

ORDINANCE NO. _____(N.S.)

**AN ORDINANCE AMENDING ARTICLE VII OF THE SAN DIEGO COUNTY
ADMINISTRATIVE CODE, RELATING TO BUDGET AND FINANCIAL PROCEDURES AND
APPROPRIATION, REVENUE AND STAFFING LIMITATIONS**

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

Section 1. Section 113.1 of the San Diego County Administrative Code is hereby amended to read as follows:

SEC. 113.1. GENERAL FUND BALANCES AND RESERVES.

(a) 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.

A portion of Unrestricted General Fund balance shall be maintained as a reserve (General Fund Reserve) at a minimum of two months of regular General Fund operating expenditures (which is the equivalent of 16.7% of regular General Fund operating expenditures). 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:

- (1) An unanticipated revenue shortfall or expenditure increase where total expenditures exceeds total revenues.
- (2) A legally declared emergency as defined in Government Code Section 29127.
- (3) 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).
- (4) To help mitigate risk due to maintaining aging infrastructure including capital improvements, new construction, or other recommendations made by the CAO.
- (5) 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 Unrestricted General Fund balance is available in excess of General Fund Reserve minimum balance, the CAO or any Supervisor may recommend the appropriation or specific designation 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.

(b) Available Unrestricted General Fund balance in excess of the General Fund Reserve minimum upon the effective date of the ordinance adding this subdivision shall be known as the “Unlocked Reserves”.

(1) Appropriation of the Unlocked Reserves requires at least one of the following criteria to be met:

- (A) A reduction in total federal or total state revenue allocations to the County from the prior fiscal year.
- (B) Mitigation of local impacts of a recession as recognized by either: (i) two consecutive quarters of negative national gross domestic product growth as reported by the U.S. Bureau of Economic Analysis or, (ii) a determination of a national recession by the National Bureau of Economic Research.
- (C) Funding for time-sensitive operational expenditures as recommended by the CAO through the budget process in alignment with the County’s Strategic Plan.
- (D) Funding for additional reserve minimum requirements as needed and as recommended by the CAO.

(2) No more than twenty five percent (25%) of the Unlocked Reserves, as calculated at the time this subdivision becomes effective, may be appropriated in any single fiscal year.

(3) This subdivision shall not restrict use of Unrestricted General Fund balance recognized in the 2025-26 or subsequent fiscal years.

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 a newspaper of general circulation published in the County of San Diego.

APPROVED AS TO FORM AND LEGALITY
Claudia G. Silva, County Counsel
BY: Walter de Lorrell III, Chief Deputy County Counsel