



**BOARD OF COUNTY COMMISSIONERS
OFFICE OF THE COMMISSION AUDITOR**

M E M O R A N D U M

TO: Honorable Dennis C. Moss, Chairman
and Members, Board of County Commissioners

FROM: Charles Anderson
Commission Auditor

A handwritten signature in black ink, appearing to read "Charles Anderson", is written over the printed name and title.

DATE: August 24, 2010

SUBJECT: FY 10-11 Emergency Contingency Reserve

In the FY 2010-11 Proposed Budget, Volume 1, the Countywide Emergency Contingency Reserve is discussed on page 8 and referenced on page 19 (the Countywide Emergency Contingency Reserve is part of the **General Fund Reserves**).

Page 8 states:

By FY 2008-09, we had amassed more than \$74 million in the Countywide Emergency Contingency Reserve, and total reserves were nearly six percent of the budget. While the use of some of those funds as one-time revenues to balance the FY 2009-10 Adopted Budget was not a preferred course of action, it was certainly preferable to deeper serviced cuts. This Proposed Budget takes the first steps toward restoring those reserves.

Page 19, Volume 1 states:

The Proposed Budget includes an enhancement to our reserves, particularly to the Countywide Emergency Contingency Reserves as noted before. A contribution will be made by proprietary departments to restore a portion of the Countywide Emergency Contingency Reserve. Reserves as a portion of the general fund budget will be increased to 6.45% from 4.26%.

There is a concern that percent allocations vary between documents. Here are examples:

- The FY 2009-10 Adopted Budget, Volume 1, page 4, states “While our reserves remain at 4.18% of the general fund budget”. The actual calculation is 4.10% based on figures provided in the Adopted Budget FY 2009-10, Volume 2, pages 621-628.

- The FY 2010-11 Proposed Budget, Volume 1, page 19 states “Reserves as a portion of the General Fund budget will be increased to 6.45% from 4.26%”. The actual calculation is 6.25% based on figures provided in the Proposed Budget FY 2010-11, Volume 2, pages 505-512.

The FY 2010-11 Proposed Budget Countywide Emergency Contingency Reserve is \$53.090 million, an increase of \$17.568 million from the FY 2009-10 Adopted Budget of \$35.522 million. This 49% increase results from:

- Transfers from other departments of \$18.818 million (Attachment 1)
- Interest earnings of \$500,000

The *Governing for Results Ordinance (Ord. No. 05-136)*, sponsored by Commissioner Martinez, was adopted by the Board of County Commissioners on July 2005. It was subsequently amended by Ord. No. 07-45, sponsored by Commissioner Gimenez on March 2007. It provides that said reserve is to be funded to an equivalent of 7% of the total countywide GF budget within 5 years of the adoption of said ordinance. Therefore, the 7% threshold must be reached by March 2012 unless the ordinance is amended to reflect otherwise. The Board of County Commissioners may consider proposing that the 7% threshold requirement be temporarily postponed acknowledging the current economic conditions.

As stated in the FY 2009-10 Proposed Budget, Volume 1, page 21, “As a baseline, the total of all reserves in the General Fund was lowered to 5% of the total budget, still within recognized best practices for budgeting reserves”. An alternative has been included for your consideration of the General Fund Reserves. The breakdown includes the FY 2009-10 Adopted Budget, the FY 2010-11 Proposed Budget, and the Alternative FY 2010-11 Proposed Budget (Attachment 2). The alternative proposal results in the transfers from other departments to be reduced by \$13.818 million to \$5 million from \$18.818 million and assumes the Reserve for Future Services will be re-allocated during the upcoming Budget Workshops.

Special thanks to OSBM for the information provided and their assistance in this matter. Should you require additional information, feel free to contact me at (305) 375-2524.

c: Honorable Carlos Alvarez, Mayor
George M. Burgess, County Manager
R.A. Cuevas, County Attorney
Jennifer Glazer-Moon, Special Assistant/OSBM Director
Diane Collins, Acting Division Chief, Clerk of the Board

**FY 2010-11 PROPOSED BUDGET
TRANSFER TO COUNTYWIDE EMERGENCY CONTINGENCY RESERVE FUND FROM VARIOUS DEPARTMENTS**

DEPARTMENTS	BUDGET	SOURCE
Fire Rescue	\$4,891,000	Vol.1,p.171
Office of Capital Improvements	\$55,000	Vol.1,p.175
Consumer Services	\$128,000	Vol.1,p.177
Public Works	\$604,000	Vol.1,p.178-Op. \$230,000; p.194-Drainage Op. \$248,000; p.209-Causeways Op. \$126,000
Environmental Resource Management	\$675,000	Vol.1,p.178-Op. \$554,000; p.193-Stormwater Utility \$121,000
Building, Neighborhood and Code Compliance	\$454,000	Vol.1,p.180
Procurement Management	\$156,000	Vol.1,p.183
Library	\$1,072,000	Vol.1,p.185
Homeless Trust	\$24,000	Vol.2, p.195
Housing Finance Authority	\$28,000	Vol. 2 p.196
Solid Waste Management	\$2,307,000	Vol.1,p.210 Collection \$924,000; p.211-Disposal \$1,383,000
CITT	\$33,000	Vol.2, p.116
Cultural Affairs	\$11,000	Vol.2, p.158 \$11,000 from Art in Public Places through Vol.1, p.192 states \$8,000 from Cultural Affairs, total is \$11,000 as per OSBM
Water and Sewer	\$7,087,000	Vol.2, p.274
Seaport	\$1,064,000	As per OSBM through Vol.1, p. 207 states \$1,072M
Tourist Tax and Surtax	\$146,000	As per OSBM through Vol.1, p. 194 includes transfer as part of Administrative Reimbursement
Planning and Zoning	\$83,000	As per OSBM
TOTAL	\$18,818,000	

GENERAL FUND RESERVES ANALYSIS

General Fund Reserves (in thousands of dollars)	Adopted Budget FY 2009-10	Proposed Budget FY 2010-11	Alternative Proposed Budget FY 2010-11
Operating Reserves:			
PUBLIC SAFETY			
Public Safety Reserve	934	934	934
ENABLING STRATEGIES			
Wage Adjustment, FRS, Separation & Energy Reserve	24,618	30,900	30,900
Reserve for Future Services	0	6,810	0
Contingency Reserve	4,203	5,000	5,000
Tax Equalization Reserve	3,254	4,920	4,920
Prior Year Encumbrances	1,635	2,100	2,100
Activation Reserve	0	150	150
Total Operating Reserve	34,644	50,814 (*)	44,004
Emergency Contingency Reserve			
CW & UMSA Emerg. Contg. Bal	33,772	33,772	33,772
Interest Earnings	1,750	500	500
Transfer from Various Departments	0 (**)	18,818	5,000
Total Emergency Contingency Reserve	35,522	53,090	39,272
TOTAL RESERVES	70,166	103,904	83,276
TOTAL GENERAL FUND Reserve as a % of GF	1,711,680 4.10%	1,661,413 6.25% (***)	1,661,413 5.01%

(*) Proposed FY 2010-11 Vol.1 p. 19 states: Reserves as a portion of the general fund budget will be increased to 6.45 percent from 4.26 percent (4.26 % based on Proposed Budget FY 2009-10 vs. 4.10% based on Adopted Budget FY 09-10).

(**) Final balance is inclusive of Departments' transfers

(***) Proposed FY 2009-10 Vol.1 p. 21 states: "As a baseline, the total of all reserves in the general fund was lowered to five percent of the total budget, still within recognized best practices for budgeting reserves. ... I urge the Board to maintain a balance in the emergency contingency reserve. Next year's budget will be just as challenging to develop as this year's and it will be important to have some degree of flexibility to address priority needs."