

FISCAL YEARS 2014 – 2016 OPERATING PLAN

BUDGET DEVELOPMENT POLICIES

Building a More Accountable Government

Policy Statement	Fiscal Strategies
1) Accountability / Transparency	
Information about how public monies are spent and the outcomes they achieve are to be clear, transparent and understandable.	<ul style="list-style-type: none"> a) Budget information will include recommended expenditures by category and program. Sources of revenue will be identified as well as staffing trends. b) Maintain consistent oversight of spending, contracts and grants through financial and program monitoring
2) Policy-Based Budgeting	
Allocations from the General Fund to departments will be distributed according to Board policy direction, historical spending and Federal/State mandates.	<ul style="list-style-type: none"> a) Allocate resources in a manner that supports Board strategic and programmatic goals without across-the-board cuts or increases.
3) Balanced Budget / Fiscal Stability	
A structurally balanced budget (ongoing revenues equal to ongoing expenditures) for all County operating funds will be presented to the Board of Supervisors for scheduled public hearings.	<ul style="list-style-type: none"> a) Fund ongoing operations with ongoing revenue. Onetime revenues should be dedicated for onetime expenditures. The use of onetime funds may be permitted to ease the transition to downsized or reorganized operations, but strongly discouraged. b) Recommend organization-wide cost-saving strategies such as mandate relief, reorganizations, consolidations, reengineering, public-private partnerships, information technology innovations and other efficiency efforts. c) Enhance revenue through efforts that stimulate economic vitality which will result in an increased tax base. d) Ensure appropriate maximum reimbursement of Federal and State programs and user fees that fully offset service costs as allowed by law. e) Program increase requests are strongly discouraged. All requests must fully document the need and new ongoing funding source.

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4) Identify and Mitigate Fiscal Risks	
The County Executive Office, in coordination with County Departments, will identify fiscal issues, events and circumstances which pose significant risks and reduce the impact of those risks.	<p>a) <u>Future New Jail Operations</u> – Consistent with the funding plan presented at the June 2013 Budget Hearings, a General Fund contribution of \$4.6 million will be recommended for future jail operations in the FY 2014-15 budget. Additionally, an ongoing request to increase this allocation each fiscal year will be recommended, until such time as the annual jail operations funding equals the incremental annual operating cost of the new facility.</p> <p>b) <u>Retirement</u> - It is anticipated that retirement costs will increase as the assumed rate of return decreases in the coming years. The FY 2013-15 Operating Plan assumed a 0.25% decrease in the assumed rate of return, which resulted in an approximate 5% increase in retirement costs (as a percentage of covered payroll).</p> <p>c) <u>Other Post-Employment Benefits (OPEB)</u> - OPEB costs have been funded on a “pay as you go method” and funding needs are expected to increase in the coming years. The FY 2014-15 OPEB funding is proposed to increase by 0.25% of covered payroll (approximately \$750,000), bringing the total OPEB rate to 3.5% of covered payroll.</p> <p>d) <u>Workers’ Compensation Costs</u> – To counter rising Workers’ Compensation costs, a strategy to spread these increases over a fixed seven year period was implemented in FY 2012-13 and will continue until FY 2018-19.</p> <p>e) <u>Employee Health Insurance Costs</u> – Health insurance costs continue to rise each year; however, internal efforts to reduce costs, such as on-site health clinics and participation in California State Association of Counties’ (CSAC’s) Excess Insurance Authority pooled risk insurance program appear to be working and will be continued.</p> <p>f) <u>Fire Operations</u> – Operating costs for the Fire Department have been rising faster than revenues for the past several years. In 2012, the Board authorized a tax shift whereby the Fire Department was allocated 25% of the County’s growth in property taxes until their portion equals 17% of property taxes within its boundaries. It is expected that this tax shift will enable the Fire Department to meet its capital and operational needs in the coming years; however, their financial condition will need to be monitored as their revenues gradually increase.</p> <p>g) <u>Alcohol, Drug and Mental Health Services (ADMHS) Operations</u> - For many years, the funding of mental health services, including funding of audit settlements, was inadequate and additional General Fund Contributions have been required. \$1 million per year will be added to the audit exception reserve to set aside funds for audit settlements until such time as audit liabilities are fully funded.</p>

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5) Reserves	
Establish and maintain a strategic reserve equal to 8% of the General Fund operating revenue (approximately 30 days working capital). Once the target is achieved, any excess, unassigned General Funds will lapse to the Program Restoration committed fund balance account for future Board appropriation.	a) A minimum \$1 million annual strategic reserve contribution will be recommended, until the Strategic Reserve target has been met.

Focusing on Service to Customers

Policy Statement	Fiscal Strategies
6) Service Levels	
Service level impacts, positive or negative will be identified in departmental budget requests and communicated to the public.	a) Each recommended departmental budget will identify the major programs, services and outcomes for each department. Significant service level impacts will be detailed and presented to the Board prior to Budget Hearings.
7) Capital and Infrastructure	
Provide funding for necessary capital improvements and maintenance of existing facilities (deferred, preventative and predictive maintenance).	<p>a) Capital Plans will identify necessary capital improvements and maintenance needs. Prioritization and funding strategies will be developed to address these needs through a Facilities Condition Assessment and Maintenance Management and Preservation Plans.</p> <p>b) A minimum of \$3.0 million will be recommended for capital improvements and infrastructure maintenance. This contribution will be adjusted based on the plan developed in 7a.</p>
8) Employee Retention (NEW)	
Attract, retain and develop a high performing workforce committed to excellent customer service.	<p>a) Design future compensation and benefits strategies to ensure Santa Barbara County employees are fairly and adequately compensated in alignment with their job markets.</p> <p>b) Implement a Countywide Wellness Productivity Program, Respect in the Workplace Policy and annual strategies to increase employee engagement potential.</p> <p>c) Continue to provide training and development programs designed to develop skills, competencies, and leadership potential.</p>