



**Contra
Costa
County**

To: Board of Supervisors
From: Monica Nino, County Administrator
Date: September 14, 2021

Subject: Resolution No. 2021/262 Adoption of the FY 2021/22 Budget As Finally Determined

RECOMMENDATION(S):

ADOPT Resolution No. 2021/262 adopting the FY 2021/22 Adopted Budget as finally determined, including:

- a. Final changes to close out the 2020/2021 County Budget, including changes to revenues, appropriations, and obligated fund balances; and AUTHORIZE the Auditor-Controller to make the necessary changes in the financial accounting system, as reflected in Attachment A;
- b. Final changes to the 2021/2022 County Budget, including changes to appropriations, revenues, and obligated fund balances; and AUTHORIZE the County Administrator and Auditor-Controller to make technical adjustments to the budgets pursuant to Attachment B (County - Schedule A, B, and C);
- c. Final changes to close out the 2020/2021 Special Districts Budget, including changes to revenues, appropriations, and obligated fund balances; and AUTHORIZE the Auditor-Controller to make the necessary changes in the financial accounting system, as reflected in Attachment C; and

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY
ADMINISTRATOR

☐ RECOMMENDATION OF BOARD
COMMITTEE

Action of Board On: **09/14/2021** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF SUPERVISORS

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: September 14, 2021

Contact: Lisa Driscoll, County
Finance Director (925) 655-2047

, County Administrator and Clerk of the Board of
Supervisors

By: , Deputy

cc: Robert Campbell, Auditor-Controller, All County Departments (via CAO)

RECOMMENDATION(S): (CONT'D)

- d. Final changes to the 2021/2022 Special Districts Budget, including changes to appropriations, revenues, and obligated fund balances; and AUTHORIZE the County Administrator and Auditor-Controller to make technical adjustments to the budgets pursuant to Attachment D (Special Districts - Schedule A, B, and C).

FISCAL IMPACT:

As described in the background information below, this action adjusts FY 2020/21 appropriations and revenues to balance budgeted figures to actual experience; and for FY 2021/22, includes fund balances, reserves, designations and all estimated revenue and appropriation line item changes to correspond to the latest information.

BACKGROUND:

On April 20, 2021, the Board of Supervisors adopted the State Controller's Office FY 2021/2022 Recommended Budget Schedules for Countywide Funds and Special Districts, conducted public hearings on County and Special District budgets, and directed the County Administrator to prepare for Board adoption the FY 2021/2022 County and Special District Budgets, as modified, to incorporate any changes directed by the Board during the public hearings.

On May 11, 2021, the Board of Supervisors requested that the Auditor-Controller make adjustments to the FY 2020/2021 appropriations and revenues by reallocating and balancing budgeted and actual expenditures and revenues as needed for various budget units and special districts, subject to Board approval in September. This request is pursuant to state law that requires each budget unit and expenditure object level within those units not exceed appropriations. Each year, this requirement generates a substantial number of adjustments to balance each budget unit and object. Attachments A and C (County and Special Districts respectively) contain the necessary appropriation adjustments to close out the 2020/2021 Budget. Attachments Aa and Ca (County and Special Districts respectively) are provided as companion documents in a format more readable and with more detail for the lay person. Due to the volume of adjustments required and as allowable by the Budget Act (with the exception of fixed asset accounts) adjustments are made to balance by major object (i.e. 1000, 2000, etc.); therefore, the over/under amounts do not always tie to the specific appropriation account.

Also on May 11, 2021, the Board of Supervisors authorized the Auditor-Controller to make technical adjustments to the FY 2021/2022 County and Special District Budgets when actual amounts were known. This action is pursuant to state law that requires the Board of Supervisors adopt a budget which includes obligated fund balances and all estimated revenue and appropriation line-item changes to the proposed Budget no later than October 2 of each year. Attachments B and D (County and Special Districts respectively) include changes to revenues, appropriations, and obligated fund balances in the 2021/2022 Budget to correspond with the latest fiscal and legal information and the

necessity to re-budget appropriations for programs not fully utilizing Board authorized spending levels in 2020/2021. Also requested by the Contra Costa Budget Justice Coalition, Attachment Ba is provided as a companion document to Attachments B and D and provides a summary of how the numbers in the State Schedules tie with each other using the General Fund totals in the example (all funds total in the same way).

The schedules are prepared in reverse order – Schedule C, then B, and finally A.

- Schedule C begins with the final year carryforwards, rebudgets, and appropriations as described above. Note that the General Fund budget is required to be balanced, therefore there is not a recommended budget fund balance nor a final budget fund balance. Non-general funds can carry appropriated fund balance and therefore those funds may include recommended budget fund balance and final budget fund balance.
- Schedule B begins with the total fund balance calculated by the Auditor for each fund. From that total, encumbrances, the total from Schedule C, and all the fund balance totals from Schedule A are subtracted, with the exception of the assignment for general fund reserve. Encumbrances are used to control expenditure commitments and enhance cash management. The assignment to general fund reserve (undesignated balance) is the residual net resources excess of non-spendable, restricted, and committed fund balance over total fund balance. Note that the term fund balance available is misleading as the majority of these funds are restricted.
- Schedule A details the obligated fund balance. The obligated amounts increase or decrease only by Board adoption or adopted Board policy. The Schedule begins with the end of year totals in each fund balance category:
 - Non-spendable, inherently non-spendable due to their form;
 - Restricted, externally enforceable limitations of use imposed by creditors, laws or enabling legislation;
 - Committed, self-imposed limitations set in place prior to the end of the year by the Board of Supervisors; Assigned, limitation resulting from intended use by the Board of Supervisors; and
 - Unassigned, which is the residual net resources excess of non-spendable, restricted, and committed fund balance over total fund balance.
- The final figures in Schedule A are updated per previous actions of the Board. For the General Fund:
 - The reduction in the EBRCS (East Bay Regional Communication System) balance represents the expenses incurred in FY 2020/2021;
 - The \$4 million assignment for cyber security included in the FY 2020/2021 budget was reduced by the appropriated amount included in Attachment C for FY 2021/2022 cyber security (listed below);
 - The increase to the assignment for capital reserve is directed by the General Fund Reserve Policy (described in the Recommended Budget on page 15), reduced by the appropriated amounts included in Attachment C for specific capital projects (listed below);
 - The establishment of a Measure X reserve represents those revenues

- received/accrued in FY 2020/2021, which have not yet been allocated; and
- The increase to the assignment to general fund reserve is the residual (described above).

Included in these annual materials are several items of note, specifically:

- Schedule C in Attachment B totals \$157.51 million. Of this amount, \$64,919,467 are non-General funds and restricted. The balance of \$92,591,557 are in the General Fund. The General Fund rebudgets fall into four general categories of restricted funds, computer system/cyber security/venture capital costs, facility costs, and "other" costs and are detailed below:
 - Restricted funds total \$47.67 million or 51.5% of the total carryforwards.
 - Computer system/cyber security/venture capital costs total \$9.01 million or 9.7% of the total carryforwards. Of this amount, \$1.09 million is from prior year allocations that have not yet been expended due to changes in priority necessitated by the impacts of COVID-19, \$1.8 million is for cyber security projects outlined in the Recommended Budget and are in addition to the \$2.2 million remaining in the reserve designation, \$5.53 million is appropriated for the Finance System Replacement Project described below, \$300,000 is for the Geographic Information System and is in addition to the \$271,395 in restricted funds designated for this purpose, and \$288,000 is for a variety of software and system upgrades throughout the County.
 - Finance System Replacement – The project was approved by the Board of Supervisors in fiscal year 2020/21. Funding for the project is a General Fund expense. Today's action appropriates FY 2021/22 expected expenditures from the General Fund in the amount of \$5.5 million for the anticipated FY 2021/2022 portion of the project that is schedule to go live in January 2023. General Fund Capital Reserves will be reduced by a like amount (\$5.5 million).
 - Facility costs total \$34.45 million or 37.2% of the total carryforwards. The largest are:
 - Administration Demolition and Redevelopment (ADR) – The project was approved by the Board of Supervisors in phases on December 8, 2020, and February 9, 2021, including and incorporating discussions at the January 26, 2021 Board Retreat during the Capital Projects Update. The project will demolish the former 651 Pine Street complex and Old Jail complex and redevelop the area with county office space, parking, and public open space. Funding was approved with a combination of lease revenue bonds (\$45 million) and capital reserves (\$30 million). Today's action appropriates the anticipated FY 2021/22 expenditures for the ADR project of \$10 million for the first phases of toxic material remediation and demolition, General Fund Capital Reserves will be reduced by a like amount (\$10.0 million);
 - Telecommunication Infrastructure– The Board of Supervisors also

approved on December 8, 2020, the relocation of the telecommunications infrastructure and emergency services radio and microwave antennas locate in and on the 651 Pine Street tower as part of the ADR project described above. Today's action appropriates the anticipated FY 2021/22 expenditures for the telecommunications portion of the ADR project of \$15 million and the General Fund Capital Reserves will be reduced by a like amount (\$15.0 million); and,

- Module M (Mod M) – The project was approved by the Board of Supervisors on August 11, 2020, for the remodel of Module M to provide hospital equivalent treat facilities for individuals with mental health issues currently detained in the Martinez Detention Facility (MDF). Additional work, including plumbing and Americans with Disabilities Act (ADA) remodels in both Mod M and Mod C were approved by the Board on June 8, 2021, and August 10, 2021. All funding was a General Fund capital expense. Today's action appropriates the anticipated FY 2021/22 expenditures to complete the project of \$2.97 million. General Fund Capital Reserves will be reduced by a like amount (\$2.97 million).
- Other costs total \$1.19 million or 1.6% of the total carryforwards. This category includes carryforwards for Redistricting (\$250,000), printers for tax bills and the CalWin program (\$300,000), replacement of three vans, a tractor, and forklift in Public Works (\$255,000), and other miscellaneous appropriations.

Attachment B (Schedule B) includes encumbrances of \$115.42 million, \$113.02 million in the General Fund. Encumbrances reflect the outstanding contractual obligations for which goods and services have not been received and are set up to reserve portions of applicable appropriations. Encumbrances still open at year end are not accounted for as expenditures or liabilities, but as a constraint imposed on fund balance. Encumbrance amounts are \$9.8 million higher than last year and include encumbrances associated with the Martinez Detention Facility Module M and security projects, elevator modernizations at 1305 Macdonald and 40 Douglas, and various Facility Lifecycle Improvement Program (FLIP) projects at county facilities for plumbing, HVAC, paint, and flooring.

Timing of the phases of the compilation, publication, presentation, and adoption of the County budgets is an important topic of discussion. All of the individual phases of the County budget process have significant timing restrictions and adhere to the County Budget Act, as prescribed in Government Code 29000-29144. The County of Contra Costa operates on a modified accrual basis. Modified accrual accounting combines accrual basis accounting with cash basis accounting. Revenues are recognized when they become available and measurable and, with few exceptions, records expenditures when liabilities are incurred. For practical purposes this means that the final budget for June 30 includes a sixty-day adjustment period, leaving very little time to prepare the State Schedules for review and adoption. Government Code section 29088 states that the budget shall be adopted by Resolution no later than October 2.

CONSEQUENCE OF NEGATIVE ACTION:

Delay in Final Budget Adoption.

CLERK'S ADDENDUM

Speakers: Resident of Bay Point; Marianna Moore; Patricia Aguilar; name not given.

ATTACHMENTS

Resolution 2021/262

Attachment A - County Appropriation Adjustments

Attachment Aa - Details of County Appropriation Adjustments

Attachment B - County Schedules A, B, and C

Attachment Ba - Summary for State Schedules A, B, and C (General Fund)

Attachment C - Special District Appropriation Adjustments

Attachment Ca - Details of Special District Appropriation Adjustments

Attachment D - Special Districts Schedules A, B, and C