

1019000000—Contingency Provision

Contingencies

Monica Nino, County Administrator

General Fund	2017-2018 Actual	2018-2019 Adjusted	2019-2020 Requested	2019-2020 Recommended	Increase/ (Decrease)
Expenditures					
<i>Provision for Contingencies</i>	\$0	\$0	\$5,000,000	\$5,000,000	\$5,000,000
<i>Total Appropriations</i>	\$0	\$0	\$5,000,000	\$5,000,000	\$5,000,000
Earned Revenues By Source					
<i>Total Revenues</i>	\$0	\$0	\$0	\$0	\$0
Net County Cost	\$0	\$0	\$5,000,000	\$5,000,000	\$5,000,000

Purpose

Government Code Section 29084 permits county budgets to contain an appropriation for contingencies in such an amount that the Board of Supervisors deems appropriate. In San Joaquin County, the Board establishes the Contingency Provision budget, which provides funds for unanticipated expenditures or revenue shortfalls occurring in all County operations during the fiscal year. The level of the appropriation is set annually as part of the County budget development process. Various factors are evaluated in determining the appropriation level. These include demands on County services, economic outlook, pending Federal and State legislative/budgetary impacts on County programs, the County's short and long-term infrastructure needs, and the availability of funds.

Major Budgets Changes

Provision for Contingencies

- \$5,000,000 Increase in provision for contingencies reflecting the change to appropriate funds from the General Fund and not directly from the Reserve for Contingencies (Reserve).

Program Discussion

In 2019-2020, the appropriation for contingencies is budgeted at \$5.0 million. Should this appropriation not be sufficient due to a significant or extraordinary event, a recommendation would be brought forward to the Board to increase the amount during the fiscal year.

Use Guidelines & Policies

In October 2010, the Board adopted the Use Guidelines and Policies for the Reserve for Contingencies in an effort to stabilize the long-term financial viability of the County and to correct the structural imbalance of the budget over a 10-year period. The Use Guidelines and Policies are summarized below:

1. Set the Reserve at 5% of the County budget by 2020-2021.
2. Starting 2011-2012, establish a goal to provide an annual appropriation to the Reserve at a minimum of 1% of the County budget and provide an annual appropriation increase sufficient to reach the 2020-2021 goal of 5%.
3. Define the Reserve as a one-time resource and not be used to support operating expenses on an ongoing basis.
4. Use the Reserve to balance the County budget only if other options are unavailable or highly impractical.
5. Cap the annual drawdown of the Reserve at 20% of the amount appropriated in the adopted budget.

2018-2019 Reserve Level

During 2018-2019, the Board approved to transfer the higher than anticipated year-end fund balance of \$1,297,826 to the Reserve. In September 2018, the Board approved a \$100,000 (B-18-619) transfer from the Reserve to Public Works (PW) for a cannabis clean-up project; in March 2019, the Board approved a \$509,182 (B-19-175) transfer from the Reserve to the Registrar of Voters (ROV) budget to cover unanticipated election costs and a \$142,148 (B-19-209) transfer to the

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County Counsel budget to cover replacement benefit payments due to San Joaquin County Employees' Retirement Association (SJCEA). These budget adjustments are summarized as follows:

2018-2019 Transactions	
2018-2019 Reserve Level	\$87,555,971
Higher than anticipated year-end fund balance	1,297,826
PW cannabis clean-up pilot project	(100,000)
ROV unanticipated election costs	(509,182)
County Counsel SJCEA payment	(142,148)
Reserve Balance	\$88,102,467

2019-2020 Reserve Level

The 2019-2020 budget recommends to replenish and establish the Reserve at \$90,152,470, or 5.00% of the Recommended County budget. The recommended Reserve level represents an increase of \$2,773,826 from the 2018-2019 adopted level and will be funded with a projected year-end Reserve balance of \$88,102,467 and a transfer from the General Fund of \$2,050,003. It is anticipated the Reserve percentage is on the low end for a County of our size, with a \$1.8 billion budget. County Administrator staff will review during the 2019-2020 fiscal year to confirm the appropriate percentage for the Reserve.

The following chart shows the Reserve for Contingencies levels for fiscal years 2010-2011 through 2019-2020:

Fiscal Year	Adopted Budget	Reserve for Contingencies	% of Budget
2010-2011	\$1,203,782,766	\$10,600,000	0.88%
2011-2012	\$1,240,387,489	\$13,795,071	1.11%
2012-2013	\$1,250,828,056	\$14,931,940	1.19%
2013-2014	\$1,307,393,334	\$18,901,078	1.45%
2014-2015	\$1,326,130,172	\$25,839,892	1.95%
2015-2016	\$1,375,647,801	\$38,724,546	2.89%
2016-2017	\$1,439,598,787	\$54,062,431	3.76%
2017-2018	\$1,616,211,310	\$74,630,220	4.62%
2018-2019	\$1,747,206,329	\$87,378,644	5.00%
2019-2020*	\$1,803,049,348	\$90,152,470	5.00%

* Recommended Budget.

Currently, the County is negotiating with six bargaining units whose contracts either expired or will expire on June 30, 2019. An additional six units represented by Service Employees International Union Local 1021 will expire in September 2019. Employees in these units represent approximately 87.5% of the County's workforce. Costs resulting from these negotiations are unknown at this time; therefore, the recommended 2019-2020 departmental budgets do not include funding for any potential adjustments. If needed, midyear fund transfers from the Contingency Provision budget may be required to provide for these unbudgeted costs.