

## Board Inquiry Form

Board Member	
Carbajal	
Wolf	X
Farr	
Gray	
Centeno	

Department: Countywide All Funds

Date: 6/9/9

Budget Pages(s): A-1

**Request/Question:**

Why are *Designated for Future Uses* reduced by \$46.2m from the 2008-09 Estimated level of \$91.7m to the Recommended 2009-10 level of \$45.5m?

**Report Back by:**

Bob Geis, Auditor-Controller  
John Jayasinghe, CEO Fiscal & Policy Analyst

**Response:**

The *Designated for Future Uses* amounts are made up of *Reserves* and *Designations*. Both *Reserves* and *Designations* are portions of *Fund Balance* that are segregated for a specific future use.

*Reserves* are accounts that contain funds set aside for a legally restricted purpose as recommended by the CEO and legislatively set aside by the Board. The most common *Reserves* are set aside for long term loans due in the future and property taxes that have been impounded to hedge against potential losses resulting from various assessment appeals.

*Designations* are accounts that contain funds set aside for a specific use or specified purpose (management’s intention or “earmarked”) as recommended by the CEO and legislatively set aside by the Board. The most common *Designations* are set aside for future capital, IT and business efficiency enhancement projects and also for working capital for use during revenue or expenditure emergencies in various funds. *Designations* are also used to plan for future use.

Based upon estimated expenditures on large projects all remaining funds (fund balance) are set-aside for a future year in order to complete projects. This is true for all remaining funds within all special revenue funds as well. Therefore this creates a large increase in *Designated for Future Uses* in the year preceding the recommended budget (2008-09 versus 2009-10).

*Designated for Future Uses* is reduced by \$46.2m from the 2008-09 Estimated level of \$91.7m to the Recommended 2009-10 level of \$45.5m because less funds are available to carry over or use in the future due to such factors as the depletion of funds for a specified purpose and the completion and timing of capital projects. For example, the General Fund designated \$4.8m in FY 2008-09 as a result of the furloughs, health insurance savings, wage concessions, and wage freezes. However, there is no such designation in FY 2009-10. ADMHS (Mental Health Fund) estimated to designate \$13.9m in FY 2008-09 that it received from the General Fund (GF), which also increased the overall *Designated for Future Uses* amount in the FY 2008-209 Estimate. The completion of capital projects during FY 2008-09 and planned completion during FY 2009-10 also results in less funds being designated for use in the future, especially pertaining to various capital, transportation, water resources and solid waste funds due to large projects that vary from year to year. A final example for this variance is in the GF Strategic Reserve where in 2008-09 \$1.2m was allocated from unspent fund balance however there is no allocation available for 2009-10. As departments work within the parameters of reducing expenditures in accordance with declining revenues, the ability to have funds available for projects in the future is constrained and funds designated for future use is curtailed. Resulting fund balance is decreased from 2008-09 to 2009-10 across almost all major funds and many other funds as well (see C-6 for details on significant fund balance changes).