

ATTACHMENT 1

BUDGET PRINCIPLES FOR DEVELOPING THE FISCAL YEAR 2010 - 2011 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.
- 2 **Target-based Budgeting:** The County Executive Officer shall develop and distribute target allocations to departments.
- 3 **Human Capital:** The County Executive Officer shall review and recommend appropriate levels of staffing for the organization.
- 4 **Budget Expansion Requests:** The County Executive Officer shall compile a list of department expansion requests and recommend as appropriate.
- 5 **Revenue and Cost Recovery:** The County Executive Officer shall analyze and determine revenue and cost recovery levels to the fullest extent feasible to offset recommended appropriations.
- 6 **Reserves and Designations:** The County Executive Officer shall recommend appropriate reserves and designations.
- 7 **Performance Measurement:** The County shall practice performance-based budgeting.
- 8 **Countywide Vision:** The County Executive Officer shall develop a recommended budget that considers Countywide impacts.

BUDGET PRINCIPLES FOR DEVELOPING THE FISCAL YEAR 2010 - 2011 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) Year-end undesignated fund balance should not be used to fund ongoing operations, but may be used to fund designations such as strategic reserves.
 - c) Use of one-time designation or year end balances for ongoing operations in Fiscal Year 2009-2010 will be considered one-time appropriations and not part of the Fiscal Year 2010-2011 base budget.
 - i) The CEO will review and recommend department requests to use designations or other one-time sources in order to mitigate critical service level reductions created by the use of one-time funds (cliffs) within the Fiscal Year 2009-2010 budget.
 - d) Special Revenue funds shall reduce service levels as necessary to maintain fund balances consistent with best practices for stabilization and protection against revenue declines or expenditure increases.
 - e) Where not prohibited by law, departments must use non-General Fund revenue, existing designations, special revenue funds and agency funds, before using General Fund Contribution amounts to fund programs and anticipated liabilities. Except where prohibited by law, unanticipated revenue should be used to reduce the department's General Fund Contribution rather than reducing the dollar amount of designation releases.

- 2 **Target-based Budgeting:** The County Executive Officer shall develop and distribute target allocations to departments.
 - a) Each department's base General Fund Contribution for Fiscal Year 2010-2011 will be the adopted Contribution for Fiscal Year 2009-2010 reduced by Board adopted one-time revenues and expenditures. All General Fund Contribution increases are subject to the availability of funds.
 - b) The base General Fund Contribution will be adjusted by an amount equal to the proportional impact of approved COLAs, equity adjustments, and employee benefit increases excluding retirement cost increases not included in the adopted Fiscal Year 2009-2010 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.
 - i) Due to the County's current and projected financial condition, the base General Fund Contribution will be further increased by an amount equal to the proportional impact of retirement plan cost increases; up to 5%, not included in the adopted Fiscal Year 2009-2010 amount.
 - c) Due to projected further State Budget Impacts, increased expenditures, and flat local discretionary Fiscal Year 2010-2011 revenues, departments shall submit their target budget reflecting 93% of their starting General Fund Contribution allocation as calculated in sub-sections (a) through (b).

BUDGET PRINCIPLES FOR DEVELOPING THE FISCAL YEAR 2010 - 2011 OPERATING PLAN

- d) In the event that projected revenues do not meet the General Fund Contribution allocation, the allocation will be reduced proportionally as needed to meet the available discretionary General Fund revenue.
- e) When submitted budgets reflect material service level reductions from Fiscal Year 2009-2010 levels, departments shall document service level impacts by program in order of severity from least to most harmful as defined by the Department Director, while identifying performance measures and mandate levels.
- f) 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 Human Capital: The County Executive Officer shall review and recommend appropriate levels of staffing for the organization.

- a) Requests for new legal positions that would result in an increase to the total number of adopted full-time equivalent budgeted positions or for new additional contractors on payroll must be submitted as budget expansion requests, identifying new ongoing funding sources.
- b) 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, 3) explore sharing like resources among departments with similar functions, and 4) consider consolidation of services and personnel across departments for greater efficiency and reduced costs.

4 Budget Expansion Requests: The County Executive Officer shall compile a list of department expansion requests and recommend as appropriate.

- a) Expansion requests can be requested for the following: 1) any new position as defined in section 3(a) 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, 4) restoration of existing programs that were unfunded, or 5) additional resources needed due to workload increases in existing programs.
- b) While Government Code 29080 allows Department Directors the opportunity to present requests to fund expansions during Budget Hearings, departments are encouraged to refrain from requesting budget expansions not included in the recommended budget.

5 Revenue and Cost Recovery: The County Executive Officer shall analyze and determine revenue and cost recovery levels to the fullest extent feasible to offset recommended appropriations.

- 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.

BUDGET PRINCIPLES FOR DEVELOPING THE FISCAL YEAR 2010 - 2011 OPERATING PLAN

- 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) Fee adjustments to take effect in FY 2010-11 shall be submitted as required per Board policy and for Board adoption prior to the Budget Hearings in accordance with the CEO budget submission timeline.
 - d) Departments are expected to manage their fee rates and bring them to the Board of Supervisors on at least a biennial basis for updates.
 - e) Departments are encouraged to identify new revenue sources and develop proposals that would generate new revenues to pay for services provided to county residents and visitors.

6 Reserves and Designations: The County Executive Officer shall recommend appropriate reserves and designations.

- a) The \$1 million annual strategic reserve contribution, provided to build a reserve equal to 30 days working capital (approximately \$34 million), will be continued if funds are available and may be reduced to maintain core service levels.
- b) The \$3 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.
- c) Requested budgets should reflect a designation balance sufficient to mitigate expected audit settlement liabilities.

7 Performance Measurement: The County shall practice performance-based budgeting.

- a) 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:
 - Use of the County's performance measure software.
 - Review of the 2008 ICMA performance measure templates for those areas having functional area performance measures reporting.
 - 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.

BUDGET PRINCIPLES FOR DEVELOPING THE FISCAL YEAR 2010 - 2011 OPERATING PLAN

- b) Performance measures should be utilized for programmatic cost center management and shall reflect each major cost center's performance, what the cost center has accomplished and what the target performance is for FY 2010-2011 given the recommended appropriation and staffing levels.

8 Countywide Vision: The County Executive Officer shall develop a recommended budget that considers Countywide impacts.

- a) 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.
- b) Reduce rates charged to departments from the Internal Service Funds to the extent fiscally prudent in order to mitigate departmental budget gaps.
- c) Departments shall utilize centralized services such as, but not limited to, the information technology department, human resources shared services, and centralized financial and fiscal services to achieve efficiencies and countywide cost savings.