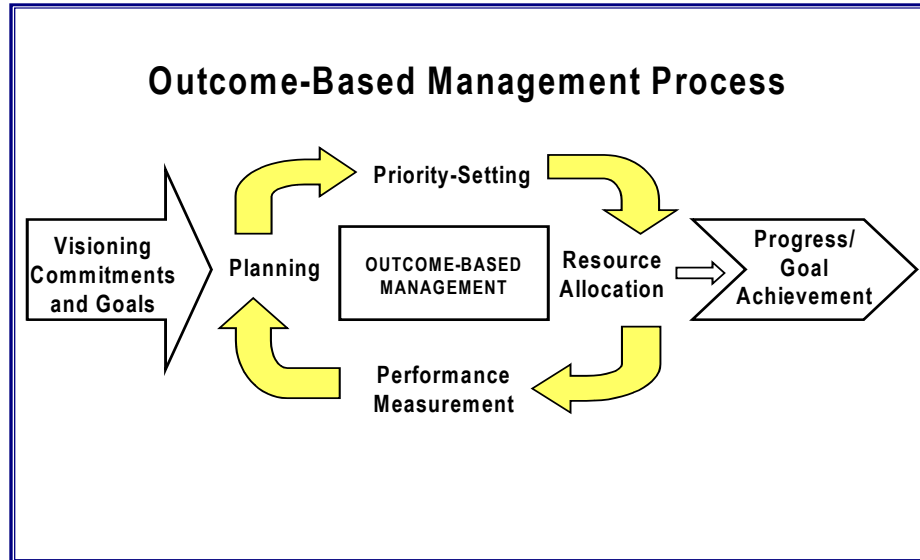


COUNTY BUDGET PROCESS

The County budget process is an integral part of Outcome-Based Management (OBM), which requires resources in County programs and services to be allocated toward meeting performance targets and improving overall performance. Using the community outcomes identified during the County Shared Vision 2025 Process as the long-term direction for County programs and services, all resources are now being allocated toward those areas that can significantly contribute to building a healthy, livable, prosperous, environmentally conscious and sustainable community.

The budget process is fluid and ongoing as shown below. During each fiscal year, County departments continuously monitor operational and financial performance, plan for improvements given baseline and anticipated trends affecting performance, and incorporate priorities for the following two fiscal years in their program plans and budgets.



Structural Budget Deficit Workshops

The County is not immune to the economic crisis facing the nation and the state. The County has projected a structural budget deficit approaching \$150 million by FY 2014-15 if actions are not taken. For the past two years the County has held Structural Budget Deficit Workshops with the Board of Supervisors in early December. In December 2007 the County adopted a five-year plan to eliminate the deficit by FY 2012-13. As the County's finances are very fluid during this time of economic turmoil, the five-year plan has been and will continue to be updated on a regular basis and the Board workshops will continue in the early December timeframe until the deficit has been eliminated.

Mid-Year Financial Status

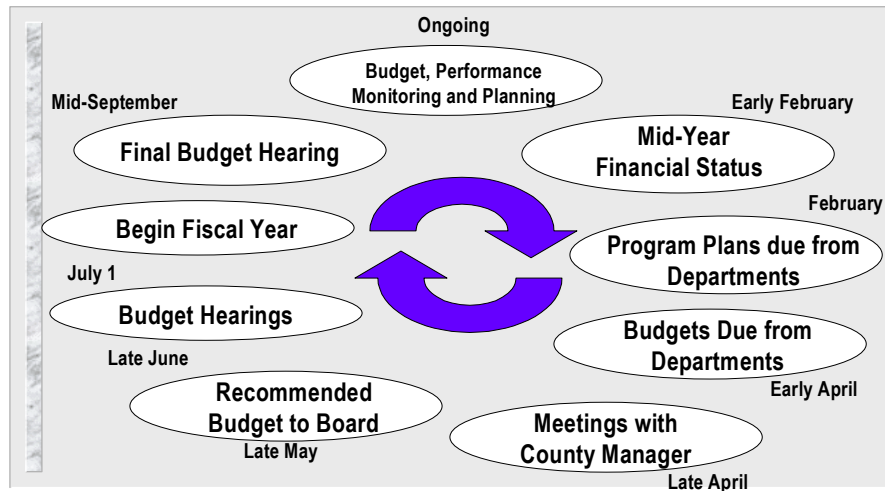
The fiscal year begins July 1 and ends June 30. A mid-year report to the Board of Supervisors is prepared by the County Manager's Office in late January / early February to provide information regarding current financial status of all departments and funds, identify issues that can significantly affect current and subsequent budgets, and make recommendations regarding actions that need to be taken in order to address estimated year-end shortfalls or mitigate projected deficits. Given this and other information, the Board of Supervisors provides direction regarding the development of the Recommended Budget.

Annual Budget Process / Kick-Off

Though the County's annual budget presents information covering two years, the County nonetheless develops annual budgets, beginning with the mid-year financial status report to the Board of Supervisors in late January / early February followed by budget instructions, departmental budget submissions, reviews by the County Manager's Office, meetings with departments, and presentation of the annual Recommended Budget for Board consideration.

The budget cycle begins with the development of budget instructions, including policy guidelines for formulating budgets, budget targets, and the budget calendar for the upcoming cycle. During this time frame, new Fiscal Officers attend Budget Development Overview courses offered through the County's Fiscal Officer's Training Academy (FOTA). In addition, a budget kick-off with all Fiscal Officers occurs the third Wednesday in January and budget system refresher courses are offered to all Fiscal Officers the first week of February.

County Budget Process



Program Plans and Preliminary Budget Meetings

County departments submit their Program Plans to the County Manager's Office in February. The plans contain the following information for each program:

- Program Outcome Statement (statement of purpose)
- Headline Performance Measures
- Services and Accomplishments
- Story Behind Performance
- Program Objectives
- Performance Measures with Baseline and Target Data

The plans are reviewed by County Manager Analysts to ensure that program outcomes, priorities and performance targets are contributing to the achievement of the Visioning Goals, and that selected performance measures can successfully communicate the progress being made toward these community goals. Departments meet with the County Manager in late February / early March to review program plans and obtain further direction on budget priorities and actions identified to improve performance. Generally, after this preliminary meeting, departments finalize their budget changes and submitted their complete budget packages in early April to the County Manager's Office. This year, due to the need to accelerate the budget process in order to address the growing deficit and preserve resources, budget workshops were held with the Board of Supervisors in late March 2010 to preview department budget strategies for FY 2010-11. Departments were given additional time, until April 30, 2010, to submit their budget packets to the County Manager's Office.

Agency / Department/Program Budgets and Final Budget Meetings

Budgets are reviewed by County Manager Analysts to ensure they are accurate, meet Net County Cost targets and reflect the priorities agreed upon during the preliminary budget meeting with the department. Generally, a final budget meeting with the County Manager is scheduled in late April to resolve any outstanding issues or discuss additional budget items that have been identified since the initial meeting in February. This year the final budget meetings were preempted by the budget workshops with the Board in March 2010.

Recommended Budget and Budget Hearings

The Recommended Budget document is prepared and submitted by the County Manager to the Board of Supervisors in late May. The public has the opportunity to review the budget and speak before the Board of Supervisors during public hearings held in late June. After budget deliberations, the Board adopts the Recommended Budget before the new fiscal year begins on July 1. The Board also adopts a resolution extending the adoption of the final budget to October 2 in order to incorporate any adjustments resulting from the adoption of the State Budget.

Once adopted, the Recommended Budget is uploaded to the County's financial system (IFAS) in early July so that budgetary controls can be established and budget monitoring can begin for the new fiscal year.

September Adjustments and Adopted Budget

After fiscal year-end closing activities are completed and the State budget is approved, final adjustments to Fund Balances and significant changes to the County budget as a result of State budget adjustments are submitted to the Board of Supervisors for a final budget hearing in September. Changes approved by the Board are included in the Adopted Budget which is published by the 1st of November. The Adopted Budget is uploaded to the County's financial system (IFAS) immediately after the September final budget hearing to update the Working Budget used for budget monitoring purposes.

Mid-Year Adjustments to Adopted Budget

An operating budget is adopted each fiscal year for all County Funds. Expenditures are controlled at the object level within budget units for the County. The object level within a budget unit is the level at which expenditures may not legally exceed appropriations. Any amendments or transfers of appropriations between object levels within the same budget unit or between departments or funds are authorized by the County Manager's Office, and those in excess of \$50,000 must also be approved by the Board of Supervisors. Pursuant to Board Resolution, the County Manager is authorized to approve transfers and revision of appropriations up to \$50,000 within a single budget unit as deemed necessary and appropriate. Supplemental appropriations normally financed by unanticipated revenues or reserves during the year must also be approved by the Board of Supervisors, regardless of amount. Budgeted amounts in the budgetary financial schedules are reported as originally adopted and as amended during the fiscal year by resolutions approved by the Board of Supervisors.

Budgetary Basis for Accounting

In accordance with the provisions of Sections 29000 and 29143, inclusive, of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County is required to prepare a balanced budget for each fiscal year on or before August 30. The Board of Supervisors generally passes a Resolution in June extending the date to October 2. Budgeted expenditures are enacted into law through the passage of an Appropriation Ordinance. This ordinance mandates the maximum authorized expenditures for the fiscal year and cannot be exceeded except by subsequent amendments to the budget by the County's Board of Supervisors. A Balanced Budget is defined as a budget where Total Sources, including Fund Balances, equal Total Requirements, including Reserves and Contingencies, for each appropriated fund (see fund structure chart on Page B-2).

The County uses an encumbrance system as an extension of normal budgetary accounting for the general, special revenue, and other debt service funds to assist in controlling expenditures. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as reservations of fund balance since they do not constitute expenditures or liabilities. Encumbrances are combined with expenditures for budgetary comparison purposes. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward in the ensuing year's budget.

The budget approved by the Board of Supervisors for the General Fund includes budgeted expenditures and reimbursements for amounts disbursed to or received from other County funds. Revenues received from other County funds for reimbursement of services are generally budgeted in Interfund Revenues, such as facilities maintenance. Transfers to and from other County funds to provide reimbursement of costs are generally budgeted in Other Financing Uses or Other Financing Sources.

The budgets for governmental funds, such as the General Fund, may include an object level known as "intrafund transfers" in the charges to appropriations. This object level is an accounting mechanism used by the County to show reimbursements between operations within the same fund. An example of an intrafund transfer would be a General Fund department, such as the Sheriff's Office, reimbursing the Facilities Maintenance Section of Public Works - this would represent a transfer between General Fund budget units for services performed.

The amounts reported on the budgetary basis differ from the basis used to present the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Annual budgets are prepared on the modified accrual basis of accounting except that current year encumbrances are budgeted as expenditures, certain transactions are accounted for in different periods between budgetary and GAAP reporting basis, and transactions from sub-funds reclassified from County Agency funds are reported in GAAP reporting basis. The financial statements are reported on the modified accrual basis for governmental funds (i.e., General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Fund and Special District Funds) and on the full accrual basis for proprietary funds (i.e., Enterprise Funds and Internal Service Funds) and fiduciary funds (i.e., Investment and Pension Trust Funds). See the Glossary of Budget Terms in Section 7 of this budget document for definitions of accrual, accrual accounting, and modified accrual.

Budget Calendar / Key Dates

At the start of the budget cycle, an extensive calendar is prepared detailing all of the key dates from December through October. The following schedule is a list of the key dates that was distributed to Department Heads and Fiscal Officers at the start of the FY 2010-11 and 2011-12 budget development cycle.

Key Budget Meetings/Deliverables	2010 Dates
All Senior Managers / Executive Council Meeting	October 26, 2009
County Manager's follow-up meetings with departments and/or Outcome Groups	Early November, 2009
Community Outcome 10/20/30 Plans* distributed to Executive Council	November 16, 2009
Executive Council Work Session - Community Outcome 10/20/30 Plans*	November 30, 2009
Five-Year Plan Update: Study Session - Board of Supervisors	December 15, 2009
Executive Council Meeting	December 21, 2009
Net County Cost Targets to Departments	January 8
Year End Estimates due from Departments (Mid-Year Financials)	January 8
Fiscal Offers Meeting: Budget Kick-Off (Board Chambers)	January 20
Mid-Year Performance Data due from Departments	January 22
Community Stakeholder and Public Outreach and Engagement	February
Community Input distributed to Departments	February - March
Mid-Year County and State Budget Update	February 9
Department Overviews and Program Plans due from Departments	February 19
Department Meetings with County Manager	March 8 - 12
Mid-Year Performance Status (Board Report)	March 9
Three-Year Budget Balancing Plan: Study Sessions with Board of Supervisors	March 22 - 26
Budgets Due from Departments	April 30
Recommended Budget to Board and on County website	May 28
June Recommended Budget Hearings	June 21 - 23
CARES Survey and Performance Date due from Departments	July 30
Year-End Analysis / Final Fund Balances due from Departments	August 13
Final Budget Hearings / September Revisions	September 28
Year-End Performance Status (Board Report)	September 28
Adopted Budget available and on County website	November 1

*Each department prepared 10/20/30 plans on how they would address reduced Net County Cost (general purpose discretionary revenue) support of 10%, 20% and 30%. These plans provided the foundation for department budget reduction strategies totaling \$36 million in the Recommended FY 2010-11 / 2011-12 Budget.

Budget Units (Appropriation Authority Level)

The following schedule on the next two pages lists the budget units that require a separate legal appropriation from the Board of Supervisors under the new community outcomes structure. The table also shows where each budget unit was previously located in the "Agency" organizational structure used in prior years.

BUDGETS	Budget Unit Number	Budget Unit Level	Previous Organizational Structure
HEALTHY COMMUNITY			
Health Administration	5500B	Division	Health
Health Policy and Planning	5550B	Division	Health
Emergency Medical Services Fund	5630B	Division	Health
Aging and Adult Services	5700B	Division	Health
IHSS Public Authority	5800B	Division	Health
IHSS Public Authority GF	6900B	Division	Health
Behavioral Health and Recovery Services	6100B	Division	Health
Community Health	6200B	Division	Health
Family Health Services	6240B	Division	Health
Correctional Health Services	6300B	Division	Health
San Mateo Medical Center	6600D	Division	Health
Medical Center Capital Purchases	6750D	Division	Health
Contributions to Medical Center	5850D	Department	Health
First 5 San Mateo County (Information Only)	1950B	Department	Children, Youth and Family Services
Sheriff's Office	3000B	Department	Criminal Justice
Message Switch	1940B	Department	Criminal Justice
Probation Department	3200D	Department	Criminal Justice
District Attorney / Public Administrator	2510B	Department	Criminal Justice
Private Defender Program	2800B	Department	Criminal Justice
County Support of the Courts	2700B	Department	Criminal Justice
Coroner's Office	3300B	Department	Criminal Justice
Public Safety Communications	1240B	Division	Community Services
Structural Fire Special Revenue Fund	3550B	Fund	Community Services
Fire Protection Services	3580B	Department	Community Services
County Service Area #1	3560B	Fund	Community Services
PROSPEROUS COMMUNITY			
Human Services Agency	7000D	Department	Children, Youth and Family Services
Department of Child Support Services	2600B	Department	Children, Youth and Family Services
Human Resources Department	1700B	Department	Administration and Fiscal
LIVABLE COMMUNITY			
Planning and Building	3800B	Department	Community Services
Local Agency Formation Commission (LAFCo)	3570B	Department	Community Services
County Library	3700B	Department	Community Services
Housing and Community Development	7920P	Division	Community Services
Housing Authority (Information Only)	7930P	Division	Community Services

BUDGETS	Budget Unit Number	Budget Unit Level	Previous Organizational Structure
ENVIRONMENTALLY CONSCIOUS COMMUNITY			
Public Works Administrative Services	4510P	Division	Community Services
Engineering Services	4600P	Division	Community Services
Facilities Services	4730P	Division	Community Services
Road Construction and Operations	4520B	Division	Community Services
Construction Service	4740B	Division	Community Services
Vehicle and Equipment Services	4760B	Division	Community Services
Waste Management	4820B	Division	Community Services
Transportation Services	4830B	Division	Community Services
Utilities / Special Districts	4840B	Division	Community Services
Airports	4850B	Division	Community Services
Capital Projects	8500D	Fund	Non-Departmental
Accumulated Capital Outlay Fund	8200B	Fund	Non-Departmental
Courthouse Construction Fund	8300B	Fund	Non-Departmental
Criminal Justice Construction Fund	8400B	Fund	Non-Departmental
Real Property Services	1220B	Division	Community Services
Parks Department	3900B	Department	Community Services
Fish and Game	3950B	Fund	Community Services
Off-Highway Vehicle License Fees	3960B	Fund	Community Services
Parks Acquisition and Development	3970B	Fund	Community Services
Coyote Point Marina	3980B	Department	Community Services
Agricultural Commissioner / Sealer	1260B	Division	Community Services
COLLABORATIVE COMMUNITY			
Board of Supervisors	1100B	Department	Administration and Fiscal
County Manager / Clerk of the Board	1200B	Department	Administration and Fiscal
Assessor-County Clerk-Recorder	1300D	Department	Administration and Fiscal
Controller's Office	1400B	Department	Administration and Fiscal
Treasurer - Tax Collector	1500B	Department	Administration and Fiscal
Retirement Office (Information Only)	2000B	Department	Administration and Fiscal
County Counsel	1600B	Department	Administration and Fiscal
Grand Jury	1920B	Department	Administration and Fiscal
Information Services Department	1800B	Department	Administration and Fiscal
Non-Departmental Services	8000B	Department	Non-Departmental
Contingencies	8100B	Department	Non-Departmental
Debt Service Fund	8900B	Fund	Non-Departmental