



**BOARD OF SUPERVISORS
AGENDA LETTER**

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: County Executive Office
Department No.: 012
For Agenda Of: December 4, 2018
Placement: Administrative
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Director(s)
Mona Miyasato, County Executive Officer
Contact Info: Jeff Frapwell, Budget Director

SUBJECT: **FY 2019-20 Budget Development Guidelines**

County Counsel Concurrence

As to form: N/A

Other Concurrence: N/A

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

That the Board of Supervisors:

- a) Adopt the Fiscal Year 2019-20 Budget Development Guidelines (Attachment A), receive staff comments and provide direction as appropriate; and
- b) Determine pursuant to CEQA Guidelines §15378 that the above activity is not a project under the California Environmental Quality Act.

Summary

The Budget Development Guidelines serve as guiding principles for staff to use when developing the upcoming year's Recommended Budget. While the FY 2019-20 Budget Development Guidelines presented here are similar in many areas to the FY 2018-19 Guidelines, staff has drafted a variety of changes and additions that will further guide and focus the budget. Notable changes are listed below, and the guidelines are presented in full in Attachment A. Additionally, staff will be returning to the Board after the first of the new year for direction on how the Board wants to prioritize the allocation of certain discretionary funds, such as excess cannabis revenue and other limited-purpose revenue.

Policies

Salary Savings (Policy 3f) – This would create a requirement that Departments incorporate salary savings of no less than 3%, or their 5-year actual salary savings average, whichever is lower, in order to more efficiently allocate limited resources. The table below shows each Departments’ 5-year average for both budgeted salary savings and actual salary savings. It can be seen that in every case, actual salary savings exceeded budgeted savings, often by wide margins. This results in year-end surpluses that end up being fund balanced for future one-time purposes, when they could have been used for other purposes in the existing budget or to mitigate negative service level impacts within departments. Budgeting higher salary savings will give Departments greater flexibility in where to allocate their funds. This policy will be revisited every year to ensure the required percentage remains reasonable.

	5-Year Average Budgeted Salary Savings	5-Year Average Actual Salary Savings	5-Year Average Variance Btw Budget & Actual	18-19 Adopted FTE
044 -- Social Services	-5.2%	-9.4%	-4.1%	741.50
032 -- Sheriff	-1.3%	-5.4%	-4.0%	714.00
041 -- Public Health	-3.4%	-5.9%	-2.5%	529.00
043 -- Behavioral Wellness	-3.0%	-19.2%	-16.2%	387.50
022 -- Probation	-2.9%	-5.4%	-2.6%	329.00
054 -- Public Works	0.0%	-8.6%	-8.6%	281.25
031 -- Fire	0.0%	-4.4%	-4.4%	261.00
021 -- District Attorney	-1.3%	-2.8%	-1.5%	133.00
063 -- General Services	-1.4%	-8.0%	-6.6%	117.50
062 -- Clerk-Recorder-Assessor	-0.3%	-8.1%	-7.7%	99.50
053 -- Planning & Development	0.0%	-8.4%	-8.4%	98.00
057 -- Community Services	0.1%	-8.8%	-8.9%	84.50
045 -- Child Support Services	-3.4%	-4.9%	-1.6%	68.75
023 -- Public Defender	-2.8%	-4.4%	-1.6%	64.00
061 -- Auditor-Controller	-0.5%	-7.6%	-7.1%	48.50
065 -- Treasurer-Tax Collector-Public	0.0%	-6.3%	-6.3%	43.50
013 -- County Counsel	-1.7%	-2.6%	-0.8%	42.00
051 -- Agricultural Commissioner/W&M	-0.4%	-7.5%	-7.1%	37.00
012 -- County Executive Office	-0.5%	-7.2%	-6.7%	35.00
064 -- Human Resources	-1.1%	-9.5%	-8.3%	25.25
011 -- Board of Supervisors	0.0%	-3.4%	-3.4%	20.00
994 -- First 5, Children & Families	0.0%	-3.0%	-3.0%	10.00

There are many explanations for what drives a Department’s actual salary savings, including higher than anticipated turnover, delays in the hiring process, difficulties finding qualified candidates, and planning on the part of a Department to maintain vacancies to help manage unforeseen costs or anticipated budget shortfalls.

Strategic Reserve (Policy 5a) – In FY 2017-18, due to significant budget challenges, the Board directed staff to suspend the annual contribution to the Strategic Reserve. The policy suspending contributions was continued in FY 2018-19 budget development, although by the time the FY 2018-19 budget was adopted, one-time funds totaling \$5.9 million were identified to partially replenish withdrawals taken out for disaster costs. In FY 2019-20, the policy returns to recommending a minimum \$1 million contribution to the Strategic Reserve.

Prioritization of Capital Projects (Policy 7d) – This policy clarifies, explains, and reaffirms prioritization principles for making funding decisions on capital improvement projects. It uses criteria from the Government Finance Officers Association to create four priority levels. These are:

- **Priority I: Imperative (Must-do)** – Projects that cannot reasonably be postponed in order to avoid harmful or otherwise undesirable consequence. These projects correct a condition dangerous to public health or safety, satisfy a legal obligation, alleviate an emergency service disruption or deficiency, and prevent irreparable damage to a valuable public facility.
- **Priority II: Essential (Should-do)** – Projects that address clearly demonstrated needs or objectives. These projects rehabilitate or replace an obsolete public facility or attachment thereto, stimulate economic growth and private capital investment, reduce future operating and maintenance costs, and leverage available state or federal funding.
- **Priority III: Important (Could-do)** – Projects that benefit the community but may be delayed without detrimental effects to basic services. These projects provide a new or expanded level of service, promote intergovernmental cooperation, reduce energy consumption, or enhance cultural or natural resources.
- **Priority IV: Desirable (Other Year)** – Desirable projects that are not included within five-year program because of funding limitations.

All capital improvement projects will be given a priority ranking, which will inform the selection of projects to be funded when funding becomes available.

General Fund Contribution (GFC) Allocation (Policy 2b) – This change returns the GFC allocation policy to the historic practice of increasing a Department’s prior year GFC by an amount equal to a predetermined portion of the estimated increase in their salary and benefit costs. In FYs 2017-18 and 2018-19, initial GFC allocations were either held flat or reduced, in order to create a pool of funds to help address urgent fiscal issues. Current projections for FY 2019-20 show the County in a more stable fiscal position that allows the resumption of the historical GFC allocation practice. This means that growth in discretionary revenue will be largely allocated to Departments, limiting flexibility for expansion requests.

Attachments

Attachment A: FY 2019-20 Budget Development Guidelines & General Fund Allocation Policy

Attachment B: Tracked Changes – FY 2019-20 Budget Development Guidelines & General Fund Allocation Policy

Authored by:

Paul Clementi, Principal Analyst