



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: CEO & Auditor-
Controller
Department No.: 012 & 061
For Agenda Of: 11/03/2015
Placement: Departmental
Estimated Tme: 30 Minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department: Mona Miyasato, County Executive Officer
Director(s): Robert Geis, CPA, Auditor-Controller
Contact Info: Tom Alvarez, 568-3432
Betsy Schaffer, 568-2134
SUBJECT: **FY 2016-18 Budget Process, Budget Development Policies, General Fund
Allocation Policies and Supporting Policy Briefs**

County Counsel Concurrence

As to form: NA

Auditor-Controller Concurrence

As to form: NA

Recommended Actions:

Consider recommendations regarding the budget development process and Budget Development Policies for the Fiscal Years 2016-18 Operating Plan, as follows:

- 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; and
- d) Determine pursuant to CEQA Guidelines §15378 that the above activities are not a project under the California Environmental Quality Act .

Summary Text:

As in past years, this item is presented to initiate a series of actions related to the development and ultimate adoption of next year's budget. The County Executive Officer is charged with developing a balanced budget to recommend to the Board of Supervisors.¹ The County Executive Office, in

¹ *Santa Barbara County, Ca Code of Ordinances*: Ch. 2 Article X Sec. 2-71(k) (Ord. No. 4564, § 1; Ord. No. 4708, §§ 1, 2, 3-17-2009). See also, California, *County Budget Act*: Government Code 29062 (2010 edition, revision #1, effective 1-1-2013).

coordination with the Auditor-Controller and other County Departments, will implement the policy direction adopted by the Board to develop the FYs 2016-18 recommended budget.

To facilitate this process, as was done in previous fiscal years, a series of Budget Development Updates will be presented to keep the Board well-informed of the various budget developments. Additionally, through approval of the FYs 2016-18 Budget Development Policies, the Board will provide the necessary framework and direction to develop a balanced budget that the County Executive Officer can recommend to the Board.

In summary:

- No new policies are recommended.
- There are proposed changes to the Budget Development policies but none for the General Fund Allocation Policy.
- Other recommended changes are minor updates or technical edits.
- Regarding the budget calendar, Budget Workshops are scheduled for three days in April, and Budget Adoption Hearings are scheduled in June, similar to this past year.

Background:

Budget Adoption Process

Staff utilizes an incremental approach from adoption of budget policies and strategies to adoption of the operating budget. Similar to the prior year, the Budget Development Policies are presented in the fall followed by the Fiscal Outlook Report (FOR), which will be presented to the Board in December. Staff works with the Departments from December through April to develop their budgets and ultimately submit the recommended budget in May. In recent years a Five-Year Forecast was presented with the Fiscal Outlook Report. This year, the Five-Year Forecast will be developed with the FYs 2016-18 Recommended Budget in the December/January timeframe and presented with the Budget Preview in March to add a longer term perspective for the Board as they enter the Budget Hearing process. In an effort to provide information to the Board as it becomes available, a series of Budget Development Updates are being proposed. These include:

#	Date	Proposed Budget Development Updates Presented to Board
1.	11/3/2015	Budget Calendar, Budget Development and GF Allocation Policies.
2.	12/8/2015	Fiscal Outlook Report
3.	3/15/2016	Budget Preview & Five-Year Forecast
4.	4/11/2016 - 4/15/2016	Budget Workshops (11 th , 13 th , 15 th)
5.	5/10/2016	Capital Improvement Program
	5/12/2016	FY's 2016-18 Operating Plan distribution and posting
6.	6/13/2016 - 6/17/2016	Budget Hearings (13 th , 15 th , 17 th)

Communicating this information via Budget Development Updates will enable the Board and public to participate in the process leading up to submittal of the County Executive Office (CEO) recommended

operating plan and budget deliberations. A copy of the complete Budget Development Calendar is included (Attachment A) and Budget Development Updates are identified in peach colored boxes, numbered B1 - B6.

Budget Development and General Fund Allocation Policies

Budget development is a comprehensive process which involves contributions from all departments and the CEO. The current year's budget was based on a budget development schedule, Budget Development Policies, and the General Fund Allocation Policy approved by the Board in the fall of 2014, culminating in the adoption of a balanced budget in June.

Budget Development Policies for the FY 2016-18 Budget Development:

(A) Policy #4a, Future new Jail Operations, was changed only to update the level of proposed funding for FY 16-17, which is consistent with the with the incremental increases identified in the funding plan contained with the FY 2015-16 Adopted Budget. This funding level may be revised as the budget is developed, pending the Board's actions on the Northern Branch Jail project and completion of the consultants' reports on the operating costs of the new jail.

(B) Policy #4c, Workers Compensation, was updated to communicate anticipated increasing costs in future premiums. Our policy continues to follow the plan, began in FY2013-14, to pay off Tail Claims. This change just highlights that departments are experiencing higher insurance rates for current coverage with continued increases anticipated in FY 2016-17.

(C) Other policies continue from last year or prior years without significant change. Of note are the following:

- Strategic Reserve – The policy remains that a minimum \$1 million annual strategic reserve contribution will be recommended, until the Strategic Reserve target has been met. The target was achieved in FY 2014-15, and therefore as per policy, once the target is achieved, any excess fiscal year-end unassigned General Fund's lapses to the Unassigned Fund Balance account for future Board appropriation.
- OPEB – we continue the existing plan of contributing an increasing amount of funds toward paying these costs. In FY 16-17, the amount will be 4% of covered payroll (or approximately \$13.4 million). Staff is currently working with an actuary to develop a funding plan to fully amortize the OPEB unfunded liability over time. Staff may update this rate once the analysis is completed.
- ADMHS – a fund balance of \$1 Million is established in the budget development process to be available for inpatient bed costs in excess of budget where there is no other available department funding
- Capital and Infrastructure – we continue the policy that as discretionary revenues grow, 18% of unallocated Discretionary General Fund Revenue will be committed for maintenance needs.
- Employee Retention – we continue efforts to retain and develop a high-performing workforce

Staff did consider changes to the current practice of allowing departments to carry authorized but unfunded vacant positions. After evaluating the need and current practices, it was recommended that, at this time, the current practice be continued but that enhanced reporting and review of such unfunded positions be implemented. This recommendation was reviewed and supported by the Budget Executive

Committee (CEO, Auditor-Controller and senior staff of both offices). Reports and processes are being drafted and input from departments will be obtained once the drafts are completed.

General Fund Allocation Policy for the FY 2016-17 Budget Development:

The policy was developed and approved by the Board in October 2014. No changes aside from minor technical edits are proposed.

Staff also evaluated the use of General Fund salary and other year-end savings, that is, should such savings be re-allocated within the department or returned to the General Fund. Existing Budget Policy #5 states that “any excess fiscal year-end unassigned General Funds will lapse to the Unassigned Fund Balance account for future Board appropriation”. Where circumstances warrant, County Budget Revision Policy #B1.4 allows for the CEO to authorize budget revisions between object levels (excluding capital or fund balance object levels) within a budget unit to accommodate such needs. An example would be when a department director resigns, creating salary savings. In this situation, some of the salary savings may be transferred to Services and Supplies object level to fund recruiting expenses. Staff recommended and the Budget Executive Committee agreed that no changes to existing policy are warranted at this time but that the intent is that General Fund departmental savings will revert to the General Fund. When warranted, the department will request a budget revision to reallocate savings to another object level for review and approval. Transfers to capital or fund balance accounts will additionally require Board approval.

The Budget Calendar and Budget Development Policies are recommended for Board consideration, possible amendment and adoption. The adoption of these documents will provide the necessary structure and framework to facilitate Departments and the CEO to develop their budgets in-line with Board priorities.

Attachments:

- A) FYs 2016-18 Budget Development Calendar
- B) FYs 2016-18 Budget Development Policies
- C) FYs 2016-18 General Fund Allocation Policy

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cc:

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