Overall, total revenues for the Health Agency are increasing by approximately $3.55 million or 5.6% compared to the FY 2011-12 adopted levels. Total expenditures are increasing by approximately $3.1 million or almost 4%. The recommended level of General Fund support for the Health Agency is almost $16.2 million, reflecting a decrease of approximately $408,600 or 2.5% compared to the FY 2011-12 adopted budget. The contract negotiations with the Community Health Centers of the Central Coast (CHC) had not been completed before the FY 2011-12 budget was adopted, and the recommended budget for FY 2011-12 optimistically assumed a $800,000 savings in expenditures associated with that contract. Upon completion of contract negotiations, expenditures associated with the new two year contract resulted in an increase in expenditures of $440,000 for FY 2011-12. Thus, the change in General Fund support for the Health Agency in FY 2012-13 is actually more than $848,600 or 5%.

<u>Behavioral Health</u>

General Fund support is recommended to decrease almost $988,000 or 13% compared to the FY 2011-12 adopted budget. This is the largest reduction in General Fund support in the Health Agency and is primarily due to an almost $3.8 million or 10% increase in revenue. Two key legislative changes have occurred over the past year that will benefit Behavioral Health programs. The first is the 2011 Health and Human Services Realignment described above. This realigned the funding source for several programs to a dedicated portion of sales tax revenue rather than from State General Fund dollars or realignment revenue from the Vehicle License Fees (VLF). Realignment revenue from sales tax has exceeded projections in the past few years, while realignment revenue from VLF has fallen short of projected levels, thus the shift in

funding source benefits Behavioral Health programs. This shift is expected to result in an increase in revenue of approximately $2 million compared to the FY 2011-12 adopted budget. The second is Assembly Bill 1297, which allows counties to collect Federal Medicaid (Medi-Cal) based on actual cost rather than a State-imposed capped cost as in prior years. This is expected to yield an additional $1.0 million in Medi-Cal revenue; a 19% increase compared to the FY 2011-12 adopted budget. As a result of the increase in Medi-Cal reimbursement, funding for Martha's Place Children's Assessment Center has improved, providing sufficient funding to restore a position eliminated in the prior year and to reduce the amount of General Fund support needed by approximately 28%.

In FY 2011-12, Drug and Alcohol Services was successful in competing for a nationwide Adult Treatment Court Collaborative grant. This grant, one of only 11 awarded in the country, adds more than $450,000 in revenue to the FY 2012-13 recommended budget, helping to offset the reduction in other funding from grants that are coming to an end. Another significant change reflected in the recommended FY 2012-13 budget is the inclusion of $644,463 in Public Safety Realignment revenue (AB 109) to offset cost increases of the same amount. This funding had not been included in the FY 2011-12 adopted budget.

Total expenditures for this fund center are budgeted at approximately $48.2 million and are recommended to increase by $2.78 million or 6% compared to the FY 2011-12 adopted budget. Most of the variance between the requested and recommended budget is due to the increase of almost $1.3 million or 5% in salary and benefit accounts. This increase reflects the addition of a total of 11.0 FTE mid-year FY 2011-12 for the AB 109 realignment, Adult Treatment Court Collaborative grant and additional mental health services provided to the schools and funded by the Special Education Local Plan Area (SELPA). Another net increase of 3.25 FTE is recommended to be added in FY 2012-13 reflecting four budget augmentation requests submitted by the department. The positions are all revenue offset and are detailed in the information for Fund Center 166 – Behavioral Health.

Law Enforcement Medical Care

The level of General Fund support for Law Enforcement Medical Care (LEMC) is recommended to increase by $257,009 or 19% compared to the FY 2011-12 Adopted Budget. This increase is due to a more than $414,000 or 23% increase in expenditures resulting from an increase in the inmate census at the jail over the past year. Only a portion of this increase is a result of the enactment of AB 109, which transfers responsibility for supervision of lower level inmates and parolees from the State to counties. The recommended budget includes more than $182,000 in AB 109 revenue to help cover the increase in expenditures. The most notable cost increases include $98,917 or 87% in temporary help (funded with AB 109 dollars), $288,033 or 42% in medical care costs (37% of which is attributed to AB 109) such as hospital inpatient days, additional clinic physician hours, dental expenditures and lab testing and the cost of pharmaceuticals increasing by more than $69,600 or 59% (36% of which is attributed to AB 109).

Indigent Medical Care

Funding for indigent medical care is included in two fund centers: the Medical Assistance Program and the County Medical Services Program (CMSP). Costs for indigent medical care appear to have leveled off after increasing significantly during the recent economic recession. Expenditures savings of more than $171,200 or 10% are included in the County Medical Services Program (CMSP) recommended budget as a result of fewer hospital days. This offsets other cost increases such as a $48,327 or 32% increase in Emergency Room visits.

Community Services - Net Increase of 1.0 FTE

Fund Centers represented in the Community Services functional area include Airports, Farm Advisor, Golf Courses, Library, Parks, Fish and Game, and Wildlife and Grazing. Note that the change in positions includes the transfer of the grounds operation from the General Services fund center to the Parks fund center to better align with current operations. When this transfer is taken into consideration, the total change to positions for the Community Services functional areas is a net reduction of two positions.

Airports

The Airport Services budget is an Enterprise Fund and as such is supported by revenues generated through user fees. Last year it was reported that airport passenger enplanements and revenues grew during FY 2010-11. In FY 2011-12, enplanement numbers show a slight decline as compared to the enplanement numbers in FY 2010-11. A commercial carrier reduced the seating capacity for a flight out of the San Luis Obispo Airport and this change has a concurrent effect on the numbers of passengers. The total recommended operating expense in the FY 2012-13 budget, excluding non cash depreciation charges is $3,347,074, an increase of $102,229 or 3% more than the amount of projected expenditures for FY 2011-12. Revenues show a decline of $275,558 or 8%. The Airport will use approximately $200,000 of its unrestricted cash to cover the recommended expenditure level in the budget. Overall Airport fiscal situation is more stable than it was at the height of the economic downturn. The key to the fiscal stability will be to maintain and expand commercial air service at the San Luis Obispo Airport. There is a strong community demand for airport services and Airport Management continues to work to increase commercial air service at the San Luis Obispo Airport. The recommended budget maintains the current staffing and service levels.

Library

The FY 2012-13 recommended budget for the Library reflects financing sources and expenditures that are decreasing by $415,379 or 4%. General Fund support is recommended to remain level with the FY 2011-12 adopted budget at $516,121 and represents 6% of the Library's total budget of $8,176,476. The Library is primarily dependent on revenue from property taxes to fund its operation. As a result of the continued sluggish housing market, property tax revenues are budgeted to remain essentially flat. To achieve a balanced budget, staff recommends cancelation of $225,000 in reserves, leaving a balance of $1,229,294 for future use. The recommended budget also includes the elimination of 2.0 vacant, full-time Administrative Assistant positions, a total expenditure reduction of $93,744. This reduction is part of a five-year strategy adopted by the Library to move the department's expenditure budget toward long term structural balance with its available financing, and discontinue its

current reliance on reserves to fund a portion of its operating budget. The loss of these positions is not expected to have a significant impact on service levels. The recommended budget increases the materials budget for FY 2012-13 by $13,505 or 3% over the FY 2011-12 adopted budget, and will allow the Library to sustain current open branch hours.

Fiscal and Administrative- Net increase of 6.5 FTE positions

This functional area consists of the Administrative Office, Organizational Development, Assessor's Office, Auditor-Controller's Office, Board of Supervisors, Clerk-Recorder's Office, and Treasurer-Tax Collector-Public Administrator.

In FY 2011-12, the County initiated a project to modernize the property tax software system by moving it off of the mainframe and into a new computing environment that will provide up-to-date and more widely supported software and maintenance tools (the primary reason for this updated system is to avoid system obsolescence as the existing system is antiquated). In FY 2012-13, the County will continue with this project, dedicating significant staff resources from several departments in this functional area (including the Assessor, Auditor-Controller and Treasurer-Tax Collector-Public Administrator) to the development, testing, and implementation of the new system. In order to complete this project while still addressing regular workload, a total of 7.50 FTE limited term positions are recommended to be added to the involved departments' Position Allocation Lists (PAL) for the duration of the project, which is expected to extend over the next 2 ½ years. These positions will backfill for staff who are assigned to the Property Tax System Modernization project and will be paid for with transfers into each department from Fund Center 266- Countywide Automation.

Support to County Departments- Net decrease of 6.0 FTE positions:

This functional area consists of the Office of the County Counsel, General Services Agency, including Fleet Services, Information Technology and Reprographics, Human Resources, Risk Management, and the County's Self Insurance programs. As noted in the Community Services section, three positions are transferring from the General Services fund center to the Parks fund center. When this transfer is taken into consideration, the net reduction to the Support to County Departments functional area is a reduction of three positions.

General Services

The level of General Fund support for this budget is recommended to decrease $1,423,780 or 19% compared to the FY 2011-12 adopted level. This decrease is largely due to an increase in revenues as a result of the department modifying its approach for charging other departments for services, bringing charges for maintenance and custodial services to full cost recovery. This increase in direct service charges paid by departments is offset by an equivalent reduction in countywide overhead charges to departments.

In addition to the modified approach for determining charges to other departments, General Fund support is recommended to decrease due to expenditure reductions which include the elimination of 2.0 FTE vacant Custodians. The elimination of these two positions from the department's Position Allocation List (PAL) is the result of the Courts reducing their requested level of custodial services in an effort to reduce expenditures in their budget. As a result, it is not anticipated that the elimination of these two positions will pose any service level impacts to custodial services.

Reprographics

Reprographics is an Internal Service Fund (ISF) that charges user departments for services. All revenue in this fund center comes from service charges and as such, Reprographics does not receive any General Fund support.

Over the past several years, the use of Reprographics' services has declined by 40%, as departments have increased their use of electronic media and other methods to disseminate information. Given this shift in methods of communication, it is not expected that the need for Reprographics' services will increase in the future. The budgetary impact of this decline in demand for service is a significant decline in revenue, which will eventually lead to Reprographics not being able to support its operations through service charges.

An independent consultant evaluated the business processes for Reprographics and has concluded that outsourcing print and copy services could save the County up to $200,000 per year. In response to these findings, the General Services Agency has determined that Reprographics should be phased out and that a consolidated contract should be established with a copy and print vendor to provide print and copy services for all departments. Quarterly fiscal reports have identified the intent to phase out Reprographics over a period of 12 to 18 months, beginning in FY 2012-13. This timeline will allow sufficient time to develop a contract and implement an orderly transition from in-house services to a private provider of print and copy services. In following with the phasing out of Reprographics, it is recommended that 1.0 FTE vacant Reprographics Technician be eliminated from the department's PAL in FY 2012-13.

Human Resources and Risk Management

The Human Resources department includes two General Fund budgets, Fund Center 112- Human Resources and Fund Center 105- Risk Management. The level of General Fund support for these two budgets combined is recommended to decrease $29,051 or 1% compared to the FY 2011-12 adopted level. This decrease is largely due to reduced liability insurance costs charged to Risk Management. Two budget augmentation requests are recommended in FY 2012-13. These include the addition of 1.0 FTE Human Resources Analyst Aide- Confidential to Human Resources' PAL, and the addition of $50,000 to Human Resources' professional services account to provide outside legal counsel for the Civil Service Commission. The recommended addition of the Human Resources Analyst Aide- Confidential will be paid for with the reallocation of a portion of the funds budgeted for the Renne Sloan Holtzman Sakai Labor Relations contract and the recommended addition of funding for Civil Service Commission outside counsel will be paid for with General Fund dollars.

Overview of Financing/Revenues

State and Federal Revenue

State and Federal revenue at approximately $208 million, represent about 44% of the County's total financing. The recommended level is about $16 million more than the FY 2011-12 adopted budget, which is largely a result of the 2011 Public Safety Realignment and grant funding.

State and Federal revenue is the single largest County revenue source. The majority of these revenues are used to support statutory programs, such as health and welfare services and

some criminal justice programs. Generally speaking, these funds are restricted in use and are not available for discretionary purposes.

Taxes

Property taxes, sales tax, transient occupancy, and other taxes at approximately $149 million, represent about 32% of the County's total financing. The recommended level is up about $4 million as compared to the FY 2011-12 adopted budget.

Other Revenues and Financing

Other revenues at approximately $45 million represent about 10% of the County's total financing. The recommended level is about $2 million or 4% less as compared to the FY 2011-12 budget.

License/Permit Fees/Charges for Services

Licenses, permits, and charges for services at approximately $36.5 million, represent 7% of the County's total financing. The recommended level is $5 million or 12% less as compared to the FY 2011-12 adopted budget.

Fines, Forfeitures, and Penalties

At approximately $5 million, this funding source represents about 1% of the County's total financing. The recommended level is approximately the same as the FY 2011-12 adopted budget.

Interest Earnings

At approximately $830,000, interest earning represents about 0.2% of the County's total financing. The recommended amount is roughly the same as the FY 2011-12 budgeted amount.

Fund Balance Available (FBA) and Use of Reserves

Fund Balance Available and the use of reserves represent the last two significant funding sources for the total County budget. FBA is budgeted at $21.6 million (for all County funds not just the General Fund) represents 5% of the County's total financing and the use of reserves at $3.6 million represents about 0.8% of the County's total financing.

Reserves

The County has two types of reserves: general reserves and designations. General reserves are not designated for a specific purpose. They serve to stabilize the County's cash position prior to the receipt of property tax revenues and more importantly provide protection against downturns in the economy or against a major catastrophe if one were to occur within the County. Designations are reserves that are set aside for specific purposes. These designations help provide for the County's long term financial needs.

In total, at the end of FY 2011-12, it is estimated that the County will have about $83.5 million in total reserves and designations. Most of this amount is in designations for restricted and specific purposes (i.e. not discretionary). For FY 2012-13, it is proposed that $3.6 million be used to help fund the budget and that $5.1 million be added to the balances. The projected balance at the end of FY 2012-13 is $85 million (a net increase of $1.5 million). Only reserves and designations that are changing are included in the summaries below.

General Fund Reserves and Designations

Per the comprehensive depreciation and equipment replacement schedule, it is recommended that $274,161 of the Fire Equipment Replacement designation be used in order to help fund the replacement of Fire equipment. The new balance in the designation is projected to be $716,922.

A new designation, titled Designated FB-2020 POB, is proposed to be established this year in order to help pre-pay some of the County's Pension Obligation Bond debt. It is proposed that $688,657 be added to this designation for FY 2012-13.

Other (Non-General Fund) Reserves and Designations

Capital Projects: It is recommended that $997,420 of the Facilities Planning designation be used to help fund capital projects recommended in the FY 2012-13 budget (reference the capital projects budget for the details). The balance in the designation is projected to be $2.6 million. Additionally, $232,713 of the Los Osos Landfill designation is recommended to be used to help fund work at the landfill. The balance in the designation is projected to be $152,732.

Roads: It is recommended that $847,000 be used to help fund the Roads budget. The balance in the designation is projected to be $2,770,000.

Public Facility Fees (PFF): It is recommended that $383,200 of the General Government PFF designation be utilized to help pay for the debt service for the New County Government Center and that $558,942 be added to the designations for future use. This would result in a net increase of approximately $176,000. There are five different categories of PFFs, which include general government, fire, public protection, library, and parks. Please reference the PFF fund center (fund center 247) for more details.

Parks: It is recommended that $127,000 be used to help fund capital projects for Parks. Reference the Parks fund center (fund center 305) for more details.

Countywide Automation Designation: It is recommended that $910,520 be added to this designation. The balance in the designation is projected to be $9.3 million.

General Government Building Replacement: It is recommended that the designation be increased by $2.7 million, which would result in a balance of $13.9 million.

Traffic Impact Fees: It is recommended that the designation be increased by $529,320 for a balance of $4.2 million.

Library: It is recommended that $25,000 of the General Reserve and $200,000 of the Facilities Planning reserve be used to help balance the Library's operating budget. The use of these funds would result in remaining balances of $49,690 and $777,510 respectively. Reference the Library fund center (fund center 377) for more details.

Organizational Development (OD): It is recommended that $154,857 be added to the Countywide Training reserve, which would result in a balance of $1.5 million.

Pension Obligation Bond (POB): It is recommended that $102,844 be added to this designation in order to help pay for future pension debt service payments and for cash flow purposes. The new balance will be $7.1 million.

Acknowledgements

Similar to prior years, I would like to thank all County employees for their hard work this past year. For the first time in many years, it appears that there is light at the end of the tunnel with respect to our budget and overall economic conditions. The improvement in the budget is a direct result of the many policies and plans that have been created and implemented as well as the many sacrifices made by all over the past five years. I look forward to another successful year as we continue to pursue our vision of a safe, healthy, livable, prosperous, and well-governed community.

Sincerely,

Jim Grant
County Administrative Officer