



## Legislation Text

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**File #:** 19-1601, **Version:** 1

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Chief Administrative Office recommending the Board:

- 1) Approve three amendments to the FY 2019-20 budget to (a) reflect one entry to the financial system for a technical correction to the stated General Fund Designation for Road Infrastructure and Fund Balance pursuant to a previously approved budget amendment, and (b) to reflect two amendments to special revenue funds that are necessary to balance the two funds to actual fund balance available in the respective funds;
- 2) Consider and provide conceptual approval for amendments to the Fiscal Year 2019-20 Adopted Budget to incorporate recommended uses for General Fund fund balance carried over from Fiscal Year 2018-19, reflecting information and requests that arose following the approval of the Recommended Budget; and
- 3) Direct staff to return to the Board with a budget transfer form for approval, reflecting the Board's direction on recommended amendments.

A 4/5 vote will be required to approve the Budget Amendments. (Est. Time: 1 Hr.)

**FUNDING:** General Fund Appropriation for Contingency; Various Related Budgets.

### **DISCUSSION/BACKGROUND**

#### Amendment to Correct General Fund / Designation for Road

Two amendments to the FY 2018-19 Adopted Budget were approved on August 6, 2019 (Legistar #19-1090), to transfer a total of \$2,396,000 from the General Fund Designation for Road Infrastructure to the Road Fund. These funds were transferred to help relieve an anticipated cash flow concern at year-end, and reflected (1) transfer of \$296,000 to the Road Fund to cover a negative interest charge from the pooled Treasury, accrued during FY 2018-19 due to a negative cash position, which is not allowed to be paid with Road Fund monies, and (2) to transfer \$2.1 million to the Road Fund to cover emergency road repair costs which had been determined to be ineligible for FEMA reimbursement.

Processing of a budget transfer which relies on use of a designation account requires not only processing of the revenue/expense accounts reflected on a budget transfer, but a separate manual entry to the financial system (journal entry) to reduce the designation. This separate entry "releases" the approved funds to fund balance making those funds available for expenditure/transfer. In the instance of these two amendments, due partly to timing, the separate manual entry was not completed prior to the close of FY 2018-19 accounting records. The result at FY 2018-19 year end is that the Designation for Road Infrastructure was over stated by the \$2,396,000, and the General Fund Fund Balance was understated by the same amount.

The entry has since been processed. The result of this entry is that the General Fund Designation for Road Infrastructure reflects the correct balance of \$1,651,282, and the General Fund fund balance has increased by the same amount.

The revised General Fund fund balance amount is \$32,396,153. In September, with the adoption of the Budget Resolution and prior to the final closing of the FY 2018-19 financial records, General Fund fund balance was estimated at approximately \$29.2 million. In October, after accounting adjustments and following the close of financial records, that number was revised to be \$30 million.

#### Recommended Uses of "Excess" General Fund Contingency

Based on the revised General Fund fund balance amount of \$32,396,153, and considering that \$18,558,011 is already included in the Adopted Budget to fund on-going and previous commitments, the fund balance available reduces to \$13,838,142.

The Auditor-Controller, following specific language included in the attached Budget Resolution, was authorized to use any additional General Fund fund balance amount to increase established Reserves/Designations (the CalPERS Designation and the General Reserve), decrease Property Tax - Current Secured revenue by one percent, and increase the Public Safety Payment Reserve. Those budget adjustments totaled \$4,509,835, reducing the fund balance to \$9,328,307.

Pursuant to the Adopted Budget Resolution the remaining fund balance was placed into the General Fund Appropriation for Contingency, pending this Board discussion regarding potential uses of that funding. It is anticipated that at least \$3.8 million is attributable to previously approved projects in the ACO fund, as noted on the attached schedule. A budget transfer to update the ACO fund, and to move approximately \$3.8 million from General Fund Contingency to the ACO Fund, will be presented to the Board by the Facilities Division at a future budget meeting.

This leaves \$5,528,307 in one-time monies. A summary of previously discussed requested increases to the budget, as well as new requests, is included in the Attachment. It is recommended that the Board allow at a minimum \$2.0 million in the Appropriation for Contingency, to be available during next year's budget process to help cover the known \$2.3 million loan payment on the Public Safety Facility.

Please also recall that the required Budget Hearing was held in June. This means that approval of increases or additions to the Budget will require a 4/5 vote of the Board.

#### Adjustments to Correct Other Funds

It was determined that the CSA #2 Special District fund and the Public Health Realignment special revenue fund also need to be corrected.

Both are technical corrections due to timing for posting FY 2019-19 Use of Designations to the balance sheet. The budgets for all County funds had been completed prior to balance sheet entries being recorded to the financial system, meaning that a review of current fund balances at the time of budget development (January to April, 2019) did not yet reflect the entries to FY 2018-19 Uses (and Increases to) Reserves and Designations. While a Budget Amendment had been approved and recorded, these types of Uses/Increases also require a separate manual entry to adjust balance sheet accounts. This timing difference resulted in an overstatement of Designations when departments reviewed their account balances, and also an overstatement of Contingency at the time the departments had created their budgets.

The necessary corrections are as follows:

(1) For CSA #2, Org code 3582802 Arrowbee, there should be a reduction to the Use of Designations 0002 and a reduction to Contingency in the amount of \$27,958.

(2) For Public Health, Org Code 5400000 Public Health Administration, there should be a reduction to the Use of Designations 0002 and a reduction to Contingency in the amount of \$2,500,000.

**PRIOR BOARD ACTION**

The Board conducted the Budget Hearing on the FY 2019-20 Recommended Budget on June 17, 2019 (Legistar #19-0853).

The FY 2019-20 Budget Resolution was adopted by the Board on September 24, 2019 (Legistar #19-1410).

Amendments to the FY 2019-20 budget, to recognize final fund balance numbers for all funds, were approved on October 22, 2019 (Legistar #19-1602).

**CLERK OF THE BOARD FOLLOW UP ACTIONS**

None.

**CONTACT**

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