

2008-2009 ADOPTED BUDGET

POLICIES AND PROCESSES

BOARD BUDGET POLICIES

1. POLICY OVERVIEW

Since 1986, the County 2000 Strategic Plan has provided overall direction for the County budget. While the County is currently in the process of updating the County 2000 strategic plan, the 2008-09 budget process will continue to be guided by the current plan.

County 2000 emphasizes the need to direct the County's General fund discretionary resources toward programs of Countywide benefit. Programs that provide municipal-type services are funded primarily through user fees and other localized revenues, while state programs managed by the County rely on state funding. Dedicated revenue sources are used to provide services above base levels and/or to restore services to prior levels.

Consistent with the County's practice of being fiscally conservative, the 2008-09 budget will continue to emphasize the need to ensure long-term stability for core services. Maintaining the General fund's fund balance and reserves will continue to be a primary focus of this strategy. To this end, the budget policies emphasize the need to maintain discretionary spending at a level consistent with the current (FY 2007-08) adopted budget. Special fund budgets (non-discretionary) will continue to reflect a level of service that is consistent with available resources.

The passage of the Public Safety Local Option Levy and the Cooperative Library Local Option Levy in November of 2006 provides additional dedicated revenue to continue services in these areas. Allocating these resources over the four-year term of the levies will be consistent with the levy documents/proposals.

2. GENERAL FUND PROGRAMS

- A. Staffing Levels: The focus and guideline for General fund programs is to hold personnel related expenditures to the minimum necessary to fund the current (2007-08) staffing level. Priority for the proposed new positions is placed on positions that are funded by increases in departmental revenues that can be sustained beyond the first year. Temporary staffing should be utilized when funding cannot be assured beyond the first year. Additional positions that are proposed to be funded with discretionary resources shall be evaluated on a case-by-case basis in consideration of service demands, system balance and efficiency including cost saving and cost avoidance, sustainability, and other Board policies and priorities.
- B. Operating Expenditures: General fund programs will strive to limit operating expenditures to the amount reasonably required to maintain adequate support for existing staffing levels. Whenever possible, expenditures should be reduced or remain at no more than the 2007-08 budget level.
- C. Revenue Estimates: Departments will budget for revenues based on the best information available at the time that the budget is prepared. Limited or no growth in revenues should have corresponding adjustments in the expenditures they support. Any additional information that

becomes available during the budget process will be provided to the County Administrative Office. Achieving accuracy in all estimates is critical.

- D. Pursuit of New Departmental Revenues: Departments will continue to pursue revenue sources to the fullest extent possible for all services as well as total cost identification (including indirect costs) for fee setting and cost allocation purposes. Whenever possible, any new revenue sources should be used to reduce discretionary resources expended on existing staff and programs, rather than funding new staff or programs.
- E. Expenditure Reductions: Reductions in revenues, a decreasing fund balance or other factors may require expenditure reductions. Should such reductions be required, the County will be guided by the County 2000 Resource Reduction Strategy.
- F. Discretionary Funding: Allocation of discretionary resources by organization units will be based on the amount received in the current fiscal year. Increases beyond this base amount may be considered on a Countywide basis for expenditures required to maintain current staffing levels (items A and B above). Discretionary resources that are not required to maintain current base services will revert to the General fund's balance for future use.
- G. Programs Previously Supported by Serial Levies: Prior to the passage of Ballot Measures 47 and 50 two County programs, the Cooperative Library and Major Streets Transportation Improvement Program (MSTIP) 3, were supported by dedicated revenues from serial levies. Measure 50 eliminated these levies by combining them with the County tax base levy and creating a single General fund levy. The Board's direction is to provide discretionary funding to these programs in lieu of their former dedicated property tax revenue based on:
- MSTIP 3: The original Board action in 1998 called for completion of all projects included in the original MSTIP 3 serial levy approved by the voters in 1995. General fund resources are transferred annually to the MSTIP 3 fund. Consistent with the Board's 1998 direction, the transfer amount was increased by 6% annually through the 2006-07 fiscal year in order to complete the original list of projects. Subsequent Board actions have extended the transportation improvement capital program and continuation of the annual transfer. The transfer amount has been set to increase by 5% annually through the 2010-11 fiscal year. Beginning with the 2011-12 fiscal year the transfer is set to increase at the rate of 4% annually.
 - Cooperative Library: The General fund will transfer resources annually to the Cooperative Library fund. The current policy calls for this transfer to increase by 4% annually.
- H. Internal Cost Recovery: Efforts will continue to assign costs where they occur through the use of interdepartmental/interfund charges and indirect cost percentage assignments. The intent is to clearly define the true cost of each direct service the County provides internally or externally. Recognizing the scale of this effort, the first priority is the recovery of costs between funds and grant programs and the second priority is cost assignments within special funds.
- I. Modifications in Discretionary Spending: The County Administrator may recommend modifications in discretionary spending when it is appropriate in order to continue effective operations, provide an adequate level of service, maintain system balance and efficiency, achieve cost savings or cost avoidance, and implement Board policies and priorities.

3. SPECIAL FUND BUDGETS

- A. Expenditure Levels: Special fund programs will hold their General fund subsidy to no more than the amount provided in the current (2007-08) fiscal year. With the exception of local option levy programs, staffing levels and program expenditures should be maintained at a level adequate to meet service demands and within available resources. (Local option levy programs are addressed separately in item IV below). Requests for new positions will be funded by increases in departmental revenues. Temporary staffing will be utilized when funding cannot be assured beyond the first year.

Whenever possible, reductions in General fund contributions should be sought. General fund resources will not be used to back-fill losses in federal, state, grant, local option levies, or other dedicated revenues.

- B. Revenue Estimates: Departments will budget for revenues based on the best information available at the time that the budgets are prepared. If additional information becomes available during the budget process, it will be provided to the County Administrative Office.

4. LOCAL OPTION LEVIES

Funding received from local option levies is considered a special revenue funding source. Allocation of levy resources shall be consistent with levy-related documents.

5. STRATEGIC INVESTMENTS

The County will continue to seek opportunities to make strategic investments in training, technology and other infrastructure aimed at modernizing or enhancing the efficiency of County services. These investments may or may not include the use of discretionary resources.

6. RESERVES, CONTINGENCIES AND FUND BALANCES

- A. General Fund Reserve/Contingency/Fund Balance: The General fund reserve, as represented by the annual beginning fund balance for the General fund and the Revenue Stabilization Reserve fund, is a critical and core element of the County's financial planning and fiscal stability. The reserve serves many purposes including contributing to the preservation of the County's bond rating, meeting cash flow requirements, accommodating cyclical variations in revenues, providing for unanticipated, intermittent or future planned expenditures, and minimizing the need to rely on General fund local operating levies for the long-term sustainability of programs and services.

The goal is to maintain a reserve that is 20% or greater of General fund revenues, but no less than 15 percent. The reserve/fund balance will be allocated in the annual budget as follows: a) approximately 5% will reside within departmental budget appropriations based on the assumption that departmental expenditures will be approximately 95% of budget, with 5% being unspent and a part of the fund balance at year-end, and b) the remainder of the reserve will be distributed between the General fund contingency and the Revenue Stabilization Reserve contingency. A portion of the reserve may be unappropriated.

- B. Special Fund Reserves/Contingencies: The need for a reserve and/or contingency is dependent on the purpose of each fund. For many capital and non-operating funds it is necessary to maintain a reserve (fund balance) to address long-term liabilities, construction or replacement schedules. Reserves for capital and non-operating funds may be appropriated or unappropriated depending on the individual fund's requirements. Operating funds may require reserves to meet operating obligations, emergency requirements or other unanticipated needs. Reserves for operating funds

should be appropriated in the fund's contingency.

7. STATE PROGRAMS

- A. Current State Funding: State programs operated by the County will reflect the level of service attainable given the amount of dedicated funding provided. If state funding is reduced there will be no increase in County discretionary resources unless an increased County contribution is mandated. When an increase is required, the department will make every effort to minimize the increase including consideration of alternative service delivery systems, and/or return of program to the State.

Where there are existing discretionary contributions being made to state programs, the effect of reducing the contribution to the lowest allowed by state/federal mandates will be considered. Reductions will be incorporated into the department's requested budget whenever feasible.

- B. New State Funding: New or increased state funding for existing or proposed programs will be considered based on local needs and the requirements placed on the County by accepting the funding. Whenever possible, any additional funding will first be used to reduce the discretionary contribution to existing programs. The ability of the State to commit to long-term funding that meets the County's full cost requirements will be an important consideration in any decision to accept additional funding for expansion of existing programs and/or initiation of new programs.
- C. System Balance: These policies are not intended to preclude the use of County resources when the Board determines it to be necessary in order to provide a balanced service delivery system or meet other Board policies and priorities.

8. LOBBYING AND GRANT APPLICATIONS

- A. Approval to Pursue: Administrative Office approval is necessary before appointed County representatives and employees pursue lobbying efforts on matters having budget implications, and before grant applications are submitted to the granting agency. Elected department heads should advise Administrative Office before official positions are taken on matters that might affect the County's budget or financial status. Board approval is required to accept grants of \$75,000 or more.
- B. In-kind Contribution: Where matching funds are required for grant purposes, the priority is to use as much "in-kind" contributions as allowed rather than hard-dollar matches.

9. REIMBURSEMENT FOR DUES AND CONTINUING EDUCATION REQUIREMENTS

- A. Dues and Licensing Costs: If a job classification requires a specific license or annual dues in order for the employee to perform his/her required duties, the County will pay for those required costs. Examples of these costs include: attorney bar dues, sanitarian and nursing dues, etc.
- B. Continuing Education: If a job classification requires continuing education in order for an employee to maintain the required license mentioned above, the County will pay for those education costs. Examples of such costs include: State Bar classes for attorneys, nurse practitioner continuing education requirements, etc.
- C. Note on Reimbursements: Items A and B above are not intended to preclude the funding of dues, licensing and/or continuing education that are not specifically required by a job classification, but rather to affirm the funding of these costs when such a job classification requirement exists.

10. MID-YEAR REQUESTS, GENERAL FUND CONTINGENCY

- A. Non-Emergency Requests: In those cases where a department is faced with an unanticipated cost of a non-emergency nature that is beyond its control, every effort will first be made to use departmental resources prior to a transfer from General fund contingency. The budgetary impact of any cost-of-living salary adjustments approved by the Board of Commissioners will be reviewed to determine the need for and timing of a transfer from the General fund contingency. Departmental budgets will be reviewed during the fiscal year for compliance with budget law. A transfer from contingency will be made to cover unavoidable costs that cannot be absorbed in the existing budget.
- B. Emergency Requests: Emergency requests during the fiscal year will be submitted to the Administrative Office for recommendation and forwarded to the Board of Commissioners for consideration.

11. BUDGET CONTROLS

- A. Legal Compliance: Expenditure appropriations will be adopted at the organization unit level. As such, in order to comply with local budget law, total actual year-end expenditures cannot exceed the total expenditure appropriations for each organization unit.
- B. Administrative Compliance: The County Administrative Office will continue to review and control departmental budgets at the program, expenditure category and specific line-item level (temporary help, overtime and professional services). Administrative Office approval is necessary before actual or projected year-end expenditures are allowed to exceed total expenditure appropriations for each expenditure category for each program unit and for the specific line items noted above.

12. CONTRIBUTIONS TO OUTSIDE AGENCIES

- A. Funding of Outside Agencies: Funding of outside agencies will be considered by the Budget Committee/Board if adequate discretionary resources are available, the use of discretionary funds for this purpose will not adversely affect County programs, and the allocation of resources is consistent with the County 2000 Plan and other Board policies and priorities. Consideration of funding requests from an outside agency requires the submittal of written justification in advance of the budget hearings.

Should reductions in discretionary expenditures be necessary at any time in the future, consistent with the resource reduction strategy, funding to outside agencies will be considered prior to reductions in County programs.