



Budget Process and Policies

For Development of the FYs 2016-18 Operating Plans

November 3, 2015



Hearing Agenda

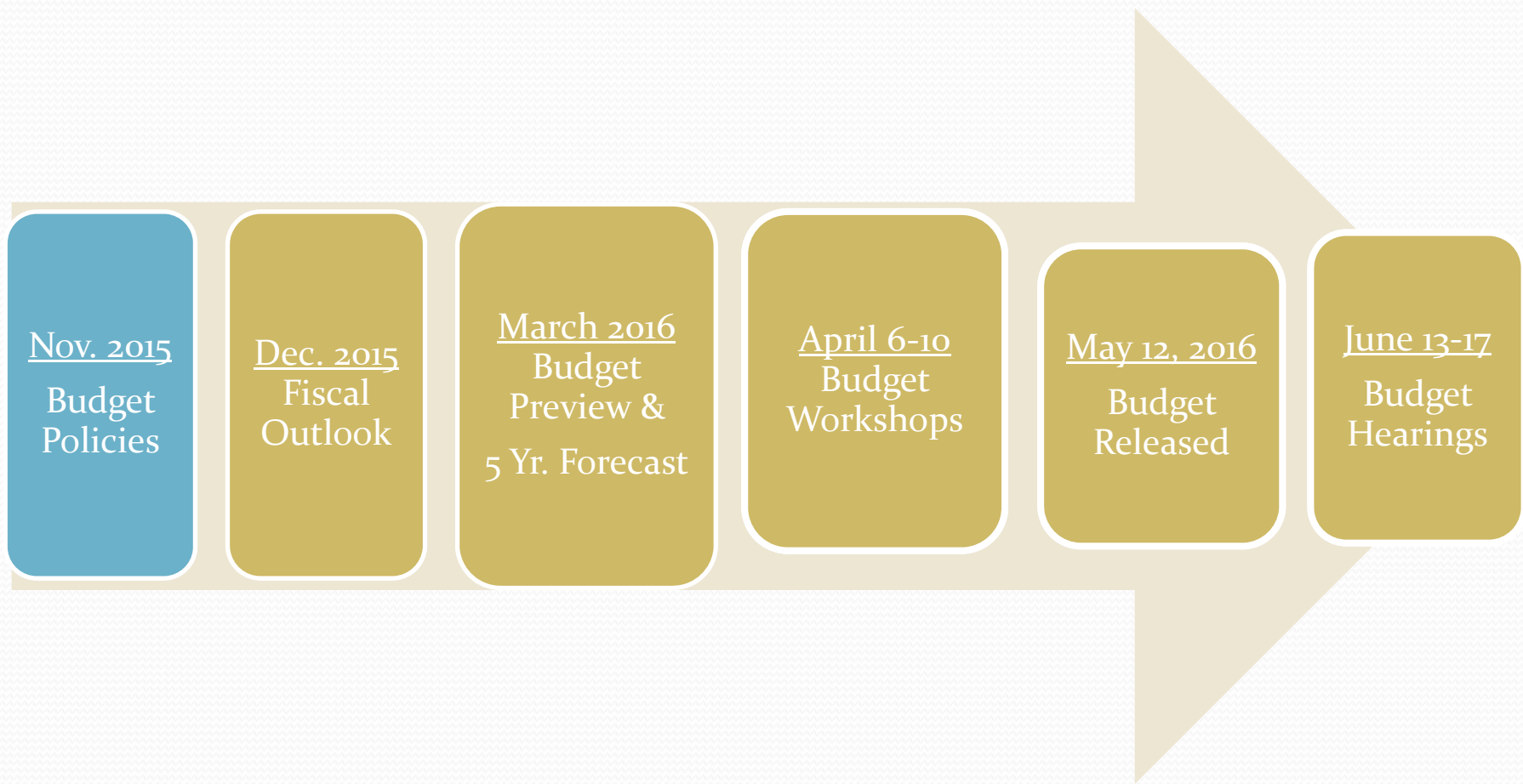
- Receive Update on Budget Development Process and Budget Development calendar
- Adopt Budget Development Policies (#1-8, no substantive changes to policies, updated strategies)
- Adopt General Fund Allocation Policy (no substantive changes)



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



Budget Development Policies

No Change to Policies; Strategies Updated

- 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 (Specific strategies below)
 - a) North County New Jail Operating Fund (no change to plan)
 - Consistent w/funding plan in the FY 2015-16 Recommended Budget
 - General Fund Contribution increasing to \$7.6 M in FY 2016-17
 - b) OPEB (no change to plan)
 - FY 2016-17 OPEB funding rate is again increasing by 0.25%
 - Approximately \$800,000 increase
 - New OPEB rate will be 4.0% of covered payroll
 - OPEB funding currently being reviewed by Actuary; report to follow



Budget Development Policies

4) Identify & Mitigate Fiscal Risks

c) Workers Compensation

- Tail Claim Recovery Plan is ahead of schedule
- Current insurance premium rates increasing
 - Frequency of claims is down
 - Severity of claims is up (will be detailed in Fiscal Outlook Report)



Budget Development Policies

4) Identify & Mitigate Fiscal Risks

d) Health Insurance

- Health insurance costs continue to rise at a significant rate.
- Cost control efforts will continue
- Will be examined in Fiscal Outlook Report



Budget Development Policies

4) Identify & Mitigate Fiscal Risks

e) ADMHS – Behavioral Health Inpatient Bed Contingency

- A fund balance of \$1 million for inpatient bed was established last year. No change to policy.



Reserves (#5)

- 5) Reserves (no significant change from last yr.)
 - Strategic Reserve - 8% of GF Operating Revenue
 - Once the target is achieved, any excess fiscal year-end unassigned General Funds will lapse to the Unassigned Fund Balance account for future Board appropriation.
 - \$1.0M minimum annually to Strategic Reserve until target is met
 - Target has been achieved for FY 2015-16 Adopted Budget



Status of Strategic Reserve (#5)

- FY 2015-16 Adopted
 - General Fund Operating Revenue = \$373.5M
 - 8% Target = \$29.9M
 - Current Strategic Reserve Balance \$29.9M



General Fund Allocation Policy

- GF Allocation Policy approved annually by the Board, last approved October 2014.
- No proposed changes to Calculation section
- No Proposed changes to the Process section



Review of Authorized/Unfunded Positions & Use of Salary and Other Dept. Savings

- Staff reviewed current Unfunded Positions process; will enhance reporting and monitoring of unfunded positions.
- Current Policies and Procedures for re-appropriation of departmental object level savings reviewed, no changes recommended.



Recommended Actions:

- a. Receive and file the Fiscal Years 2016-18 Budget Development Calendar outlining the six Budget Development Updates.
- b. Adopt the Budget Development Policies and
- c. Adopt the General Fund Allocation Policy.
- d. Determine pursuant to CEQA Guidelines §15378 that the above activities are not a project under the California Environmental Quality Act.