



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

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| (1) DEPARTMENT Administrative Office | (2) MEETING DATE 11/5/2019 | (3) CONTACT/PHONE Emily Jackson, Division Manager 805-781-5011 | |
| (4) SUBJECT Review of the FY 2020-21 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 2020-21 Budget Goals and Policies (Attachment 1); 2. Review and approve the FY 2020-21 Budget Balancing Strategies and Approaches (Attachment 3); 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>45 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"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A | |
| (14) LOCATION MAP N/A | (15) BUSINESS IMPACT STATEMENT? No | (16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date _____ | |
| (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: 11/5/2019

SUBJECT: Review of the FY 2020-21 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 2020-21 Budget Goals and Policies (Attachment 1);
2. Review and approve the FY 2020-21 Budget Balancing Strategies and Approaches (Attachment 3); 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 22, 2019, 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 \$0-5 million General Fund gap in FY 2020-21, 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 \$0-5 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 Great 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 2020-21. 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 2020-21 Recommended Budget.

FY 2020-21 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 eight years, the County has received positive feedback on these changes from peers who reviewed the County's FY 2011-12 through FY 2018-19 Final Budget documents for the GFOA Distinguished Budget Presentation Award.

A summary of the recommended changes to the Board's Budget Goals and Policies for FY 2020-21 is included below. Revised language can be found in Attachment 1, and a redlined version of the document can be found in Attachment 2.

| Goal/Policy | Add/Delete/Revise | Comments |
|---|-------------------|--|
| Budget Development Policies | | |
| Mission Statements | Revise | Non-substantive language clean-up. |
| Budget Hearing in June | Revise | Non-substantive language clean-up. |
| General Fund Support | Revise | Non-substantive language clean-up. |
| Financial Planning Policies | | |
| Privatization of Services | Revise | Non-substantive language revision to provide additional clarity of existing policy and process. |
| Revenue Policies | | |
| Parks Cost Recovery Policy | Add | This policy was previously approved by the Board on July 17, 2018. Incorporating this policy into broader list via this item. |
| Fund Balance Available | Add | Policy added to describe Fund Balance Available, and how it is incorporated into the budget for the current and coming year. This language is intended to clarify existing process. |
| Expenditure Policies | | |
| Matching Funds - County Share | Revise | Non-substantive language clean-up. |
| Funding for Independent Special Districts | Add | This policy was previously approved by the Board on April 23, 2019. Incorporating this policy into broader list via this item. |
| Capital Project Policies | | |
| Capital Project Policies | Revise | Revisions to criteria used to evaluate and rank capital project requests, to conform with existing practice. Changes include; elimination of criteria related to a project's ability to address essential maintenance or repair needs to existing facilities; clarification that projects should be ranked with considerations to <i>Board adopted</i> service levels; and elimination of criteria |

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| | | related to a project's consistency with a project identified in the building's Facility Condition Assessment and/or Americans with Disabilities Act Transition Plan update. |
| Phasing of Large Capital Projects | Revise | Revision clarifies that for large capital projects, <i>estimated</i> costs should be developed in the initial year, along with a full project scope. |

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 compensation and investing in 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 2020-21 Financial Forecast yields an expected \$0-5 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 Great Recession 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.

A summary of the recommended changes to the Board's Budget Balancing Strategies and Approaches for FY 2020-21 is included below. Revised language can be found in Attachment 3, and a red-lined version of the proposed changes can be found in Attachment 4.

| Strategy/Approach | Add/Delete/Revise | Comments |
|---|-------------------|---|
| Long-Term budget balancing strategies | | |
| Engage Employees and Employee Associations | Revise | Removing language specific to prior Board direction related to labor relations strategy. The previously identified strategies have been achieved. |
| Short-term solutions that do not address a long-term structural budget gap | | |
| Reduce or eliminate the General Fund contribution to the Organizational Development program | Delete | As of FY 2019-20, the Organizational Development fund has been dissolved, with the programs previously provided through the fund moved into the General Fund. |
| Reduce or eliminate the amount of depreciation set aside for Countywide Automation projects | Revise | Adding language to clarify the importance of funding automation initiatives. |
| In Times of Financial Recovery and Growth | | |
| Salaries and Benefits | Revise | Revising language to reflect current approaching to managing investment in the County's workforce, |

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| | | including addition of language related to key financial considerations for negotiated labor agreements. |
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Board Priorities

On October 22, 2019, staff presented the FY 2020-21 Financial Forecast. During that discussion, it was indicated that the Board would discuss its FY 2020-21 priorities at the same time that the FY 2020-21 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. In preparation for FY 2019-20 budget development, the Board upheld its historic priorities, by identifying them as either legal requirements (meeting legal mandates and debt service requirements) or long-term priorities (public safety, defined as Sheriff-Coroner [Fund Center 136], Fire [Fund Center 140], Probation [Fund Center 139], and District Attorney [Fund Center 13201]; and Roads). The Board also identified Short-Term priorities, specific to FY 2019-20, including: Stepping Up/Jail Medical, Affordable Housing, Cannabis Code Enforcement, Groundwater Sustainability Plans, and Economic Development.

For FY 2020-21, staff again sought input from Board Members about specific operational/programmatic priorities for FY 2020-21. Those identified priorities with the most support include:

- Homelessness
- Stepping Up Program
- Housing
- Economic Development

Staff is seeking your Board’s adoption of these priorities, or direction on any changes to the above. Beyond these operational priorities, it is noted that your Board values positive employee relations and provides direction regarding employee compensation accordingly. A stable, talented and knowledgeable workforce is required to deliver these programs. Adoption of short-term Board priorities for FY 2020-21 will help staff to craft a recommended budget that is in line with those priorities.

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 2020-21 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 2020-21 Budget Goals and Policies, Budget Balancing Strategies and Approaches, and Board Priorities will contribute to the development of a Recommended FY 2020-21 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 2020-21 Budget Goals and Policies – clean
2. FY 2020-21 Budget Goals and Policies – redline
3. FY 2020-21 Budget Balancing Strategies and Approaches – clean
4. FY 2020-21 Budget Balancing Strategies and Approaches – redline
5. Powerpoint Presentation