



# Budget Process and Policies

For Development of the FYs 2015-17 Operating Plans

October 21, 2014

# Hearing Agenda

- Receive Budget Development Process
- Adopt Budget Development Policies (#1-8)
  - (#4) Identify & Mitigate Fiscal Risks
    - e) Contingency for behavioral health inpatient beds (**New**)
  - (#5) Strategic Reserve (**Modified**)
  - (#7) Capital and Infrastructure (**New**)
- Adopt General Fund Allocation Policy
  - Structural Imbalances (**Modified**)

# Budget Development Updates

- Goal: Establish Board direction through policies & relay information to Board/Public as it becomes available.
- Means: Accomplished through a series of Budget Development Updates.
- Result: Communication of facts & issues to allow for informed deliberations

# Budget Development Updates

#	Date	<u>Proposed Items Presented to the Board of Supervisors</u>
1.	10/21/2014	Budget Calendar, Budget Development and GF Allocation Policies and supporting Policy Briefs
2.	12/2/2014	Fiscal Outlook Report & Five-Year Forecast
3.	3/17/2015	Budget Update (Fiscal Issues and Service Level Reductions)
4.	4/6 - 4/10/2015	Budget Workshops (6th, 8th and 10th)
5.	5/5/2015	Capital Improvement Program
	5/7/2015	FY's 2015-17 Operating Plan distribution and posting
6.	6/8 - 6/12/2015	Budget Hearings (8th, 10th and 12th)

# Budget Development Policies

- 1) Accountability / Transparency
- 2) Policy-Based Budgeting
- 3) Balanced Budget / Fiscal Stability
- 4) Identify & Mitigate Fiscal Risks
- 5) Reserves
- 6) Service Levels
- 7) Capital & Infrastructure
- 8) Employee Retention

# Budget Development Policies

- 4) Identify & Mitigate Fiscal Risks
  - a) North County New Jail Operating Fund
  - b) OPEB
  - c) Workers Compensation
  - d) Health Insurance
  - e) ADMHS – Behavioral Health Inpatient Bed Contingency

# Reserves (#5)

## 5) Reserves (Modified)

- Strategic Reserve - 8% of GF Operating Revenue
  - **Once the target is achieved, any excess fiscal year-end unassigned General Funds will lapse to the Residual Fund Balance account for future Board appropriation.**
- \$1.0M minimum annually to Strategic Reserve
  - **Until target has been met**

# Status of Strategic Reserve (#5)

- **FY 2014-15 Adopted**
  - **General Fund Operating Revenue = \$354.1M**
  - **8% Target = \$28.3M**
  - **Adopted Budget = \$29.6M**
- **Policy Change**
  - **Target = \$28.3M, and \$1.3M would remain in Unassigned Fund Balance account**



# Strategic Reserve Benchmark Counties

County	Fund Balance Policy	Strategic Reserve
Tulare	2 months	NA
<b><i>Santa Barbara</i></b>	<b><i>15.0%</i></b>	<b><i>8.0%</i></b>
Sonoma	5% - 15%	NA
San Luis Obispo	5.0% ≤ Balance ≤ 15.0%	NA
Solano	10.0%, \$20M ≤ Balance	Contingency 10%
Santa Cruz	7.0%	Annual Resolution
Placer	5.0%	NA
Monterey	NA	10.0%
Marin	NA	5.0%

# Capital Infrastructure Maintenance (#7c)

- Deferred Maintenance (DM) backlog growing
- Funding was static for several years
- One time funding recently added
- DM Backlog = \$197M (pavement, buildings, parks)
- \$341M (w/bridges, drainage, concrete)
- Need for increased ongoing funding
- Board directed development of Funding Plan

# Capital Infrastructure Maintenance (#7c)

## Maintenance Funding Plan

- 18% of the Unallocated Discretionary GF Revenues will go towards deferred maintenance, allocated to:
  - Public Works, General Services and Parks
  - Based on current identified needs and priorities
  - Funding will be allocated as part of the budget development process

# Capital Infrastructure Maintenance (#7c)

## **Definition: Unallocated Discretionary GF Revenues:**

County General Revenues (Prop. Taxes, Sales Taxes, TOT etc.)

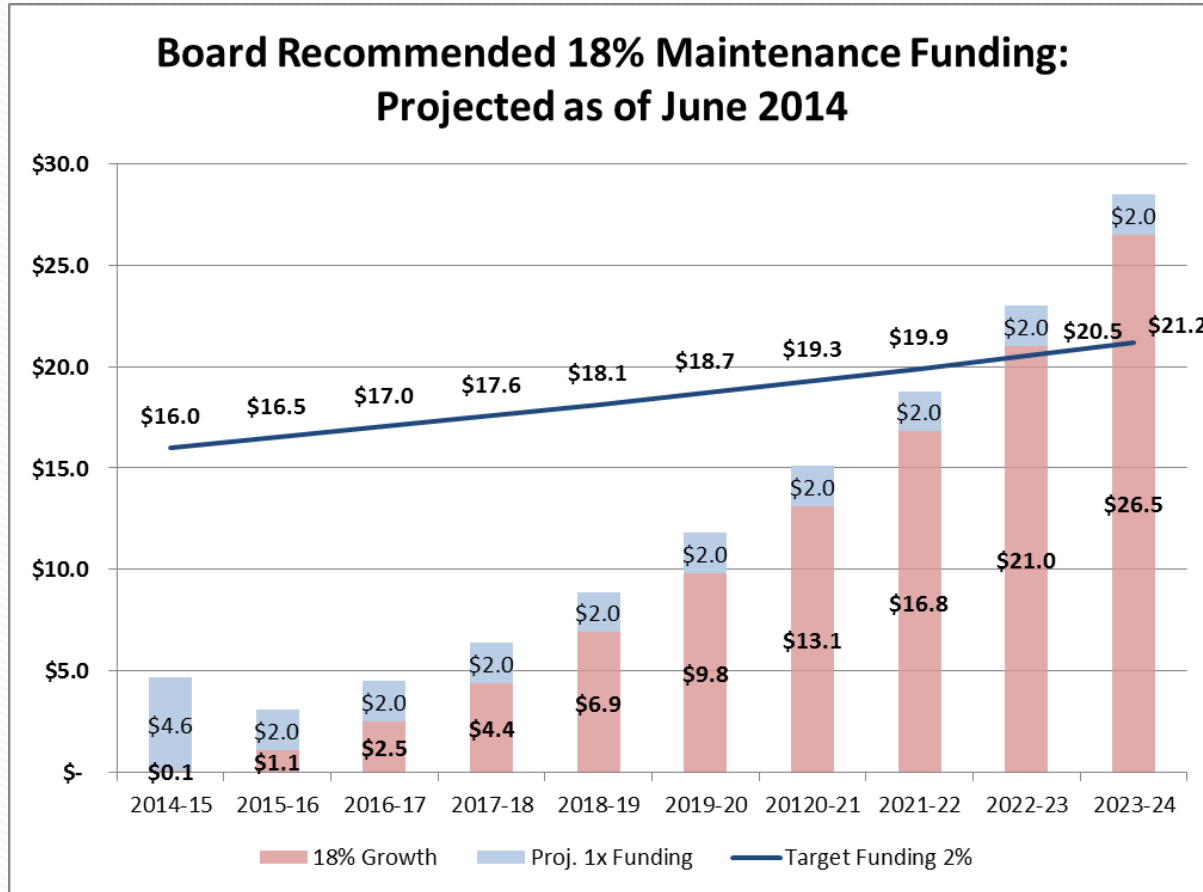
**Less:** Existing GF Contributions for departmental services & Board Adopted Budget Policies, such as:

- Proportional increased funding for changes to salaries and benefits
- Strategic reserve funding
- Roads, buildings & parks maintenance funding
- Contingency funding
- Northern Branch Jail Operations Funding

# Capital Infrastructure Maintenance (#7c)

Example of Unallocated Discretionary General Funds:		
Description	Recommended Budget	Notes
Discretionary GF Revenue	\$ 200,000,000	<i>Assume \$9M growth</i>
Existing Dept. GF Contributions	\$ (187,700,000)	<i>Policy Based</i>
Existing Contingency Contribution	\$ (500,000)	↓
Existing Roads Maintenance Funding	\$ (500,000)	
Existing Deferred Maintenance Funding	\$ (2,300,000)	
Increased GF Portion for Salaries & Benefits	\$ (3,000,000)	
Increased Strategic Reserve Funding	\$ (480,000)	
Increased Jail Funding	\$ (1,500,000)	
<b>Unallocated Disc. General Funds</b>	<b>\$ 4,020,000</b>	
18% (for Deferred Maintenance)	\$ 723,600	<i>Allocated per new policy</i>
<b>Balance Available for other needs</b>	<b>\$ 3,296,400</b>	

# Capital Infrastructure Maintenance (#7c)



# General Fund Allocation Policy

- GF Allocation Policy approved annually by the Board
- No proposed changes to Calculation section
- Two changes to the Process section:
  - CEO may recommend additional General Fund Contribution to address long standing departmental structural imbalances
  - Unallocated Discretionary General Fund Revenues (excess funds) will remain in the Residual Fund Balance account for future Board appropriation

# Recommended Actions:

- a) Receive and file the Fiscal Years 2015-17 Budget Development Calendar outlining the six Budget Development Updates.
- b) Receive and file the:
  - i. Strategic Reserve Funding Policy Brief and
  - ii. Maintenance Funding Policy Brief.
- c) Adopt the Budget Development Policies and General Fund Allocation Policy.