Fiscal Year 2010-2011 Budget Principles

County of Santa Barbara

County Executive Office

Budget Principles

- Reviewed and approved annually by the Board
- Designed to enable Department Directors to develop and request a targeted budget
- Facilitate the CEO to recommend a balanced budget to the Board
- Provide a policy framework to allow the Board to adopt a Fiscal Year 2010-11 budget

Development Centered On Three Key Areas

I. Policy Environment – Fiscal realities drive budget policy

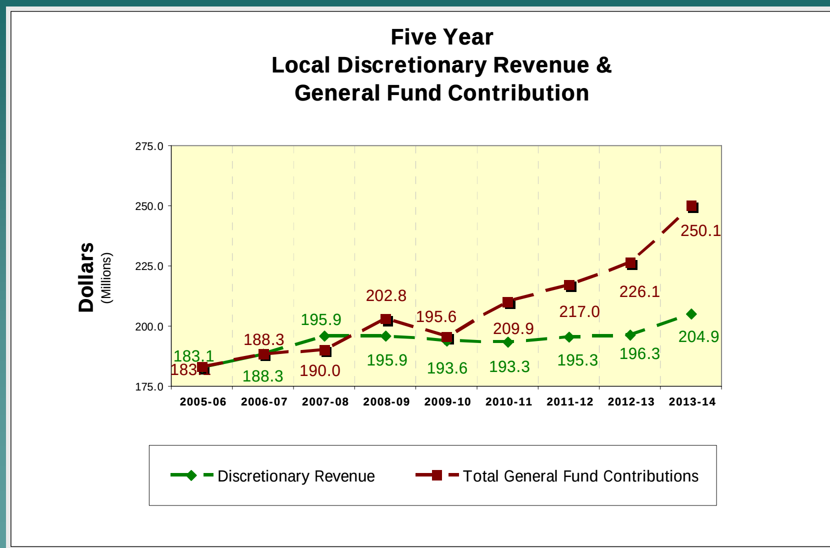
II. Principles Development – Framework and Countywide collaboration

III. Budget Adoption – Incremental approach

I. Policy Environment

- $60 billion State budget gap closed
  - Largest state had ever faced
  - By comparison, State GF is $84.6 billion in FY 2009-10
- State borrowed $1.9 billion from local agencies through Prop 1A Suspension
  - Represents $16 million funding loss to County
  - Anticipated mitigation via Board adoption of Prop 1A Securitization Program
- State budget crisis not resolved
  - Since 1978, 19 of the 32 State budgets have spent more than the State took in from taxes
  - Over $200 billion in outstanding State liabilities
- Counties across the state facing significant budget gaps in FY 2010-11
  - SLO: $24 million
  - Monterey: $23.5 million
  - Contra Costa: $27-$35 million
  - San Mateo: $100 million

Budget Gap



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FY 10-11 Gap Detail ($ millions)

Expenditure Projection		
Salary & Benefit Increases		
Salaries	$	3.8
Equities/Market		0.4
Health		0.3
Retirement		4.6
OPEB		0.2
Other Changes		
Fire Department Level of Service		1.1
Social Services Mandate Match		4.6
MOE & Base GFC to Non-GF Departments		0.5
Contribution to Designations		(1.3)
Total Expenditure Change from FY 2009-10		14.3
Revenue Projection		
Secured Property Tax		-
Unsecured & Unitary Property Tax		0.1
Supplemental Property Tax		(0.1)
Property Transfer Taxes		-
Retail Sales Tax		(0.4)
Transient Occupancy Tax		0.1
Property Tax In Lieu of MVL Fees		-
Franchise Fees		-
Interest Earnings		-
Other Revenue		0.1
Total Revenue Change from FY 2009-10		(0.3)
FY 2010-11 Projected Deficit		
Total Revenue Change Less Total Expenditure Change		(14.6)
Structural Deficit Carryover		(2.0)
Total Deficit to Be Solved in FY 2010-11	**$**	**(16.6)**

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II. Principles Development

- Sets a needed framework to create a sustainable balanced budget
- Preserves core service levels as professionally requested and recommended by Department Directors and CEO
- Developed with an approach of blending ongoing reductions with use of one-time funds to reduce the impact of "cliffs"
- Contains revenue and fee cost recovery and ISF rate control
- Entity wide group effort

III. Budget Adoption – Incremental Approach

- **October - Principles**: direct and guide staff through the budget process
- **December - Kickoff**: Budget Kickoff to introduce the new budget instructions, rates, and changes to all departments
- **January-February - Assemble professional requests:** CEO assembles funding packages that go into the CEO's Recommended Budget
- **February-March - Budget workshops:** CEO presents departmental budget requests and provides Board updated forecast where details are provided and inquires are researched
- **April-May - Develop recommendation**: CEO takes final funding requests and publishes the Recommended Budget
- **June - Board adoption**: CEO presents budget to Board over a series of hearings where inquiries are researched and public comment is received, resulting in the adoption

FY 2010-11 Budget Principles

1. **Balanced Budget:** The County Executive Officer shall present a balanced budget for all County operating funds, on an annual basis, to the Board of Supervisors for scheduled public hearings in June of each year.
2. **Target-based Budgeting:** The County Executive Officer shall develop and distribute target allocations to departments.
3. **Human Capital:** The County Executive Officer shall review and recommend appropriate levels of staffing for the organization.
4. **Budget Expansion Requests:** The County Executive Officer shall compile a list of department expansion requests and recommend as appropriate.
5. **Revenue and Cost Recovery:** The County Executive Officer shall analyze and determine revenue and cost recovery levels to the fullest extent feasible to offset recommended appropriations.
6. **Reserves and Designations:** The County Executive Officer shall recommend appropriate reserves and designations.
7. **Performance Measurement:** The County shall practice performance-based budgeting.
8. **Countywide Vision:** The County Executive Officer shall develop a recommended budget that considers Countywide impacts.

Recommended Action

- It is recommended that the Board of Supervisors adopt budget principles for use in developing the Fiscal Year 2010-11 operating budget.