2016-17 Budget Goals and Policies and Budget Balancing Strategies and Approaches

This section includes descriptions of the budget goals and policies that are used to guide the development of the County's budget and to manage the budget in current and future years. The Board of Supervisors reviews and adopts the budget goals and policies in the Fall of each year to guide staff in the preparation of the County's budget.

Overall, the goals of the County of San Luis Obispo, in the development and implementation of its annual budget are to:

- Establish a comprehensive financial plan which demonstrates, in measureable terms, that County government runs efficiently, provides high quality services, complies with all legal requirements and produces results that are responsive to community priorities and desires; and

- Further the County's mission to serve the community with pride while enhancing the economic, environmental and social qualities of life in San Luis Obispo County.

Also included in this section is an overview of the County's Budget Balancing Strategies and Approaches which outlines some of the budget planning processes that the County employs to maintain its fiscal health while continuing to provide programs and services to County residents.

Budget Development Policies

1. **Budget Process:** County departments shall participate and cooperate during the budget development process to facilitate the creation of a budget based upon a collaborative effort between the Board of Supervisors, the Administrative Office, Department Heads, staff, and the community.

   Each year, the Board of Supervisors shall set its priorities for the upcoming budget year. In most cases, this will be done in the Fall of each year in conjunction with the financial forecast provided by the County Administrative Office. The Board may at its discretion revisit its budget priorities and directives at any other point during the year.

   The Administrative Office shall utilize the Board's direction in order to create detailed instructions for use by departments in creating their respective budget submittals. Department submittals shall comply with the Board's directives and both reductions and additions will be prioritized. The intent is that the overall Proposed Budget created by the Administrative Office will comply with the Board's priorities and directives to the extent that available funding allows.

2. **Results Based Decision Making and Budgeting:** The County is committed to providing efficient, high quality services that produce clear results for the public we serve. Budget requests and recommendations must be linked to measurable results that are responsive to communitywide priorities.

3. **County's Vision Statement and Communitywide Results:** The Board adopted communitywide results shall be used by all departments to strategically guide the budget preparation process. Departments will link all goals and funding requests to communitywide results.

4. **Departmental Goals and Performance Measures:** Individual departments will establish goals that will facilitate achievement of the desired communitywide results. Departments will also develop meaningful performance measures that will be used to gauge the success of individual programs within a department. All requests to allocate additional resources to a new program or service must clearly demonstrate expected results in measurable terms. If additional funding is requested to augment an existing program or service, departments must identify actual results achieved to date in meaningful, measurable terms.

5. **Mission Statements:** County departments shall have a Department Mission Statement consistent with the County of San Luis Obispo's overall Mission Statement.

6. **Budget Hearings in June:** Conduct final budget hearings before the end of June; adopt budget by July 1, unless extenuating circumstances arise and the Board adopts a revised budget schedule for that particular year; adjust final numbers - no later than October 1st.

7. **Cost Allocation:** Allocate Countywide overhead costs to all County departments based on the cost allocation and implementation plan developed annually by the Auditor-Controller-Treasurer-Tax Collector-Public Administrator. Each department shall incorporate these allocations into their budget.

8. **General Fund Support:** General Fund support is the amount of General Fund money allocated to a given budget after revenues and other funding sources are subtracted from expenditures. These net costs would be used in developing budget recommendations and when reviewing budgets during the quarterly reporting process. Significant departures from the General Fund support amounts during the fiscal year may result in a recommendation to reduce expenditures to allow/ensure that the budgeted net cost would be achieved by the end of the fiscal year.

9. **Discretionary Programs:** Review all discretionary programs to determine if they are a high priority program with communitywide benefits and demonstrated results. Preferences for funding of new discretionary programs are for those which will facilitate the achievement of Board adopted communitywide results utilizing non-General Fund revenue first, offsetting fee revenue (if appropriate) second, and General Fund last. All requests for discretionary funding must be accompanied by a performance plan that clearly describes actual and/or expected results in measurable terms. Additionally, departments will prioritize their funding requests for new, discretionary programs by focusing on those programs that are most effective in terms of achieving departmental goals and desired results.

   Departments must also consider, from a Countywide perspective, the potential effects of new programs and services on interrelated programs and desired communitywide results when developing requests.

Financial Planning Policies

10. **Balanced Budget:** The County Administrative Officer shall present a balanced budget for all County operating funds, on an annual basis, to the Board of Supervisors for scheduled public hearings in June of each year. In accordance with the State Budget Act, Government Code §29009, available funding sources shall be at least equal to recommended appropriations.

11. **Ongoing Budget Administration:** It shall be the responsibility of the County Administrative Officer to submit Quarterly Financial Status Reports to the Board of Supervisors. These reports shall provide a projection of expenditures and revenues, identifying projected variances. They may also include recommendations and proposed corrective actions which may include mid-year reductions.

12. **Long-Term Financial Planning:** The County Administrative Office will annually develop a financial forecast of General Fund revenues and expenditures for the coming fiscal year and will provide the Board with a longer-term fiscal outlook. The purpose of the financial plan shall be to: 1. guide the Board in the development of its budget priorities, 2. provide the Board with the information it needs to direct County

departments in their creation of budget proposals, and 3. assist the Board in the implementation of budget balancing plans and solutions.

13. **Use of "One-Time" Funds:** One-time revenues shall be dedicated for use for one-time expenditures. Annual budgets will not be increased to the point that ongoing operating costs become overly reliant upon cyclical or unreliable one-time revenues. In the face of economic downturns or significant State cuts in subventions for locally mandated services, the use of one-time funds may be permitted to ease the transition to downsized or reorganized operations.

14. **Funding of Reserves/Contingencies/Designations:** In times when the County has adequate discretionary funds to restore or enhance programs and services that have been scaled back in difficult budget years, there shall be a balance between the restoration of these programs and services and the funding of the County's reserves, contingencies and designations that have been used to balance the budget in prior years. Further, it should be recognized that the funding of reserves, contingencies and designations is essential to ensuring the long-term fiscal health of the County.

15. **Funding of Self Insurance Internal Service Fund Reserves:** Self-Insurance Internal Service fund reserves are to be maintained between the 70% (minimum) and 90% (conservative) confidence levels. This funding range is consistent with guidelines set by the County's excess insurance carrier and industry norms. The setting and maintaining of reserve levels is based upon annual actuarial studies and internal analysis. Annual charges to departments shall be set to generate the funding necessary to maintain reserves between the 70% and 90% confidence levels.

16. **Enhance Cost Efficiency:** County departments should review multi-departmental programs and services in order to enhance coordination and cost efficiency for streamlined achievement of communitywide objectives and results.

17. **Consolidation of Programs:** County departments should consolidate programs and organizations to reduce County costs while maintaining or increasing existing levels of service. Before service level reductions are proposed, i.e. if budget cuts are required, department heads will determine if consolidation of departmental or Countywide programs or services would be cost effective.

18. **Privatization of Services:** County departments are encouraged to identify and recommend opportunities for cost savings whenever possible, including the privatization of services that are beneficial to the County and legally possible. Analysis will include review of existing services, including the possibility of "contracting in" with existing personnel and the development of a transition process for those services approved for privatization. In implementing significant new services, a thorough cost and program analysis shall be conducted to ascertain if privatizing will result in reduced costs, increased services and accountability.

19. **Reductions:** Reductions shall be evaluated on a case-by-case basis, in a fashion consistent with Board approved budget policies, to reach the appropriations level

required within the available means of financing. When budget reductions are necessary, departments will prioritize their service programs and propose reductions in areas that are least effective in terms of achieving departmental goals and desired results. Departments must also consider the potential effects on interrelated programs and desired communitywide results when developing budget reductions.

20. **Investing in Automation:** The Board recognizes that cost reduction, cost avoidance and process efficiency can be enhanced by utilizing automation. Proposals for investments in automation, particularly computer automation, must measurably demonstrate how cost savings will be achieved and/or how services will be improved. It is important that countywide benefits, compatibility with existing systems, and potential liabilities are fully addressed. All proposals for major automation improvements will be reviewed and approved by the Information Technology Executive Steering Committee prior to formal Board approval.

Revenue Policies

21. **Cost Recovery Through Fees:** Utilize fees to recover costs where reasonable and after all cost saving options have been explored. Exceptions will be reviewed on a case-by-case basis. County departments will review fees annually to ensure that they meet statutory requirements, fall within the range of fees being charged by comparator counties and achieve cost recovery.

22. **Pursuit of New Revenues/Maximizing Use of Non-General Fund Revenues:** County departments are directed to pursue revenue sources, when reasonable, in support of the communitywide results sought by the County. Where not prohibited by law, departments will maximize use of non-General Fund revenues, existing designations and trust funds prior to using General Fund money to fund programs.

23. **Appropriations from Unanticipated Revenues:** Appropriations from departmental unanticipated revenues will not be recommended unless the department is either reaching or exceeding its total departmental revenue estimates on a monthly or quarterly basis, or its revenues are in line with historical revenue trends for that department. Grant program revenues and appropriations will be considered on a case-by-case basis.

24. **Maintain or Enhance Revenue Generating Ability:** Appropriate sufficient funds to maintain the capabilities of budgets that generate revenues in excess of their costs. Enhancements to such budgets will be dependent upon resulting revenues being in excess of the associated costs.

Expenditure Policies

25. **Debt Management:** The Board of Supervisors established a Debt Advisory Committee (DAC) in 1992 to serve as a centralized debt review mechanism. The Board has also adopted an Infrastructure Planning and Financing Policy, and a Local Goals and Policies document for Community Facilities Districts (Mello Roos CFDs). The DAC has

adopted various operating guidelines such as a process for internally financing cash purchases rather than leasing capital equipment. The DAC has also reviewed each debt proposal from County departments or special districts and provided recommendations to the Board of Supervisors. A comprehensive Debt Management Policy was developed by the DAC and was adopted by the Board on December 14, 2010.

In practice, the County of San Luis Obispo uses debt financing to fund capital infrastructure necessary for provision of services for County residents. Debt financing provides a mechanism to spread the cost of such infrastructure to current and future years in which the improvements will be utilized. However, care is taken to not unduly burden future budgets with debt service costs. Long term debt may also be utilized where savings can be realized from refunding existing obligations for pensions or other benefits, or previously issued capital construction debt. The County may also employ short term financing to meet cash flow requirements.

The County of San Luis Obispo will not exceed its legal maximum debt limit as established by State Law. This amount is calculated annually based on 1.25% of the County's total assessed valuation. The County also calculates certain ratios to compare the level of bonded debt outstanding to personal income and on a per capita basis. A chart making such comparisons is published annually in the County's Comprehensive Annual Financial Report (CAFR).

26. **Funding of Contingencies and Reserves:** For the General Fund place a minimum of 5% of available funds into contingencies. Additionally, place up to 15% of available funds into contingencies or reserves and any additional unrestricted funds into reserves, after departments' operational needs are funded.

27. **Matching Funds - County Share:** No increased County share for budgets funded primarily from non-general fund sources if state funding is reduced, unless increased County share is mandated. The Board of Supervisors, at its discretion, may provide County "overmatches" to under-funded programs to ensure or enhance specified levels of service. Proposed "overmatches" shall include the specific, measurable, goals and results expected to be attained at both the "required" and the "overmatched" funding levels.

28. **"In-Kind" Contribution:** Where matching funds are required for grant purposes, provide as much "in-kind" contribution (resources already allocated by the County that will be expended in any case) as allowed, instead of hard dollar matches.

29. **Carry forward of Expenditures:** Expenditures carried forward from one year to the next (e.g. encumbrances) shall only be spent on the intended expenditure. If the actual expenditure is less than the amount carried forward, the remaining funds shall not be spent on something else without prior approval of the Administrative Office.

30. **Savings from Vacant Positions:** Salary and benefit savings resulting from vacant positions shall first be used to offset salary increases before requesting re-allocation of the savings to other expenditures that achieve communitywide objectives and results.

31. **Non-Emergency Mid-Year Requests:** Mid-year budget (including staff requests) or capital project requests of a non-immediate nature requiring a transfer from contingencies are recommended to be referred to the next year's budget deliberations. Mid-year requests with other funding sources or which can be absorbed within a department's budget are considered as needed.

Capital Project Policies

Review and evaluate projects based upon their cost, scope, countywide significance, correlation to facility master plans, and relation to communitywide objectives and results.

The following criteria shall be used in evaluating projects:

1. Ability to address a critical need or threats to health and safety
2. Connection to mandates or legal requirements
3. Existence of non-General Fund funding source(s)
4. Impact on General Fund or other budgetary impacts to existing services due to costs for staffing, operations and maintenance
5. Ability to address essential maintenance or repair needs to existing assets
6. Impact to service levels
7. Potential to save water/energy
8. Level of consistency with County plans, goals and priorities

Proposed projects shall include the project's anticipated impact on current and future operating costs. Projects will be recommended for approval that are 100% revenue offset or have their own funding source (such as golf courses and Lake Lopez), which meet one or more of the above criteria and would be reasonable in terms of scope or cost.

Projects should utilize energy and resource efficiencies such as "green building" (LEED) and Low Impact Development (LID) techniques and strategies to reduce ongoing utility and maintenance costs.

Library Projects: Consider funding new library buildings or major improvements to existing libraries only if at least 50% of the cost of the project is provided by the community in which the facility is located. The funding required from the community may be comprised from a variety of sources, including grants, school districts, special districts, cities, community group funding, private donations, or fees generated for specific use in libraries. The County's portion of this funding formula will be financed from the Library budget (Fund 1205), grants, gifts, the General Fund or fee revenues generated for specific use in libraries.

Maintenance Costs: Consider cost of ongoing maintenance before recommending capital projects, acquisition of additional parklands or beach access way projects.

Master Plans: Consider approving projects included in master plans if they have their own funding sources or if they are requested from other sources which identify an operational need for the facility.

Grant Funded Capital Projects: For grant funded projects, when a County match is required, budget only the County share if receipt of grant money is not expected in the budget year. If there is a reasonable expectation that the grant revenue can be received during the budget year, budget the entire project amount including revenues.

Encumbrances: The Auditor-Controller-Treasurer-Tax Collector-Public Administrator is authorized to encumber capital project money appropriated for a specific capital project at the end of each fiscal year, if work has been undertaken on that project during the fiscal year. Evidence that work has been undertaken would be in the form of an awarded contract or other item upon which the Board of Supervisors has taken formal action.

Phasing of Large Capital Projects: For capital projects which will be undertaken over several fiscal years, develop full project scope and costs in the initial year.

Budget Balancing Strategies and Approaches

The foundations of the Budget Balancing Strategies and Approaches are the County's adopted Budget Goals and Policies, and Board priorities and direction. The Budget Goals and Policies and Board priorities are subject to annual review and approval. The approach is for the Board to provide its priorities and other direction to staff early in the annual budget process so that staff can utilize this direction when developing the Proposed Budget for the coming year. In accordance with the State Budget Act (Government Code 29000-29144), the Board reviews and sets the budget for the fiscal year during budget hearings in June of each year. Along the way, the Board is provided regular updates regarding the status of the budget.

Different problems require different strategies. One of the overarching objectives of the County's Budget Balancing Strategies and Approaches is to strike a balance between maintaining fiscal health and continuing to provide programs and services to the County's many and varied customers. In order to maintain the County's fiscal health, this balance is important in both times of financial difficulty and financial growth.

This section provides an overview of the County's Budget Balancing Strategies and Approaches, which outlines some of the budget planning processes that the County employs to maintain its fiscal health while continuing to provide programs and services to County residents. The section is divided into two parts outlining the County's preferred strategies and approaches in times of (1) financial difficulty and (2) financial recovery and growth.

In Times of Financial Difficulty

When faced with financial difficulty, the County should identify budget balancing strategies that address both a short and long term budget gap, while also minimizing the impact of budget reductions to the community and employees.

Depending on the financial difficulty being experienced, short and long-term budget balancing strategies may be needed over multiples years. An important consideration in developing and implementing budget balancing strategies is identifying the timeframe for fixing the problem and bringing about structural balance. Utilizing reserves and other short-term budget balancing solutions can soften the impact of reductions to programs and services. However, it is imperative that these short term solutions be used judiciously in order to maintain the County's overall fiscal health. Should short-term solutions be over-utilized, the magnitude of reductions required later would be amplified.

Following is an outline of the County's preferred budget balancing strategies and approaches in times of financial difficulty:

Long-term budget balancing strategies:

1. Priority Driven- One of the starting points of the budget process is to identify Board priorities so staff can craft budget proposals that align with these priorities. The Board's current priorities are as follows (in order):
    a. Meet legal mandates
    b. Meet debt service requirements

c. Public Safety- defined as:
   i. Sheriff-Coroner (fund center 136)
   ii. District Attorney (fund center 13201)
   iii. Probation (fund center 139)
   iv. County Fire (fund center 140)

2. All Departments Participate- While departments receive different levels of funding due to priorities, departmental revenue sources, and program designs (amongst many other variables); all departments should participate in the closing of a budget gap. More specifically, no department should be exempt from budget reductions.

3. Proportional Reductions- Instead of cutting all operations by the same amount across the board, proportional growth and reductions should be taken into consideration. More specifically, staff could pursue reductions by department in relation to the amount of growth during times of financial growth. The rationale is that when in times of financial stability, some departments experience significant growth in expenditures and staffing due to increases in demand and revenues. In times when demand and corresponding revenues have slowed, expenditures should be scaled back accordingly. Conversely, some departments grow very little over time, and as a result they may not be scaled back to the same extent as other departments.

4. Detailed Budget Reduction Lists (i.e. cut lists)- The County Administrative Office should require departments to incorporate a prioritized list of resource/expenditure reductions into their annual budget submittals. Reductions with the least impact upon programs and services should be the first in line for reduction per Board approved Budget Policy #19- *Reductions*. The concept is that departments are the experts in their respective fields and are in the best position to recommend budget reductions in line with the Budget Goals and Policies, Board priorities and direction, and detailed budget instructions. If reductions are necessary, targeted reduction amounts are included as part of the detailed budget instructions provided to departments.

5. Mid-Year Budget Reductions- Mid-year reductions may be necessary in any given fiscal year depending upon the fiscal climate or action at other levels of government at any particular point in time. The intent of the mid-year reductions is to help keep the current year budget in balance and to create additional Fund Balance Available (FBA) at year-end for use as a funding source in the subsequent budget year.

6. Reduce "Over Match"- Many County administered programs are mandated by the State. Funding provided by the State for these types of programs does not always keep pace with the corresponding expenditures. During times of financial stability, the County may utilize some of its local, discretionary revenue to help offset the difference in order to keep many of these important programs intact. However, the County's ability to continue to provide this "over match" is limited during times of economic difficulty, and can be scaled back.

7. Engage Employees and Employee Associations- Labor costs make up approximately 45% of the total County budget (and approximately 60% of the General Fund budget). As a result, salary and benefit costs have the most significant influence upon expenditures. County staff and negotiators should continue to work with employees and employee associations in order to create opportunities to curtail labor costs. Specifically, the goal is to negotiate labor agreements that are consistent with the Board's direction that:
   a. The cost of pension rate increases be shared 50/50 by the County and employees.
   b. Prevailing wage adjustments should be negotiated, consistent with the County's Prevailing Wage Ordinance.
   c. A tiered pension plan be implemented for all new hires. The County has effectively implemented pension reform, which created second and third tier pension plans for all newly hired employees.

Short-term solutions that do not address a long-term structural budget gap:

1. Hiring "Chill"- The purpose of a hiring "chill" is two-fold: to save money in the current year so that additional FBA would be available for the subsequent budget year and to allow for attrition with respect to the reduction of positions (i.e. reduce layoffs). It is important to emphasize that reductions should be based upon priorities, not vacant positions. Attrition is a helpful tactic but should not be the driving strategy in reducing costs.

2. Reduce General Fund Contingency- Budget Policy #26- *Funding of Contingencies and Reserves* states that a minimum of 5% of available funds should be placed into General Fund contingencies. A reduction in General Fund contingencies can be utilized in difficult budget years as part of the budget balancing strategies. If this strategy is used, it is recommended that the contingency not be reduced below 3% in any given year as this would impair the County's ability to deal with unplanned issues and costs that occur mid-year. Additionally, it is important to note that reducing the contingency reduces the amount of FBA by an equal amount for fiscal year-end (unspent contingency is the largest component of FBA), hence deferring a portion of the budget gap to the subsequent year.

3. Defer capital improvement and automation projects that require General Fund support- This option saves money in the near-term but if these types of projects are continuously deferred, County facilities and systems may deteriorate and the cost of repairs may increase over time.

4. Minimize building maintenance expenditures- Similar to deferring capital improvement and automation projects that require General Fund support, this option saves General Fund in the near-term but over time if maintenance is deferred, County facilities may deteriorate, leading to higher repair costs.

5. Reduce or eliminate the General Fund contribution to the Organizational Development program- The Organizational Development program typically receives an annual General Fund contribution to pay for the Learning and Development Center, Citizen's Opinion Surveys, Employee Opinion Surveys, and departmental organizational assessments and training. In difficult budget years, reserves and designations can be used to fund these operations; however, in the longer term, some or all of these programs may have to be reduced or eliminated if the General Fund contribution were reduced or discontinued.

6. Reduce or eliminate the amount of depreciation set aside for Countywide Automation projects- As part of the Countywide Cost Plan, the Auditor-Controller-Treasurer-Tax Collector-Public Administrator's Office calculates the amount of depreciation associated with automation equipment. The standard practice has been to allocate this money to the Countywide Automation fund center in order to help pay for replacement automation projects. In times of financial difficulty, some or all of this money could be redirected to the General Fund. The impact is that over time, the County may not have sufficient funds to replace outdated or obsolete equipment and systems.

7. Reduce or eliminate the amount of depreciation set aside for Building Replacement- As part of the Countywide Cost Plan, the Auditor-Controller-Treasurer-Tax Collector-Public Administrator's Office calculates the amount of depreciation associated with County owned facilities. The standard practice has been to allocate this money to the Building Replacement fund center in order to help pay for the repair and replacement of County facilities. In times of financial difficulty, some or all of this money could be redirected to the General Fund. The impact is that over time, there may not be sufficient funds to repair or replace County owned facilities.

8. Voluntary Time Off (VTO), otherwise known as voluntary furloughs- County employees may take up to 160 hours of VTO in any given year. Individuals that elect to use VTO are not paid, but continue to receive benefits and time and service credits. As a result, VTO helps to defray salary and benefit costs. This option is short-term in nature, given that employees cannot be required to participate in this program (hence the name Voluntary Time Off) and it is not reasonable to expect employees to utilize VTO perpetually.

9. Early Retirement- Early retirement programs may be offered on a case-by-case basis. The intent is to reduce the number of layoffs by enticing individuals who are considering retirement to retire sooner rather than later in order to create attrition opportunities. Depending upon the specifics, an early retirement program may or may not provide cost savings. In instances where the program does not provide a cost savings (or is cost neutral), the sole benefit would be to reduce layoffs.

10. Use of one-time reserves- The County has set aside money in reserves, some of which is not designated for a specific purpose. This money has been accumulated over a number of years and has historically been used to help pay for unexpected costs or to help fund new projects or programs.

    Some of these reserves are available to help address a budget gap. However, since reserves are one-time in nature, the use of reserves to fund ongoing operational expenditures should be limited and not considered to be a long term operational funding source.

Options not included in the budget balancing strategies and approaches:

1. Mandatory Time Off (mandatory furloughs)- This approach has not historically been included in the budget balancing strategies because it is challenging to implement, has not been shown to save more money than the voluntary furlough program (VTO), and is short-term in nature.

2. Eliminate training- Maintaining a skilled workforce is important for every organization, especially one as labor intensive as the County. This approach has not historically been included in the budget balancing strategies because in times of budget reductions, additional demands are placed upon employees and it is more important than ever to maintain and enhance the performance of the workforce in order to successfully manage an increased workload. While training plans and expenditures may be cut back in times of financial difficulty, they should not be eliminated.

3. Revenue (tax) increases- In the past, tax increases such as sales taxes, transient occupancy taxes, business license taxes, and utility users taxes have been discussed but not supported by the Board.

In Times of Financial Recovery and Growth

The goal of the recovery process is to assure that the County remains adaptable to changing conditions and able to regenerate in the face of setbacks. Recovery from financial downturn is a journey that requires leadership, skill, and the ability to strike an appropriate balance in spending priority areas. To ensure long-term fiscal stability, the County carefully evaluates increases to contingencies, reserves, and designations while paying close attention to additional expenditures for programs and employee wages in times of recovery. Continued compliance with the Board-adopted Budget Goals and Policies is crucial to assuring the ongoing fiscal health of the County.

In times of financial recovery and growth, the County aims to strike a balance in the following areas:

1. Financial security
2. Programs and services
3. Salaries and benefits

Following is an outline of the County's approach:

Financial Security

Budget Policy #14- *Funding of Reserves/Contingencies/Designations* states that in times when the County has adequate discretionary funds, there should be a balance between the restoration of programs and services and the funding of the reserves, contingencies and designations that have been reduced to balance the budget in prior years. The County aims to maintain healthy reserves, designations, contingencies, and low debt levels in order to allow for future organizational stability and continuity of services. Consideration of financial security includes a review of the following:

- Ratio of total contingencies and reserves to the County's General Fund operating budget- The County's goal is to maintain a prudent level of savings that allows the County to plan for future needs and "weather" economic downturns. The industry standard target is to have a 20% reserve/contingency as a percent of the operating budget. Board adopted Budget Policy # 26 - *Funding of Contingencies and Reserves* requires that the County place a minimum of 5% of available funds in contingencies for the General Fund and place up to 15% of available funds into contingencies or reserves and any additional unrestricted funds into reserves, after departments' operational needs are funded.

- Ratio of General Fund backed annual debt service to the annual General Fund budget- The County's goal is to keep the ratio below 5%. A ratio under 5% is considered to be favorable by bond rating agencies.

- Credit Ratings- The County's goal is to maintain a high credit rating. Credit ratings are an objective measure of the County's ability to pay its financial obligations as well as meet safety and liquidity goals for the County Treasury investment pool.

Programs and Services

This spending area represents expenditures for the services that the County provides to its many and varied customers. Additions to programs and services are based on a thorough evaluation of need and expected results. During the budget preparation process, if a department believes that additional resources are required in order to meet the needs of its customers, a Budget Augmentation Request (BAR) will be submitted to the County Administrative Office as part of the budget process. The BAR provides the Administrative Office with a written proposal for adding resources to a department's budget. The written proposal must include:

- An explanation of the problem or need that the resources being requested will address, including a description of significant background or important historical information.
- A description of how additional resources will address a high priority service need.

- An analysis of other feasible alternative solutions to the problem with an explanation for why the request represents the best solution to the problem.

- The expected timeline for implementing the request, including major milestones along the way.
- The measurable results that will be achieved through the implementation of the request in terms of efficiency, quality of service, or outcome performance measures.

Board adopted Budget Policy #4- *Departmental Goals and Performance Measures* requires that requests for resource augmentations must be accompanied by a description of the meaningful, measurable results that will be attained. For new programs, the expected results should include a timeframe for achieving those results. Requests to augment funding for existing programs must include information about actual results the program has achieved to date as well as the intended results of the augmentation. As part of the measurable results, departments should consider the following questions:

- Are program/proposal objectives set forth in quantifiable terms?
- How will services improve and what measures will be used to track and identify the improvement?
- What improvements in cost effectiveness or future cost savings result from the proposal?
- How does the proposal improve customer service and how will this be measured?

BARs that are recommended by the Administrative Office are dependent upon Board priorities, the availability of funding and the anticipated results or outcomes that will be achieved by adding the resources.

Salaries and Benefits

The County takes a strategic approach to managing salary and benefit expense. County staff and negotiators work with employees and employee associations in order to manage salary and benefit expense to make sure that labor agreements are sustainable in the long-term. Employee prevailing wage adjustments are negotiated with the intent to strike a balance between what the County is able to afford, while still providing competitive salary and benefits for employees so that the recruitment and retention of employees is not compromised.