MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE
COUNTY OF PLACER

TO: Honorable Board of Supervisors

FROM: David Boesch, County Executive Officer
By: Graham Knaus, Finance and Budget Operations Manager

DATE: July 10, 2012

SUBJECT: Multi-Year Budget and Financial Strategy

Action Requested

The Board is requested to consider a five-year strategic budget approach that does the following:

a. Provides a framework and guidance for developing budget recommendations that further implement the previously adopted Budget and Financial Policy;
b. Achieves greater sustainability of countywide operations and service delivery;
c. Provides other direction as may be appropriate to refine the Budget and Financial Policy implementation strategy.

Background

At the March 27, 2012 meeting, the Board received an update on county revenue and expenditure trends, and directed staff to return with a multi-year budget and financial strategy to meet current and future fiscal challenges within the framework of the Budget and Financial Policy. This effort has culminated in the development of a five-year strategic budget approach as described below and presented for Board consideration.

Budget and Financial Policy

Since their initial adoption by the Board in 2003, County Financial Policies have provided a critical framework for approaching short-term and long-term County finances. The County Financial Policies include the Budget and Financial Policy, Other Post Employment Benefit (OPEB) Policy, and Debt Management Policy. Of these, the Budget and Financial Policy, as revised by the Board June 7, 2011, is a primary tool to guide the approach to the development and management of the budget and long-term financial planning. The Budget and Financial Policy generally includes the following guiding principles:

- Development of the annual Budget shall adjust for short-term and long-term revenue and expenditure trends and will recognize and plan for opportunities and avoid risks.
- One-time revenues shall be used to fund one-time costs whenever possible.
- The County Budget shall be developed within a conservative approach that creates flexibility and opportunities for smoothing during periods of economic growth or decline.

During the economic downturn, development of the County Budget adhered to the Budget and Financial Policy to the greatest extent feasible. However, in order to maintain prioritized county services, the Board suspended General Fund contributions to reserves and road overlay projects, reduced capital infrastructure contributions, deferred building maintenance, and redirected funds for other county priorities to mitigate large fluctuations in funding and service levels. One-time funding solutions, especially in the General Fund, covered ongoing operational gaps with one-time revenues. These actions also resulted in contraction in most General Fund supported department budgets.

In addition to the above mitigations, the Board implemented a number of cost containment strategies to better align reduced revenues to expenditures. These included instituting a hiring freeze beginning in 2007, increasing the employee share of pension and health benefit costs, implementing mandatory time-off, instituting minimal targeted layoffs in areas of severely diminished workload or state funding, expanding the use of alternative service delivery models, and adopting 146 cost savings proposals developed through the Board established Cost Savings Task Force.

Role of General Fund Balance
The County Budget is an annual plan reflecting the Board's priorities based on estimated revenues and expenditures. Counties provide a vast array of local and state mandated services with fluctuating revenues and expenditures. As such, it is imperative that the annual budget include sufficient operating margin to adjust to changing revenues and expenditures while remaining in balance. At the end of each fiscal year, revenues may be higher and/or expenditures may be lower resulting in Fund Balance. Counties generally strive to end the fiscal year with some fund balance so as to avoid severe operational disruptions and to facilitate managing the ongoing service demands of residents.

Generally, those with a smaller Fund Balance have faced far more service and staffing impacts whereas those with a larger Fund Balance have used the increased flexibility to maintain sustainable service and staffing levels. It is Placer County's deliberate and longstanding conservative fiscal planning that has allowed the County to withstand the impacts of the economy far better than most while largely maintaining core services. This has also positioned the County to transition from the economic downturn proactively to ensure the long-term fiscal health of County operations.

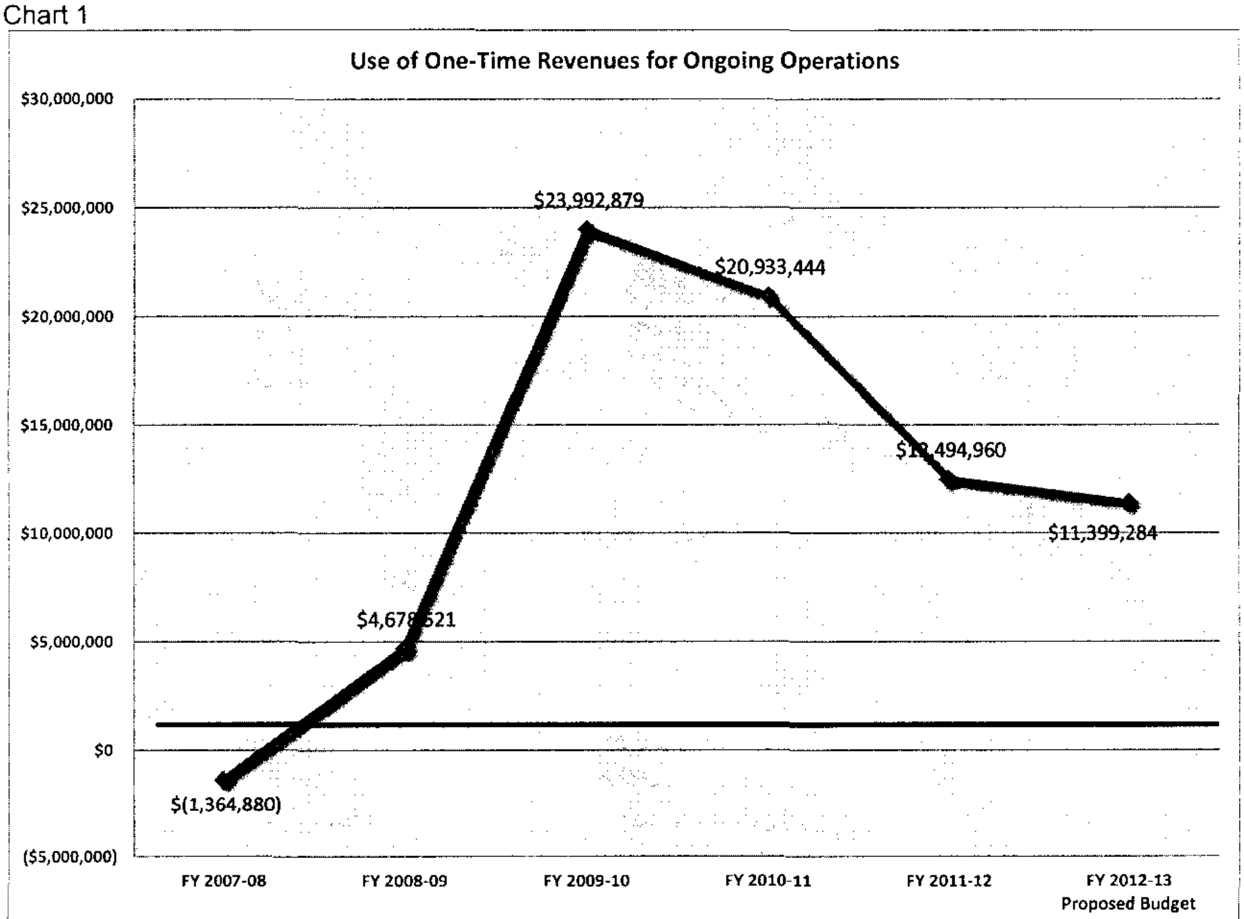
In Placer County, Fund Balance is comprised of both ongoing and one-time revenues. It is carefully estimated throughout the budget process and is an important part of planned, budgeted resources. The fund balance has recently been used to balance the following budget, providing critical resources for Board priorities and, in the struggling economy, reducing potential budget deficits.

As the County transitions out of a climate of declining revenues, there is strategic opportunity to reduce the ongoing reliance on Fund Balance to balance the following fiscal year operations. Doing so would provide greater stability of long-term operations while also increasing Board flexibility in the allocation of annual resources.

Use of One-time Solutions
During the recession, as declining discretionary revenues were reprioritized to address critical operational issues, balancing the annual County Budget relied more on using one-time revenues for ongoing purposes. The reliance of one-time solutions to cover ongoing operations successfully enabled the County to smooth significant revenue declines since FY 2007-08 while balancing the County Budget. However, this reliance cannot be sustained indefinitely.

As displayed in Chart 1 below, the use of one-time revenues to fund ongoing expenses peaked in FY 2009-10 at $24.0 million in the *General Fund* and has dropped in each subsequent year to an estimated $11.4 million in the FY 2012-13 Proposed Budget. This progress amidst the prolonged economic downturn reflects the commitment of the Board to make the difficult decisions required to maintain the County's long-term fiscal health. Continuing to reduce the use of one-time solutions for ongoing operations is a critical component of ensuring a long-term sustainable operations model. The long-term goal, as outlined in the Budget and Financial Policy, is eliminating the use of one-time solutions for ongoing operations as part of having a sustainable, structurally balanced business model for county operations.

Chart 1



County Fiscal Assessment

The above measures have largely mitigated significant service and staffing impacts suffered in many other local agencies and have reduced cost pressures. However, even as the County revenue outlook begins to improve, cost pressures continue to outpace expected sluggish revenue growth and the availability of one-time solutions may diminish over time. This dynamic creates the central challenge over the next five years as staff assesses the tensions between revenues and expenditures in the Five-Year Budget Model.

Five-Year Budget Model

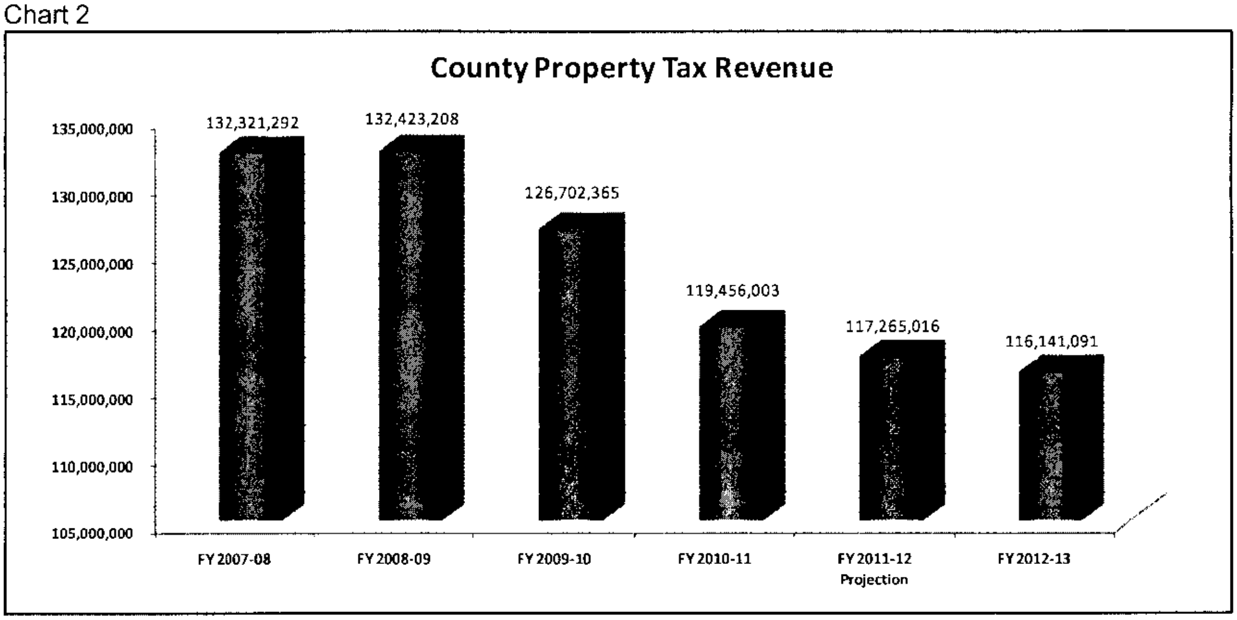
The Five-Year Budget Model is built on FY 2012-13 Proposed Budget's revenues, expenditures, and beginning carryover fund balance as the starting base layered with out-year assumptions for major categories of revenues and expenditures as detailed below.

The Five-Year Budget Model focuses on the areas of the County Budget with the greatest level of Board discretionary authority: the *General Fund* and the *Public Safety Fund*. These two funds are supported by the vast majority of discretionary revenues. The *General Fund* also includes mandatory and discretionary contributions to other funds such as the *Public Ways and Facilities Fund (Road Fund), Capital Projects Fund, Library Fund*, and *Fire Fund*. For purposes of the Five-Year Budget Model, all *General Fund* contributions are assumed to remain flat at the FY 2012-13 Proposed Budget level.

County Revenues

As a result of the economic downturn, County revenues have declined since FY 2007-08. From FY 2007-08 to FY 2011-12, estimated per capita revenues have declined 6.9 percent, and are now 7.6 percent below the per capita amount in 1978, as adjusted by inflation. This has been particularly the case with Property Tax revenues, the County's largest discretionary revenue source. Although there are some positive signs of reaching the bottom of the economic decline, property taxes, the County's largest discretionary revenue source, continues to struggle. Since FY 2007-08, Property Tax revenue has declined $16.4 million (12.4 percent) as displayed in Chart 2 below.

Chart 2



In response to decreased revenues, the Board has chartered a measured course by using a portion of *General Fund* reserves in FY 2008-09, FY 2009-10, and FY 2010-11 and mitigating some long term cost pressures as referenced above. The FY 2011-12 Budget included Board direction to *add* $4.9 million to the *General Fund* Reserve. The measured course has enabled the County to maintain critical service levels to the greatest degree possible while also resulting in responsible balanced budgets throughout the economic downturn.

At the same time total available revenues have declined, the composition of those revenues and expenditures has changed. Revenues have been reprioritized to some degree to Public Safety and Health and Human Services enabling the Board to partially offset significant department revenue declines impacting Board priorities and increases to mandated costs. The reprioritization has been a function of targeted discretionary *General Fund* augmentations as well as maintaining contributions to these priority service areas at the same time total available revenues have declined. As such, the discretionary *General Fund* share supporting Public Safety has increased from 34.9 percent in FY 2007-08 to 46.8 percent in the FY 2012-13 Proposed Budget. The discretionary *General Fund* share supporting Health and Human Services has increased from 13.3 percent to 19.2 percent over the same period.

The balance of current and future service demands and costs to available revenues requires continued prioritization of the use of limited resources. Doing so must also recognize that, in many cases, revenues and service and staffing levels in most areas are unlikely to return to pre-recession levels for years to come.

Property tax revenue, the County's largest discretionary revenue source, is expected to stay relatively flat in FY 2013-14 followed by modest annual growth in subsequent years as the escalating property values experienced in the first part of the 2000s are unlikely to return. This slow revenue growth will lag expected increases in labor and other operational expenses requiring a continued strategic, fiscal management approach to meet Board priorities and balance the budget. Sales tax revenues, a much smaller discretionary revenue source, are projected to continue their moderate growth throughout the next five years.

The moderate growth in sales tax will also impact Public Safety Sales Tax and Realignment revenues supporting Public Safety and Health and Human Services operations. These are the two largest service areas that received *increased* discretionary *General Fund* support during the economic downturn. The increased discretionary *General Fund* support to these service areas was necessitated to address Board service priorities during the recession as other supporting revenues declined. The increase in targeted revenues supporting these two service delivery areas, at the same time there is continued reliance on one-time revenues to support ongoing operations, triggers discussion about maintaining the level of *General Fund* support in service areas that have their own growing revenue base. Long-term, revenues will need to be balanced with Board priorities to maintain service levels across county service areas while also retaining Board flexibility to address priorities put on hold over the last several years.

County Expenditures
Total County expenditures have effectively decreased $102.1 million (12.9 percent) since FY 2007-08. The decrease reflects timing and reduced funding for *Road Fund* and *Capital Projects Fund* activities as well as the need to more closely align expenditures with drops in revenue including implementation of the cost containment strategies discussed above. The change in expenditures is displayed in Table 1 below.

Table 1

Net Budget				
Fund	FY 2007-08 Final Budget	FY 2012-13 Proposed Budget	$ Change	% Change
General Fund	$ 373,082,095	$ 354,659,190	$ (18,422,905)	-4.9%
Public Safety Fund	123,165,206	138,847,999	15,682,793	12.7%
Public Ways and Facilities Fund	133,959,180	98,635,562	(35,323,618)	-26.4%
Capital Projects Fund	128,392,446	66,193,060	(62,199,386)	-48.4%
Other Funds	29,793,939	31,172,185	1,378,246	4.6%
Provision to Reserves	3,817,313	600,000	(3,217,313)	-84.3%
All Operating Funds	**$ 792,210,179**	**$ 690,107,996**	**$ (102,102,183)**	**-12.9%**

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Moving forward, the County will continue to incur normal cost-of-doing-business increases (rent, utilities, transportation, etc.) as well as targeted cost pressures such as the following:

- Measure F: Measure F was a local ballot initiative that directs increases to public safety salaries that has been in effect since 1977. The Measure requires annual adjustments to deputy sheriff salaries based upon comparable position salaries in El Dorado, Nevada, and Sacramento counties. The fiscal impact varies each year, but in the last few years has ranged from $800,331 in 2012 to $1,654,342 in 2009. Annual increases are estimated to be 3.3 percent through FY 2016-17.

- Pension: On March 14, 2012, the California Public Employees' Retirement System (CalPERS) lowered the 7.75 percent discount rate currently used for actuarial valuations to 7.50 percent. Actuarial valuations are performed annually to determine plan liabilities and the contribution rates necessary to adequately fund them. The discount rate used by CalPERS was last reviewed in March 2011 when CalPERS voted to keep the discount rate at 7.75 percent. The changes are reflected in the Five-Year Budget Model and will impact the County budget beginning FY 2013-14 at an estimated total annual cost across all funds of $3 million. In addition to this change, pension contribution rates have incurred annual increases which are anticipated to continue and have been incorporated into the projection.

- Health Benefits: The costs to maintain health benefits continue to rise, impacting employer's budgets in the public and private sectors throughout the country. The County Budget has faced significant increases for several years including an estimated 9.5 percent increase that goes into effect January 1, 2013. Health premium costs are anticipated to continue to escalate above the rate of inflation and will place ongoing cost pressure on the County Budget. The Five-Year Budget Model estimates annual cost increases of 4.25 to 4.75 percent.

- Other Post Employment Benefits (OPEB): OPEB costs generally follow increases in the cost of health benefits. As such, the Five-Year Budget Model assumes bi-annual increases at the same rate as the cost of health benefits and based on the timing of actuarial reports. The Board adopted Up-Front OPEB Policy is assumed to remain in place to avoid increases in the unfunded liability to the greatest degree possible.

- Cost-of-Living-Adjustments (COLAs)
  Consistent with the standard approach used for a conservative budget model, there are assumed COLA's in each of the last three years of the model. These COLA's would need to be negotiated but are assumed in the model as a potential cost pressure.

County Workforce
As a service organization, much of what the County does requires human resources to perform, whether as County employees, contractors, or other service delivery models. The size of the workforce changes over time based on workload and service delivery demands, the methods used to provide these services, and funding impacts from Federal and State sources.

Following several years of reduced staffing due to retirements coupled with a hiring freeze, county hiring has picked up to replace retired employees and address service demands including AB 109. The increase in hiring places downward pressure on the estimated FY 2012-

13 fund balance carryover, a key assumption used to build the Budget. Hiring has occurred in a number of departments; however, the vast majority are related to filling priority Public Safety positions.

As the pace of hiring increased, so has the number of employee retirements resulting in a similar sized workforce that has evolved from four years of decline. What has changed is where the workforce has been allocated across county functions; workload demands and staffing have increased in some areas while decreasing in others. In addition, reprioritization of diminishing discretionary *General Fund* revenues to meet mandated service requirements has increased organizational strain in some service areas, particularly departments that have absorbed increased labor and other costs with limited resources and staffing.

The change in the composition of the workforce, coupled with the recent increased pace of hiring, has significant implications to the sustainability of countywide operations over the next five years. This is particularly the case given the sluggish revenue outlook combined with cost drivers increasing at a faster pace.

Assumptions – What's not included

The Five-Year Budget Model was developed based on existing operations, revenues, and cost drivers. It is intended to reflect the ongoing revenues and costs with the County's current service delivery system under the above revenue and cost assumptions. As such, it does not include potential new revenues that may become available in future years related to Middle Fork Relicensing, potential expanded economic activity related to private development, or County action to pursue value-added economic development. The model also does not include assumptions related to potential new operational costs such as for the South Placer Adult Correctional Facility and other fiscal challenges, or any changes related to Federal/State fiscal policy or new imposed responsibilities. However, the model has been developed to facilitate analysis of the impacts of changing assumptions related to revenues or costs above and beyond the sustainability of existing operations.

General Fund

The *General Fund* is the County's largest Fund at $354.7 million in the FY 2012-13 Proposed Budget. It includes support for most countywide operations directly or through contributions such as to the *Public Safety Fund*, *Road Fund*, and *Capital Projects Fund*. It also includes discretionary revenues such as Property Tax and Sales Tax. Based on the anticipated revenue and expenditure trends discussed in the Five-Year Budget Model above, the existing approach to the *General Fund* is not sustainable absent corrective action as displayed below:

General Fund Budget Projections (Based on Budgeted Costs)

	2012-13 Proposed Budget	2013-14 Projection	2014-15 Projection	2015-16 Projection	2016-17 Projection
Estimated Fund Balance Carryover:	$ 27,000,000	$ 26,000,000	$ 26,000,000	$ 26,000,000	$ 26,000,000
Total Revenue & Carryover:	$ 355,259,190	$ 360,244,391	$ 365,237,240	$ 371,124,245	$ 380,287,694
Total Uses of Funds:	$ 355,259,190	$ 362,153,175	$ 369,664,317	$ 374,934,542	$ 380,605,933
SURPLUS/DEFICIT:	$ 0	$ (1,908,784)	$ (4,427,077)	$ (3,810,296)	$ (318,240)

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The Five-Year Budget Model for the General Fund suggests annual deficits between $318,240 and $4.4 million through FY 2016-17. These amounts are substantially lower than seen in recent years due to some revenue growth and the ongoing savings related to Board directed cost containment measures. However, to ensure the County's continued long-term fiscal health and full implementation of the Budget and Financial Policy balanced with high quality service delivery, a change in the operating model is warranted. The above approach includes existing operations and vacant funded positions consistent with the FY 2012-13 Proposed Budget.

In addition to adjustments to bring potential out-year deficits into balance, more fully meeting the intent of the Budget and Financial Policy would require further additions to the *General Fund* Reserve to meet the five percent target as well as reductions to the use of one-time revenues for ongoing purposes.

Options for Consideration
Transitioning the *General Fund* to a more sustainable approach could include the following:

- Reprioritizing equivalent of up to 50% of new ongoing department revenues to department operations with remainder redirected to general purpose revenue to eliminate potential deficits and more fully implement the Budget and Financial Policy.
- Prioritizing unanticipated General Fund carryover fund balance to the following priorities:
    - Up to 50% of unanticipated carryover fund balance shall be directed to the General Fund Reserve until such time as it meets the Budget and Financial Policy target of five percent;
    - Remaining unanticipated carryover fund balance shall be directed to the following priorities:
        - Additional implementation of the Budget and Financial Policy;
        - One-time priorities deferred due to economic downturn such as infrastructure or other Board priorities;
- Reducing operational support by an amount equivalent to up to 50 vacant funded positions in the *General Fund* in FY 2013-14 and an additional 25 per year in the *General Fund* for the subsequent three years. This action would have the effect of phasing out *existing* vacant funded positions over a four year period while continuing to backfill for most retirements.

Public Safety
The *Public Safety Fund* is comprised of three operational departments: the Sheriff's Office, the District Attorney's Office, and the Probation Department. In recent years, the *Public Safety Fund* has been able to return sufficient year-end carryover fund balance to achieve a balanced budget for the subsequent fiscal year. The three-year average fund balance carryover between FY 2008-09 and FY 2010-11 was approximately $6.3 million, and the projected fund balance for FY 2011-12 is currently estimated at $6.8 million compared to the $6.1 million needed to balance the FY 2012-13 Proposed Budget. In large part, these fund balance carryovers have been achieved through a combination of Public Safety Sales Tax (PSST) receipts in excess of budget and the department's maintaining a significant number of vacant funded positions.

Approved filled positions have increased by 43 in FY 2011-12 primarily due to AB109 (32 positions) and the previously approved Community Oriented Policing Services (COPS) Hiring Grant (8 positions). Although funded positions remain slightly under FY 2007-08, the approved combined staffing levels for Public Safety departments in FY 2011-12 (687 filled positions) has now risen beyond pre-recession levels (672 filled positions in FY 2007-08) and FY 2010-11 (644 filled positions) The change in filled positions recognizes the changes in service demands and responsibility across all three Public Safety departments related to AB109 as well as filling longer term vacant positions held open for much of the past few years.

Although the *Public Safety Fund* is balanced in the FY 2012-13 Proposed Budget, the projected fund balance carryover required to achieve this relies heavily on excess PSST receipts and unspent AB109 revenues from FY 2011-12. The existing approach results in a tentatively balanced budget for FY 2013-14; however, similar to the *General Fund*, the *Public Safety Fund* is not sustainable beyond FY 2013-14 due to cost drivers exceeding revenues by an increasing amount each year.

Budget Projections Public Safety Fund

	2012-13 Budget	2013-14 Projection	2014-15 Projection	2015-16 Projection	2016-17 Projection
Estimated Fund Balance Carryover:	$ 6,800,000	$ 3,000,000	$ 3,000,000	$ 3,000,000	$ 3,000,000
Revenues:					
Public Safety Revenue	135,046,165	132,958,906	134,877,435	136,083,464	138,614,493
Total Revenue & Carryover:	**$ 141,846,165**	**$ 135,958,906**	**$137,877,435**	**$139,083,464**	**$141,614,493**
Expenditures:					
Public Safety Salary & Benefits	97,544,803	101,000,258	104,360,420	107,444,529	110,437,509
Public Safety Other	41,303,196	38,554,914	39,355,463	39,929,730	40,521,784
Total Uses of Funds:	**$ 138,847,999**	**$ 139,555,173**	**$143,715,883**	**$147,374,259**	**$150,959,294**
Net Income/(loss):	**$ 2,998,166**	**$ (3,596,266)**	**$ (5,838,447)**	**$ (8,290,795)**	**$ (9,344,800)**

The Five-Year Budget Model for the *Public Safety Fund* suggests that under the existing approach, fund balance carryovers required to balance the fund in the out-years would be unachievable. Current projections show that the required carryover to balance in FY 2013-14 would be approximately $6.6 million, climbing to a required $12.3 million in order to balance for FY 2016-17. Factors impeding the ability to generate required fund balances moving forward include: unavoidable employee related cost drivers related to Measure F; slowing PSST growth compared to budget; flat *General Fund* Contribution to achieve balance across countywide priorities; and a considerable reduction in the number of vacant funded positions. The current approved filled staffing level of 687 results in 21 vacant funded positions (3%) across the Public Safety departments.

Options for Consideration

Transitioning the *Public Safety Fund* to a sustainable structurally balanced budget approach that does not rely on departments returning a fund balance at the end of each year would more closely align Public Safety departments with their individual operational models. Reducing operational support would therefore transition the fund to a more sustainable model and would allow for unanticipated fund balances to be set-aside for future projected costs related to the South Placer Adult Correctional Facility (SPACF), or other public safety considerations outside of existing operations. However, doing so would also result in potential operational impacts.

Departments could accomplish operational reductions however they choose to have the least impact on their individual delivery of services, but those options could include: absorbing 50% of up-front OPEB costs for new employees (estimated $3.1 million reduction over five years); absorbing 50% of retirement sick leave payout costs (estimated $1.1 million reduction over five years); or a combination of defunding vacant positions or reducing other operations equivalent to a certain number of funded positions annually to close the operating gap.

South Placer Adult Correctional Facility (SPACF)

Also for consideration is the impending opening of the South Placer Adult Correctional Facility. The Sheriff Office's most recent request for opening the facility includes the addition of 72 Correctional staff and splits 644 inmates between SPACF and the Auburn Jail. The requested model for opening includes approximately $25 million in Transitional and One-Time costs over two years, and would require an estimated $17 million annual operational increase to the Corrections budget.

Current fiscal constraints and the existing budget reality suggest that opening the SPACF will require a more phased-in approach over the coming years, an approach that would result in a more sustainable model moving forward. Prioritizing available resources within the *Public Safety Fund*, such as unanticipated fund balance carryover, to be set-aside for this purpose would begin to transition to an approach that is sustainable.

Other Funds

- Road Fund: The *Road Fund* remains sound in the aggregate and supports proceeding with capital projects, transportation planning, road maintenance programs, miscellaneous water quality programs, and public services. Road maintenance, including elements of road overlay, has in recent years been supported by Proposition 1B, Federal ARRA (American Recovery and Reinvestment Act) funding, or a *General Fund* contribution (suspended since FY 2008-09). Proposition 1B funds averaging $2.7 million per year for road improvements became available to the County in FY 2008-09. This funding stream will be exhausted following the $3.1 million road overlay contract approved by the Board at the June 5, 2012 meeting.

- Library Fund: As discussed at the April 10, 2012 meeting, the *Library Fund* has incurred several years of declining dedicated property tax revenues and state funding. The Library is working through a strategic plan aimed at identifying options for sustainable funding and operations in the re-benched economy. Once complete, implications and recommendations will be presented to the Board for consideration.

- Fire Protection Services: As discussed at the April 10, 2012 meeting, the *County Fire Control Fund* has experienced some decline in dedicated Property Tax; however, this now appears to have stabilized. Fire related County Service Areas, such as North Auburn Ophir Fire (NAOF) and Dry Creek, have incurred more severe revenue declines. To address a long-term deficit for NAOF, the Board authorized placement of a special tax measure on the June 5, 2012 ballot to support fire protection in the District. Following insufficient support for the measure, services through the Cal Fire Contract will be reduced by $570,000 effective January 1, 2013 to bring expenditures in line with revenues.

Additional information about the county budget and related fiscal and policy workshops can be found at the following link:

http://www.placer.ca.gov/Departments/CEO/LatestBudgetInformation.aspx

Five-Year Strategic Budget Model: Options for Consideration

The Five-Year Strategic Budget Model reflects the above described expectations of revenues and cost drivers in the re-benched economy as well as the below options for consideration to maximize implementation of the Budget and Financial Policy while transitioning to greater sustainability of the County Budget and operations:

1. Consider equivalent of up to 50% of new ongoing department revenues to department operations with remainder redirected to general purpose revenue to more fully implement the Budget and Financial Policy;
2. Consider prioritizing unanticipated General Fund carryover fund balance to the following priorities:
   a. Up to 50% of unanticipated carryover fund balance shall be directed to the General Fund Reserve until such time as it meets the Budget and Financial Policy target of 5%;
   b. Remaining unanticipated carryover fund balance could be directed to the following priorities:
      i. Additional implementation of the Budget and Financial Policy;
      ii. One-time priorities such as infrastructure or other Board priorities;
3. Consider adjustments to operational support to the degree needed to ensure sustainable service and operations levels;
4. Other options as directed by the Board.

These options are presented for Board consideration and would result in greater sustainability of operations and would also reduce reliance on one-time revenues for ongoing operations. They would also bring the General Fund Reserve to the Budget and Financial Policy target of five percent of General Fund operations. To the extent any of the above options would result in reduced operational support to departments beyond existing operation margins, there could be service delivery implications.

Conclusion

The Five-Year Strategic Budget Model and options for consideration are presented for Board consideration as a multi-year implementation strategy to the Budget and Financial Policy. The options would transition County Budget and operations to a more sustainable level in light of future expected revenues and cost drivers. The identified options are intended to reduce the use of one-time funds for ongoing operations, relieve out-year pressure related to operational cost drivers, and provide increased Board flexibility within the allocation of limited discretionary revenues to support county service delivery.

Fiscal Impact

The above options would result in greater sustainability of countywide operations within the framework of the Budget and Financial Policy. As a result, they would improve the overall long-term fiscal health of the County consistent with longstanding Board policy direction.