

PRINCIPLES FOR DEVELOPMENT OF THE FY 2006-07 BUDGET

(PROPOSED WITH AMENDMENTS IN BLUE)

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.

- a) Available funding sources available for appropriation, excluding undesignated fund balance, shall be at least equal to recommended appropriations. ~~funding uses.~~
- b) As a general rule, the year-end undesignated General Fund balance should not be used to fund on-going operations, but could be used to fund designations such as the Strategic Reserve and the General Fund Contingency.

2. **Budget Target Allocation**

- a) Each department's base General Fund contribution for FY 06-07 will be the adopted contribution for FY 05-06 reduced by Board adopted ongoing General Fund contribution reductions and one-time expenditures and revenues.
- b) To the base General Fund contribution amount will be added the proportional impact of approved COLAs, equity adjustments, and employee benefit increases not included in the adopted FY 05-06 amount. For example, if the COLA, equity, and benefit cost impacts total \$100, and the General Fund contribution makes up 30% of the department's funding sources, then the increase would be no more than \$30. Adjustments may be made for capped revenue amounts and 100% revenue offset expenditures. All General Fund contribution increases are subject to the availability of funds.
- c) For the District Attorney, Public Defender, Probation, Sheriff, and Parks departments, an amount of General Fund contribution equal to each department's proportionate loss of Proposition 172 (Public Safety Sales Tax) revenue due to the annual shift of 1.5% of Proposition 172 revenue to Fire, will be added to their General Fund contribution base amount beginning in FY 05-06 and continuing over a five year period.
- d) For departments receiving General Fund contribution amounts, no budget submission will be considered complete unless the requested General Fund contribution is equal to or less than the County Executive Office's approved budget target amount. Any requested amount over the County Executive Office's approved budget target amount will be submitted as a Budget Adjustment Request.

3. **Costs and Revenues**

- a) The full cost of county services will be calculated in all cases where fees are charged and/or service contracts (such as with cities or by one department to another) are negotiated.
 - i. For charges to outside agencies, such as cities, full cost includes cost allocation charges unless prohibited by law.
 - ii. For charges from County internal service funds and special revenue funds, full cost includes cost allocation charges.
 - iii. For other charges between County departments, full cost includes departmental overhead but does not include cost allocation charges.
- b) In all cases, unless precluded by law, contracts, or current Board policy, full costs shall be recovered. As with budget reductions or enhancements, a provider department shall inform and discuss cost calculation changes with user departments prior to budgeting the change.
- c) Departments are encouraged to identify new revenue sources and to develop proposals, which would generate new revenues, to pay for services provided to county residents and visitors.

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- d) Where not prohibited by law, departments must maximize the use of non-General Fund revenue, existing designations, and trust funds, before using General Fund contribution amounts to fund programs.

4. Discretionary Reserves and Designations

- a) The \$1.5 million annual strategic reserve contribution, provided to build a reserve approximately equal to 30 days working capital (\$25 million), will be continued if funds are available.
- b) The \$2 million designation for capital maintenance and repair, the \$500,000 for new capital projects, and the \$500,000 for roads/concrete repair will be continued, subject to review and prioritization during the budget process.

5. Performance Measures

Departments will continue to review, refine, and extend performance measures that measure the level/amount/unit cost of program services provided.

6. Budget Coordination

On any proposed budget adjustment (reduction or enhancement), the department proposing the change shall consider impacts on other departments, and discuss possible impacts with these departments, so that all positive and negative impacts can be considered before the reduction or enhancement is formally proposed to the County Executive Officer.