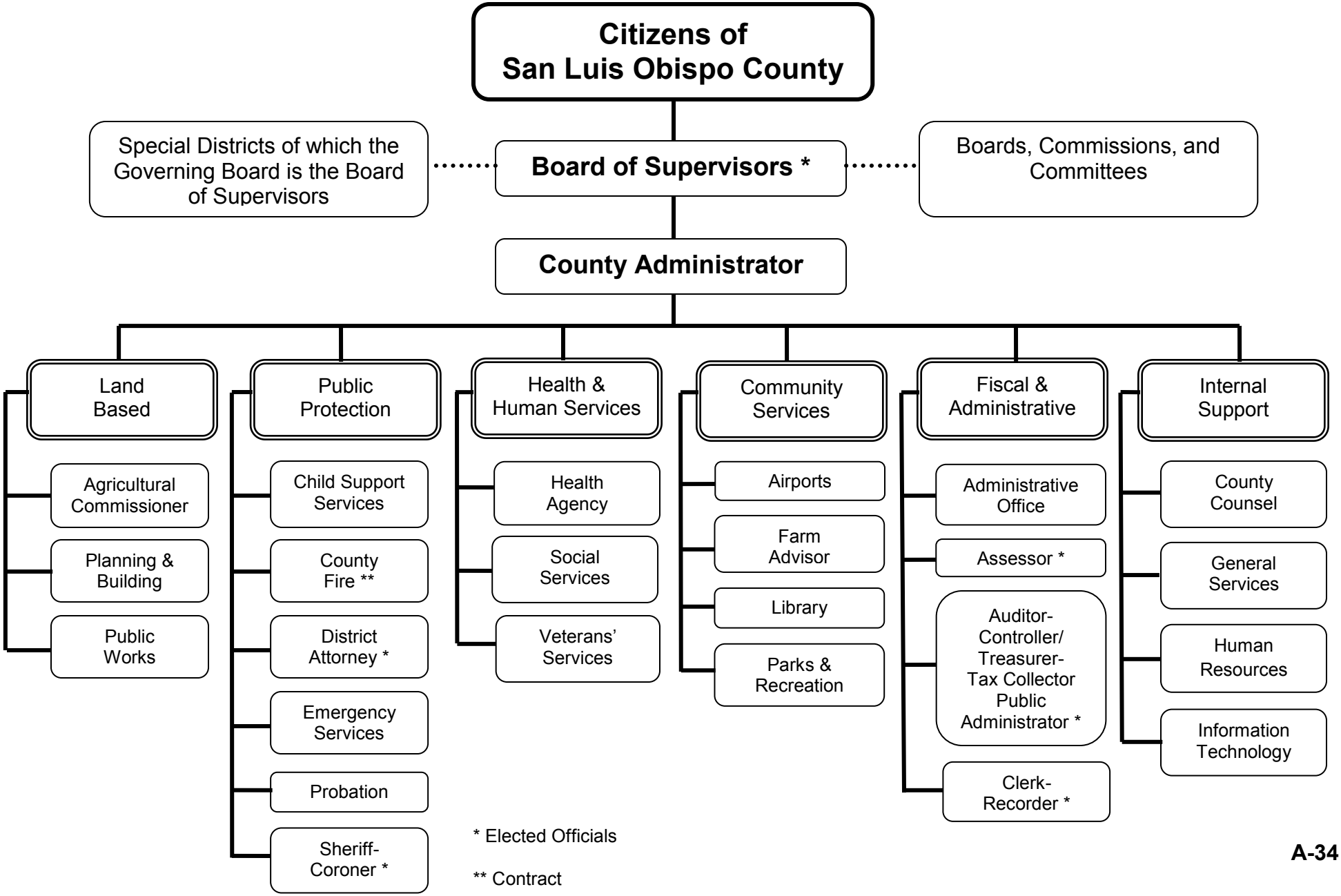
General Budget Information

This section provides an overview of the County's budget and general background information that is intended to improve readers' understanding of the budget document. This section includes the following:

- A countywide organizational chart that provides information about how County departments and functional areas are organized
- Information about the County, as well as a statistical profile that presents a graphical view of local demographic, economic, and social factors impacting budgeting and policy-making
- An overview of the County's fund structure
- An overview of major revenue and expenditure categories
- A narrative describing the County's budget process
- A budget calendar detailing the steps that the public, Board and County staff take each year to manage the current year budget and develop a budget for the coming year

County of San Luis Obispo Organizational Chart



About San Luis Obispo County

San Luis Obispo County was established by an act of the Legislature on February 18, 1850 as one of the original 27 counties of the State of California. 2014 estimates from the California Department of Finance place the County's population at 272,357 making it the 23rd largest county in the State. The County is made up of seven cities as well as many unincorporated communities. The County seat is the City of San Luis Obispo.

Because of its distance from major metropolitan areas, the County has been able to retain its small-town and rural character. Despite this, the area also offers many of the same amenities that are found in more populated areas. The County is home to major educational institutions including California Polytechnic State University and Cuesta Community College—both of which draw students from all over the world and provide a wide array of educational and cultural opportunities. The varied geography and rich history of the area provide numerous opportunities for recreation. The nationally known Hearst Castle in San Simeon attracts over one million visitors each year and the historic Mission San Luis Obispo Tolosa, founded in 1772, is another popular attraction. Many locally sponsored events including the Mozart Festival, Old-Fashioned Fourth of July, Renaissance Faire, Mid-State Fair, San Luis Obispo Expo, Central Coast Wine Festival, San Luis Obispo County Symphony, Colony Days, Pioneer Days, Strawberry Festival, Central Coast Wine Classic, Clam Festival, Harbor Festival, Paso Robles Wine Festival, Farmers' Markets, Savor the Central Coast Food and Wine Festival, and various holiday events also draw visitors to the County each year. Major U.S. highways, regional airports, railroad stations and the Port of San Luis all make the area accessible by land, air and water.

County Geography

San Luis Obispo County is located on the Pacific coast, approximately halfway between the metropolitan areas of Los Angeles and San Francisco. The County covers approximately 3,300 square miles and is bordered by Monterey County to the north, Kern County to the east, Santa Barbara County to the south, and 100 miles of Pacific coastline to the west.

County Government

San Luis Obispo County has a general law form of government, which means that certain aspects of the structure and functioning of the County are dictated by State law. As a geographical and political subdivision of the State, the County serves a dual role. It provides municipal services including law enforcement, roads, parks and libraries to residents, and also administers State and Federal programs and services such as public health care, jails, foster care and elections. Other services provided by special districts, which are governed by the Board of Supervisors, include fire protection, lighting, sanitation and flood control.

A five-member Board of Supervisors serves as the County's legislative body, setting policies and priorities to best serve the needs of the community. Supervisors are elected by districts of approximately equal population to overlapping four-year terms. The five supervisory districts in the County include the following cities (in italic) and communities:

District 1	Adelaide, Cholame, Lake Nacimiento, Oak Shores, *Paso Robles*, San Miguel, Shandon, Templeton, Whitley Gardens
District 2	Baywood Park, California Men's Colony, Cal Poly State University (portion), Cambria, Cayucos, Cuesta-by-the-Sea, Cuesta College, Harmony, Los Osos, *Morro Bay, San Luis Obispo (portion)*, San Simeon
District 3	Avila Beach, Country Club, Edna-Los Ranchos, Edna Valley (portion), *Grover Beach, Pismo Beach,* Rolling Hills Estate, *San Luis Obispo (portion),* Shell Beach, Squire Canyon, Sunset Palisades
District 4	*Arroyo Grande*, Black Lake Canyon, Callendar-Garrett, Cuyama, Edna Valley (portion), Halcyon, Huasna-Lopez, Los Berros, Nipomo, Nipomo Mesa, Oceano, Palo Mesa
District 5	*Atascadero,* Cal Poly State University (portion), California Valley, Creston, Garden Farms, Pozo, *San Luis Obispo (portion)*, Santa Margarita

In addition to the Board of Supervisors, residents elect five department heads including the Assessor, Auditor-Controller-Treasurer-Tax Collector-Public Administrator, Clerk-Recorder, District Attorney, and Sheriff-Coroner.

The County Administrative Officer is appointed by the Board of Supervisors and has responsibility for managing the operations of County departments, preparing the County budget and making recommendations to the Board of Supervisors to promote the efficiency and effectiveness of County operations. The County Counsel is also appointed by the Board of Supervisors and has responsibility for providing legal counsel to the Board.

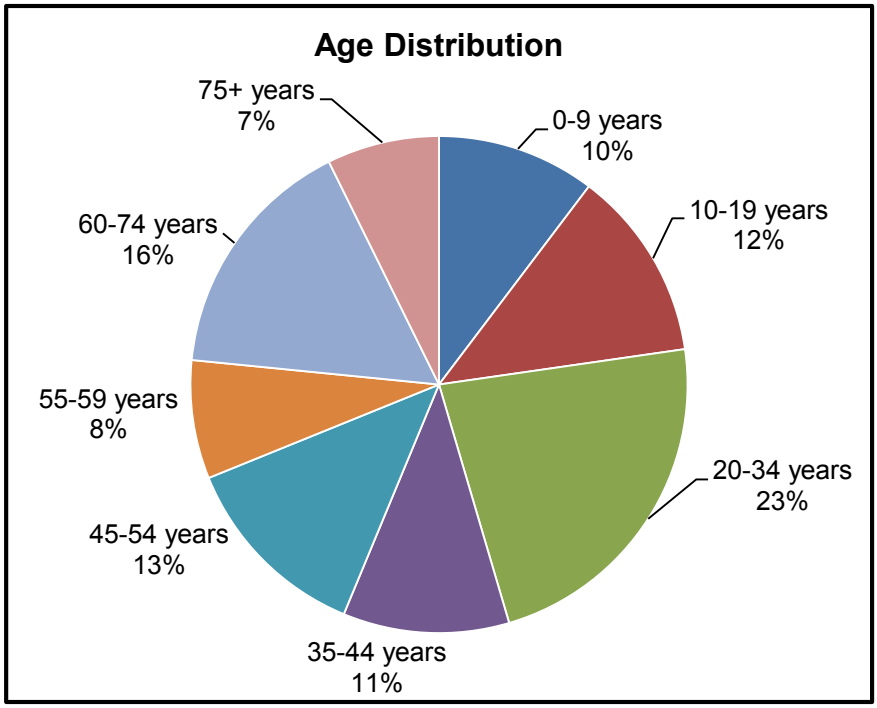
County Demographic Profile

Population

As of January 1, 2014, San Luis Obispo County was home to an estimated 272,357 residents, a 0.04 percent increase compared to population estimates in the year 2013. A little over half of the County's residents live within the city limits of the seven cities with the remaining 44 percent living in various unincorporated communities and areas. The largest city is San Luis Obispo with 45,473 residents. The smallest is Pismo Beach with 7,705 residents.[1]

Population by City

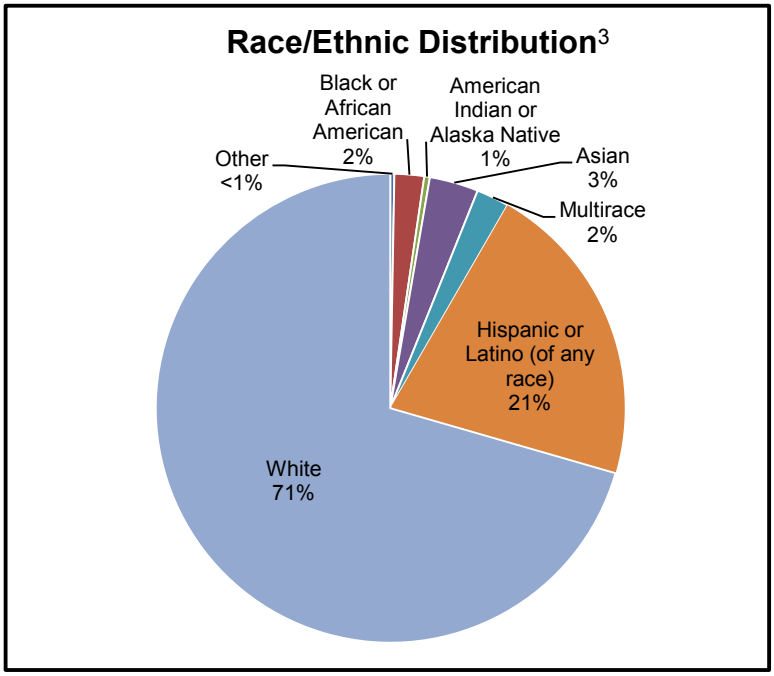
City	Population
Arroyo Grande	17,334
Atascadero	28,675
Grover Beach	13,153
Morro Bay	10,276
Paso Robles	30,469
Pismo Beach	7,705
San Luis Obispo	45,473
Unincorporated	119,272
Total	272,357

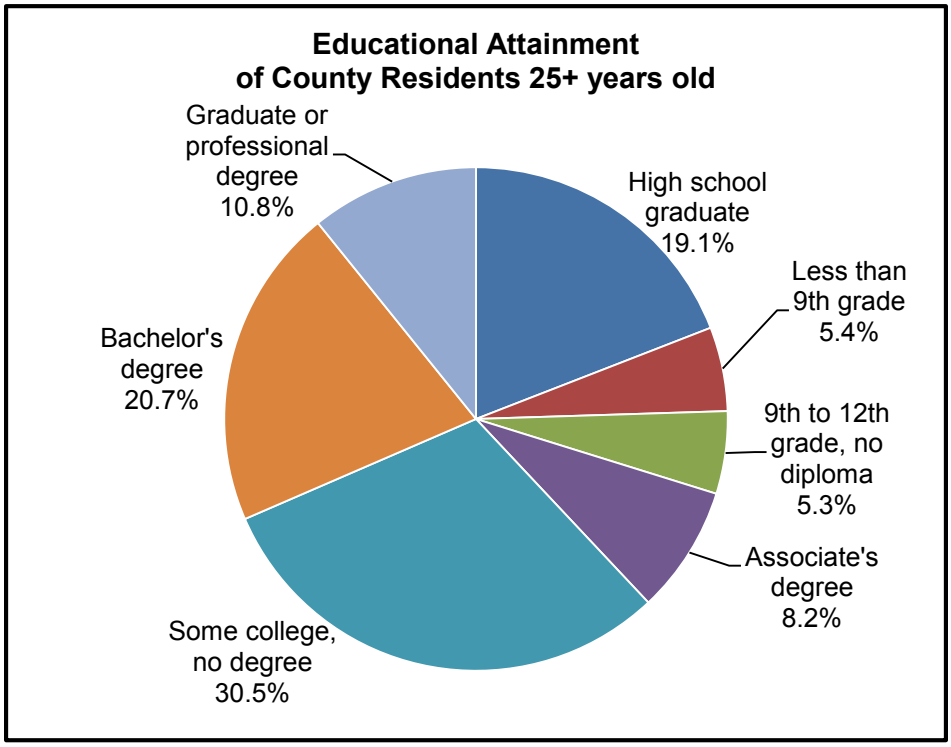


The median age of San Luis Obispo County residents was estimated at 40.1 years in 2013. This compares with 35.7 years in California and 37.5 years for the United States.[2]

[1] CA Department of Finance 2014 Population Estimates
[2] US Census Bureau 2013 American Community Survey

In 2013, an estimated 10.4 percent of the County's population was born in a foreign country, compared with 27 percent for California and 12.9 percent for the United States.[3]





As of 2013, an estimated 89.3 percent of County residents over the age of 25 had graduated from high school and 31.5 percent had a bachelor's degree or higher. These percentages are higher than both California where an estimated 81.7 percent of people have at least graduated from high school and 31 percent have a bachelor's degree or higher and the United States where 86.6 percent have at least graduated from high school and 29.6 percent have a bachelor's degree or higher.[4]

[3] US Census Bureau 2013 American Community Survey
[4] US Census Bureau 2013 American Community Survey

Income and Housing

Median Household Income

	2013	2000
San Luis Obispo County	$ 58,158	$ 42,428
California	$ 60,190	$ 47,493
United States	$ 52,250	$ 41,994

As of 2013, an estimated 8.1 percent of families in the County lived below the poverty level—an increase from the 6.8 percent of families living below the poverty level in 2000.[5]

As of the fourth quarter of 2014, the median single-family home price in the County was $449,800.[6]

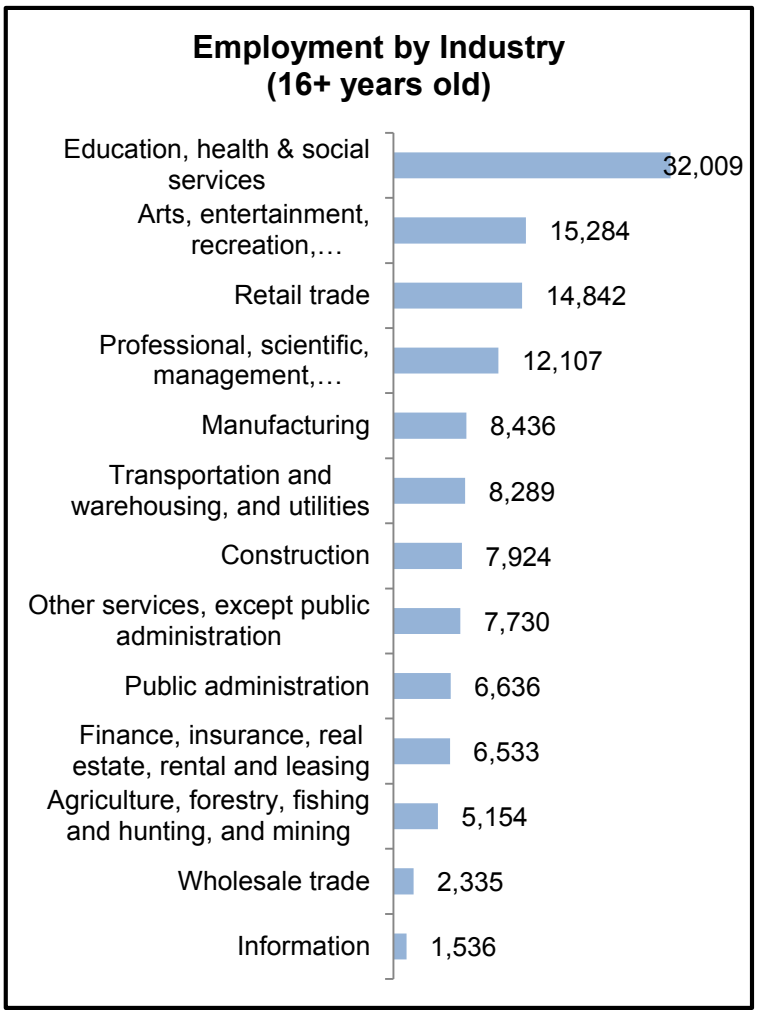
Employment and Industry

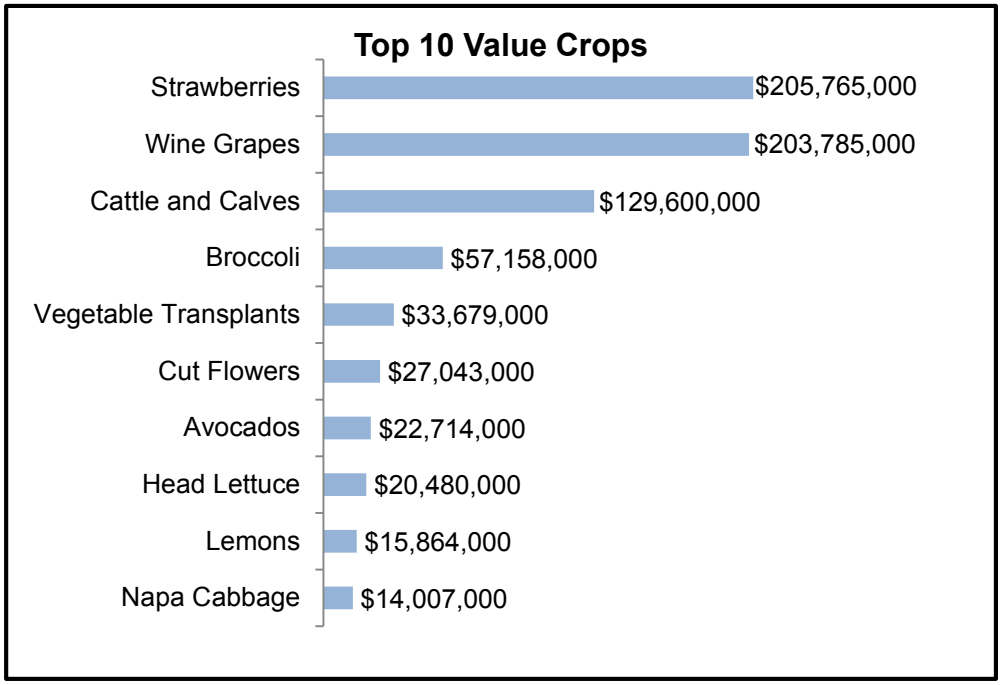
Home to California Polytechnic University, Cuesta College, Atascadero State Hospital and the California Men's Colony, government institutions are the largest employers in the County. The box below lists the top 20 public and private employers in the County.[7] The chart on the next page details how many County residents over the age of 16 were employed in various industries as of 2013.[8]

Top 20 Employers in San Luis Obispo County

California Polytechnic University
County of San Luis Obispo
Atascadero State Hospital
California Men's Colony
Pacific Gas & Electric
Cal Poly Corporation
Tenet Healthcare
Lucia Mar Unified School District
Paso Robles Public Schools
Dignity Health
San Luis Coastal Unified School District
Atascadero Unified School District
Mind Body
California Department of Transportation
California State Parks
Cuesta College
Community Action Partnership of SLO
Community Health Centers
City of San Luis Obispo
Rabobank

[5] US Census Bureau 2013 American Community Survey and 2000 US Census
[6] Central Coast Economic Forecast, San Luis Obispo County (Q1 2015)
[7] San Luis Obispo Chamber of Commerce 2013 Community Economic Profile
[8] US Census Bureau 2013 American Community Survey

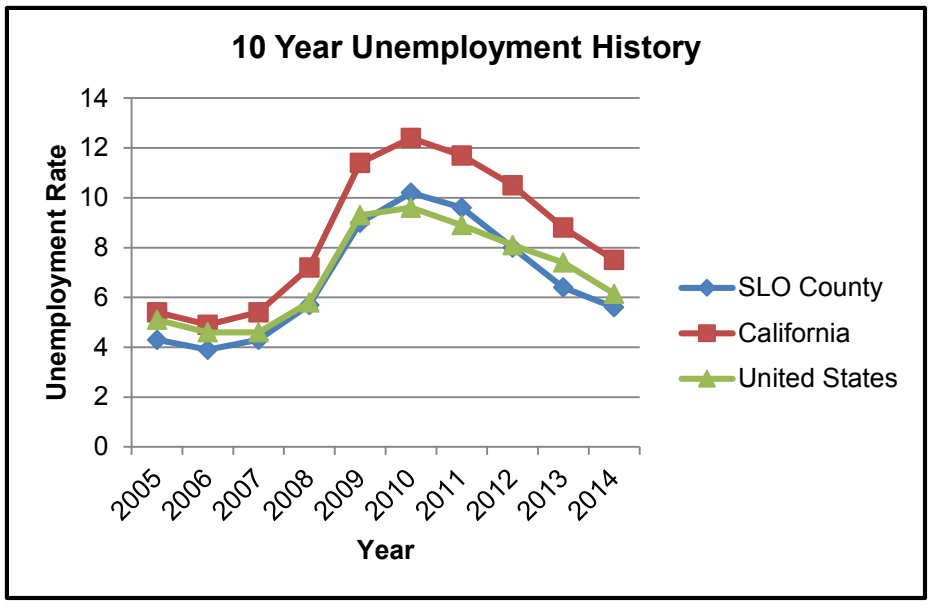




The County also has a productive agricultural industry. The chart to the left displays the top 10 value crops in the County in 2014.[9]

[9] San Luis Obispo County Agricultural Commissioner 2014 Crop Report

The graph to the right compares the County's unemployment rates over the past 10 years to the unemployment rates seen in California and the United States. The County has historically experienced lower unemployment rates than those felt at the State and national level. The County's rate surpassed the national rate in 2010 but fell below in 2013 and again in 2014. The County's unemployment rate is still much lower than statewide unemployment rates.[10]



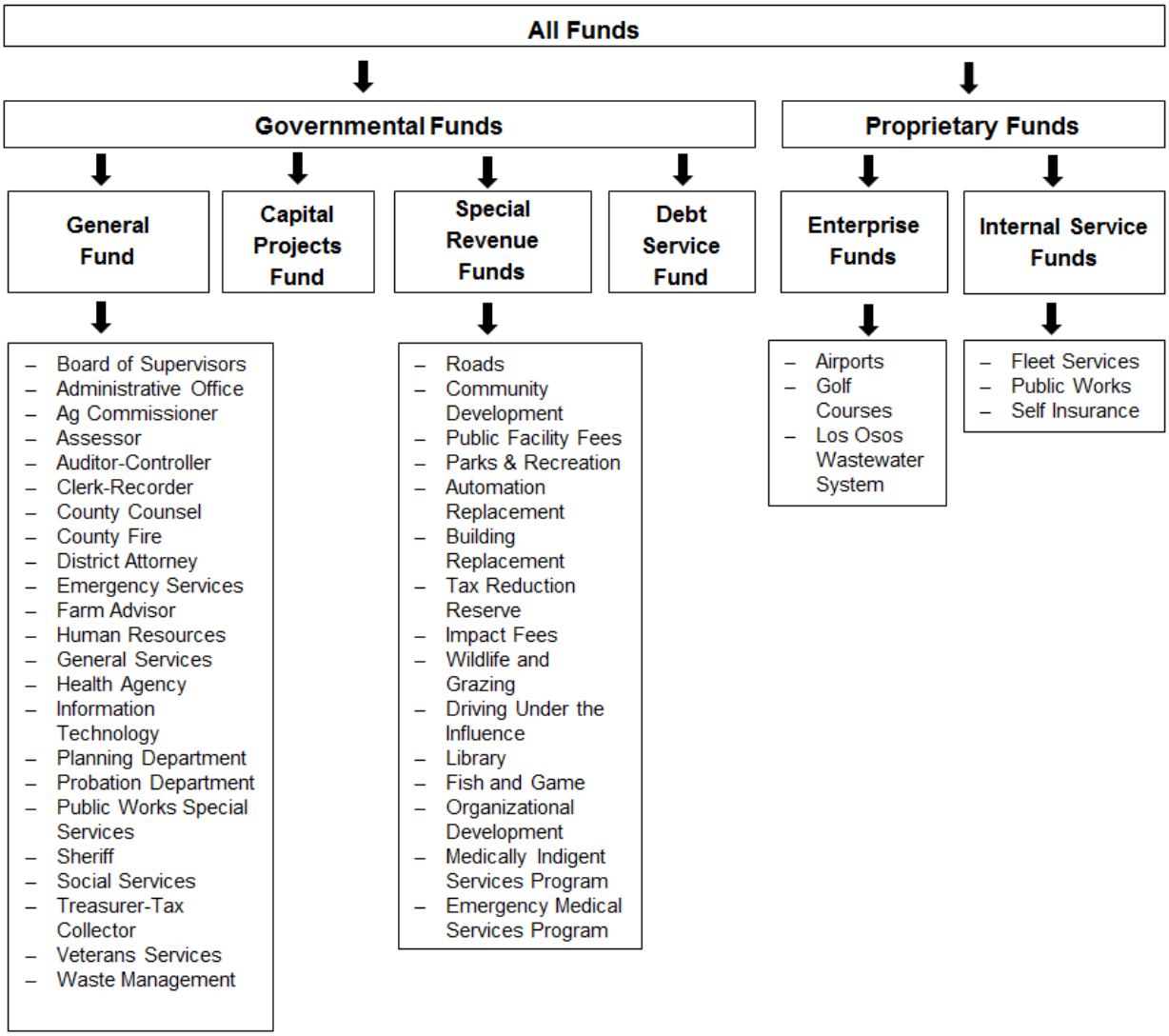
Budget Summary Information

The following sections provide a summary level presentation of the County's budget information. Included are an overview of the budget's fund structure and description of the major funds, an overview of the County's revenue sources, and a summary of expenditures. More information about individual department budgets can be found in the 'Departmental Budgets by Functional Area' section of the budget document where individual departments are grouped according to similar functions or types of services. Financial summaries presented in a format required by the State of California can be found in the 'Summary Schedules' section of this document. Schedule 1 on page E-1 of the Summary Schedules section of this document provides a summary of all County funds. However, the budget document includes detailed information for fewer funds than are included in the County's Comprehensive Annual Financial Report (CAFR). For information pertaining to funds other than those included in the budget document, such as special districts and/or county service areas, please refer to the County's CAFR which is available from the Auditor-Controller's Office or on the County's website.

Fund Structure

The County's budget is comprised of 25 separate funds which are used to finance a variety of different County services. Each of these funds can be categorized as either governmental or proprietary. Governmental funds are used to account for most of the County's general government activities and proprietary funds are used to account for the County's services and programs which are similar to those often provided by the private sector. The chart on the next page provides an overview of the County's budgetary fund structure. Following the chart is a description of the funds that are included in the County's budget.

[10] Bureau of Labor Statistics



The County's major funds all have a distinct purpose, outlined as follows:

Government Fund Types:

General Fund- The general fund is the largest operating fund for expenditures and revenues for countywide activities.

Capital Project Funds- Capital project funds account for financial resources used for the acquisition and construction of major capital facilities. The County has a five-year Capital Improvement Program (CIP) which plans for short range and long-range capital acquisition and development. The CIP also includes plans to improve or rehabilitate County-owned roads and facilities. The plan provides the mechanism for estimating capital requirements; setting priorities; monitoring and evaluating the progress of capital projects; and informing the public of projected capital improvements and unfunded needs. The CIP is updated each year to reflect changes as new projects are added, existing projects are modified, and completed projects are deleted from the plan document. The plan does not appropriate funds, but rather serves as a budgeting tool

to identify appropriations to be made through the adoption of the County's annual budget.

Special Revenue Funds- Special revenue funds are established to separate and account for particular governmental activities and are financed by specific taxes or other revenues. In some cases, special revenue funds are authorized by statutory provisions to pay for certain ongoing activities such as Libraries.

Debt Service Funds- Debt service funds are used to account for financing and payment of interest and principal on all general obligation debt, other than that paid exclusively from special assessments and debt issued for and serviced by a governmental enterprise. Recommendations for long-term debt are made to the Board of Supervisors by the County Debt Advisory Committee and in accordance with the County's Debt Management Policy.

Proprietary Fund Types:

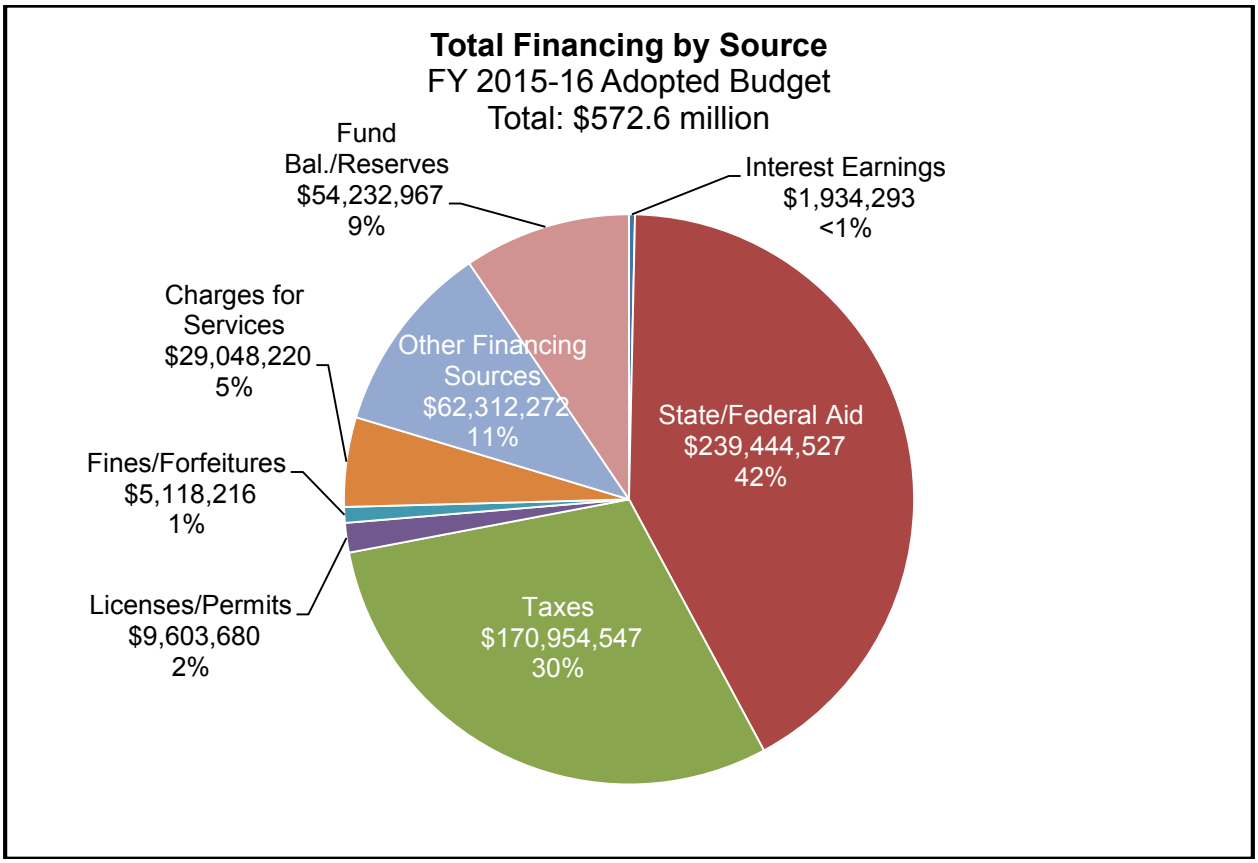
Enterprise Funds- Enterprise funds are established to finance and account for operations that are financed and operated in a manner similar to private business enterprises, where the costs (expenses including depreciation, capital and maintenance) are financed primarily through user charges. In the County, Golf Courses and Airport services are accounted for in enterprise funds.

Internal Service Funds- Internal service funds including Fleet Services and Self-Insurance are created for the sole purpose of providing specific internal services to County departments Internal service funds are funded through cost reimbursement by charges to departments for use of internal service fund services.

Summary of County Revenues

The County's operations are funded through a variety of sources. Detailed information pertaining to financing sources can also be found in departmental budgets located in the 'Departmental Budgets by Functional Area' section of this document. The chart on the following page demonstrates how much of the County's total revenue is contributed by the various revenue categories.

Following is an overview of the County's various funding sources and a discussion of the allowable uses for each different type of revenue:

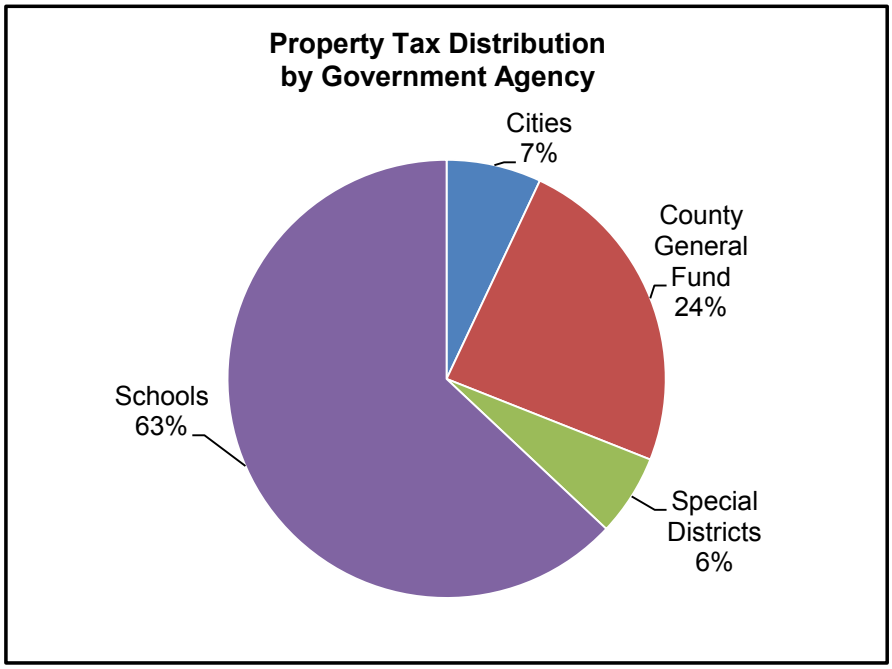


State and Federal Revenue- State and Federal revenue is the County's single largest revenue source. The majority of these revenues are used to support statutory programs, such as health and welfare services and some criminal justice programs. These funds are generally restricted in use and are not available for discretionary purposes. State and Federal revenue projections are based upon economic conditions at both the State and Federal level. To prepare for changes in State and Federal revenue streams, the County closely monitors budget activity and the programmatic and funding decisions that are being made at the State and Federal level.

Taxes- Property taxes, sales tax, transient occupancy, and other taxes are the County's second largest revenue source. The chart on the following page provides an overview of how property tax dollars are distributed among various governmental agencies within the County.

Property tax levels are regulated by the State, and are collected and distributed to various governmental agencies by the County. The formula for calculating property taxes is determined by Proposition 13 (the People's Initiative to Limit Property Taxation) which was passed by California voters in 1978. Prop 13 sets the tax rate for real estate at one percent of a property's assessed value and limits changes to a property's assessed value based on the Consumer Price Index to two percent each year. Property values are only reassessed upon a change of ownership or the completion of new construction.

The County distributes property tax dollars to various government agencies and retains approximately 24% of the total property taxes collected which is used to fund a variety of County programs and services. Property tax revenues are projected each year based on the total assessed value of the County which is estimated by taking into account inflationary factors such as the Consumer Price Index, new construction, sales activity, as well as the number of Prop 8 (decline in value) assessments.



Licenses, Permit Fees, and Charges for Services- Revenue in this category comes from fees that the County charges for a variety of specific services and activities. License revenues are received for activities including the issuance of a business license or franchise fees paid by utilities, cable companies or trash haulers in order to do business within the county. Permit revenues are generated by charges for construction or inspection permits for building, electrical, plumbing, or temporary use permits for holding events. Charges for service revenues are generated by the collection of fees for value added services that are not tax supported or might not otherwise be provided without fees and are used to fund those services. Revenue from licenses, permits, and charges for services is projected based on prior year levels, changes to the County's fee schedule and other trends such as construction activity or external economic factors which indicate demand for services.

Fines, Forfeitures, and Penalties- Revenue from fines, forfeitures and penalties is generally received from court ordered fees, other types of public safety violations (e.g. tickets) or penalties charged as the result of being late in making payments to the County (e.g. for property taxes or transient occupancy tax). Much like charges for services, revenue from fines, forfeitures and penalties is often used to fund enforcement activities. Revenue is this category is projected based on prior year levels and external economic conditions. Fine, forfeiture and penalty revenue tends to be counter cyclical, especially for penalties for late payments to the County. Changes in law enforcement priorities and staffing levels can also have an impact on the level of issuance and collection of fines, forfeitures and penalties.

Interest earnings- Revenue in this category is received from the investment of County funds. The use of the revenue received from these sources is discretionary and is projected based upon prior year actual amounts. Estimates for revenues from interest earnings are based upon the projected treasury balance and current interest rates.

Fund Balance Available (FBA) and Use of Reserves- The Fund Balance Available is the portion of fund balance that is not reserved, encumbered or designated and therefore is available for financing a portion of the budgetary requirements for the upcoming fiscal year.

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 they provide protection against downturns in the economy or against major unexpected events. Designations are reserves that are set aside for specific purposes. These designations help provide for the County's long term financial needs.

Other Revenues and Financing Sources- This category is a catch-all for revenues that don't fit into one of the major revenue categories discussed above. Revenues in this category come from a variety of sources including the sale of state water, assessments, or revenue from reimbursement agreements. Other revenue sources vary from department to department and can be projected based upon either prior year actual amounts or from set annual costs such in the case of water or sewer assessments in County service areas.

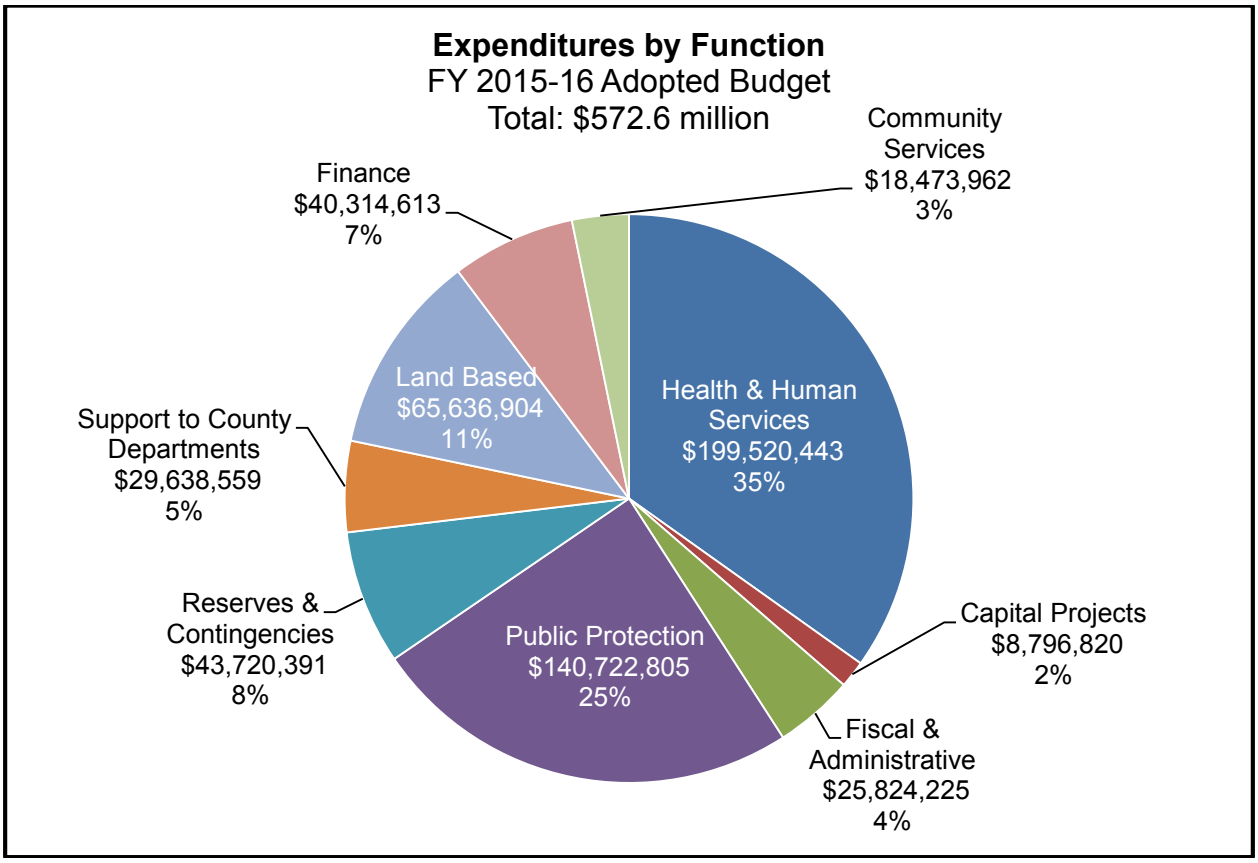
Summary of County Expenditures

The County's operating expenditures are diverse and vary by program and department. Detailed information about departmental expenditures can be found in the 'Departmental Budgets by Functional Area' section of this document. The chart on the following page demonstrates how much of the County's total budget is allocated to the various functional areas.

Following is an overview of the County's major expenditure categories:

Salary and Benefits- This expenditure category accounts for the largest appropriation of County dollars. Salary and benefits includes employee wages, the amount that the County appropriates for employee pensions, the County's contribution for life insurance and various health benefits for employees and their dependents, and other various employee benefits. Social security taxes, workers' compensation payments and unemployment insurance payments are also included in this expenditure category. Salary and benefit costs are driven by the number of County employees, negotiated labor agreements, and the cost of employee benefits.

Services and Supplies- Services and supplies are the second largest expenditure for the County. Examples of services and supplies expenses include office supplies, computers and software purchases, maintenance contracts or other types of professional service contracts. The budget for services and supplies is driven by the cost of contracts, changes to the consumer price index and the need for services and supplies which support County operations.



Other Charges- This category includes a variety of smaller expenditure categories such as debt payments and pass through expenses to other agencies and/or funds, and accounts for a significant portion of the County's total expenditures.

Fixed Assets- Fixed asset costs make up the smallest portion of the County's total expenditures. Fixed assets typically have a value of over $5,000 and can include such items as vehicles, copy machines, land, or specialty equipment. The amount of fixed assets fluctuates from year to year based upon things like the age of equipment or vehicles and projects being carried out by departments.

Financial Summaries

The table on the next page provides a summary level presentation of the Proposed Budget information, showing financing sources by type and financing uses by both function and type. Detailed information related to individual departmental budgets can be found in the 'Departmental Budgets by Functional Area' section of this document and Financial summaries presented in the required State of California schedule format are included in the 'Summary Schedules' section at the end of this document.

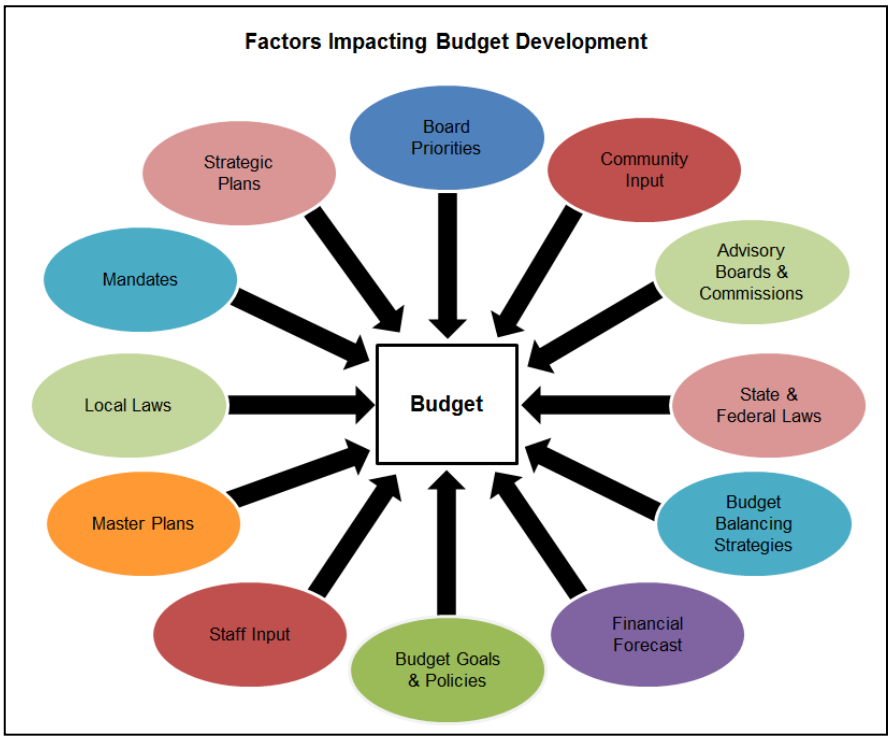
Financing Sources and Uses Summary

Description	2013-14 Actual	2014-15 Actual	2015-16 Proposed	2015-16 Adopted
Financing Sources				
Taxes	169,915,882	174,559,229	170,954,547	170,954,547
Licenses and Permits	10,665,396	10,470,889	9,603,680	9,603,680
Fines, Forfeitures and Penalties	7,044,827	5,379,835	5,118,216	5,118,216
Revenue from Use of Money & Property	1,272,672	3,040,878	1,934,293	1,934,293
Intergovernmental Revenues- State	158,487,900	200,863,733	177,742,059	177,742,059
- Federal	51,265,060	53,647,533	58,795,614	58,795,614
- Other	5,699,854	2,730,622	2,906,854	2,906,854
Charges for Services	28,016,029	29,779,020	29,048,220	29,048,220
Other Revenues	35,851,161	30,851,427	26,295,728	26,295,728
Fund Balance	0*	0*	36,603,765	46,556,800
Use of Reserves & Designations	0*	0*	7,417,410	7,676,167
Other Financing Sources	27,283,024	39,310,148	37,898,589	36,016,544
Decreases to Fund Balance	0	0	0	0
*cancellation of reserves and designations and use of fund balance included in Other Financial Sources				
Total Financing Sources	495,501,805	550,633,314	564,318,975	572,648,722
Uses of Financing by Function				
General Government	74,019,468	88,400,763	72,901,362	75,056,641
Public Protection	146,997,442	152,676,081	159,578,631	159,578,631
Public Ways & Facilities	28,086,028	31,054,255	40,578,395	40,578,395
Health & Sanitation	68,700,953	72,812,851	81,731,409	81,731,409
Public Assistance	104,784,090	110,425,219	116,021,085	116,443,032
Education	12,628,224	12,756,210	110,044,930	11,044,930
Recreation & Cultural Services	8,156,269	10,274,769	8,725,264	8,725,264
Debt Service	10,836,673	11,290,762	11,752,356	11,752,356
Financing Uses	13,118,555	24,981,311	25,115,105	24,017,673
Contingencies	0*	0*	22,617,933	22,414,064
Reserves & Designations	0*	0*	14,252,505	21,306,327
Increases to Fund Balance	28,174,103	35,961,093	0	0
*use of reserves and designations and contingencies reflected in individual functional areas				
Total Financing by Function	495,501,805	550,633,314	564,318,975	572,648,722
Uses of Financing by Type				
Salary & Benefits	235,415,294	247,387,326	265,307,738	265,542,958
Services & Supplies	138,809,197	140,343,748	152,679,101	157,563,061
Other Charges	90,593,448	110,358,508	104,045,323	102,389,717
Fixed Assets	22,168,930	35,518,296	25,650,888	23,667,108
Transfers	(19,659,167)	(18,935,657)	(20,234,513)	(20,234,513)
Increases to Reserves/Designations	0*	0*	14,252,505	21,306,327
Increases/(decreases) to Fund Balance	28,174,103	35,961,093	0	0
Contingencies	0*	0*	22,617,933	22,414,064
*use of reserves and designations and contingencies are included in individual financing types				
Total Financing by Type	495,501,805	550,633,314	564,318,975	572,648,722

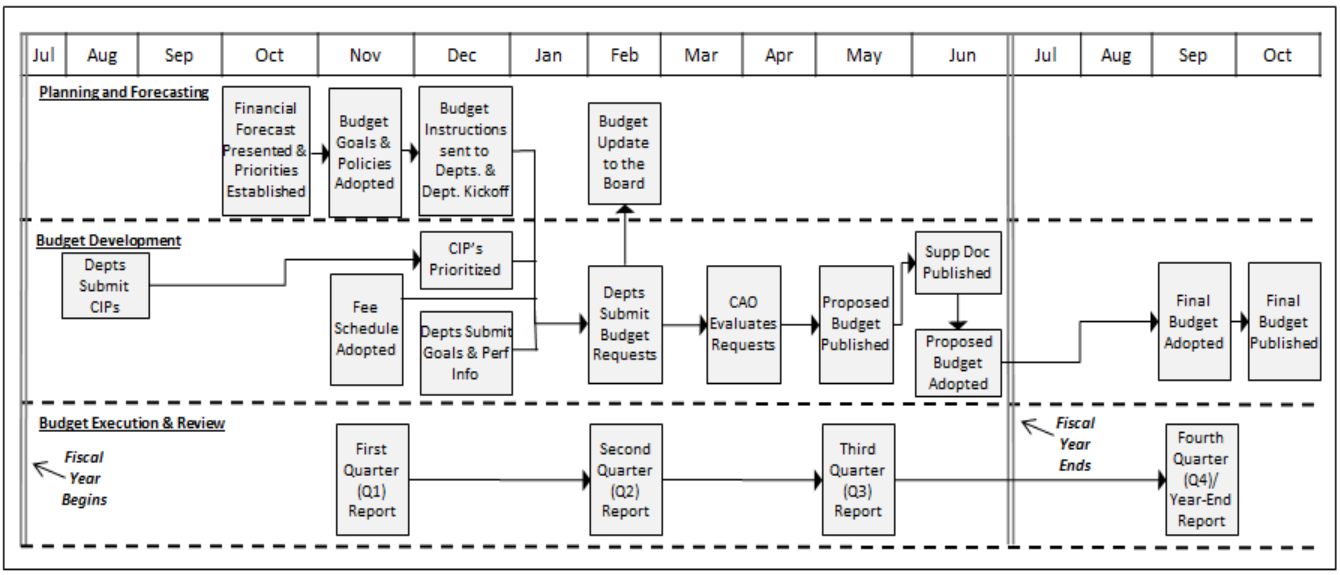
County Budget Development and Management Process

Pursuant to the State Budget Act (Government Code §29000), San Luis Obispo County goes through a budget development process every year to prepare a balanced budget for the coming fiscal year. The budget process is a collaborative effort that involves all County departments, the Board of Supervisors and the public. While County staff is responsible for preparing a proposed budget and the Board of Supervisors ultimately has the authority to adopt funding levels, public input is an integral part of the County's budget process. In developing the budget each year, the County considers community input as contributed by citizens in public meetings or as conveyed in reports that are meant to measure community needs, such as the Action for Healthy Communities report produced by a collaborative of public and private organizations, and periodic citizen opinion surveys. Decisions about how to fund programs and services are also based on guidance and input provided by more than 50 Board-appointed citizen advisory bodies. Public participation in the budget process is welcome and available through the many public budget-related meetings that are held by the Board of Supervisors throughout the year. All Board meetings are recorded and broadcast via cable television and the County's website.

The chart to the right displays some of the major factors that impact the development of the County's budget. In many ways, the preparation of a recommended budget is a balancing act. When developing the budget, County staff must balance a diverse set of community interests and more specific Board priorities with the directives laid out in various planning documents while ensuring that the budget complies with all federal, state and local laws. The Board of Supervisors must also take these same factors into consideration when adopting a budget each year.



To ensure that the County maintains a solid financial foundation upon which to provide services to the community, the budget development and management process incorporates planning and forecasting, budget development, and budget execution and review. While each of these functions has its own distinct set of processes, each impacts the budget process as a whole. The County's budget process is fluid and ongoing and represents significant interplay between the legislative actions of the Board of Supervisors and the administrative processes of County staff. The flow chart on the next page outlines how each piece of the process feeds into the next:



A budget calendar included later in this section more thoroughly outlines the timeline of, and process through which the County continually monitors its budget to ensure that both revenues and expenditures are on target and that necessary corrective actions are taken to address any revenue shortfalls or over-expenditures. Following is a discussion of the key steps for the development, adoption and management of the County's budget.

Preparation of the Financial Forecast and Establishment of Board Priorities (August-October)

Every year, the Board holds a strategic planning session(s) to review the financial forecast and to establish a list of priorities for the coming year. The preparation of the financial forecast refines the County's five-year financial outlook and lays the ground work for the budget process by identifying the fiscal capacity of the General Fund for the coming year and guiding the Board in the establishment of its priorities. The financial forecast focuses on General Fund revenue and expenditures and does not include special revenue funds such as Roads, or the Library. The forecast is prepared based on a Status Quo budget which reflects the continuation of all existing resources (e.g., personnel, services and supplies, equipment, etc.) paid for by the General Fund and those resources that are currently revenue offset and will continue to be revenue offset in the budget year.

To develop the forecast, the Administrative Office works closely with multiple County departments including the Assessor's Office, the Auditor-Controller-Treasurer-Tax Collector Public Administrator's Office, the Planning and Building Department and Clerk Recorder's Office as well as real estate experts, national, state and local economic forecasters and local businesses to estimate property tax and other revenue for the coming year. The amount of projected property tax revenue factors in predictions of property sales and assessment values given current housing market conditions. The Administrative Office works with the Auditor-Controller-Treasurer-Tax Collector Public Administrator's Office and other departments to estimate other key revenue sources (such as sales tax, property transfer tax, and franchise fees), as well as the fund balance available for the coming year. The fund balance available is the amount of money available at the end of one fiscal year for use in the next fiscal year. It is comprised of the unspent General Fund Contingency at the end of the year, plus any

remaining General Fund dollars unspent or not encumbered by the various County departments at year end. Other financial indicators such as the unemployment rate, construction activity, consumer spending patterns, and the financial health of the State and Federal Governments are also evaluated in preparing the financial forecast.

Establishment of Budget Goals and Policies (October- November)

In addition to establishing priorities for the coming year, the Board also guides budget development by annually adopting a set of budget goals and policies that provide direction to County departments in preparing the budget for the coming year. Based on Board priorities established during the strategic planning session(s), the County Administrative Office with input from County departments, refines and updates previously established Budget Goals and Policies which include budget balancing strategies and approaches. The Budget Goals and Policies are presented to the Board for their discussion and approval during a regularly scheduled Board meeting in November.

Update of the Five Year Capital Improvement Plan and Preparation of the Capital Project Budget (August-May)

The County's Capital Improvement Plan also impacts the overall budget. In August of each year, County departments submit requests for capital projects for the next fiscal year. Department requests are to be consistent with the County's Five Year Capital Project plan. Once all project requests are submitted, a review team consisting of multiple County departments works together to review the requests to establish a priority ranking of all projects pursuant to the criteria outlined in the Capital Improvement Projects portion of the Board adopted Budget Goals and Policies (located in an earlier section of this document). Projects identified as a high priority, and for which funding is available, are included in the proposed budget.

In addition to individual department requests, the County's Public Works Department also prepares Capital and Maintenance Project plans for their utility operations, roads, and other budgets. To ensure that adequate funding is budgeted for large scale capital projects, the County's Infrastructure Planning and Finance Team which consists of representatives from the Planning Department, Public Works Department, General Services, Administrative Office, the San Luis Obispo Council of Governments and various community services districts, meets periodically to assess the County's infrastructure in order to provide direction to the General Services and Public Works Department as they create their detailed capital plans. For utility operations, a five-year capital improvement plan is updated each year to reflect completed projects and new capital and maintenance needs. From this five-year plan, specific projects are identified and incorporated into the Public Works Special District budgets for funding in the following year. In preparation of the roads budget, department staff conducts a safety analysis each year and prioritizes capital and maintenance roads projects based on safety needs. Transportation projects, which are generally funded by the State and Federal governments, are reviewed and prioritized by the San Luis Obispo Council of Governments. Projects identified as a high priority, and for which funding is available, are included in the proposed roads budget.

Preparation of the Budget (September- May)

The preparation of the proposed budget is broken into two phases. During Phase 1, departmental goals, programs, and performance measures are reviewed and refined. In Phase 2, the proposed budget, including recommended funding levels and specific departmental objectives for the year is developed.

Phase 1 - Update Performance Information (September- January)

All County departments have established goals aligned with the County's vision of a safe, healthy, livable, prosperous and well-governed community. Performance measures have been established by each department to track their performance toward achieving those goals. Departmental goals and performance measures communicate to the public the outcomes the department is achieving for the community as a result of their activities and the services they provide.

In September of each year, the Administrative Office develops and distributes instructions to County departments for Phase 1 of budget development. To ensure that goals and performance measures enable an effective evaluation of performance, it is important that departments closely align their departmental operations with their goals. In updating their performance measures, departments provide a projection of their results for the current year, an explanation of their performance, and any conditions that will enable or prevent the department from achieving their target for the current year. The department then establishes a performance target for the coming year. In developing and reporting on performance measures, departments are able to evaluate how well their programs are working in achieving desired outcomes and to identify any necessary changes to improve results in the future. This process allows departments to make informed decisions about the most effective use of their resources.

During Phase 1, departments also report on the performance of budget augmentations approved by the Board in prior budget years. The purpose of this reporting is to communicate to the Board of Supervisors and the public whether or not the additional resources that were allocated for specific programs have achieved the intended results. If results are not achieved, the Administrative Office works with the department to determine if changes are necessary to improve performance or whether the resources should be reallocated.

Phase 2 - Develop a Proposed Budget to Present to the Board (December- May)

In early December, the Administrative Office transmits instructions to departments to prepare their budget request for the coming fiscal year. Budget requests are to be based upon the fiscal outlook projected in the Financial Forecast, and the Board's adopted budget priorities, goals and policies. Although departments are instructed to submit a Status Quo budget to the County Administrative Office, they may also be required to prepare a list of possible budget reductions and are also able to request budget augmentations.

Budget Reductions:

In years when the available financing is insufficient to fund a Status Quo budget, departments are instructed to prepare a list of prioritized reductions that decrease their required level of General Fund support to a level that matches available financing levels. Instead of across the board cuts, reduction targets vary by department depending upon the Board's priorities. Reductions identified by departments are to represent their lowest priority resources and expenditures. In preparing a list of prioritized reductions, departments are also required to identify the service level impacts that would result from the reductions to their Status Quo budget so that the implications of budget reductions can be factored into budget decisions.

Budget Augmentations:

Departments may also submit requests to augment their Status Quo budget with new resources. In requesting budget augmentations, departments must identify the specific resource(s) requested (staff, equipment, services, etc.), the associated costs and funding source(s), and the results expected from the addition of new resources. Decisions about whether or not to include each budget augmentation request in the proposed budget depend upon the significance of the requested augmentation's intended outcomes and available funding.

Recommended funding levels are determined by taking status quo budget submittals, prioritized reduction lists and budget augmentation requests into consideration. Once recommendations have been finalized, the Administrative Office assembles a balanced, proposed budget document which is submitted to the Board of Supervisors and public in May and formally presented and discussed during budget hearings held in mid-June.

Preparation of the Supplemental Budget Document (April- May)

Because the proposed budget is developed based on financial conditions known at the time of preparation, changes are often necessary. Once the proposed budget has been finalized, a supplemental budget document is prepared to make any needed technical adjustments to the proposed budget that surface after the Administrative Office's recommendations have been finalized. Adjustments included in the supplemental budget document are often the result of new legislation or grant awards, and staffing changes. As part of the supplemental budget document, departments also have the opportunity to appeal any specific Administrative Office recommendations in the proposed budget, by submitting an "at issue" request. "At issue" requests provide departments with the opportunity to present their case to the Board of Supervisors during the public budget hearings.

The supplemental budget document is presented to the Board near the end of May, allowing the Board and the public approximately two weeks of review prior to formal consideration by the Board as part of the scheduled budget hearings, along with the proposed budget. The public has the opportunity to provide input on any supplemental recommendations either directly to the Board of Supervisors, or in public comment during budget hearings.

Adoption and Publishing of the Final Budget

Immediately following budget hearings, the Administrative Office documents any changes to the proposed budget that have been made by the Board of Supervisors during deliberations, including those changes in the supplemental document that were approved by the Board. The Auditor's Office also updates appropriation amounts in the financial system to capture the Board's changes. A resolution to adopt the proposed budget, including the position allocation list, is approved by the Board by the end of June.

Once the final revenue and expenditure levels for the prior year are known in August (after the books are closed for the recently completed fiscal year), the final fund balances available are calculated. The Administrative Office then works with departments to determine how to allocate or make up for any change between the actual fund balance and the fund balance that was budgeted. The Auditor-Controller-Treasurer-Tax Collector Public Administrator's Office calculates the Final Budget revenue and expenditure levels and takes a resolution to the Board for legal adoption of the Final Budget in September. Once adopted, a Final Budget book is prepared and made available to all departments and the public via the County's web site and in hard copy at all County Public Library branches. A copy of the Final Budget is also sent to the State Controller's Office by December 1, as required by the State Budget Act.

On-Going Budget Management and Mid-Year Adjustments

Throughout the fiscal year, operating departments and the Administrative Office closely monitor the budget to ensure that spending levels are within appropriated levels and that the use of General Fund contingencies and reserves are kept to a minimum. At the close of each quarter of the fiscal year, the Administrative Office works with departments to prepare a report analyzing the status of each fund center's budget to be presented to the Board at regularly scheduled meetings. The report identifies significant budget variances and any operational issues, and recommends solutions to address any issues. The identification of issues and proposed solutions to address them is essential to keeping departments on track and to limiting any adverse impact to the County's fiscal condition.

Mid-Year Adjustments

Because State and Federal budgets are typically not adopted until after the County has adopted its budget, mid-year adjustments to the adopted budget are often necessary to reflect variances in State and Federal funding levels from the prior year. These adjustments are made either as part of a quarterly financial report, or in a separate action taken by the Board.

Mid-year budget adjustments may also be considered by the Board when a new source of funding or unanticipated revenue becomes available to a department. Adjustments may come as a result of a new contract to provide services, a grant award, receipt of additional fees for service, or the use of funds from a trust for a specific purpose. Departments may request a transfer of funds from one fund center to another in order to fund an activity or project. This is commonly done when funds are transferred into an established capital project or to make fixed asset purchases that were not anticipated in the adopted budget.

A four-fifths vote by the Board of Supervisors is necessary to approve adjustments that transfer dollars between funds, from contingencies, or increase the appropriation within a fund center. Transfers between expenditure objects within a single fund center (e.g., from salaries and benefits to services and supplies) that do not increase the total expenditure appropriation may be made administratively with the approval of the County Administrative Office and the Auditor-Controller-Treasurer-Tax Collector Public Administrator.

County of San Luis Obispo Budget Calendar

August	Departments submit Capital Improvement Project (CIP) requests.
October	County Administrative Office presents Financial Forecast to the Board and Board establishes its priorities.
November	Board of Supervisors adopts Budget Goals and Policies for the budget year. First Quarter (Q1) Financial Report for current fiscal year presented to the Board. Board of Supervisors adopts the County's fee schedule for the coming year.
December	CIP requests are analyzed and prioritized. Departments submit Phase 1 budget information, including mission statements, services program descriptions, departmental goals, performance measures, and results on prior year budget augmentations approved by the Board.
January	Departments submit Phase 2 budget information, including Status Quo budget requests, General Fund cut lists (if necessary), and budget augmentation requests.
February	A budget update is presented to the Board based on Phase 2 submittals received from departments. Second Quarter (Q2) Financial Report for the current fiscal year is presented to the Board.
March	Administrative Office reviews and analyzes budgets submitted by departments.
April	Administrative Office recommendations are finalized.
May	Proposed Budget is printed and published for review by the Board and the public. Supplemental Budget Document is prepared to capture technical changes that occurred too late to be included in the Proposed Budget. Third Quarter (Q3) Financial Report for the current fiscal year is presented to the Board. The third quarter is typically when departments make adjustments to reflect unbudgeted variances in expenditures or funding sources.
June	Supplemental Budget Document is printed and published for review by the Board and the public. Budget hearings are held and the Board adopts a Proposed Budget, including items in the Supplemental Budget Document. The fiscal year ends June 30.

July	The new fiscal year begins July 1.
August	Fund Balance Available from fiscal year just ended is available.
September	Final Budget is adopted by the Board, including FBA from prior fiscal year. Fourth Quarter (Q4)/Year-End Financial Report for the fiscal year is presented to the Board, including performance measure results.
November	Final Budget is printed and published and sent to the State Controller's Office.