



**COUNTY OF SAN LUIS OBISPO
BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Administrative Office		(2) MEETING DATE 11/6/2018		(3) CONTACT/PHONE Emily Jackson, Division Manager 805-781-5011	
(4) SUBJECT Review of the FY 2019-20 Budget Goals and Policies, Budget Balancing Strategies and Approaches, and Board Priorities. All Districts.					
(5) RECOMMENDED ACTION It is recommended that the Board: <ol style="list-style-type: none"> 1. Review and approve the FY 2019-20 Budget Goals and Policies (Attachment 1); 2. Review and approve the Budget Balancing Strategies and Approaches (Attachment 2); and 3. Provide staff with direction regarding any changes to the Board's Priorities. 					
(6) FUNDING SOURCE(S) n/a		(7) CURRENT YEAR FINANCIAL IMPACT \$0.00		(8) ANNUAL FINANCIAL IMPACT \$0.00	
(9) BUDGETED? n/a					
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input checked="" type="checkbox"/> Board Business (Time Est. <u>60 min</u>)					
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A					
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A				(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5 Vote Required <input type="checkbox"/> N/A	
(14) LOCATION MAP N/A		(15) BUSINESS IMPACT STATEMENT? No		(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date <u>10/9/2018</u>	
(17) ADMINISTRATIVE OFFICE REVIEW This item was prepared by the Administrative Office					
(18) SUPERVISOR DISTRICT(S) All Districts					



COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: Emily Jackson, Division Manager

DATE: 11/6/2018

SUBJECT: Review of the FY 2019-20 Budget Goals and Policies, Budget Balancing Strategies and Approaches, and Board Priorities. All Districts.

RECOMMENDATION

It is recommended that the Board:

1. Review and approve the FY 2019-20 Budget Goals and Policies (Attachment 1);
2. Review and approve the Budget Balancing Strategies and Approaches (Attachment 2); and
3. Provide staff with direction regarding any changes to the Board's Priorities.

DISCUSSION

The Budget Goals and Policies, Budget Balancing Strategies and Approaches, and Board priorities together provide the framework in which the budget is prepared. As illustrated in the financial forecast presented to the Board on October 9, 2018, the County's budget continues to grow, though this growth is slowing compared to recent years. The sections that follow provide an overview to the Budget Goals and Policies, Budget Balancing Strategies and Approaches, and Board Priorities. Given the forecast of a \$5-10 million General Fund gap in FY 2019-20, continued compliance with the Board-adopted Budget Goals and Policies will be important to assuring the ongoing fiscal health of the County.

In anticipation of a potential \$5-10 million General Fund deficit, the Administrative Office will ask departments for prioritized lists of budget reductions to reduce the amount of General Fund support needed for a status quo budget. Used as a long-term strategy to balance the budget during the recent recession, General Fund reduction lists prepared by departments identify budgetary reductions that could be made to bring the budget into balance, if necessary. Reductions lists are accompanied by a discussion of service level impacts so that staff can identify and recommend reductions that have as little impact to the programs and services provided to the community as possible.

In mid-February, a budget update will be provided to the Board and will include information about the actual status of the budget for FY 2019-20. At that time, staff will have a better idea of whether or not any budget reductions will

be necessary and will discuss the Strategies and Approaches that will likely be utilized in developing the FY 2019-20 Recommended Budget.

FY 2019-20 Budget Goals and Policies

Budget Goals and Policies are important because they help to institutionalize good financial management practices, clarify and crystalize strategic intent for financial management, define boundaries, support good bond ratings, promote longer-term strategic thinking, comply with established public management best practices, and meet legal obligations. Each year the Board of Supervisors adopts budget goals and policies to guide staff in the preparation of the recommended budget. The Board has occasionally approved changes to its Budget Goals and Policies in an effort to strengthen the County's financial policies in accordance with the Government Finance Officers Association's (GFOA) recommended best practices on the adoption of financial policies. For the past seven years, the County has received positive feedback on these changes from peers who reviewed the County's FY 2011-12 through FY 2017-18 Final Budget Documents for the GFOA Distinguished Budget Presentation Award.

At this time, staff believes that all existing Budget Goals and Policies provide adequate framework for budget development. As such, no additional changes are recommended to the Board's Budget Goals and Policies for FY 2019-20.

Budget Balancing Strategies and Approaches

One of the overarching objectives of the budget strategies is to strike a balance between maintaining fiscal health; continuing to provide programs and services to the County's many and varied customers; and providing competitive salaries and benefits to County employees. In order to maintain the County's fiscal health, this balance is important in both times of financial difficulty and growth.

As noted, the County's FY 2019-20 Financial Forecast yields an expected \$5-10 million General Fund gap for the coming budget year. Fortunately, the County's adherence to its Budget Balancing Strategies and Approaches (Strategies and Approaches) means that we are well-positioned to close the anticipated gap in the coming year.

The Strategies and Approaches guided the County through its seven year "Pain Management Plan" during the last downturn and were revised in FY 2016-17 to incorporate the County's preferred budget balancing strategies and approaches regardless of financial situation. In years when the County has a budget gap, the Strategies and Approaches call for a combination of short and long-term strategies to close the gap.

For FY 2019-20, staff is not recommending any changes to the Strategies and Approaches. Attachment 2 to this staff report includes the existing Strategies and Approaches which outline both long and short-term strategies to balancing the budget, and also identifies solutions that the County has not historically utilized to close budget gaps.

Board Priorities

On October 9, 2018, staff presented the FY 2019-20 Financial Forecast. During that discussion, it was indicated that the Board would discuss its FY 2019-20 priorities at the same time that the FY 2019-20 Budget Goals and Policies and Budget Balancing Strategies and Approaches were considered.

The Board's priorities remained unchanged for many years, until Roads was added as a fourth priority in February 2017. Currently the Board's priorities are as follows (in order):

- Meet legal mandates
- Meet debt service requirements
- Public Safety- defined as:
 - Sheriff-Coroner (fund center 136)
 - District Attorney (fund center 13201)
 - Probation (fund center 139)
 - County Fire (fund center 140)
- Roads

OTHER AGENCY INVOLVEMENT/IMPACT

All County departments will utilize the forecast, Budget Goals and Policies, Budget Balancing Strategies and Approaches and Board Priorities in the preparation of the FY 2019-20 budget.

FINANCIAL CONSIDERATIONS

There is no financial impact directly associated with the adoption of the Budget Goals and Policies and Budget Balancing Strategies and Approaches. However, it should be noted that the establishment of sound fiscal policies has, and will continue to have, a positive impact on the County's long-term fiscal health by helping to frame resource allocation decisions. The establishment of Board priorities helps to guide development of the budget and decisions about funding levels for various programs and services.

RESULTS

The approval of the FY 2019-20 Budget Goals and Policies, Budget Balancing Strategies and Approaches, and Board Priorities will contribute to the development of a Recommended FY 2019-20 Budget that reflects the goals and policies of the Board of Supervisors and will provide a framework for the continued creation of a spending plan that focuses on measurable results and high performance.

ATTACHMENTS

1. FY 2019-20 Budget Goals and Policies
2. FY 2019-20 Budget Balancing Strategies and Approaches
3. PowerPoint Presentation