

Meeting Date: 12/05/17 (27)

ORDINANCE NO. 10509 (N.S.)

AN ORDINANCE AMENDING THE SAN DIEGO COUNTY CODE OF ADMINISTRATIVE ORDINANCES ARTICLE VII SECTION 113 RELATING TO THE MAINTENANCE AND RESTORATION OF FUND BALANCES AND RESERVES IN THE GENERAL FUND

The Board of Supervisors of the County of San Diego ordains as follows:

Section 1. Section 113 of the San Diego County Administrative Code is amended to read as follows

SECTION 113.1 GENERAL FUND BALANCES AND RESERVES

The purpose of this code is to establish guidelines in accordance with industry best practices, specifically the Government Finance Officers Association (GFOA) and the National Advisory Council on State and Local Budgeting, regarding the maintenance and use of General Fund Unrestricted Fund balance and the use of one-time revenues to help protect the fiscal health and stability of the County. Available Unrestricted General Fund balance shall be determined by excluding Unrestricted Fund balances that have been Committed or Assigned thereby focusing solely on Unassigned Fund balance.

A portion of Unassigned Fund balance shall be maintained as a reserve (General Fund Reserve) at a minimum of two months of audited General Fund expenses (which is the equivalent of 16.7% of audited General Fund expenses). The General Fund Reserve will protect the County against expenditure and revenue volatility, natural disasters and other unforeseen emergencies, economic downturns, unfunded pension liabilities, and aging infrastructure.

Appropriation of the General Fund Reserve minimum balance requires at least one of the following criteria to be met:

- A. An unanticipated revenue shortfall or expenditure increase where total expenditures exceeds total revenues.
- B. A legally declared emergency as defined in Government Code Section 29127.
- C. To absorb unforeseen changes in pension liability, including changes in the assumed rate of return, market losses, to maintain or reduce the unfunded pension liability, or other related changes as recommended by the Chief Administrative Officer (CAO).
- D. To help mitigate risk due to maintaining aging infrastructure including capital improvements, new construction, or other recommendations made by the CAO.
- E. To the extent reserves are available, a recommendation made by the CAO to promote the long-term fiscal health and stability of the County.

Furthermore, all appropriation of the General Fund Reserve minimum balance and/or transfers from the General Fund Reserve appropriation, shall require a 4/5th vote of the Board of Supervisors.

To the extent that available Unassigned Fund balance is available in excess of General Fund Reserve minimum balance, the CAO may recommend the appropriation or commitment of the available balance for one-time uses. These recommendations may appear in the CAO Recommended Operational Plan or as an agenda item for a regularly scheduled meeting of the Board of Supervisors.

SECTION 113.2 GENERAL FUND COMMITMENTS AND ASSIGNMENTS OF FUND BALANCE

From time to time, fund balance may be committed by the Board of Supervisors and/or assigned by the CAO for specific purposes. A commitment requires formal board action to establish, change or cancel while an assignment may be established, changed or cancelled by the CAO. Changing or cancelling a commitment or assignment of fund balance shall not be approved if such action would result in increased and/or unfunded costs or liabilities such as those required to fulfill existing contractual obligations or to identify alternative

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funding sources for the original Commitment or Assignment purpose or if such action would jeopardize the long term fiscal sustainability of the County. With the exception of fund balance commitments established because of restrictions on certain revenues, such commitments and/or assignments shall not be approved if they would result in the amount of the General Fund Reserve falling below the minimum required balance.

SECTION 113.3 RESTORATION OF GENERAL FUND RESERVE MINIMUM BALANCE

In the event that the General Fund Reserve falls below the minimum required balance, the CAO shall present a plan to the Board of Supervisors for restoration of the targeted levels. The plan should restore balances to targeted levels within one (1) to three (3) years, depending on the use, reasons for use, and severity of the event. In the event that the General Fund Reserve is used to serve as a short-term financing bridge, the plan shall include mitigation of long-term structural budgetary imbalances by aligning ongoing expenditures to ongoing revenues.

SECTION 113.4 FUND BALANCES AND USE OF ONE TIME REVENUES

All fund balances, including the General Fund Reserve, shall be recognized as a one-time funding source, and all appropriations supported by fund balances should be appropriated for one-time uses or in conjunction with a long-term financial plan to cover short-term expenditure increases or revenue shortfalls to prevent budgetary imbalances.

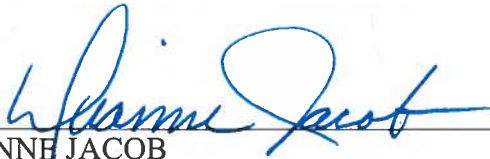
In general, fund balance is established when assets are greater than liabilities at the end of a year. In practice, fund balance can be generated when temporary one-time revenues exceed expenditures in any year. One-time resources may include grants, revenue from the sale of assets, one-time expenditure savings, and revenue sources which may be available for more than one year but are either non-recurring or will be required to address future expenditure growth that is anticipated to exceed future revenue growth. One-time expenditures may include the following: program startup costs, short-term expenditure increases or revenue shortfalls to prevent budgetary imbalances, early debt retirement, capital costs, or other one-time expenditures as recommended by the CAO.

Section 2. This ordinance shall take effect and be in force thirty days after its passage, and before the expiration of fifteen days after its passage, a summary hereof shall be published once with the names of the members of this Board voting for and against it in the San Diego Commerce, a newspaper of general circulation published in the County of San Diego.

APPROVED AS TO FORM AND LEGALITY
THOMAS E. MONTGOMERY, COUNTY COUNSEL

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PASSED, APPROVED, AND ADOPTED by the Board of Supervisors of the County of San Diego this 5th day of December, 2017.



DIANNE JACOB
Chairwoman, Board of Supervisors
County of San Diego, State of California

The above Ordinance was adopted by the following vote:

AYES: Cox, Jacob, Gaspar, Roberts, Horn

ATTEST my hand and the seal of the Board of Supervisors this 5th day of December, 2017.

DAVID HALL
Clerk of the Board of Supervisors

By 

Diana Lopez, Deputy



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