

FINANCIAL POLICIES, BUDGET PROCESS AND LEGAL AUTHORIZATION

Introduction to Financial Policies

This section identifies some of the major policies and long-term financial management tools and planning documents that serve as guidelines for decisions and support the strategic direction of the County.

Santa Barbara County has received the Government Finance Officer's Association's (GFOA) Distinguished Budget Presentation Award for the last ten consecutive years and the International City/County Management Association's (ICMA) Certificate of Distinction for the last six consecutive years. The County has achieved these awards through the use of sound financial planning and policies which primarily relate to the integration of capital planning, debt planning, cash management, and strategic planning to ensure prudent use of resources.

This section includes an overview of the County's Board adopted policies as well as operational practices guided by oversight authorities such as federal, state, and national finance organizations. The following sections are included:

Financial Planning policies: balanced budget, basis of accounting and budgeting, budget controls and accountability, budget coordination, long-range planning, asset inventory, and investment policy;

Revenue policies: revenue diversification, fees and charges, one-time revenues, unpredictable revenues;

Debt policies: the Auditor-Controller, Treasurer-Tax Collector, and County Executive Officer are in the process of proposing a revised debt policy for Board of Supervisor consideration during FY 2008-09.

Expenditure policies: debt capacity, issuance, and management policy, long term debt capacity, legal debt limit, bond rating, certificates of participation, reserve accounts, reserve and designations management policy, discretionary reserves and designations, internal service fund reserve, contingency reserve management, operating and capital expenditure accountability and reporting; and

Capital Improvement Program policies: Capital projects may include the acquisition of technology systems, including hardware and software, and also include equipment, heavy equipment, and machinery. Also included in the CIP are projects that have a minimum cost threshold of \$100,000 and include: major equipment, major improvements to existing buildings and facilities, transportation projects, water resources projects (i.e., storm drains), resource recovery and waste management projects (i.e., landfills), and major maintenance.

Financial Planning Policies:

Balanced Budget (Adopted by the Board of Supervisors on 11/14/2006)

The County Executive Officer shall present a balanced budget for all County operating funds, on an annual basis, to the Board of Supervisors for scheduled public hearings in June of each year.

1. Available funding sources shall be at least equal to recommended appropriations.

2. As a general rule, the year-end undesignated General Fund balance should not be used to fund ongoing operations, but could be used to fund designations such as the Strategic Reserve and the General Fund Contingency.

Basis of Accounting and Budgeting – Fund Accounting

The accounts of the County are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balanced set of accounts. The minimum number of funds is maintained consistent with legal and managerial requirements. For detailed information on all County funds see the Appendix.

The County maintains the following fund types:

GOVERNMENTAL FUNDS - are used to account for most of the County's general government activities. Governmental fund types use the flow of current *financial* resources measurement focus and the modified-accrual basis of accounting. **Basis of Accounting and Budgeting:** The County uses the modified accrual basis of accounting and budgeting for Governmental Funds. The following are the County's governmental fund types:

The General Fund is the County's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the County except those required to be accounted for in other specialized funds.

Special Revenue Funds- account for the revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects).

Debt Service Funds- account for the accumulation of resources for the servicing of general long-term debt not being financed by proprietary funds.

Capital Project Funds- account for the acquisition or construction of major capital assets not being financed by proprietary funds.

PROPRIETARY FUNDS- use the flow of *economic* resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when the related liabilities are incurred. **Basis of Accounting and Budgeting:** The County uses the accrual basis of accounting and budgeting for Proprietary Funds. Additionally, the County budgets for capital assets, lease purchase payments and long term debt principal repayment in order to establish appropriations, and monitor expenditure and cash flow in these funds. The following are the County's proprietary fund types:

Enterprise Funds- account for those operations that are financed and operated in a manner similar to private business enterprises or where the County has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Internal Service Funds- account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

FIDUCIARY FUNDS- account for resources held by the County for the benefit of parties outside the County.

Agency Funds- are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets held by the County in an agency capacity for individuals, private organizations, other governmental entities and other funds.

Investment Trust Funds- are custodial in nature. The financial reporting for these entities is limited to the total amount of cash and investments and the related fiduciary responsibility for disbursement of these assets. The County Board of Supervisors has no effective budget authority over these custodial monies.

Budget Controls and Accountability (County of Santa Barbara On-line Policies and Procedures Manual, Activated August 1993, Updated November 17, 1998)

The purpose of the following policy is to clarify department head responsibility and accountability for maintaining departmental expenditure levels within the approved budget and collecting, in a timely manner, the full amount of revenues budgeted, and making timely budget adjustments, as necessary.

1. If a budget over expenditure is projected to occur, the department head responsible for the budget shall perform one or more of the following steps in the following order:
 - a. Lower the expenditure level to maintain overall expenditures within the total amount budgeted
 - b. Request a transfer from a reserve/designation within the same department and fund under the department head's control
 - c. Prepare a transfer request from the Contingency account and an agenda item for the Board of Supervisors with a memo to the County Executive Officer, providing adequate justification
2. If budgeted revenue is projected to be under-achieved, the department head responsible for that budget shall take one or more of the following steps in the following order:
 - a. Attempt to speed up revenue collections, or obtain additional revenues
 - b. Lower expenditure levels so that originally budgeted County Contribution is not exceeded and notify the County Executive Officer
 - c. Request a transfer reducing appropriations from a reserve/designation within the same department and fund under the department head's control
 - d. Prepare a transfer request from the Contingency account and an agenda item for the Board of Supervisors with a memo providing adequate justification
3. If, at the end of a fiscal year, a department budget has over-expended its appropriation and/or under-realized its revenue, the department head responsible for that budget will report in writing to the Board of Supervisors by the third Board of Supervisors' meeting following the fiscal year, explaining the reasons therefore.
4. Government Code Section 29121 provides that department heads may be held personally liable for their departmental over expenditures. The Board of Supervisors reserves the right to apply this law in instances of department heads failure to adhere to the procedures outlined in this policy.

Budget Coordination

On any proposed budget adjustment (reduction or enhancement), the department proposing the change shall consider impacts on other departments, and discuss possible impacts with these departments, so that all positive and negative impacts can be considered before the reduction or enhancement is formally proposed to the County Executive Officer.

Long-Range Planning: Monitoring Efforts to Achieve Results

Adoption of the budget is not the end of the budget process. In order to ensure execution of the Board's adopted policy, the County uses three formal reporting and review processes. County executives and managers monitor and evaluate progress and assist in achieving stated objectives and priorities.

Performance Measures

Departments will continue to review, refine, and extend performance measures that measure the level/amount/unit cost of program services provided.

Monthly Financial Reviews: Called "MoPros," abbreviation for "Monthly Projections." Reviews of each department's actual and projected expenditures and revenues begin in October of each year. The County Budget Director chairs these reviews.

Quarterly Operations Review Meetings: A Deputy or Assistant County Executive Officer chairs these meetings with Department Directors that focus on Recurring Performance Measures and measures of resource use, such as Lost Time Reports and position vacancy analysis. Progress toward achieving stated strategic actions is also reviewed. Operations Review Meetings also provide an opportunity for the CEO Executives and Department Directors to discuss other operational issues that either may wish to include on the meeting agenda.

Project Management and Reporting: Projects have specific timeframes and deliverables - that is, they have a beginning, an end and a specified product. Examples of typical County projects include: construction of a bridge, installation of a data system, development and implementation of a major process improvement, etc. The County views project management as a core strategic management function, and as such, developed the Project Reporting System (PRS) and corresponding Project Review meetings chaired by the CEO in alignment with the organizational strategic goals. PRS is a web-based application available to all County departments designed to assist project managers, department managers, and executives in managing the status of projects, assignment of projects, and source of projects.

Currently, 17 of the 25 County Departments voluntarily utilize PRS to track and manage a current total of 331 projects. Every month Project Review meetings are held where the current status of selected projects are presented to the County Executive Officer, the Deputy County Executive Officers, and Department Heads. These meetings provide an opportunity to gain or expand executive support for a project, collaborate with other departments to solve problems, break through departmental boundaries, and provide the organization with current project status. Since January 1, 2000, over 1,000 projects have been completed.

Asset Inventory

Financial Asset Management and Capitalization Policy

Capital assets are tangible and intangible assets of significant value that benefit multiple years and are broadly classified as Land, Land Improvements, Buildings, Building Improvements, Infrastructure, and Equipment. The guidelines define capital assets under each classification, identify useful life ranges, set minimum capitalization thresholds, and include examples of costs to include in the value of the capital asset. Additionally, the guidelines discuss the treatment of unique items such as Computer Software, Capital Leases, Self-Constructed Assets, Works of Art, Donated Assets, Construction in Progress, Costs incurred Subsequent to Acquisition, and Transfers of Assets between Funds.

Capital assets are to be accounted for at historical cost, or if cost is not practically determinable, an estimated fair market value at the time acquired or placed into service. Generally, cost includes all expenses associated with the acquisition, construction, and installation of a capital asset. Salvage/residual values, if applicable, should be determined prior to recording the asset.

The funding source of an asset shall always be recorded. Identify multiple funding sources if applicable. If the funding source cannot be determined the asset shall be recorded under the general fund.

Investment Policy

The County of Santa Barbara's Treasurer Investment Policy, in accordance with State law, is presented annually to the Treasury Oversight Committee (TOC) and to the Board of Supervisors for approval. The TOC meets quarterly and must provide quarterly investment reports to the Board of Supervisors. The Investment Policy provides a basis for implementation and management of a prudent, conservative investment program.

It is the policy of the Santa Barbara County Treasurer to invest public funds in a manner which provides the maximum security of principal invested with secondary emphasis on achieving the highest return, while meeting the daily cash flow needs of the Investment Pool participants and conforming to all applicable State statutes and County resolutions governing the investment of public funds.

Revenue Policies:

Revenue Diversification

Authorized Investments - The diversification requirements included in this section are designed to mitigate credit risk in the portfolio. All investments shall be made in accordance with the California Government Code Sections 53630 et seq. and as described within this Investment Policy. Percentage allowances per this policy shall be determined by the overall portfolio size at book value on the close of the date any security is purchased. Permitted investments under this policy shall include:

1. Securities issued by the US Treasury, provided that
 - a. There shall be no restriction on the percentage of portfolio investment in US Treasury securities, and
 - b. The final maturity shall not exceed five years.
2. Securities issued and fully guaranteed as to payment by an agency, or government sponsored enterprise of the US Government, provided that

- a. There shall be no restriction on the percentage of portfolio investment in US Government agencies and sponsored enterprises,
 - b. The final maturity shall not exceed five years, unless specifically authorized by the governing body, and
 - c. The issuer shall be rated AAA by at least two of the three major rating services of Moody's, S&P, and Fitch.
3. Bonds, notes, warrants or certificates of indebtedness issued by the state of California, local agencies within California, or the County of Santa Barbara provided that
 - a. The maximum allowable portfolio investment in this category shall be 10%,
 - b. The final maturity shall not exceed five years,
 - c. Prior approval of the Treasurer is obtained, and
 - d. The issuer shall be rated AAA by at least two of the three major rating services of Moody's, S&P, and Fitch.
4. Banker's acceptances provided that
 - a. The maximum allowable portfolio investment in banker's acceptances shall be 40%,
 - b. The final maturity shall not exceed 180 days,
 - c. Maximum exposure to any one issuer shall be limited to 5% of the total portfolio, and
 - d. The issuer's short term obligations shall be rated by at least two of the three major rating services a minimum of P1 by Moody's, A1 by S&P or F1 by Fitch.
5. Commercial Paper provided that
 - a. The maximum allowable portfolio investment in commercial paper shall be 40%,
 - b. The final maturity shall not exceed 270 days,
 - c. The obligation is issued by a US corporation with total assets exceeding \$500 million,
 - d. The investment in paper of any one issuer may not exceed 10% of the outstanding debt of that issuer,
 - e. Maximum exposure to any one issuer (including MTNs, CP, and other obligations) shall be limited to 5% of the total portfolio, and
 - f. The issuer's short term obligations shall be rated by at least two of the three major rating services a minimum of P1 by Moody's, A1 by S&P or F1 by Fitch.
6. State of California Local Agency Investment Fund (LAIF) provided that
 - a. The County may invest up to the maximum amount permitted by LAIF, and
 - b. the fund's reports allow the Treasurer to adequately judge the risk inherent in LAIF's portfolio.
7. Investment Trust of California (CalTRUST) provided that
 - a. The trust's policies adhere to Government Code 6509.7, and
 - b. the trust's reports allow the Treasurer to adequately judge the risk inherent in CalTRUST's portfolio.
8. Negotiable certificates of deposit (NCDs) provided that
 - a. The maximum allowable portfolio investment in NCDs shall be 30%,
 - b. The final maturity shall not exceed one year,
 - c. Maximum exposure to any one issuer shall be limited to 5% of the total portfolio, and
 - d. The issuer's short term obligations shall be rated by at least two of the three major rating services a minimum of P1 by Moody's, A1 by S&P or F1 by Fitch.
 - e. The issuer shall be a national or state chartered bank or a licensed branch of one of the top 100 foreign banks.

9. Bank deposits (Non-negotiable certificates of deposit) which are fully collateralized with securities in accordance with California law, provided that

- a. The maximum allowable portfolio investment in time non-negotiable certificates of deposit shall be 10%, and
- b. The final maturity shall not exceed one year.

10. Repurchase agreements collateralized with securities authorized under XII.A.1. and XII.A.2 of this policy maintained at a level of at least 102% of the market value of the repurchase agreements, provided that

- a. There shall be no restriction on the percentage of portfolio investment.
- b. The maximum allowable portfolio investment in repurchase agreements shall be one year,
- c. The repurchase agreements are the subject of a master repurchase agreement between the County and the provider of the repurchase agreement. The master repurchase agreement shall be substantially in the form developed by the Public Securities Association, and
- d. The counterparty to the repurchase agreements is a primary government securities dealer as designated by the Federal Reserve Bank of New York and state chartered banks.

11. Securities lending and reverse repurchase agreements

- a. The total of reverse repurchase agreements and securities that are subject to a securities lending agreement may not exceed 20% of the County's total portfolio,
- b. To the extent that the County's authorized securities lending agent does not utilize the full 20% allocation, the County may enter into reverse repurchase agreements in accordance with the government code. The term to maturity of such reverse repurchase agreements may not exceed 92 days, and the maturity of securities purchased with the proceeds of reverse repos must match the maturity of the reverse repurchase agreement, and
- c. The counterparty to the agreements is a primary government securities dealer as designated by the Federal Reserve Bank of New York.

12. Medium Term or Corporate Notes (MTNs) provided that

- a. The maximum allowable portfolio investment in MTNs shall be 30%,
- b. The final maturity shall not exceed 5 years,
- c. The maximum allowable portfolio investment in MTNs with maturity in excess of 3 years shall be 10%,
- d. The obligation shall be issued by a corporation organized and operating within the U.S. or by a depository institution licensed in the U.S. or any state and operating within the U.S.,
- e. Maximum exposure to any one issuer (including MTNs, CP and other obligations) shall be limited to 5% of the total portfolio, and
- f. The issuer shall be rated AA by at least two of the three major rating services of Moody's, S&P, and Fitch if maturity is greater than 3 years. The issuer shall be rated AA- by at least two of the three major rating services of Moody's, S&P, and Fitch if maturity is 3 years or less.

13. Money Market Mutual Funds provided that

- a. The maximum allowable portfolio investment in Money Market Funds shall be 15%,
- b. The Fund is registered with the Securities and Exchange Commission,

c. The Fund must have as one of its primary objectives that it will strive to maintain a \$1.00 net asset value and share price,

d. The Fund shall have retained an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years experience investing in the securities and obligations authorized by California Government Code Section 53601 (a through j) and with assets under management in excess of \$500 million, and

e. The issuer shall be rated AAA by at least two of the three major rating services of Moody's, S&P, and Fitch.

Fee and Charges: Costs and Revenues

1. The full cost of county services will be calculated in all cases where fees are charged and/or service contracts (such as with cities or by one department to another) are negotiated.
2. For charges to outside agencies, such as cities, full cost includes cost allocation charges unless prohibited by law.
3. For charges from County internal service funds and special revenue funds, full cost includes cost allocation charges.
4. For other charges between County departments, full cost includes departmental overhead but does not include cost allocation charges.
5. In all cases, unless precluded by law, contracts, or current Board policy, full costs shall be recovered. As with budget reductions or enhancements, a provider department shall inform and discuss cost calculation changes with user departments prior to budgeting the change.
6. Departments are encouraged to identify new revenue sources and to develop proposals, which would generate new revenues, to pay for services provided to county residents and visitors.
7. Where not prohibited by law, departments must maximize the use of non-General Fund revenue, existing designations, and trust funds, before using General Fund contribution amounts to fund programs.

One-time Revenues

Grants

According to the County of Santa Barbara On-line Policies and Procedures Manual, Activated August 1993, updated November 17, 1998, departments' expenditures for grant-funded programs will not exceed projected grant revenues. Authorization for higher expenditures without offsetting revenues must be obtained in advance from the Board of Supervisors.

Unanticipated Revenues

According to the County of Santa Barbara On-line Policies and Procedures Manual, Activated August 1993, updated November 17, 1998, the following policies guide the use of unpredictable revenues for the County:

1. The appropriation of unanticipated revenue during the year will only be considered if the department has achieved its year-to-date budgeted revenue and anticipates receiving the remainder of its budgeted revenue during the current fiscal year.

For example: A department with an estimated year-to-date revenue of \$100,000 must have received at least \$100,000 by that date, and anticipate receiving the remainder of its estimated revenue, during the current fiscal year, before the County Executive Officer will consider recommending a request to appropriate any unanticipated revenue.

Department heads, in processing fund transfers, must estimate the date(s) by which the unanticipated revenue will be received and whether it will be in advance or in arrears of expenses. If the full amount of unanticipated revenue is estimated to lag behind the expenditure of program funds, this must be specified on the fund transfer with a recommendation on how to deal with the delayed receipt of revenues.

2. Exceptions to 1. will be considered on a case-by-case basis. For example, the appropriation of unanticipated revenue for grant-funded programs may be considered.

Expenditure Policies:

Debt Management Policy, Capacity, and Issuance

The County of Santa Barbara will maintain, at all times, debt management policies that are fiscally prudent, consistent with County, State and Federal law, and that reflect the needs of the unique urban and rural nature of the County.

Policy on Issuing Debt

In 1991, the Board of Supervisors established a Debt Advisory Committee (DAC) to provide advice to them on the issuance and management of the County’s debt. Members of the Committee include the County Executive Officer, Auditor-Controller, Treasurer-Tax Collector, County Counsel and one member of the Board of Supervisors. The Board of Supervisors adopted the County of Santa Barbara Debt Management Policy which is used by the DAC as a guideline for planning and management of municipal debt originated through the Santa Barbara County Treasurer. The Auditor-Controller, Treasurer-Tax Collector, and County Executive Officer are in the process of proposing a revised debt policy for Board of Supervisor consideration during FY 2008-09. The Policy provides the foundation for a well-managed debt program and helps to ensure that debt is issued prudently and is cost effective. In its review of proposals to issue new debt, the Committee considers the following four factors:

Debt Management	total outstanding and per capita debt, future borrowing plans and sources of revenue
Financial	trends of past operations and current conditions, budget analysis, fund balance projections
Administrative	management policies, adequate provision of mandated services
Economic	assessment of the strength and diversity of the local economy

Legal Debt Limit

Government Code Section 29909 prescribes the bonded debt limit for general law counties at 1.25% of the taxable property of the county. Santa Barbara County’s gross assessed value of taxable property as of June 30, 2008, is estimated at \$58.5 billion, making the debt limit approximately \$730.9 million.

Currently, the County’s long term debt is comprised of \$63.5 million in certificates of participation for financing of capital improvements, \$5.1 million for capital leases for the Alcohol Drug and Mental Health’s Lompoc Children’s Clinic and Crisis Center in Santa Maria and financing of copiers and equipment; \$7.8 million for financing of the Laguna Wastewater Treatment Plant and \$110,000 in other loans for a total debt of \$76.5 million.

The County’s long term debt has declined over the past three years. With a pending new issuance of \$25.4 million, total debt is estimated at \$93.1 million in 2008. The ratio of debt to assessed value is estimated at 0.16%, and per capita debt increases from \$180 in 2007 to \$219 in 2008.

Certificates of Participation

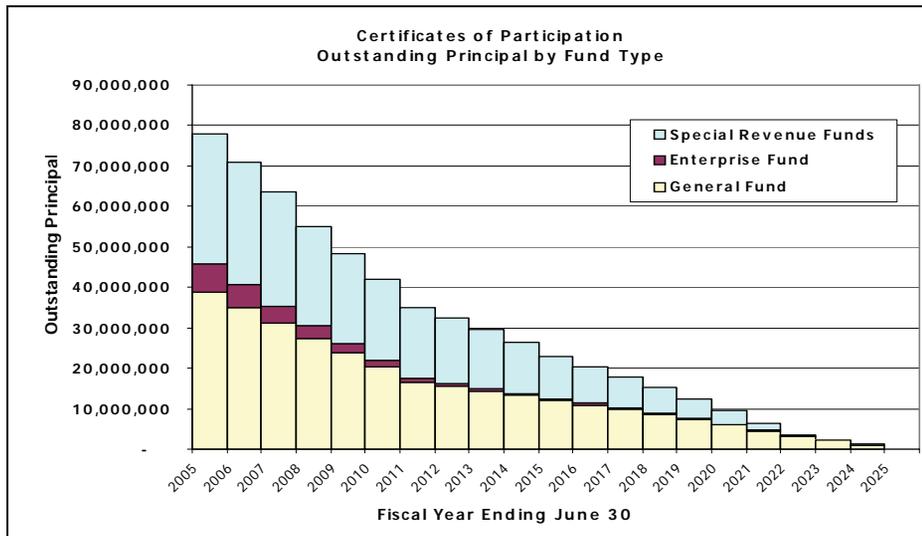
The County of Santa Barbara has used Certificates of Participation (COPs) as a primary means of financing capital needs that are not Public Works infrastructure such as roads, bridges and flood control projects. COPs are securities issued and marketed to investors in a manner similar to tax-exempt bonds. They are created in conjunction with lease agreements which encumber County-owned property.

In a COP transaction, the County enters into an agreement with a third party, the Santa Barbara County Finance Corporation, to lease an asset (normally a building or building complex) over a specific period of time at a predetermined total cost. The asset, owned by the County and leased to the Finance Corporation, is then subleased back to the County. In this transaction, the Finance Corporation assigns its rights to a bank trustee who collects the “rent” revenues to make debt service payments to holders of the Certificates and who keeps required reserve deposits on the County’s behalf. An underwriter sells the COP whose proceeds are used for the approved capital projects.

The Finance Corporation was created as a public benefit, non-profit corporation, to issue certificates and to lease back various assets. The COPs are secured by the annual sublease payments, paid by the County for use of the facilities. The certificates of participation contain certain covenants, which are deemed by the County to be duties imposed by law.

The County must include the applicable sublease payments due each year in its annual budget and make the necessary appropriations. This annual appropriation distinguishes certificates of participation from general obligation bonds. The County is also required to maintain certain levels of liability, property damage, casualty, rental interruption and earthquake insurance in connection with each lease agreement.

A listing of the County’s current Certificates of Participation can be viewed in the chart on page D-462, in General County Programs, which shows the total amount outstanding and projected payments for the next five years.



County's Bond Rating

The County of Santa Barbara will do everything in its power to attain and maintain the highest possible credit ratings for its outstanding general obligation bonds, including balanced budgets, clean audits annually, practicing sound financial management, and maintaining regular communication with the major rating agencies.

In April 2008, Standard and Poor's Rating Services upgraded the County's rating on outstanding COPs to 'AA' from 'AA-'. In supporting this upgrade, the rating agency cited the County's proven track record of funding ongoing expenditures with ongoing revenue and prudent financial practices.

S & P cited the County's track record of very strong reserves, healthy finances and low overall debt levels and concluded that the long term credit worthiness of the County reflected an experienced management team with strong financial policies.

Reserve Accounts

Reserve and Designations Management Policy

According to the Auditor-Controller Technical Accounting Bulletin #2, in the County of Santa Barbara, Reserves and Designations are both components of Fund Balance. Reserved fund balance is used to segregate net financial assets that are not spendable or available for appropriation.

Designated fund balance is used by governments to specially segregate or earmark financial resources for specified purposes.

Discretionary Reserves and Designations

1. The \$1 million annual strategic reserve contribution, provided to build a reserve approximately equal to 30 days working capital (\$34 million), will be continued if funds are available.

2. The \$1.5 million designation for capital maintenance and repair, the \$500,000 for new capital projects, and the \$500,000 for roads/concrete repair will be continued, subject to review and prioritization during the budget process.

Internal Service Fund Reserve

The County of Santa Barbara operates in accordance with State law regarding working capital reserves. Internal service funds are dependent upon a reasonable level of working capital reserve to operate from one billing cycle to the next. Charges by an internal service activity to provide for the establishment and maintenance of a reasonable level of working capital reserve, in addition to the full recovery of costs, are allowable. A working capital reserve as part of retained earnings of up to 60 days cash expenses for normal operating purposes is considered reasonable. A working capital reserve exceeding 60 days may be approved by the cognizant Federal agency in exceptional cases.

Contingency Reserve Management

According to the Auditor-Controller Technical Accounting Bulletin #2, in the County of Santa Barbara, the amount that each fund identifies as its contingency should be set aside in that fund's Designation for Contingencies Account. Since the contingency is a designation of fund balance, the procedures listed in the bulletin are followed for proper accounting of the contingency activity.

Enterprise Fund Reserve Policy (Adopted June 26, 2007)

Generally, Enterprise Funds are used when services are provided primarily to customers outside the County reporting entity and are maintained to meet the following objectives:

1. Ensure adequate funding for operations;
2. Ensure adequate funding for infrastructure repair and replacement; and;
3. Provide working capital to absorb rate fluctuations and provide stable rates to customers.

Enterprise Funds must be operated and managed as an ongoing business entity and therefore the focus is on long term sustainability using the economic resources measurement focus and the full accrual basis of accounting. Accordingly, Enterprise Funds will have revenues (customer charges, interest income, and all other income) sufficient to meet all cash operating expenses, depreciation expense, and prescribed cash reserves per financial policies unique to each enterprise activity. The following policies regarding reserving fund equity are intended to meet the above objectives:

1. Enterprise Fund Reserves such as **reserve for capital replacement**, and **reserve for investment in capital assets** will be funded and maintained as necessary and prudent for the operation of the specific Enterprise Fund. Such reserves and their funding will be reviewed either annually or bi-annually during the budget process.
2. Each Enterprise Fund should maintain a **reserve for working capital** to provide enough funds to allow the Board to react and adopt a financial plan which can adequately deal with a variety of short-term adverse economic circumstances which may materialize. A common "general operating" reserve standard for Enterprise Fund operations ranges anywhere from 30 to 90 days of operating expenses.
3. Enterprise Funds should maintain a **reserve for contingency** which will support operations during times of financial emergencies. The amount of the contingency reserve will be

determined based on a risk assessment of each Enterprise Fund including funding status of other reserves.

4. The Resource Recovery and Waste Management Fund should establish a **reserve for post closure** that, at the end of the useful life of the Tajiguas Landfill, will provide funding towards one or a combination of:
 - a) A replacement facility,
 - b) An alternative technological process to dispose of waste currently being buried at the landfill, or
 - c) Fully funding landfill post closure costs should the pledge of revenue stream be reduced or eliminated.
5. The Laguna Sanitation District shall establish a reserve for capital expansion that will provide for the expenses associated with expanding the capacity of the plant facilities due to new or additional growth, upgrades and major rehabilitations. Funding will be collected from new and existing development via connection fees.

Operating and Capital Expenditure Accountability and Reporting

Expenditure Reporting

According to the County of Santa Barbara On-line Policies and Procedures Manual, Activated August 1993, updated November 17, 1998, the following policies guide expenditure reporting for the County:

1. It shall be the responsibility of the County Executive Officer and Auditor-Controller to submit a combined Quarterly Financial Status Report to the Board of Supervisors in October, January and April of each year. This report shall provide a projection by department of expenditures and revenues, identifying projected variances. It will also include recommendations and proposed corrective actions. In addition, the County Executive Officer and Auditor-Controller shall submit a fiscal year-end Financial Status Report to the Board of Supervisors in July.
2. Except for payroll, the County's financial system does not process payments and disbursements when over-expenditure of object levels of accounts would result from such payment.
3. Even if unexpended appropriation savings are available to correct an over-expended account, the transfer of appropriations between major object categories (i.e., Salaries and Services and Supplies) will not be authorized if a department's actual financing (i.e., revenues, fund balance, reserves and designations) is projected to be less than that budgeted.

Capital Improvement Program Policies: (Adopted by the Board of Supervisors on 04/3/2007)

1. The County will develop an annual five-year plan for capital improvements; it will include project design, development, implementation, and operating and maintenance costs.
2. Each project in the CIP shall show the estimated capital and on-going maintenance costs, known and potential funding sources, and a design and development schedule.
3. As used in the CIP, projects include land acquisition, buildings and facilities construction; these projects do not have a cost threshold.

4. The development of the capital improvement budget will be coordinated with the development of the operating budget.
5. Annual capital costs shall be budgeted according to the County Auditor-Controller's Capital Asset Policy and Guidelines.
6. Costs for County professional services needed to implement the CIP will be included in the appropriate year's operating budget.
7. Annual operating budgets will provide adequate funds for maintenance of the County's buildings and maintenance and replacement of the County's capital equipment.
8. The County will make all capital improvements in accordance with an adopted and funded capital improvement program.
9. Every funded capital improvement project shall be included in the County's Project Reporting System and project progress shall be reported periodically to the County Executive Office.
10. Every county project that involves new construction, the remodeling of space, or building maintenance with a cost of \$100,000 or more to facilities staffed by County employees shall be managed by the General Services Department-Support Services Division (Facilities Management or Capital Projects).

Included in this definition are all county office and clinic buildings, fire stations, Sheriff's patrol stations, jails, inmate holding facilities, boy's camp facilities and Park Ranger residences. Excluded are roads and bridges, water and wastewater systems, flood control facilities, and park facilities other than ranger residences.

Description of Budget Process:

The annual budget is prepared, reviewed and approved in accordance with The County Budget Act (California Government Code Sections 29000 through 30200). The Budget, The Comprehensive Annual Financial Report (CAFR) and the County Financial Information Network (FIN) are prepared using generally accepted accounting principles. Governmental fund types like the General Fund, Special Revenue Funds, and Debt Service use the modified accrual basis, while Proprietary Funds use the full accrual basis.

The annual operating budget includes all operating, capital, and debt service requirements of Santa Barbara County for the following fiscal year. The fiscal year is from July 1 to June 30. In addition, the budget includes: the revenue and expense assumptions upon which the budget is based; the number of budgeted positions by department and cost center; the mission, strategic priorities, impact and performance measures of each operating department; prior year actual and current year budgeted and estimated actual expenditures and revenue by department and cost center; and a description of significant expenditure changes by department and division, along with significant revenue changes at the department level.

The operating budget is based on cost center accounting. Cost center accounting looks at financial operations from a service delivery perspective rather than a financial accounting perspective in order to determine program effectiveness. The Cost Centers represent the lowest unit level of accountable and measurable program service delivery and its associate cost. The next unit level above cost centers is the Sub-Division level, and then is the Division level which is rolled up to the Department level.

The capital budget reflects the annual amount appropriated for each capital project included in the long range Capital Improvement Program. When the Board authorizes a new capital project, the Board approves the total project cost and schedule. The approval of the project budget authorizes total expenditures over the duration of the construction project, which, oftentimes, spans multi-fiscal years. The annual capital budget authorizes the anticipated expenditures for the scope of work anticipated to be completed in the upcoming fiscal year.

The annual budget process includes four phases:

Phase I – (July – November) - Establish Budget Priorities & Principles: The Board of Supervisors working with the County Executive Officer establishes the operating and capital budget priorities and the budget principles for the next fiscal year based upon the County Strategic Plan and after a series of workshops including an Environmental Scan of relevant economic, social, and demographic trends, a budget update with a five year forecast and an in depth discussion of proposed budget principles.

Phase II – (September – January) – Develop Capital Improvement Program: Board priorities are transmitted to the Capital Advisory Committee (CAC), which is responsible for determining the long range capital requirements of the County. The CAC develops the annual capital budget instructions based on the priorities set by the Board. Capital budget instructions are distributed to Department Directors who are responsible for identifying and developing annual capital budget requests.

In developing the annual capital budget, Departments must determine the impact these capital projects will have on the following fiscal year’s operating budget. Consequently, this phase must be completed in advance of the distribution of the annual operating budget instructions.

Phase III – (December – April) - Develop Operating Budget: The Office of the County Executive develops and distributes the annual operating budget instructions based upon: Board priorities and budget principles established in October; the impact of annual capital budget requests on the operating budget; revenue and expense projections for the following fiscal year; and state and county long range economic indicators. Department budgets are developed by the Operating Department Directors and staff. It is subsequently reviewed and modified as necessary, through a collaborative effort among the County Executive Office, the Auditor-Controller’s Office, the Human Resources Department, and the Departments.

Phase IV – June: After a series of public meetings, the Annual Budget must be approved by a three-fifths majority of the Board of Supervisors. The legally mandated time requirements for budget approval are as follows:

<u>County Budget Act Requirement / Extension</u>	
Revenue Estimates	June 10
Proposed Budget	August 10 / September 8
Budget Hearings	August 20 / September 18
Final Budget Approval	August 30 / October 2
Final Budget Filed with the State	November 1 / December 1

Phase V – Amend the Budget: Government Code Sections 29125 through 29130 authorizes amendments to the adopted budget through the budget revision process. Revisions enable Departments to move or adjust budgeted appropriations or adjust estimated revenues. The County’s Board of Supervisors also dictates policies regarding budget revisions. Budget revisions may be approved throughout the year in accordance with the following procedures:

1. Revisions requiring Board of Supervisors approval are:
 - a. By a 4/5 vote: Appropriation transfer(s) adjusting unrealized revenue, unanticipated revenue, contingencies, reserves or designations.
 - b. By a 3/5 vote: Appropriation transfers between departments involving previously approved Board items; transfers creating appropriations for new fixed assets.
2. Revisions that may be approved by the County Executive Officer are appropriation transfer(s) of \$100 or more between object levels within a department, excluding new fixed assets.
3. Revisions that may be approved by the County Auditor-Controller are interest earning related; adjustments to contingency for imprest (petty) cash transactions and minor appropriation transfer(s) of up to \$100 within and between object levels within a department.
4. Together the Offices of the County Executive and the Auditor-Controller review and process budget revisions by ensuring budget revisions are necessary and contain sufficient justification regarding the purposes of the revisions as well as follow accounting procedures.

County Budget Act

Sections 29005 and 30200 outline the State Controller forms and miscellaneous schedules necessary for conformity among California counties. Following the County Budget Act displayed in this section is a listing summary of the State Controller schedules 1 through 16 and supplementary schedules. These schedules are produced in their entirety in a separate publication and are incorporated by reference.

ARTICLE 1: General (Sections 29000 - 29009)

29000. Unless the context otherwise requires or provides, the general provisions set forth in this article, and the requirements concerning county budget matters prescribed by the Controller under Section 30200, govern the construction of this chapter.

29001. Except as otherwise defined in this section, the meaning of terms used in this chapter shall be as defined in the accounting standards and procedures for counties prescribed by the Controller pursuant to Section 30200.

As used in this chapter:

- a) "Administrative officer," means the chief administrative officer, county administrator, county executive, county manager, or other officials employed in the several counties under various titles whose duties and responsibilities are comparable to the officials named herein.
- b) "Auditor" means the county auditor or that officer whose responsibilities include those designated in Chapter 4 (commencing with Section 26900) of Division 2.

c) "Board" means the board of supervisors of the county, or the same body acting as the governing board of a special district whose affairs and finances are under its supervision and control.

d) "Controller" means the State Controller.

29002. This chapter shall apply to counties and to special districts whose affairs and finances are under the supervision and control of the board.

29003. This chapter does not apply to any moneys subject to disbursement, allocation, or apportionment by the county superintendent of schools pursuant to the Education Code or other statute, and which is not derived from appropriations made by the board.

29004. This chapter does not remove or in any way affect any tax limit fixed by law.

29005. The Controller shall promulgate such rules, regulations, and classifications as are deemed necessary and commensurate with the accounting procedures for counties prescribed pursuant to Section 30200 to secure standards of uniformity among the various counties and to carry out the provisions of this chapter. The rules, regulations and classifications shall be adopted in accordance with the provisions of Section 30200.

The Controller shall prescribe the forms required to be used in presenting the required information in the budget document after consultation with the Committee on County Accounting Procedures, which committee is provided for in Section 30201. Any county may add to the information required, or show it in more detail, providing that the financial information and the classifications or items required to be included in the budget are clearly and completely set forth. Any change proposed by a county in the arrangement of the information required on the forms shall be subject to review and approval by the Controller.

29006. Dependent on the stage of development of the budget, the various forms, as prescribed by the Controller pursuant to Section 29005, shall provide for the presentation of data and information to include, as a minimum, estimated or actual amounts of the following items:

- a) Fund balances.
 - 1) Reserved or designated.
 - 2) Unreserved and undesignated.
- b) External financing sources, including property taxes, which shall be classified to set forth the data by source in accordance with the accounting procedures for counties as prescribed by the Controller pursuant to Section 30200. For comparative purposes the amounts of external financing sources shall be shown as follows:
 - 1) On an actual basis for the second fiscal year preceding that to which the budget is to apply.
 - 2) On an actual basis, except for those sources that can only be estimated, for the first fiscal year preceding that to which the budget is to apply.
 - 3) On an estimated basis for the budget year, as submitted by those officials or persons responsible therefore, or as recommended by the auditor or administrative officer, as appropriate.
 - 4) On an estimated basis for the budget year, as approved, or as adopted, by the board.

c) Financing uses for each budget unit, which shall be classified to set forth the data by the fund or funds from which financed, by the objects of expenditure, other financing uses, intrafund transfers, and residual equity transfers-out in accordance with the accounting procedures for counties and by such further classifications or requirements pertaining to county budget matters as prescribed by the Controller pursuant to Section 30200. For comparative purposes the amounts of financing uses shall be shown as follows:

- 1) On an actual basis for the second fiscal year preceding that to which the budget is to apply.
 - 2) On an actual basis, except for those uses that can only be estimated, for the first fiscal year preceding that to which the budget is to apply.
 - 3) On an estimated basis for the budget year, as submitted by those officials or persons responsible therefore, or as recommended by the administrative officer designated by the board.
 - 4) On an estimated basis for the budget year, as approved, or as adopted, by the board.
- d) The amounts proposed to be provided as appropriations for contingencies.
- e) The amounts proposed to be provided as provisions for reserves and designations.

29007. There shall be a schedule in or supporting the budget document or separate ordinance or resolution, setting forth for each budget unit the following data for each position classification:

- a) Salary rate or range, as applicable.
- b) Number of positions currently approved.
- c) Number of positions requested or recommended by the administrative officer if designated by the board.
- d) Number of positions approved by the board.

29008. At a minimum, within the object of fixed assets, the estimates for:

- a) Land shall be shown in lump-sum amounts, except when included as a component of a project.
- b) Buildings and improvements shall be shown separately as to each project, except that minor improvement projects may be given in totals.
- c) Equipment shall be shown in a lump-sum amount by budget unit.

29009. In the proposed and final budgets the budgetary requirements shall equal the available financing.

ARTICLE 2. Filing of Estimates (29040 – 29045)

29040. On or before June 10th of each year, as the board directs, each official or person in charge of any budget unit shall file with the auditor an itemized estimate of available financing, financing requirements, and any other matter required by the board. If the board directs, the estimates shall also be filed with the administrative officer.

29042. The estimates shall be submitted on worksheet forms prescribed by the auditor, or the administrative officer if designated by the board. The officer prescribing the worksheet forms shall supply such forms.

29043. The auditor shall provide the estimates for bonded debt service requirements. He shall also provide or furnish to the responsible authority, as applicable, the estimates for bonded debt service requirements of:

- a) School districts.
- b) Any special district, the records for which are maintained in his office as required by law. In addition to providing the estimates for debt service requirements, the auditor shall, if required pursuant to the policies of the board, also include a percentage of up to one-fourth of 1 percent of the amount to be raised by taxation for such debt service requirements applicable to any bond or bonds of any special district or zone or improvement district thereof, but excluding a school district.

29044. The auditor shall furnish to the administrative officer or such other official as the board directs, any financial statements or data, the preparation of which properly falls within the duties of his or her office, together with his or her recommendations, if any, for any changes to the estimated financing sources referenced in Section 29040.

29045. In the absence or disability, or failure of any official or person required to submit estimates pursuant to this article, they shall be submitted by the official or person in charge of the budget unit during the absence or disability of the principal, or shall be prepared by the auditor or the administrative officer as designated by the board.

ARTICLE 3. Proposed Budget (Sections 29060 - 29066)

29060. From the estimates the auditor, or the administrative officer if designated by the board, shall prepare a tabulation on forms prescribed by the State Controller in the manner as prescribed by the provisions of this chapter.

29061. The board may designate the administrative officer to review, hold hearings on, and recommend changes in the estimates before the tabulation is submitted to the board. Any differences between the recommendations and the estimates as submitted with which the official or person who submitted the estimates does not concur, shall be clearly indicated in the written recommendations or comments, or both.

29062. The tabulation shall be submitted to the board by the auditor, or by the administrative officer if designated by the board, on or before June 30th of each year, as the board directs.

29063. Upon receipt of the tabulation the board shall consider it and, on or before July 20th of each year, at such time as it directs, shall make any revisions, reductions or additions therein that it deems advisable. Any official or person whose estimates have been so revised, reduced or increased by the board shall be given the opportunity to be heard thereon before the board during or prior to the hearings required by Section 29080 of this chapter.

29064. a) On or before July 20th of each year the board, by formal action, shall approve the tabulation with the revisions, additions and changes in conformity with its judgment and conclusions as to a proper financial program for the budget period, whereupon it shall constitute the proposed budget for the period to which it is to apply.

b) The board may make additions and changes to the proposed budget as it desires up to the time of adoption of the final budget, provided that any increase or inclusion of additional items shall not be made after the public hearing on the final budget unless proposed in writing and filed with the clerk of the board before the close of the public hearing or unless approved by the board by four-fifths vote.

29065. On or before August 10th of each year, as the board directs, the proposed budget document, and the required statements if separate, shall be reproduced so that each member of the general public who desires may obtain one. Copies of any changes made to the proposed budget pursuant to subdivision (b) of Section 29064 shall be made available to the public 72 hours prior to the budget hearings.

29065.5. At a date on or before August 10th an official designated by the board shall file with the clerk of the board a tabulation prepared in accordance with the board's direction. When so filed, this tabulation shall constitute the proposed budget and shall be reproduced by the designated official so that each member of the general public may obtain one. When this section is implemented, it shall be the responsibility of the auditor to review the format of the tabulation and, if compatible with the requirements of Sections 29005, 29006, 29007, and 29008, to concur with its use. The alternative procedure prescribed by this section shall apply to a county only if the board adopts the procedure by resolution.

29066. On or before August 10 of each year, the board shall publish a notice once in a newspaper of general circulation throughout the county, stating that:

- a) The proposed budget documents are available to members of the general public.
- b) On a date stated in the notice, not less than 10 days after the budget documents are available, and at a time and place also stated in the notice, the board will meet for the purpose of conducting a public hearing on the proposed budget preparatory to making a final determination thereon, and,
- c) Any member of the general public may appear at the hearing and be heard regarding any item of the budget or for the inclusion of additional items. The board may, by resolution, extend on a permanent basis or for a limited period the date required by this section from August 10 to September 8.

ARTICLE 4. Final Budget (Sections 29080 - 29093)

29080. On or before August 20 of each year, as the board directs, it shall meet at the time and place designated in the published notice, at which meeting any member of the general public may appear and be heard regarding any item in the proposed budget or for the inclusion of additional items. Any official whose estimates have been or are proposed to be revised, reduced, or increased, or who desires to change his or her estimates, shall be given the opportunity to be heard thereon. All proposals for the increase or the inclusion of additional items shall be submitted in writing to the clerk of the board before the close of the public hearing. The board may, by resolution, extend on a permanent basis or for a limited period the date required by this section from August 20 to September 18.

29081. The hearing may be continued from day to day until concluded, but not to exceed a total of 10 calendar days, and shall be concluded before the expiration of 10 calendar days if there are no requests or applications on file with the clerk of the board for further hearings prior to the close of the hearings. The board may, by resolution, extend on a permanent basis or for a limited period the number of days for a continuance under this section from 10 to 14.

29082. At the time the estimates for a budget unit are under consideration, the board may call in the official or person who submitted such estimates for examination concerning any matter relating to the budget. The person or official may also be called by the board if any member of

the general public files with the clerk of the board a written request to question any of the estimates made by that official or person.

29083. The auditor, or a deputy designated by him, shall attend the public hearing on the proposed budget, and shall furnish the board with any financial statements and data it requires. It shall be the responsibility of the auditor to revise the proposed budget to reflect the actions of the board pertaining thereto in developing the final budget document.

29084. The budget may contain an appropriation or appropriations for contingencies which the board may establish by either or a combination of the following methods:

- a) Setting aside an amount within a fund not to exceed 15 percent of the total appropriations from the respective fund exclusive of the amount of the appropriation for contingencies.
- b) Setting aside an amount in a separate contingency fund or in the General Fund not to exceed 15 percent of the total appropriations contained in the budget, exclusive of all appropriations for bonded debt service and all appropriations for contingencies. The total appropriations on which the 15-percent limitation is based shall exclude the total appropriations on each fund for which an appropriation for contingencies is established pursuant to (a).

29085. The budget may contain reserves, including a general reserve, and designations in such amounts as the board deems sufficient.

29086. Except in cases of a legally declared emergency, as defined in Section 29127, the general reserve may only be established, canceled, increased or decreased at the time of adopting the budget as provided in Section 29088.

29088. a) After the conclusion of the hearing, and not later than August 30 of each year, and after making any revisions of, deductions from, or increases or additions to, the proposed budget it deems advisable during or after the public hearing, the board shall by resolution adopt the budget as finally determined. Increases or additions shall not be made after the public hearing, unless the items were proposed in writing and filed with the clerk of the board before the close of the public hearing or unless approved by the board by four-fifths vote. The changes made pursuant to subdivision (b) of Section 29064 may be recorded as changes to the final budget.

b) Whenever the state budget is enacted after July 1, the board may, by resolution, extend the date specified by subdivision (a) for a period not to exceed 60 days from the date of the enactment of the state budget or October 2, whichever is later, or 15 days beyond the date specified in Section 29080.

c) The board may, by resolution, extend on a permanent basis or for a limited period the date specified by this section from August 30 to October 2.

29089. The resolution of adoption of the budget of the county and of each special district shall specify:

- a) Appropriations by objects of expenditure within each budget unit.
- b) Other financing uses by budget unit.
- c) Intrafund transfers by budget unit.
- d) Residual equity transfers-out by fund.
- e) Appropriations for contingencies, by fund.

f) Provisions for reserves and designations, by fund and purpose.

g) The means of financing the budget requirements.

h) The appropriations limit and the total annual appropriations subject to limitation as determined pursuant to Division 9 (commencing with Section 7900) of Title 1.

29090. The adoption of the budget may be accomplished by a resolution in which the adoption is effectuated by reference to the financing requirements in the budget as finally determined, provided that the minimum requirements set forth in Section 29089 are met in the budget document. If adopted by reference, the budget shall have the same effect and be subject to the same provisions of law as if the resolution of adoption had been accomplished by specific designation.

29091. The several amounts of proposed financing uses specified in the resolution as finally adopted are thereby appropriated at the object level except for fixed assets, which are appropriated at the sub object level as referenced in Section 29008 for the various budget units of the county and for the special districts for the period to which the budget is intended to apply.

29092. The board may set forth appropriations in greater detail than required in Section 29089 or 29091 and may authorize any additional controls for the administration of the budget as it deems necessary; the board may designate a county official to exercise these administrative controls.

29093. A copy of the completed budget as finally determined and adopted shall be filed by the auditor in the office of the clerk of the board and the office of the Controller not later than November 1 of each year. If the auditor, after receipt of written notice from the Controller, fails to transmit a copy of the budget within 20 days, he or she shall forfeit to the state one thousand dollars (\$1,000) to be recovered in an action brought by the Attorney General, in the name of the Controller. The board may, by resolution, extend on a permanent basis or for a limited period the date specified by this section from November 1 to December 1.

ARTICLE 5. Tax Levy (Sections 29100 - 29109)

29100. On or before the first business day of September of each year, the board shall adopt by resolution the rates of taxes on the secured roll, not to exceed the 1-percent limitation specified in Article XIII A of the Constitution and Sections 93 and 100 of the Revenue and Taxation Code; for voter-approved indebtedness, the board shall adopt the rates on the secured roll by determining the percentage of full value of property on the secured roll legally subject to support the annual debt requirement. Each rate shall be such as will produce the amount determined as necessary to be raised by taxation on the secured roll after due allowance for delinquency, anticipated changes to the roll, disputed tax revenues anticipated to be impounded pursuant to Section 26906.1, amounts subject to Part 1 (commencing with Section 33000) of Division 24 of the Health and Safety Code, and other available financing sources. The board may adopt a rate for voter-approved indebtedness as will produce an amount determined as appropriate for necessary reserves. For purposes of this section, "an amount appropriate for necessary reserves" shall be limited to an amount sufficient to accommodate the county's anticipated annual cash-flow needs for servicing the county's voter-approved debt. The reserve may service only the debt for which the extraordinary rate is levied. All interest earned on the

amount deposited in the necessary reserve shall accrue to the necessary reserve. The board may, by resolution, extend on a permanent basis or for a limited period the date specified by this section from the first business day of each September to each October 3.

29100.6. On or before November 1 of each year each county auditor shall file with the Controller in such form as the Controller directs, a statement of the amounts of exempt values granted for the homeowners' property tax exemption under subdivision (k) of Section 3 and Section 25 of Article XIII of the Constitution for the county, each city and school district or portion thereof.

Within the county, each special district or subdivision or zone thereof or portion thereof within the county, for which a tax levy is carried on the county assessment roll. The auditor shall therein compute and show the total amount of ad valorem tax loss to the county and the cities and districts resulting from the exemption and the statement shall claim such amount against the state for payment of reimbursement. The board may, by resolution, extend on a permanent basis or for a limited period the date specified by this section from November 1 to December 1.

29101. After adopting the rates, the board shall levy the taxes upon the taxable property of the county in specific sums in terms of the rates so adopted. Each rate is upon the full assessed valuation of property and only upon property, which is legally subject to such tax.

29102. Unless otherwise provided by law, the authority and duties of the county board of supervisors with respect to adopting tax rates and levying of taxes prescribed in this article shall have application to school districts and to special districts, or zones or improvement districts thereof, whose affairs and finances are not under the supervision and control of the county board of supervisors but for which a tax levy is carried on the regular county assessment roll. If the assessed value of the taxable property in a special district on the unsecured roll exceeds the assessed value of the taxable property on the secured roll, the special district tax rate which is adopted by the board for the secured roll shall be adjusted to an amount which the board determines will meet the estimated annual revenue requirements of the district for both the current and the next succeeding year.

29103. It shall be the responsibility of the auditor to calculate the several tax rates for the board's action thereon.

29104. The board may adopt a rate ending in the next highest fraction of a percent for a fund, or for a group of funds having the same tax base. Any cash collections resulting from this rate or from an excess resulting from any other cause shall not invalidate the levies.

29106. In the resolution adopting tax rates, the entity or fund with its corresponding rate shall be designated in any manner sufficient to identify it.

29107. The tax rates for property not sufficiently secured as provided in Section 12 of Article XIII of the Constitution are levied in the amounts therein provided and need not be formally levied by the board.

29109. On or before November 1 of each year, the auditor shall forward to the Controller, in such form as the Controller directs, a statement of the rates of taxation, the assessed valuation as shown on the current equalized assessment roll, the amount of taxes to be levied and allocated pursuant to the Revenue and Taxation Code. If the auditor, after receipt of written notice from the Controller fails to transmit the statements within 20 days, he or she shall forfeit to the state, one thousand dollars (\$1,000) to be recovered in an action brought by the Attorney General, in the name of the Controller. The board may, by resolution, extend on a permanent basis or for a limited period the date specified in this section from November 1 to December 1.

ARTICLE 6. Appropriations and Transfers Sections (29120 - 29131)

29120. Except as otherwise provided by law, the board and every other county or special district official and person shall be limited in the incurring or paying of obligations to the amounts of the appropriations allowed by the budget as originally adopted or as thereafter revised by addition, cancellation or transfer.

29121. Except as otherwise provided by law, obligations incurred or paid in excess of the unencumbered balance of the amounts authorized in the budget appropriations are not a liability of the county or special district, but the official authorizing the obligation in an amount known by him to be in excess of the unencumbered balance of the appropriation against which it is drawn is liable therefore personally and upon his official bond.

29122. The board shall approve no claim and the auditor shall issue no warrant for any obligation in excess of that authorized therefore in the budget appropriation, except upon an order of a court of competent jurisdiction, for an emergency, or as otherwise provided by law. Provided, further, with respect to a newly created special district or county service area, whenever it is desired to commence operations prior to the time for adoption of a budget for such district or service area, the amount of any money advanced or transferred to such district or service area under authority of law may be made available to meet the financing requirements of the district or service area under the provisions of Section 29130.

29124. a) If at the beginning of any fiscal year, the appropriations applicable to that year have not been finally determined and adopted, the auditor shall approve payments for the support of the various budget units in accordance with the following authorizations:

- 1) Except as otherwise provided in subdivision (b), the several amounts set forth in the proposed budget for the objects and purposes therein specified, except obligations for fixed assets, residual equity transfers, and for new permanent employee positions, are deemed appropriated until the adoption of the final budget.
- 2) Obligations for fixed assets, residual equity transfers, and for new permanent employee positions are deemed appropriated until the adoption for the final budget if specifically approved by the board. For the purposes of this subdivision, the words "new permanent employee positions" do not include any employee positions created in lieu of an employee position, which is abolished.
- 3) If the proposed budget has not been approved by the board, the amounts deemed appropriated shall be based on the budget of the preceding year, excluding fixed assets and residual equity transfers unless specifically approved by the board.

b) Notwithstanding any other provision of this section, prior to the adoption of a final budget, the board of supervisors may impose expenditure limitations that are more restrictive than those contained in this section.

29125. Transfers and revisions may be made with respect to the appropriations as specified in the resolution of adoption of the budget, except with respect to transfers from the appropriations for contingencies, by an action formally adopted by the board at a regular or special meeting and entered in its minutes. The board may designate a county official to approve transfers and revisions of appropriations within a budget unit.

29126. At any regular or special meeting the board may cancel any appropriation in whole or in part that is not needed and transfer the amount canceled to the appropriation for contingencies of the fund from which the appropriation was originally made if there is one, or to any appropriation for contingencies account, or fund, to which the amount canceled may be properly transferred. If there is no appropriation for contingencies in the respective fund, the board may establish one.

29126.1. At any regular or special meeting the board may cancel any unused appropriation in whole or in part upon determining that the source of funding of the appropriation will be unrealized in whole or part. A corresponding reduction shall be made to the approved revenue estimates.

29126.2. The auditor may review and issue reports and make recommendations regarding estimated available financing, or actual available financing, or both, and the status of appropriations. The auditor shall submit to the board, and any other official the board may designate, a statement showing this information with respect to the condition of each separate budget appropriation and to the condition of estimated available financing, as the board requires.

29127. After adopting a resolution stating the facts constituting the emergency by a four-fifths vote of the board at any regular or special meeting, of the time and place of which all members have had reasonable notice, the board may appropriate and make the expenditure necessary to meet an emergency in any of the following cases:

- a) Upon the happening of an emergency caused by war, fire, failure or the imminent failure of a water system or supply, flood, explosion, storm, earthquake, epidemic, riot or insurrection.
- b) For the immediate preservation of order or of public health.
- c) For the restoration to a condition of usefulness of any public property, the usefulness of which has been destroyed by accident.
- d) For the relief of a stricken community overtaken by calamity.
- e) For the settlement of approved claims for personal injuries or property damages, exclusive of claims arising from the operation of any public utilities owned by the county.
- f) To meet mandatory expenditures required by law.

29128. All emergency expenditures shall be paid by warrant from any money in the county treasury in any fund from which the expenditure may properly be paid.

29129. If, at any time, there is insufficient money in the treasury to pay any such warrants, they shall be registered, bare interest and be called in the same manner as other county or special district warrants.

29130. At any regularly scheduled or properly noticed special meeting, the board by a four-fifths vote may make available for appropriation any of the following:

- a) Balances in appropriations for contingencies, including accretions from cancellations of appropriations.
- b) Designations and reserves (excluding the general reserve, balance sheet reserves, and reserve for encumbrances) no longer required for the purpose for which intended.
- c) Amounts, which are either in excess of anticipated amounts or not specifically set forth in the budget derived from any actual or anticipated increases in available financing. The auditor may review and make recommendations regarding these amounts prior to the board action.

ARTICLE 7. Miscellaneous (Sections 29140 - 29143, and 30200)

29140. The budget document in which the proposed and the final budget, respectively, of the county are presented shall include a special statement showing the status of the financing uses from bond funds. The statement shall set forth the total estimated cost, and the total actual expenditures to date of each project, appropriately identified, and the fund from which financed.

29141. The budget document in which the proposed and final budget, respectively, of the county are presented shall include, a special schedule showing the managerial budget of each service activity financed by a proprietary fund established pursuant to the provisions of Section 25260 and 25261 of this code. The schedule shall set forth expected operations of the activity in such detail for revenues and expenses as will adequately display the nature and the approximate size of its operations. Comparative data as prescribed in section 29006 of the chapter shall be provided.

29142. Notwithstanding the provisions of any other statute or code providing to the contrary, when taxes or assessments are collected by the county for any special district, or zone or improvement district thereof, but excluding a school district, the board of supervisors may provide for a collection fee for such services which when collected shall belong to the county and shall be deposited to the credit of the general fund, and shall cover the expense and compensation of such officials of the county in the collection of such taxes and of the interest or penalties thereon, subject to the following:

- a) For taxes covering debt service requirements on any bond or bonds authorized and issued by any such district, the tax rate fixed to raise such amounts may be fixed by the board of supervisors to include also a percentage of such amounts up to one-fourth of 1 percent thereof.
- b) For taxes covering all purposes of such district, other than debt service requirements on bonds, the amount of the collection fees, if any, to be charged by the county shall be fixed by agreement between the board of supervisors and the governing board of such district and shall not exceed one-fourth of 1 percent of all money collected.

29143. Any unencumbered balance remaining to the credit of any appropriation shall lapse at the end of the fiscal year and shall revert to the available balance of the fund from which appropriated.

29144. All commitments covered by the reserve for encumbrances at fiscal year-end are appropriated for the succeeding fiscal year.

30200. Under this division the Controller shall prescribe for counties uniform accounting procedures conforming to Generally Accepted Accounting Principles. The procedures shall be adopted under the provisions of Chapter 3.5 (commencing with Section 11340) of Part 1, Division 3, Title 2 and shall be published in the California Administrative Code either in their entirety or by reference. The Controller shall prescribe such procedures after consultation with and the approval by the Committee on County Accounting Procedures. Approval of such procedures shall be by a majority vote of the members of the committee. The vote may be conducted by mail at the discretion of the chairperson of the committee, provided however, that should one or more of the members of the committee request a meeting for the purposes of voting the chairperson shall call a meeting of the committee as provided in Section 30201.

State Controller Schedules

Number Title

Schedule 1	Summary of County Budget
Schedule 2	Analysis of Fund Balance Unreserved/Undesignated
Schedule 3	Detail of Provisions for Reserves/Designations
Schedule 4	Summary of Estimated Additional Financing Sources
Schedule 5	Analysis of Financing Sources by Source by Fund Analysis of Departmental Revenue by Department by Fund Analysis of Departmental Revenue by Function and Activity Summary Analysis of Departmental Revenue by Function Analysis of General Revenue
Schedule 6	Analysis of Current Property Taxes and Assessed Valuation
Schedule 7	Summary of County Financing Requirements by Function and Fund
Schedule 8	Summary of County Financing Requirements
Schedule 8A	Summary of County Specific Uses by Department and Fund by Function and Activity
Schedule 8B	Summary of County Uses by Function and Fund
Schedule 9	Department Detail (Department Table of Contents)
Schedule 10	Operations of Internal Service Fund (Internal Service Funds Table of Contents)
Schedule 11	Operations of Enterprise Fund (Enterprise Funds Table of Contents)
Schedule 13	Summary of Special District Budgets
Schedule 14	Analysis of Special District Fund Balance Unreserved/Undesignated
Schedule 15	Detail of Provisions for Special District Reserves/Designations
Schedule 16	Special District Department Detail (District Table of Contents)

Supplemental Schedules

Position Allocation

Job Class Table

Note: The State Controller Schedules are published in parallel and available at the same time as the Proposed Budget.

Fiscal Year 2008-09 Budget Calendar

	County Executive	Auditor-Controller	Departments
July 2007	Incorporate Final Budget adjustments	Work with CEO on final budget adjustments	Work with CEO on final budget adjustments
	Produce Adopted FY 2007-08 Budget	Produce Adopted FY 2007-08 Budget	
	With AC staff, hold a Lessons learned workshop w/depts.	Attend Lessons learned workshop	Attend Lessons learned workshop
Aug 2007	Research w/ AC staff on possible front end budget systems	Research w/ CEO staff on possible front end budget systems	
	Convene the Budget Advisory Committee (BAC) to discuss FY 2007-08 Budget process improvements	Attend & participate in BAC meetings	Specific department volunteers will participate
	Submit 2007-08 Budget to GFOA		
Sept 2007	Capital Advisory Committee (CAC) reviews 5-Year (2008-13) Capital Improvement Plan (CIP) Instructions	Review & modify CIP system as needed	Review CIP Instructions
	Issue Instructions for 2008-13 CIP; hold CIP kick-off mtg.	Attend CIP kick-off meeting	Attend CIP kick-off meeting
	Hold CIP System training	Assist with CIP System Training	Participate as needed
	Through Employees University, offer countywide Financial Management Workshops for departments covering various Financial Information Network (FIN) reports & providing optional methods of forecasting salaries, expenses & revenues	Attend, participate & assist with use of FIN	Attend Workshop and learn
Oct 2007	Develop & distribute FY 2008-09 Operating Budget process requirements & Budget Principles	Review FY 2008-09 Operating Budget process requirements & provide input on budget principles	Review FY 2008-09 Operating Budget process requirements & provide input on budget principles
	Hold 1 st Quarter Budget Update Workshop w/ Board of Supervisors	Assist as needed	
	First Monthly Projection Meetings (MoPros) with Departments to analyze & discuss FY 2007-08 revenue & expense projections by department, cost center, fund & line item based on actual results as of 9/30/07. <u>Note:</u> MoPros will also be held to review data as if the end of December, January & April.	Analyze FY 2007-08 revenue & expense projections by department, cost center, fund & line item based on actual results as of 9/30/07	Analyze & explain FY 2007-08 revenue & expense projections by department, cost center, fund & line item based on actual results as of 9/30/07.
	Through Employees University, offer annual Performance Measurement Training & Strategic Planning workshops	Assist as needed	Attend as needed
Nov 2007	Finalize 2008-09 Budget Principles & present to Board of Supervisors for adoption		
	CEO meets with Department Directors & budget staff to discuss FY 2008-09 Operating Budget Process requirements & Budget Principles	Commence Budget Process & System Improvements.	Attend & participate
	1 st Qtrly Operational Review Meetings (ORMs) w/ Depts. to discuss FY 2007-08 Performance Measures, Lost Time & Projections as of 12/31/07. <u>Note:</u> Will also be held after 2 nd , 3 rd & 4 th quarters of the FY.	Participate in meeting with department to discuss FY 2007-08 Performance Measures, Lost Time & Projections as of 12/31/07.	Meet with CEO & AC staff to discuss FY 2007-08 Performance Measures, Lost Time & Projections as of 12/31/07.
	Reviews Depts.' 5-Yr CIP & FY 2008-09 Capital Budget		Submit 5-Yr CIP & FY 2008-09 Capital Budget to CEO

	County Executive	Auditor-Controller	Departments
Nov 2007	Approve any cost center re-mapping	Re-map department's cost centers	Submit cost center re-mapping requests
Dec 2007	FY 2008-09 Operating Budget Kick Off meeting; issue Operating Budget Instructions	Attend & participate in FY 2008-09 Budget Kick Off meeting	Attend FY 2008-09 Budget Kick Off meeting; receive Budget Instructions
	ISF Rates finalized	Submit Cost Allocation Plan to State	
	Lead CAC meetings and send CIP to printer	Assist as needed	Participate in CAC meetings
Jan 2008	Attend as needed	Hold training on the Salary Model & Downloading/Uploading budget data to the Budget Development system	Attend as needed
			Cost Center Mgrs/Depts prepare budgets, RPMs, pics/graphs, & narrative Budgets due to CEO starting January 18, 2008
	BOS submits 5-Year CIP to Planning Commission		
Feb 2008	Review & meet with depts. on FY 2008-09 Operating Budgets		Remaining budgets due to CEO Feb 1st-20th; meet w/CEO analysts
	Hold 2nd Quarter Budget Update Workshop with Board of Supervisors	Assist as needed	
		Hold training on building Departmental pages for the Proposed Budget using the Budget Development System	Attend as needed
Mar 2008	Review & meet w/depts on FY 2008-09 budgets	Assist with Departmental meetings	Meet w/CEO analysts
	Complete review & balancing of Operating Transfers, intra-county transfers, significant changes, pictures	Assist in review & balancing of Operating Transfers, intra-county transfers, & significant changes	Assist in review & balancing Operating Transfers, intra-county transfers, significant changes, pics
Apr 2008	Present 5-year Capital Improvement Program to BOS for review & approval		Present departmental requirements to the BOS
	Finalize FY 2008-09 Operating Budget & send to printer	Assist as needed	
May 2008	Publish notice of FY 2008-09 Budget Hearings		
	Distribute FY 2008-09 Proposed Budget		
	Hold 3rd Quarter Budget Update Workshop with Board of Supervisors		
	Hold MoPros financial meetings with departments to finalize FY 2007-08 Estimated Actuals	Attend meetings & focus on the revenues	Attend meetings & provide variance analysis as appropriate
June 2008	Hold FY 2008-09 budget hearings BOS Adopt FY 2008-09 Budget	Assist as required	Present departmental budgets