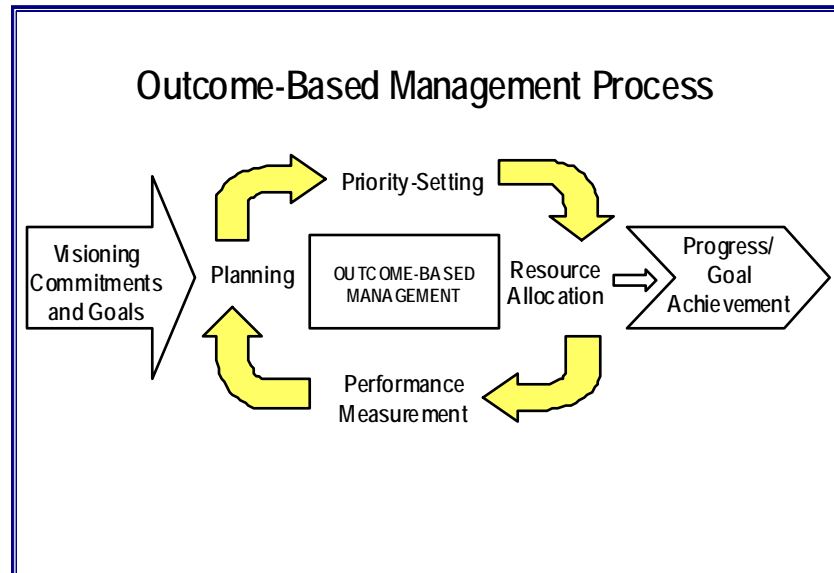


## COUNTY BUDGET PROCESS

The County budget process is an integral part of Outcome-Based Management (OBM), which requires resources in County programs and services to be allocated toward meeting performance targets and improving overall performance. Using the community outcomes identified during the County Shared Vision 2025 Process as the long-term direction for County programs and services, all resources are now being allocated toward those areas that can significantly contribute to building a healthy, safe, livable, prosperous, environmentally conscious and sustainable community.

The budget process is fluid and ongoing as shown below. During each fiscal year, County departments continuously monitor operational and financial performance, plan for improvements given baseline and anticipated trends affecting performance, and incorporate priorities for the following two fiscal years in their program plans and budgets.



### Structural Budget Deficit Workshops

The County is not immune to the economic crisis facing the nation and the state. The County has projected a structural budget deficit approaching \$50 million by FY 2016-17 if further steps are not taken. Over the past five years, since the initial Structural Budget Deficit Workshop was held in December 2007, the County has eliminated over 800 positions and made reductions in excess of \$80 million. As the County's finances have been very fluid during this time of economic turmoil, the five-year plan has been and will continue to be updated on a regular basis and the Board workshops will continue until the deficit has been eliminated.

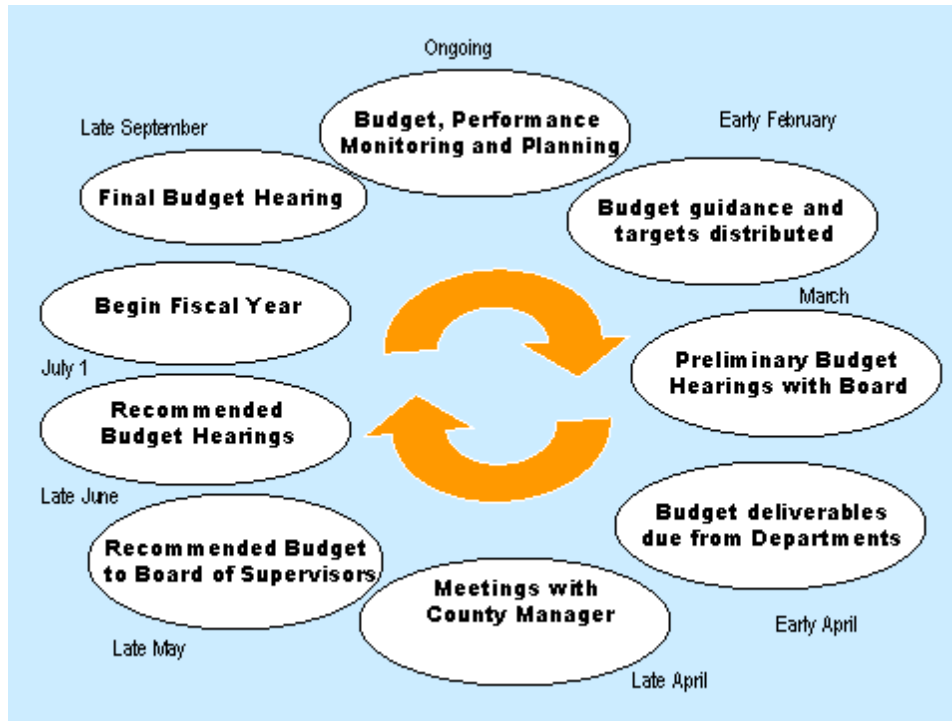
### Mid-Year Financial Status

The fiscal year begins July 1 and ends June 30. A mid-year report to the Board of Supervisors is prepared by the County Manager's Office in late January / early February to provide information regarding current financial status of all departments and funds, identify issues that can significantly affect current and subsequent budgets, and make recommendations regarding actions that need to be taken in order to address estimated year-end shortfalls or mitigate projected deficits. Given this and other information, the Board of Supervisors provides direction regarding the development of the Recommended Budget. For this budget cycle, the Structural Budget Deficit Workshop and the Mid-Year Report were combined into a single Budget Workshop on January 31, 2012.

## Annual Budget Cycle / Kick-Off

The budget cycle immediately follows the Board Budget Workshop with the development of budget instructions, including policy guidelines for formulating budgets, budget targets, and the budget calendar for the upcoming cycle. A budget kick-off meeting with all Fiscal Officers usually occurs the third Wednesday in January and budget system refresher courses are offered to all Fiscal Officers the first week of February. For this budget cycle, the budget kick-off occurred on February 9, 2012 so that guidance and budget targets provided at the kick-off could incorporate direction provided by the Board during the January 31 Budget Workshop.

### County Budget Process Cycle



### Preliminary Budget Hearings with the Board of Supervisors

County departments prepare a slide show presentation for the Board Preliminary Hearings, which are held in late March. The presentations include:

- An overview of current services provided (mandated vs. discretionary)
- Anticipated changes to state, federal and local funding
- Department deficits and budget issues
- Anticipated impacts to programs and services
- Availability of department reserves and other one-time sources

During these presentations, the Board members ask questions regarding programmatic and budget issues and provides direction to the County Manager and the department heads for developing the upcoming budget.

### Final Budget Meetings with County Manager

After the budgets are submitted by departments in early April, final budget meetings are scheduled with the County Manager to review the proposed budgets and ensure that they reflect the direction and priorities communicated by the Board during the

March Preliminary Budget Hearings. These meetings also provide the County Manager and his staff an opportunity to receive further clarification on department budget requests and issues.

### **Recommended Budget and Budget Hearings**

The Recommended Budget document is prepared and submitted by the County Manager to the Board of Supervisors in early June. The public has the opportunity to review the budget and speak before the Board of Supervisors during public hearings held in late June. After budget deliberations, the Board adopts the Recommended Budget before the new fiscal year begins on July 1. The Board also adopts a resolution extending the adoption of the final budget to October 2 in order to incorporate any adjustments resulting from the adoption of the State Budget. Once adopted, the Recommended Budget is uploaded to the County's financial system (IFAS) in early July so that budgetary controls can be established and budget monitoring can begin for the new fiscal year.

### **September Adjustments and Adopted Budget**

After fiscal year-end closing activities are completed and the State budget is approved, final adjustments to Fund Balances and significant changes to the County budget as a result of State budget adjustments are submitted to the Board of Supervisors for a final budget hearing in September. Changes approved by the Board are included in the Adopted Budget which is published by the 1st of November. The Adopted Budget is uploaded to the County's financial system (IFAS) immediately after the September final budget hearing to update the Working Budget used for budget monitoring purposes.

### **Mid-Year Adjustments to Adopted Budget**

An operating budget is adopted each fiscal year for all County Funds. Expenditures are controlled at the object level within budget units for the County. The object level within a budget unit is the level at which expenditures may not legally exceed appropriations. Any amendments or transfers of appropriations between object levels within the same budget unit or between departments or funds are authorized by the County Manager's Office, and those in excess of \$50,000 must also be approved by the Board of Supervisors. Pursuant to Board Resolution, the County Manager is authorized to approve transfers and revision of appropriations up to \$50,000 within a single budget unit as deemed necessary and appropriate. Supplemental appropriations normally financed by unanticipated revenues or reserves during the year must also be approved by the Board of Supervisors, regardless of amount. Budgeted amounts in the budgetary financial schedules are reported as originally adopted and as amended during the fiscal year by resolutions approved by the Board of Supervisors.

### **Budgetary Basis for Accounting**

In accordance with the provisions of Sections 29000 and 29143, inclusive, of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County is required to prepare a balanced budget for each fiscal year on or before August 30. The Board of Supervisors generally passes a Resolution in June extending the date to October 2. Budgeted expenditures are enacted into law through the passage of an Appropriation Ordinance. This ordinance mandates the maximum authorized expenditures for the fiscal year and cannot be exceeded except by subsequent amendments to the budget by the County's Board of Supervisors. A Balanced Budget is defined as a budget where Total Sources, including Fund Balances, equal Total Requirements, including Reserves and Contingencies, for each appropriated fund (see fund structure chart on Page B-2).

The County uses an encumbrance system as an extension of normal budgetary accounting for the general, special revenue, and other debt service funds to assist in controlling expenditures. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as reservations of fund balance since they do not constitute expenditures or liabilities. Encumbrances are combined with expenditures for budgetary comparison purposes. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward in the ensuing year's budget.

The budget approved by the Board of Supervisors for the General Fund includes budgeted expenditures and reimbursements for amounts disbursed to or received from other County funds. Revenues received from other County funds for reimbursement of services are generally budgeted in Interfund Revenues, such as facilities maintenance. Transfers to and from other County funds to provide reimbursement of costs are generally budgeted in Other Financing Uses or Other Financing Sources.

The budgets for governmental funds, such as the General Fund, may include an object level known as “intrafund transfers” in the charges to appropriations. This object level is an accounting mechanism used by the County to show reimbursements between operations within the same fund. An example of an intrafund transfer would be a General Fund department, such as the Sheriff’s Office, reimbursing the Facilities Maintenance Section of Public Works - this would represent a transfer between General Fund budget units for services performed.

The amounts reported on the budgetary basis differ from the basis used to present the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Annual budgets are prepared on the modified accrual basis of accounting except that current year encumbrances are budgeted as expenditures, certain transactions are accounted for in different periods between budgetary and GAAP reporting basis, and transactions from sub-funds reclassified from County Agency funds are reported in GAAP reporting basis. The financial statements are reported on the modified accrual basis for governmental funds (i.e., General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Fund and Special District Funds) and on the full accrual basis for proprietary funds (i.e., Enterprise Funds and Internal Service Funds) and fiduciary funds (i.e., Investment and Pension Trust Funds). See the Glossary of Budget Terms in Section 7 of this budget document for definitions of accrual, accrual accounting, and modified accrual.

### Budget Calendar / Key Dates

At the start of the budget cycle, an extensive calendar is prepared detailing all of the key dates from January through September. The following schedule is a list of the key dates that was distributed to Department Heads and Fiscal Officers at the start of the FY 2012-13 budget development cycle.

|                                                                                                                                                                                                                                                                                                             |                                    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|
| Board Budget Workshop / Five Year Balancing Plan                                                                                                                                                                                                                                                            | January 31, 2012                   |
| Position Reconciliation Meeting with Human Resources                                                                                                                                                                                                                                                        | February 6, 2012                   |
| Budget Kick-off Meeting - guidance and targets provided to departments                                                                                                                                                                                                                                      | February 9, 2012                   |
| Last day for Departments to submit org changes with positions                                                                                                                                                                                                                                               | February 10, 2012<br>(Deliverable) |
| Salary & Benefit Projection Snapshot generated in Budget System                                                                                                                                                                                                                                             | February 13, 2012                  |
| Last day for departments to submit all other org changes                                                                                                                                                                                                                                                    | February 17, 2012<br>(Deliverable) |
| Budget System Training and System open for data entry                                                                                                                                                                                                                                                       | February 21, 2012                  |
| County Manager and Departments Budget Meetings (round 1)                                                                                                                                                                                                                                                    | March 5 – 12, 2012                 |
| Preliminary Budget Hearings                                                                                                                                                                                                                                                                                 | March 26, 27, 29, 2012             |
| FY 2012-13 Recommended Budget Deliverables due to CMO Analysts:<br>-Final CLB and RLB decision packages in BRASS<br>-Program Budget Forms (one for each program)<br>-Department Fast Facts<br>-Position Adjustment Forms<br>-Fixed Asset Request Forms<br>-Fund Balance Estimates<br>-Organizational Charts | April 6, 2012<br>(Deliverable)     |
| County Manager and Departments Budget Meetings (round 2)                                                                                                                                                                                                                                                    | April 23 - May 1, 2012             |
| CMO distributes Recommended Budget Hearing Materials to Board of Supervisors                                                                                                                                                                                                                                | May 25, 2012                       |
| Recommended Budget Hearings                                                                                                                                                                                                                                                                                 | June 18-20, 2012                   |
| Final Fund Balance / Year End Templates Due to CMO                                                                                                                                                                                                                                                          | August 24, 2012<br>(Deliverable)   |
| FY 2011-12 Final Fund Balance Templates and FY 2012-13 Adopted Budget September Revisions due to CMO Analysts<br>- September Revision Decision Package Forms<br>- Funding Adjustment Narrative Forms<br>- Final Fund Balance Templates FY 2011-12                                                           | September 4, 2012<br>(Deliverable) |
| CMO distributes Adopted Budget Hearing Materials to Board of Supervisors                                                                                                                                                                                                                                    | September 17, 2012                 |
| Adopted Budget Hearings                                                                                                                                                                                                                                                                                     | September 25, 2012                 |

### Budget Units (Appropriation Authority Level)

The following schedule on the next two pages lists the budget units that require a separate legal appropriation from the Board of Supervisors under the community outcomes areas.

| BUDGETS                                     | Budget Unit Number | Budget Unit Level |
|---------------------------------------------|--------------------|-------------------|
| <b>SAFE NEIGHBORHOODS</b>                   |                    |                   |
| Sheriff's Office                            | 3000B              | Department        |
| Message Switch                              | 1940B              | Department        |
| Probation Department                        | 3200D              | Department        |
| District Attorney / Public Administrator    | 2510B              | Department        |
| Private Defender Program                    | 2800B              | Department        |
| County Support of the Courts                | 2700B              | Department        |
| Coroner's Office                            | 3300B              | Department        |
| Public Safety Communications                | 1240B              | Division          |
| Structural Fire Special Revenue Fund        | 3550B              | Fund              |
| Fire Protection Services                    | 3580B              | Department        |
| County Service Area #1                      | 3560B              | Fund              |
| <b>HEALTHY RESIDENTS</b>                    |                    |                   |
| Health Administration                       | 5500B              | Division          |
| Health Policy and Planning                  | 5550B              | Division          |
| Emergency Medical Services                  | 5600B              | Division          |
| Emergency Medical Services-Trust Fund       | 5630B              | Fund              |
| Aging and Adult Services                    | 5700B              | Division          |
| IHSS Public Authority                       | 5800B              | Fund              |
| IHSS Public Authority GF                    | 6900B              | Division          |
| Environmental Health Services               | 5900B              | Division          |
| Behavioral Health and Recovery Services     | 6100B              | Division          |
| Public Health                               | 6200B              | Division          |
| Family Health Services                      | 6240B              | Division          |
| Correctional Health Services                | 6300B              | Division          |
| San Mateo Medical Center                    | 6600B              | Division          |
| Contributions to Medical Center             | 5850D              | Department        |
| First 5 San Mateo County (Information Only) | 1950B              | Department        |
| <b>PROSPEROUS COMMUNITY</b>                 |                    |                   |
| Department of Child Support Services        | 2600B              | Department        |
| Human Services Agency                       | 7000D              | Department        |

| BUDGETS                                          | Budget Unit Number | Budget Unit Level |
|--------------------------------------------------|--------------------|-------------------|
| <b>LIVABLE COMMUNITY</b>                         |                    |                   |
| Planning and Building                            | 3800B              | Department        |
| Local Agency Formation Commission (LAFCo)        | 3570B              | Department        |
| County Library                                   | 3700B              | Department        |
| Housing and Community Development                | 7920P              | Division          |
| Housing Authority (Information Only)             | 7930P              | Division          |
|                                                  |                    |                   |
| <b>ENVIRONMENTALLY CONSCIOUS COMMUNITY</b>       |                    |                   |
| Public Works - Parks Division                    | 3900B              | Department        |
| Public Works - Fish and Game                     | 3950B              | Fund              |
| Public Works - Off-Highway Vehicle License Fees  | 3960B              | Fund              |
| Public Works - Parks Acquisition and Development | 3970B              | Fund              |
| Public Works - Coyote Point Marina               | 3980B              | Department        |
| Public Works - Administrative Services           | 4510P              | Division          |
| Public Works - Engineering Services              | 4600P              | Division          |
| Public Works - Facilities Services               | 4730P              | Division          |
| Public Works - Road Construction and Operations  | 4520B              | Division          |
| Public Works - Construction Service              | 4740B              | Division          |
| Public Works - Vehicle and Equipment Services    | 4760B              | Division          |
| Public Works - Waste Management                  | 4820B              | Division          |
| Public Works - Transportation Services           | 4830B              | Division          |
| Public Works - Utilities                         | 4840B              | Division          |
| Public Works - Airports                          | 4850B              | Division          |
| Capital Projects                                 | 8500D              | Fund              |
| Accumulated Capital Outlay Fund                  | 8200B              | Fund              |
| Courthouse Construction Fund                     | 8300B              | Fund              |
| Criminal Justice Construction Fund               | 8400B              | Fund              |
| Real Property Services                           | 1220B              | Division          |
| Agricultural Commissioner / Sealer               | 1260B              | Division          |
|                                                  |                    |                   |
| <b>COLLABORATIVE COMMUNITY</b>                   |                    |                   |
| Board of Supervisors                             | 1100B              | Department        |
| County Manager / Clerk of the Board              | 1200B              | Department        |
| Assessor-County Clerk-Recorder                   | 1300D              | Department        |
| Controller's Office                              | 1400B              | Department        |
| Treasurer - Tax Collector                        | 1500B              | Department        |
| Retirement Office (Information Only)             | 2000B              | Department        |
| County Counsel                                   | 1600B              | Department        |
| Grand Jury                                       | 1920B              | Department        |
| Human Resources Department                       | 1700B              | Department        |
| Information Services Department                  | 1800B              | Department        |
| Non-Departmental Services                        | 8000B              | Department        |
| Contingencies                                    | 8100B              | Department        |
| Debt Service Fund                                | 8900B              | Fund              |

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