



PLACER COUNTY BUDGET & FINANCIAL POLICY

1.0 PURPOSE:

To promote financial stability and long-term planning; to direct the County Executive Office in the development and management of the County Budget; and to provide a context to guide Board decisions during the budget process and throughout the fiscal year.

2.0 POLICIES:

2.1 General

2.1.1 On or before June 30 of each year, the County Executive Office shall prepare and submit to the Board of Supervisors (Board) a Proposed Budget for formal adoption on or before September 8 of each year, a notice shall be published in a newspaper of general circulation to announce the date on which the Board will conduct a public hearing on the recommended budget. At the conclusion of the hearing, and not later than October 2 of each year, the Board shall by resolution adopt the Final Budget.

2.1.1.1 The Budget will incorporate direction and input from the Board of Supervisors and County departments as to County operating and capital needs and priorities.

2.1.1.2 The Budget will address the financial status of the County and its key funds, including financial condition and trends, budgetary impacts, and liabilities and issues that may impact future County resources.

2.1.1.3 The Budget will be balanced and identify expected sources of revenue and other resources, and recommended program and capital expenditure and reserve uses for the next fiscal year.

2.1.1.3.1 A balanced budget is defined as available fund balance, reductions to obligated fund balance plus financing sources (revenue) as equal to financing uses (expenditures) plus increases to obligated fund balance for the year.

BUDGET AND FINANCIAL POLICY

- 2.1.1.4 The Budget will include performance information for County programs. Program performance measures will be developed and used for long term planning and decision-making, including future resource allocation and in consideration of new or increased funding requests.
 - 2.1.2 The County Executive Office shall periodically monitor and evaluate revenue and expenditures, identify significant variances from budget, and recommend actions to address shortfalls or unanticipated increases.
 - 2.1.3 The County Executive Office shall prepare and/or supervise the preparation of fiscal projections, capital financing plans, costing methodologies,¹ and other studies as will provide for current and future County obligations.
- 2.2 Revenues
- 2.2.1 Ongoing costs will be funded with ongoing revenues to promote fiscal stability, predictability, and sustainability, and to support long-range planning.
 - 2.2.1.1 New or increased, ongoing revenues will meet current obligations and reduce reliance on one-time funding and fund balance carryover.
 - 2.2.1.2 New programs will identify an ongoing funding source(s) not already obligated for current County operations or for the future costs of current operations.
 - 2.2.2 Budget realistic and probable revenue estimates.
 - 2.2.2.1 Budgeted revenue will not be based on high levels of anticipated growth or be contingent upon the passage of legislation or future actions by the Board of Supervisors.
 - 2.2.2.2 Revenues that are volatile and/or sensitive to changes in the economy should be conservatively estimated.
 - 2.2.2.3 State revenues in the Proposed Budget will be budgeted in accordance with the Governor's January Proposed Budget for the upcoming fiscal year.
 - 2.2.3 Imposing or adjusting fees or other charges will be periodically evaluated for any service provided by the County where full cost recovery—including department and County administration—is not currently achieved. Budget estimates will not include fee increases unless the Board of Supervisors has approved the increase.

¹ The Auditor-Controller prepares the annual countywide cost allocation (A-87) plan.

BUDGET AND FINANCIAL POLICY

- 2.2.4 County administrative (A-87) costs will be charged to non-General Fund and subvented General Fund appropriations in accordance with the annual Countywide Cost Allocation Plan.
 - 2.2.4.1 Departments will include estimated A-87 costs in their requested expenditure budgets.
 - 2.2.4.2 A-87 reimbursements may be credited as general purpose General Fund revenues or applied to offset program costs as determined by the County Executive Office.
 - 2.2.4.3 Some funds may be specifically excluded from paying part or all of the A-87 as determined by the County Executive Office. A-87 exclusions will be evaluated annually with the budget process to determine if some or all of those funds could be recouped by the General Fund.
- 2.2.5 The County Executive Office shall solicit input for revenue estimates from the Auditor-Controller, and other County departments as appropriate, for major tax and general-purpose revenues and for estimated carryover fund balance in preparation of the Proposed Budget.
- 2.2.6 Prior to applying for and accepting Federal or State grants, departments must identify current and future fiscal implications of either accepting or rejecting the grant. Areas of note are matching fund obligations, non-supplanting requirements, required continuation of the program after grant funds are exhausted, and if the program is consistent with the County's long-term goals and objectives. Before discretionary program costs are increased, departments should include recovery of department and county administrative costs of at least ten percent of direct costs for state and federal grants.

2.3 Expenditures

- 2.3.1 Annual priority for General Fund funding will be given to capital improvements consistent with the County's Capital Facilities Financing Plan and Road Maintenance Master Plan.
- 2.3.2 Carryover fund balance will be used to fund one-time expenditures, reserves and contingencies and should not be used to finance ongoing operational costs.
- 2.3.3 New position requests will be considered through the budget process and not otherwise during the fiscal year unless urgent circumstances exist.
- 2.3.4 Partial or fully funded State and/or Federal programs, administered by the County will be implemented at the level of funding provided by the State or Federal government. County overmatches above maintenance-of-effort requirements will be evaluated as part of the annual budget process.

BUDGET AND FINANCIAL POLICY

- 2.3.5 All requests for new program funding should be accompanied with clear and concise statements of the program's mission, performance objectives and intended measurable outcomes.
- 2.3.6 Efficiency and economy in the delivery of County services are top priorities; departments are expected to make productivity improvements within their service delivery areas and reduce expenditures for discretionary programs and services.
- 2.3.6.1 County departments are encouraged to consolidate programs and organizations and consider alternatives for service delivery to reduce costs and the need for increased staffing.
- 2.3.6.2 In developing recommendations that may require operational reductions, departments should ensure that administrative and non-service areas have been reduced to the maximum extent possible before reducing direct services.
- 2.3.7 Automation and technology proposals must measurably demonstrate how cost savings will be achieved and/or how services will be improved, along with identifying potential sources of funding.
- 2.3.8 The County Executive Office will annually review rate changes for county internal service funds. Internal services funds are expected to make productivity improvements within their service delivery areas, reduce expenditures for discretionary programs and services, make administrative and non-service area reductions to the extent feasible, consolidate programs and organizations, and consider alternatives for service delivery before cutting direct services or proposing increased rates.
- 2.3.9 The General Fund's Appropriation for Contingencies should be budgeted at not less than 1.5% of the operating budget. Appropriations for Contingencies should be budgeted in all other funds, at not less than ½ of 1% of operating expenditures. In no event will Appropriation for Contingencies exceed the amount prescribed by law.

2.4 Capital Budgets

- 2.4.1 Capital Budgets will include a list of capital construction and road projects with brief descriptions; estimated expenditures to-date and identify the total project costs to-date.
- 2.4.2 Capital projects which are not encumbered or completed during the fiscal year, or multi-year projects, will be re-budgeted or carried over to the next fiscal year.

BUDGET AND FINANCIAL POLICY

Increased project costs for rebudgeted projects must be clearly identified with Final Budget adoption.

2.4.3 Capital projects will not be budgeted unless there are reasonable expectations that resources will be available to pay for them and a financing plan has been developed.

2.4.3.1 Where applicable, assessments, impact fees, user-based fees, and/or contributions should be used to fund capital projects. Projects benefiting other operating, internal services and enterprise funds shall be funded from those funds on a pro-rata basis.

2.4.3.2 Where alternative sources of financing are not available or sufficient for full funding, and the project is deemed critical for the provision of services or to meet mandated services levels, debt financing may be used in accordance with the County Debt Policy. Debt will not be used to finance on-going operational costs, including those incurred due to new facilities.

2.4.3.3 Planning and budgeting of projects shall include supporting documents that identify estimated ongoing savings or costs for the delivery of services, maintenance, and other operating costs.

2.4.4 Project reimbursements to the County Capital Projects Fund shall not exceed actual expenditures, plus 25% of any encumbered contract balances.

2.4.4.1 Facility Services may request advance funding for any project costing less than \$100,000 when the project has begun.

2.4.4.2 An accounting of all costs shall be made by Facility Services to the requesting department following project completion.

2.4.5 Departments will prepare replacement schedules and develop and implement financing plans for major capital equipment.

2.5 Fund Balance Classification and Other Financial Policies

2.5.1 The General Fund's total Committed Fund Balance for General Reserve and Committed Fund Balance for Economic Uncertainties should be accumulated over time until a minimum of 5% of the annual operating budget reserve level is achieved (calculation is appropriations less capital outlay, contributions to reserves and operating contingencies times 5% equals combined Committed Fund Balance for General Reserve and Committed Fund Balance for Economic Uncertainties).

BUDGET AND FINANCIAL POLICY

- 2.5.2 The Committed Fund Balance for Mandated Costs should be accumulated over time to a level that would provide for unfunded and mandated costs including those required for the medically indigent and public assistance. A balance should be accumulated over time until 5% of mandated costs are achieved. Mandated costs are defined as medically indigent, public assistance, and other non-discretionary costs.
- 2.5.3 The General Fund allocation to the Committed Fund Balance for Capital Asset Replacement will be equivalent to the annual equipment facility depreciation expense. Accumulated funds may be used in accordance with the Capital Facilities Financing Plan or other Board approved infrastructure plans.
- 2.5.4 Moderate increases to Non-General Fund Committed Fund Balance for Contingencies should be accumulated over time until a minimum 5% reserve level is achieved (calculation is appropriations less capital outlay, contributions to reserves and operating contingencies times 5%). Additional reserves should be assigned for equipment replacement and other identified needs. Smaller funds, or funds with uncertain or expected delays in reimbursement, may need to accumulate a larger reserve percentage for cash flow reasons.
- 2.5.5 The Accrued Loss Contingency for self-insurance funds shall be actuarially determined at least every other year. Reserves should be maintained at a confidence level of at least 80%.
- 2.5.6 Loans or transfers to or from internal services and enterprise funds shall be limited to meeting one-time funding requirements in County operating funds, and shall require repayment with interest.
- 2.5.7 Fund balances should be expended in the following order:
- 2.5.7.1 Restricted Fund Balance (when applicable)
 - 2.5.7.2 Assigned Fund Balance
 - 2.5.7.3 Committed Fund Balance
 - 2.5.7.3.1 Refers to amounts that can only be used for specific purposes as imposed by formal action of the Board.
 - 2.5.7.3.2 Formal action is defined by a majority vote of the Board or an affirmative vote of four members when required by the County Budget Act.
 - 2.5.7.4 Unassigned Fund Balance (applies to the General Fund only)