

# BUDGET PRINCIPLES FOR DEVELOPING THE FY 2008-2009 OPERATING PLAN

## 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 shall be at least equal to recommended appropriations.
- b) As a general rule, the year-end undesignated General Fund balance should not be used to fund ongoing 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 08-09 will be the adopted contribution for FY 07-08 reduced by Board adopted one-time expenditures and revenues.
- b) To the base General Fund contribution an amount will be added which is equal to the proportional impact of approved COLAs, equity adjustments, and employee benefit increases excluding retirement cost increases not included in the adopted FY 07-08 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. 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) Due to the County's current and projected financial condition, departments will receive no General Fund contribution increases for retirement rate cost increases for FY 08-09 over the prior projected amount. Departments shall document in their budget request the reductions required to offset these retirement cost increases.
- e) Due to a projected further decline in FY 08-09 property tax increases, departments shall submit their target budget plus a budget reflecting a 5% reduction in General Fund contribution. These specific reductions and their impacts are to be documented in each budget request.
- f) 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 (Expansion) Request.

## 3. **Positions**

- a) Requests for new legal positions that would result in an increase to the total number of adopted full-time equivalent budgeted positions authorized for a department or for new additional contractors on payroll, must be submitted as budget expansion requests regardless of their funding source.
- b) The only exception to this request would be a new position to fill a city contract where the city is paying 100% of billable costs.
- c) To offset workload increases that would otherwise trigger a need for additional staff, departments are encouraged to: 1) use automation investments that allow customer self-service, 2) reduce existing support or overhead positions and replace these with front line service delivery positions, and 3) explore sharing like resources among departments with similar functions.

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- d) In the light of decreasing property tax growth, it is prudent to reduce the number of FTEs from the FY 2007-08 adopted level. Accordingly, departments shall budget 50% of vacant funded FTE's (not positions) at the time of preparation of the FY 2008-09 budget.

## 4. Budget Expansion Requests

- a) While there is no guarantee that any expansion request will be recommended, expansion requests can be requested for the following: 1) any new position as defined above, 2) new programs or initiatives that address Critical Issues, 3) the substitution of General Fund resources for revenues lost due to grant termination or other revenue loss not associated with fees or charges for services, and 4) additional resources needed due to workload increases in existing programs.
- b) While Government Code 29080 allows Department Heads the opportunity to present requests to fund expansions during Budget Hearings, departments are encouraged to refrain from appealing requests not recommended by the CEO.

## 5. Costs and Revenues

- a) The full cost of county services shall 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 to cover operating costs.
  - 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.
- d) Where not prohibited by law, departments must use non-General Fund revenue, existing designations, and agency funds, before using General Fund contribution amounts to fund programs. Unanticipated revenue should be used to reduce the department's General Fund contribution for the fiscal year except where prohibited by law. Within the context of meeting the need of countywide appropriation requirements, the CEO will accept and review a department's proposed one-time use of any unanticipated revenue.

## 6. Discretionary Reserves and Designations

- a) The \$1 million annual strategic reserve contribution, provided to build a reserve approximately equal to 30 days working capital, 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.

## 7. Performance Measurement

Departments shall review, refine, and extend performance measures at the program cost center, sub-division, division and department level. Other elements of performance measurement include:

- a) Installation and use of Advanced Management of Performance and Projects (AMPP) software.
- b) Review of the 2006 Resident Survey for potential new customer service performance measures.

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- c) Review of the 2007 ICMA performance measure templates for functional area performance measures reporting.
- d) Installation and use of the Leadership Project's new Employee Performance Reviews for executives and managers.
- e) Use of the Project Reporting System to report all projects (as defined in Project Reporting System guidelines), and presenting any proposed project (other than discretionary land use permits) to the CEO for initial review prior to initiation beyond the problem analysis phase.

### **8. 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.