

CHAPTER 8

BUDGET DEVELOPMENT PROCEDURES

801.	Annual Budget Requests	1
802.	Budget Cycle.....	1
803.	Budget Submission	1
804.	Justification of Budget Requests	1
805.	Performance Measures	2
806.	Program Prioritization Plans	2
807.	Organization Chart, List of Department Positions and Functional Statement.....	2
808.	Fees for Services Review	3
809.	Salary Forecast and Non-Regular Salary Adjustments	3
810.	Position Additions/Deletions	4
811.	Services and Supplies, Other Charges, Intrafund Transfer Request.....	4
812.	Capital Asset Request	6
813.	Capital and Major Maintenance Projects	7
814.	Supplemental Budget Request	8
815.	Budget Hearing Presentations	8
816.	Balanced Budget.....	8
817.	Long Range Planning.....	8
818.	Use of One-Time Funding Sources.....	9
819.	Revenue Forecasting.....	9
820.	Grant Funding	9
821.	Intent to Recover Full Cost of Service.....	9
822.	Contingencies.....	9
823.	Fund Balance and Reserves.....	10
	Exhibits, Forms, and Illustrations.....	12
	A. Annual Budget Cycle	
	B. Organization Chart	
	C. Vehicle Request Form	
	D. Step-Down Plan	

CHAPTER 8
BUDGET DEVELOPMENT PROCEDURES

801. Annual Budget Requests. Government Code section 29040 requires each County department head or person in charge of any County budget unit to annually submit an itemized estimate of proposed expenditures and anticipated revenues for the coming fiscal year. Ordinance Code section 2.12.020 requires the County Administrative Officer to review these annual budget requests, and submit them, together with his/her recommendations, to the Board of Supervisors for determination of the annual County budget.

The policies and procedures contained in this Chapter are to guide the preparation, submission, and subsequent processing of annual budget requests. Because the County provides a myriad of services, the policies, procedures, and forms in the Chapter may not apply to all situations. Department heads and persons in charge of budget units are urged to consult in advance with the County Administrative Office if special budgetary considerations justify exceptions from the prescribed procedures or forms.

802. Budget Cycle. Exhibit A shows the sequence and approximate dates of the actions that must be taken to develop the annual budget. Department heads are urged to plan in conformance with this general budget cycle, so that their annual budget requests can be submitted and reviewed in a complete and timely manner. The County Administrative Officer will publish a schedule of the principal specific dates applicable to each fiscal year's budget development.

803. Budget Submission. For budget requests each fiscal year, the Budget Preparation System (BPS) computer program will be available to departments via the County Intranet. The program allows departments to submit their budget requests and line item justifications electronically, eliminating the requirement for hard-copy submission to the County Administrative Office, except for the departmental organization charts, functional statement, performance measures, step-down plan (if required), equipment request forms and signed letter of justification.

804. Justification of Budget Requests. The annual budget request for each department and separate budget unit must be justified as to its cost to County taxpayers in terms of the appropriateness of each of the services it undertakes to provide to the general public and/or other governmental entities (i.e., its "Work Programs"), and the employees, funds, and facilities deemed necessary to provide an appropriate "Level of Service" for each work program. The financial data required to justify each budget request, the forms by which to assemble and present it, and the "letter of justification" by which to explain and transmit the data are described in the following subsections.

.1 *Net General Fund Cost* is that portion of the total expenses of a budget unit or work program which must be paid for from the County's general-purpose funds, i.e., those revenues and fund balances which may be used for any legal purpose which the Board of Supervisors deems appropriate. The net general fund cost of any budget unit or work program is determined by subtracting any Program Revenues and/or special-purpose fund balances, which are received for that budget unit or work program, from the net total expenditures for that budget unit or work group.

.2 *Overmatch* is a term that refers to the use of County funds in an amount more than the amount of matching funds required by the State or federal government to operate a program. When overmatch funds are being requested, the justification for the request and the source of funding for the overmatch is to be included in a department's budget request. (Rev. 11/09)

.3 *Level of Service* of a budget unit or work program is the quantity and quality of services provided within a given period of time. As a rule, particular justification is required for increases in expenditure appropriations that will result in an increase over the current level of service.

.4 *Letter of Justification.* Each departmental budget request must be transmitted to the County Administrative Officer by a signed letter of justification. Budget requests without such a letter will not be

accepted. The department head is expected to accurately summarize any significant budget changes, noting the reasons for proposed increases or decreases in current levels of service and/or initiation of a new work program. Federal, State, or other directives should be cited when applicable. In addition, the letter must provide descriptive information as to the impact that the requested budget will have on work programs and levels of service. The letter of justification should also address any new approved fees to be charged or significant increases in existing fees. If the budget request includes the addition of positions, justification and the funding source must be included.

Send one copy of each letter of justification to the County Administrative Office and one copy to each member of the Board of Supervisors. Departments that administer more than one budget unit may elect to submit one letter of justification to cover all such budget units.

.5 Step-down Plans. Depending on the fiscal situation of the County, departments may be required to submit a Departmental Step-down Plan along with their budget. If required, departments must use the Step-Down Plan form available on BPS (Exhibit D) to detail how the department intends on incrementally reducing their Net General Fund Cost by a given percentage determined in advance by the County Administrative Office. Departments will need to identify what the impact of each incremental step-down will be, including potential reductions to staffing level, performance measures and levels of service.

805. Performance Measures. Departments have been tasked with establishing meaningful criteria for assessing the quality and effectiveness of services to the public. To be developed and revised in coordination with the County Administrative Office, these performance measures will be monitored throughout the year with annual changes reported as part of the budget process. Each departmental budget request must include the department's preliminary performance measures in the format prescribed by the County Administrative Office. Since budget submissions are required prior to the end of the fiscal year, performance measures should be updated and accurately based on year-to-date information collected. Departments should identify any significant improvements or declines in performance, explaining the reason for change and providing reasonable goals for the upcoming fiscal year. Departments will be required to update the preliminary performance measures for fiscal year-end data to be displayed in the recommended budget distributed prior to budget hearings.

806. Program Prioritization Plans. Departments are required to produce a program prioritization plan that provides the costs associated with and resources available for programs and functions the department performs. The plan should be compiled in a format prescribed by the County Administrative Office. The department is responsible for maintaining the information for the department's program and functions and be able to produce periodic reports, if requested.

807. Organization Chart, List of Department Positions and Functional Statement. Departments are expected to maintain charts of their current organizational structure, showing all regular positions currently assigned to each organizational unit. Each department or budget unit organizational chart shall be accompanied by a list of currently authorized positions and a functional statement briefly describing the operational tasks performed by each organizational unit, and how they relate to performance of the budget unit's work programs. For submission with annual budget requests, the organizational chart, position listing and functional statement must be amended to show any proposed increases or decreases in positions and related functional assignments, and will be used by the County Administrative Office in evaluating staffing requirements, and by the Personnel Department in classifying positions.

.1 Preparation. In preparing organizational charts, lists of department positions, and functional statements, note the following:

- a. Organizational charts should be prepared as illustrated in Exhibit B. For each box which shows an organizational unit of the department, the following items should be given: (a) the title of the organizational unit; (b) the classification and number of positions; and (c) the name of the head of the organizational unit.

In some instances, it will not be possible to show all the required detail in each organizational unit of your department on one page. In that case, the first page should show all the various divisions, with additional pages depicting each division in detail.

- b. The list of department positions is to include all currently authorized regular full-time and part-time positions in the department. Positions proposed to be deleted should be clearly identified. Requested additional positions should also be listed and clearly identified.
- c. Functional statements should explain proposed increases or decreases in positions and the effect of such actions on functional duties.

.2 *Disposition.* Send the original to the County Administrative Office with the department budget submittal.

808. Fees for Services Review. Changes in the department's fee structure require approval by the Board of Supervisors. In preparing the revenue estimate, the department should pay particular attention to revenue generated through the charging of fees for services (user fees). Since revenues are an important part of the budget planning process, it is appropriate that a review of revenues be made prior to departmental planning for expenditures. Refer to Administrative Bulletin No. 2 for instructions on calculating the fee amount. (Rev. 4-03)

.1 *Board Policy on User Fees.* The policy of the Board of Supervisors is to fund services that directly benefit an identifiable population with user fees whenever practical and financially beneficial. Specific responses to this policy include:

- a. Expanded direct services to an identifiable population should be supported with new or additional fees.
- b. Whenever additional mandates from the State or Federal government are placed on the County, the operating departments are directed to evaluate the appropriateness of implementing user fees based on this policy.
- c. When State or federal law mandates a new or higher level of service to be performed by the County and the law provides as the funding source the imposition of fees, those fees should be imposed.
- d. In those cases where State mandated fees do not reflect the actual cost of providing a State mandated service, the operating departments are directed to advise the County Administrative Office. With Board of Supervisors approval, the County Administrative Office will seek legislation to adjust those fees to accurately reflect the cost of the service to the County taxpayer.

.2 *Timetable for Submittal of New/Revised Fees.* To assure proper review of proposed fee changes in conjunction with the budget process, the following timetable should be followed. Exceptions to the timetable may be allowed for emergencies such as changes in State law or an action of the Board of Supervisors that necessitates immediate adoption of a new or revised fee.

The deadline for the submittal of requests for new or revised fees to the County Administrative Office is shown in Exhibit A.

The deadline for the conclusion of public workshops on proposed fees is shown in Exhibit A. Operating departments will conduct public workshops on any fee changes prior to formal public hearings before the Board of Supervisors.

The deadline for the submittal of fee change requests by operating departments, completion of required hearings, and adoption by the Board of Supervisors of all ordinance changes necessary to implement new or revised fees effective July 1 is the third Tuesday in June.

809. Salary Forecast and Non-Regular Salary Adjustments. For each fiscal year, the BPS will compute the budget units salary requirement for the Salaries and Wages account, FICA1 and FICA2 (Account 6410), Retirement (Account 6420), Employee Health Benefits (Account 6510), and Retired Employees Medical

Insurance (Account 6550) for all currently authorized positions. For other adjustments, the amount must be calculated and entered into the appropriate area of the Expense Worksheet contained in the BPS. Refer to the BPS manual.

.1 *Salary Savings.* Salary savings of at least 2% shall be computed for all budget units with 50 or more regular positions to reflect employee turnover. Additional salary savings shall also be taken when it is expected that one or more regular positions will be vacant during the budget year. Salary savings for prospective vacancies are determined by multiplying the number of payroll periods of estimated vacancy by the salary rate of the position(s) involved. The total salary savings should be shown as a negative amount to indicate that it is to be deducted from the total salary requirements. Departments shall identify which positions are to be held vacant to achieve the budgeted salary savings or otherwise provide calculation of salary savings. Positions that have been vacant and unfunded for more than two budget cycles should be deleted. Refer to BPS manual for expense account description and budget preparation procedures.

.2 *Extra Help.* The department should request extra help to accomplish work which is temporary (typically less than nine months in duration) or seasonal.

.3 *Employee Benefits.* Departments with budget units containing salaries will include provisions for the corresponding employee benefits. The calculation of the various employee benefits is performed by the BPS. The rates to be used for the calculations are updated and republished from time to time as an exhibit in the BPS manual.

.4 *Unemployment Insurance (Account 6570).* Unemployment insurance will be pre-calculated fixed dollar amount for each budget unit. The County Administrative Office will calculate the amount for each department, and distribute this information to departments with the budget packet.

.5 *Qualified Flexible Benefits (Account 6580).* Managers, mid-managers, and confidential employees qualify for Kern\$Flex at the rates specified in Chapter 1.

.6 *Workers' Compensation Insurance (Account 6600).* The Risk Management Division will inform departments of the specific amount to be budgeted for Workers' Compensation Insurance.

810. Position Additions/Deletions. Departmental requests for additional regular full-time and part-time positions and the deletion of currently authorized regular positions will be submitted as part of the BPS. Refer to BPS manual for the format and procedures. Justification and the source of funding for the position(s) must be included in the letter of justification.

New positions should be budgeted at "A" step of the salary range. Job titles and salary ranges for new positions should be those deemed appropriate by the department, taking into consideration the duties to be performed, and positions currently listed in the salary ordinance. The Personnel Department and the County Administrative Office make the final determination of position classification and salary range.

Departments must provide a deletion date for any requested deletions. The position must be vacant on this date as the Personnel Department will remove the position from the department's schedule of positions on that date.

811. Services and Supplies, Other Charges, Intrafund Transfer Request. Departmental requests for these "Objects" of expenditures will be submitted using the BPS. Refer to the BPS manual for a description of the procedures.

.1 *Expenditure account numbers* are issued by the Auditor-Controller-County Clerk. Special instructions are provided for the following subobjects:

.2 *Communications/Telephone & Telegraph (Account 6841).* The cost of new telephone systems must consist of estimates provided by the Information Technology Services Division (ITS). Such estimates will be provided when ITS performs a needs assessment and determines a new system requested by a department is necessary. Therefore, departments must submit requests sufficiently in advance to allow for the needs assessment, system design, and cost estimation processes to occur before figures are needed for inclusion in the

department and ITS budget requests. Expenditure requests for new telephone/communications systems or equipment must be separately identified and justified.

.3 *Insurance (Account 6900)*. Charges for General Liability Insurance and for other forms of insurance maintained specifically for the budget unit involved should be included in Account 6900. Charges for Employee Health Benefits, Unemployment, and Workers' Compensation Insurance are separate expenditure accounts under the Salaries and Employee Benefits object and are not included in this subobject. The Risk Management Division of County Counsel's Office will inform departments of the specific amounts to be budgeted in this subobject for General Liability and other forms of insurance.

.4 *Maintenance-Structures, Improvements & Grounds (Accounts 7000-7349)*. Alterations or maintenance jobs estimated to cost in excess of \$10,000 are to be listed as separate expenditure accounts under this subobject. Section 811 of this manual defines the method of identifying and determining costs of major maintenance projects and procedures for budgeting major maintenance projects. All other structural maintenance costs are to be included in Account 7001, "MSIG-General."

.5 *Membership (Account 7400)*. Membership expenses should be budgeted only when it can be shown that the membership is for the use and benefit of the County. Cost of memberships in societies or associations that benefit individual employees should be borne by the employee.

.6 *Office Expense (Account 7450)*. Estimated costs of office expense (except all postage costs) should be included in Account 7450.

Items of furniture listed in the Purchasing Agent's "Equipment Price Index" which have the characteristics of capitalized assets, but with a unit cost less than \$5,000 should be included in the amount requested for this subobject. An itemized list of requested equipment or furniture with a unit cost between \$1,000 and \$5,000 should be included in the detail justification area for account number 7450 of the Expense Worksheet contained in the BPS. Refer to BPS manual for instructions. If it is found appropriate to charge such non-capitalized items to another subobject, they should be itemized under that subobject.

.7 *Office Expense/Postage (Account 7452)*. All charges for postage expenses are to be separately budgeted in Account 7452.

.8 *Professional and Special Services/Data Processing (Account 7525)*. All charges for data processing services are to be separately budgeted in Account 7525.

.9 *Rents and Leases-Equipment (Account 7630)*. A schedule of items included in this subobject may be necessary and should be submitted in the BPS. Note that an Equipment Request must be submitted for each new item of leased equipment valued at \$5,000 and over. Refer to the BPS manual for the required procedure. Lease financed purchase of equipment is to be budgeted under Accounts 7991 and 7993.

.10 *Transportation & Travel (Accounts 7740-7779)*.

- a. Estimated transportation and travel costs (except personal vehicle mileage payments, fuel, out-of-County expenses, and charges for use of County Garage vehicles) should be included in Account 7740 unless the department desires a more detailed breakdown of costs using the expenditure accounts specified in the BPS manual (Accounts 7755-7777).
- b. Charges for the use of County-owned or leased vehicles furnished by the County Garage are to be separately budgeted in Account 7745.
- c. Payments for the fixed monthly portion of the department head/Board of Supervisors' automobile allowance, in accordance with Chapter 7 and Administrative Bulletin #20 are to be budgeted in Account 7740, while reimbursement of mileage is to be budgeted in Account 7750.

- d. Estimated costs for travel expense outside the County should be included in Account 7755. Costs for County vehicles should not be included in this account. If proposed travel is by private automobile, private plane, chartered plane, commercial air, bus or train, estimated cost of transportation should be included in this account.

.11 *Current Portion-Capital Leases and Interest—Capital Leases (Account 7991 and 7993)*. For lease-purchase of capitalized equipment (value \$5,000 and over), the principal and interest must be scheduled out for the length of the lease, either monthly or annually, depending upon the terms of the lease. The amount of principal to be paid during the budget year is to be included in account 7991 and the amount of interest to be paid should be budgeted in account 7993. Financing where the principal amount is \$30,000 or more requires pre-approval from the County Administrative Office.

.12 *Intrafund Transfers (Accounts 9000-9099)*. Intrafund transfer expenditure accounts are used only for costs applied between budget units within the same operating fund. Additional guidance on charges to other departments is available in Chapter 9.

New charges for services currently provided between General Fund departments, for which there has previously been no cost to the departments receiving the service, will not be permitted. However, charges between departments for discretionary services, or for standard services at a level above the level currently provided, may be permitted at the mutual consent of the charging and receiving departments.

General Fund departments that receive federal or State subventions based upon their actual departmental operating expenses or are self-funded through fees for services are eligible to be charged for services provided by other General Fund departments. General Fund departments that meet the criteria are Employers' Training Resource (budget unit 5923), Community Development (budget unit 5940) and Environmental Health (budget unit 4113).

812. Capital Asset Request. Capital assets may include equipment, works of art or historical treasures and intangible assets that are valued at the thresholds established in Chapter 4 by the Auditor-Controller. Requests for additional, replacement, or leased capital assets will be submitted in the BPS. Refer to the BPS Manual for the required forms and procedures.

.1 *Preparation and Disposition.* Items of personal property should conform with the following to be classified as equipment and works of art or historical treasures.

- a. Estimated useful life of one year or more.
- b. Moveable, or if attached, is readily detachable without appreciable impairment to the unit to which it is attached.
- c. Unit cost of \$5,000 or more. (For those items characterized as capitalized assets, but which cost less than \$5,000, see Section 811.6 of this manual for budgeting instructions.)

Departments are expected to obtain reasonable estimates for the total cost of the requested capital asset and include it in their budget submission. Budgeted amounts should be based on the total estimated cost of the asset, including taxes and shipping. For assistance with estimating the cost of the asset, departments should contact the Purchasing Division.

.2 *Vehicle Request.* Departments requesting new or replacement vehicles must submit a Vehicle Request Form, Exhibit C (Rev. 07/08), that can be found on CountyNet. The County Administrative Office will review the request for compliance with the County Vehicle Standards Policy (Chapter 5, Exhibit A). Requests not conforming to this policy require a justification. Upon approval, the County Administrative office will forward a copy of the Vehicle Request Form to the General Services Division and the requesting department. For departments using Plan 1, the requested new vehicles will be budgeted within the Garage Division account 7745, Charges to Departments. Therefore, departments should budget the vehicles cost within account 7745 of their respective budget units.

Departments not using Plan 1 should budget vehicles as capital assets in their respective budget units.

.3 *Intangible Assets.* Easements, computer software, water rights, timber rights, patents and trademarks that cost \$25,000 or more are required to be budgeted as a capital asset. See Chapter 4 for more guidance on determining costs for capitalization.

813. Capital and Major Maintenance Projects. This section describes the procedures used for requesting, reviewing, and budgeting projects for construction, improvements, betterments, or major maintenance of County buildings and facilities. Detailed definitions and accounting instructions relative to capital and major maintenance projects are contained in Chapter 4 of this manual.

.1 *General Procedure.* The General Services Division will annually distribute a capital and major maintenance project submission and processing time line. The published time line will be accompanied by a list of prior year project requests separated into Capital and Major Maintenance projects for each requesting department. Each department receiving a list of their prior year requests will be requested to: (1) delete any projects no longer deemed necessary; (2) add any new project requests (accompanied by a project request form); (3) indicate if a project is being revised and attach a new project request form; (4) establish the department's prioritization of the projects; and (5) return the revised list to the General Services Division by the published deadline. Departments with no prior year requests may simply submit new requests as applicable. The General Services Division will assess the need and validity of project requests and will prepare a cost estimate for recommended projects and update all prior year cost estimates. Pursuant to the published time line, following cost estimation, the County Administrative Office will review the lists for budgetary consideration and redistribute the project lists to each department for final prioritization.

Project requests submitted by the established deadlines will be included in the Capital Projects and Major Maintenance lists to be considered for funding in the coming fiscal year. Project requests submitted after the established deadline will not be considered for funding unless designated as an emergency project. Emergency projects submitted after the deadline will be considered for inclusion only when accompanied by a letter from the department head explaining the nature of the emergency and the reason why the request could not be submitted by the deadline.

.2 *Submission.* Complete the Capital and Major Maintenance Project Request, form CAO-37, for all newly requested or revised projects. All submissions must be completed electronically. Form CAO-37 is located on CountyNet by selecting "County Construction Projects" under the "Services" tab. The General Services Division will review all timely submissions and provide a cost estimate for each project. When appropriate, ITS will advise the General Services Division of costs associated with telecommunications equipment or mainframe/backbone computer connections which should be included in the construction estimate.

.3 *Capital and Major Maintenance Project Request Process.* Pursuant to the published time line, the General Services Division will perform an initial screening of all properly submitted projects to establish a preliminary priority. For those projects that are give preliminary priority as well as for revised projects, cost estimates are then generated. Following the completion of the project cost estimates, General Services will provide prioritized project lists to the County Administrative Office for budgetary consideration.

Major Maintenance projects will be separated into the following categories: heating ventilation and air conditioning, roof repair/replacement, parking lot paving repair and replacement, fencing, upgrade, remodel, miscellaneous, lighting, security, paint/cosmetic, floor/carpet, water/sewer. The General Services Division will prioritize all general maintenance projects on a countywide basis.

Each list of capital and department specific maintenance projects returned to the applicable departments will show the estimate of total costs, for each project or project phase. Departments may request a copy of the detailed breakdown of individual projects from General Services. Departments will be requested to conduct a final review and prioritization of the list and verify any offsetting revenue.

The County Administrative Office will prepare a final list of those projects recommended for funding based on an overall evaluation of relative budget needs and financial capabilities. The evaluation criteria used by the

County Administrative Office includes factors such as: availability of discretionary and special purpose funding; urgency of health and safety issues; urgency of preventative maintenance issues; changes in legislation; and applicable payback periods. The County Administrative Office will compile the Capital and Major Maintenance Project budget units.

Pursuant to the published time line, prior to budget hearings, the County Administrative Office will furnish the Board of Supervisors and affected departments with the recommended Major Maintenance and Capital Projects List and any prior year projects proposed to be re-budgeted.

814. Supplemental Budget Request. Departmental requests for additions to their recommended budget requests will not be accepted or recommended for approval by the County Administrative Office except when new legislation or similar circumstances beyond the control of the affected departments involve mandates of a new, or significant increase, in work program requirements. If such a mandate occurs, a “supplemental budget request” may be submitted prior to adoption of the County Budget as follows:

.1 As soon as the required addition is known, departments must submit an office memorandum to the County Administrative Office giving detailed justification, including such supporting documents as may be prescribed for the classification of expenditure(s) involved. The “subject” of such memorandum should be “Budget Unit #___, Supplemental Budget Request for Fiscal year 20___-___.” Prompt submission of such memorandum will permit the County Administrative Office to review the request involved, and to formulate recommendations prior to budget hearings.

815. Budget Hearing Presentations. In accordance with Government Code Section 29082, the Board of Supervisors will hear any department head or authorized representative who wishes to address the Board regarding his or her recommended budget(s).

.1 *Consent Agenda Request.* Department heads may submit a request to the County Administrative Office to be considered for consent on the budget hearing agenda, if all the following criteria are met:

- a. The department head concurs with the County Administrative Office’s recommended budget for his or her budget unit(s).
- b. There are no significant service level impacts to the public.
- c. The department head has no other comments for the Board regarding his or her budget(s).

.2 *Director’s Discussion.* A department head that does not concur with his or her recommended budget shall provide information on the disputed issues to the County Administrative Office that will complete a Director’s Discussion form detailing both the department’s and County Administrative Office’s concerns to be distributed to the Board of Supervisors for budget hearing discussions.

816. Balanced Budget. Total revenues, including carry-over fund balances, must equal total fund appropriation and reserves. The annual operating budget will be structurally balanced upon adoption by the Board of Supervisors. Significant budget variances and recommended actions will be reported to the Board of Supervisors throughout the fiscal year as they are identified.

817. Long Range Planning. As part of the annual budget process, the County Administrative Office will prepare a multi-year forecast of financial operations for the General Fund. This forecast will include changes in costs to maintain current service levels and costs related to new programs or program enhancements. The County Administrative Office will project major revenues and expenditures of the General Fund, and report significant findings and recommendations to the Board of Supervisors.

818. Use of One-Time Funding Sources. Carry-over fund balances and other one-time funding sources will be used to fund one-time expenses including, but not limited to, capital expenditures, start-up costs for new programs, and designations or reserves for future use. One-time funds will not be used to finance ongoing operational costs, except within the context of a larger plan to balance ongoing revenues and costs over a multi-

year period. Such a plan could involve short-term use of one-time funds to preserve essential public services where longer-term financial forecasts demonstrate the near-term future potential for ongoing revenues to fund those services.

819. Revenue Forecasting. Revenue forecasting will be undertaken annually through a review of local historical revenue trends and analysis of federal, state, and local economic projections. All departments, as part of budget development, will provide revenue forecasting as well as part of the mid-year review in accordance with Chapter 9, Section 903 Budget Monitoring and Reporting. For revenue that tends to be most volatile and sensitive to changes in the economy, forecasting will involve analysis of economic, demographic, business cycle and other factors that might impact those revenues. Revenue forecasts will not be based on straight-line assumptions.

820. Grant Funding. County departments will pursue opportunities for federal, state or local grant funding including private donations. See Chapter 13 – Grant Applications and Administration for further guidance.

.1 *Considerations.* Prior to applying for, and accepting such intergovernmental aid, County departments will consider the current and future implications of either accepting or rejecting a grant. That consideration shall include:

- a. The amount of matching local funds required;
- b. In-kind services to be provided;
- c. Length of grant, and whether the County is required to continue the service after the grant has ended; and
- d. Related operating expenses.

Departments shall assess the merits of any individual grant as if it were funded with local tax dollars. Unless specifically approved by the Board of Supervisors, the loss of grant funding will not be subvented by the General Fund and departments are expected to plan accordingly for appropriation reductions.

821. Intent to Recover Full Cost of Service. The full cost of service should be calculated for all County services to provide a basis for setting fees or charges. Full cost should include direct and indirect costs. This calculation shall be reviewed and updated annually by each charging department. For charging County departments, see Chapter 9 Section 908 for guidance.

822. Contingencies. Contingencies help protect the County from unforeseen increases in expenditures or reductions in revenues, or from extraordinary events that might otherwise substantially harm the fiscal health of the County. These funds are intended to help avoid undue service level fluctuations during periods of economic instability.

.1 *General Fund – Mandatory Contingencies.* The County will annually establish an appropriation for contingencies in the General Fund to accommodate unanticipated operational changes, legislative impacts, or other economic events affecting the County's operations that could not have been reasonably anticipated at the time the budget was prepared. Funding shall be targeted at no less than 1% of locally funded appropriation. Locally funded appropriation are those funded by countywide discretionary revenue, such as unrestricted property tax, sales tax, interest income, and other revenues not linked to specific programs, and by ongoing operating transfers in. The Board of Supervisors may authorize the transfer of appropriation from this account with a 4/5th vote.

.2 *General Fund – Uncertainties Contingencies.* The County will annually establish an appropriation for contingencies in the General Fund for uncertainties of the amount of no less than \$500,000. The use of uncertainties contingencies requires prior approval by the County Administrative Office before obtaining approval by the Board of Supervisors. The County Administrative Office will only recommend use of these funds as a last resort, and only if the requesting department:

- a. Has no unanticipated sources of funding to appropriate;
- b. Has no other appropriation within its own budget unit to cover the budget overrun; and
- c. Has no appropriation available in another fund that it controls that can be legally applied to cover the budget overrun.

823. Fund Balance and Reserves. The County must maintain a minimum level of unassigned fund balance designated as general purpose reserve to meet seasonal cash flow shortfalls, revenue shortfalls, unanticipated expenditures, economic downturns or a local disaster. Fund balance can only be "spent down" under specific circumstances, and unassigned fund balance will be replenished if it falls below the established minimum.

.1 *Classification.* The Governmental Accounting Standards Board issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* that was effective for financial statements with the fiscal year beginning July 1, 2010, and classifies fund balance as nonspendable, restricted, committed, assigned, and unassigned for the County's General Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Funds. The categories represent a hierarchy from most restrictive (Nonspendable) to least restrictive (Unassigned):

- a. Nonspendable Fund Balance – amounts cannot be spent because they are (a) not in spendable form or (b) legally or contractually required to be maintained intact. Due to the nature or form of the resources, they generally cannot be expected to be converted into cash or a spendable form. These fund balance amounts are recorded each year by the Auditor-Controller to reflect the amount of fund balance determined to be nonspendable. No Board action is required to change these amounts.
- b. Restricted Fund Balance – amounts are restricted by external parties, i.e., creditors, grantors, contributors, or laws/regulations of other governments or restricted by law through constitutional provisions of enabling legislation. Restrictions may be changed or lifted only with the consent of the resource provider.
- c. Committed Fund Balance – amounts that can only be used for a specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision making authority. The formal action must occur prior to the end of the reporting period, however, the amount may be determined in the subsequent period. These are self-imposed limitations on available resources. These committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same action it employed to previously commit those amounts. These committed amounts would be approved and adopted by formal action of the Board of Supervisors.
- d. Assigned Fund Balance – amounts constrained by the government's intent to be used for specific purposes that are neither restricted nor committed. The intent will be expressed by the body or official to which the governing body has delegated the authority, i.e. the County Administrative Office.
- e. Unassigned Fund Balance – the General Fund, as the principal operating fund, often will have net resources in excess of what can properly be classified in one of the four categories described above. Therefore, unassigned fund balance equals total fund balance less nonspendable, restricted, committed, and assigned. This amount is available for any purpose and may be appropriated or contributed to the General Purpose Reserve or a specific purpose designation until allocated for a specific purpose by the Board, by a four-fifths vote.

.2 *Unassigned Fund Balance – General Purpose Reserve.* The General Purpose Reserve has no identified contingent liability or specific future use. It is intended for unanticipated major emergencies; to allow a transition period when key economic indicators point to recession likely to substantially reduce county

revenues and increase public assistance expenditures; and to ensure the County's ability to make debt services payments in periods of declining general purpose revenues. The County shall maintain an unassigned fund balance designated as General Purpose Reserve for the General Fund targeted at a minimum of 10% of locally funded appropriation based on the adopted budget. Locally funded appropriation are those funded by countywide discretionary revenue, such as unrestricted property tax, sales tax, interest income, and other revenues not linked to specific programs, and by ongoing operating transfers in. The unassigned fund balance designated as General Purpose Reserve shall be built up with one-time sources until the established minimum target is achieved. In the event the locally funded appropriation declines from the previous year, the General Purpose Reserve shall have no downward adjustments. Increases to the General Purpose Reserve generally are only made once at the beginning of the fiscal year through the budget process.

.3 Fund Balance Spend Down. Use of fund balance will be limited to nonrecurring expenditures, debt reduction, one-time capital costs or emergency situations (such as economic conditions or natural disasters). The County generally will use the specific purpose designations (Assigned) first, then the Tax Liability Reserve (Assigned) and finally the General Purpose Reserve (Unassigned) when using fund balance.

Within a five year planning cycle, should unforeseen events cause the use of fund balance to be used for ongoing operational needs, the following budget balancing strategies will be invoked to determine corrective actions:

- a. Seek other revenue opportunities, including new service fees or increase existing fees.
- b. Reduce expenditures through improved productivity.
- c. Reduce or eliminate services.
- d. Manage staffing costs.

After evaluating and implementing where possible the above budget balancing strategies, the unassigned fund balance may be used as a temporary fix to address an ongoing budget gap if incorporated in a multi-year plan to balance ongoing revenues and expenses. A planned draw down of unassigned fund balance for ongoing operational needs generally should not exceed 3% of locally funded appropriation in a given fiscal year.

.4 Unassigned Fund Balance Replenish Procedures. Before the unassigned fund balance can be withdrawn below the General Purpose Reserve target, a replenishment plan must be adopted by the Board of Supervisors. The unassigned fund balance shall be built up with one-time sources until the established target is achieved/replenished. One-time sources will be used to replenish reserves before using for one-time, nonemergency expenses.

.5 Proposition 172 General Designation. In accordance with Government Code Section 30052, Proposition 172 sales tax revenue can only be used to fund public safety services. On an annual basis, the County Administrative Office will determine a projected base value to use in budget development. The base value will only include proven stable growth. Any additional funds received in excess of the base will be set aside in a general designation within the Proposition 172 special revenue fund for revenue stabilization and other one-time costs for public safety activities.

BUDGET DEVELOPMENT PROCEDURES

EXHIBITS, FORMS, AND ILLUSTRATIONS

- A. Annual Budget Cycle
- B. Organization Chart (Required Format)
- C. Vehicle Request Form
- D. Step-Down Plan

CHAPTER 8BUDGET CYCLE

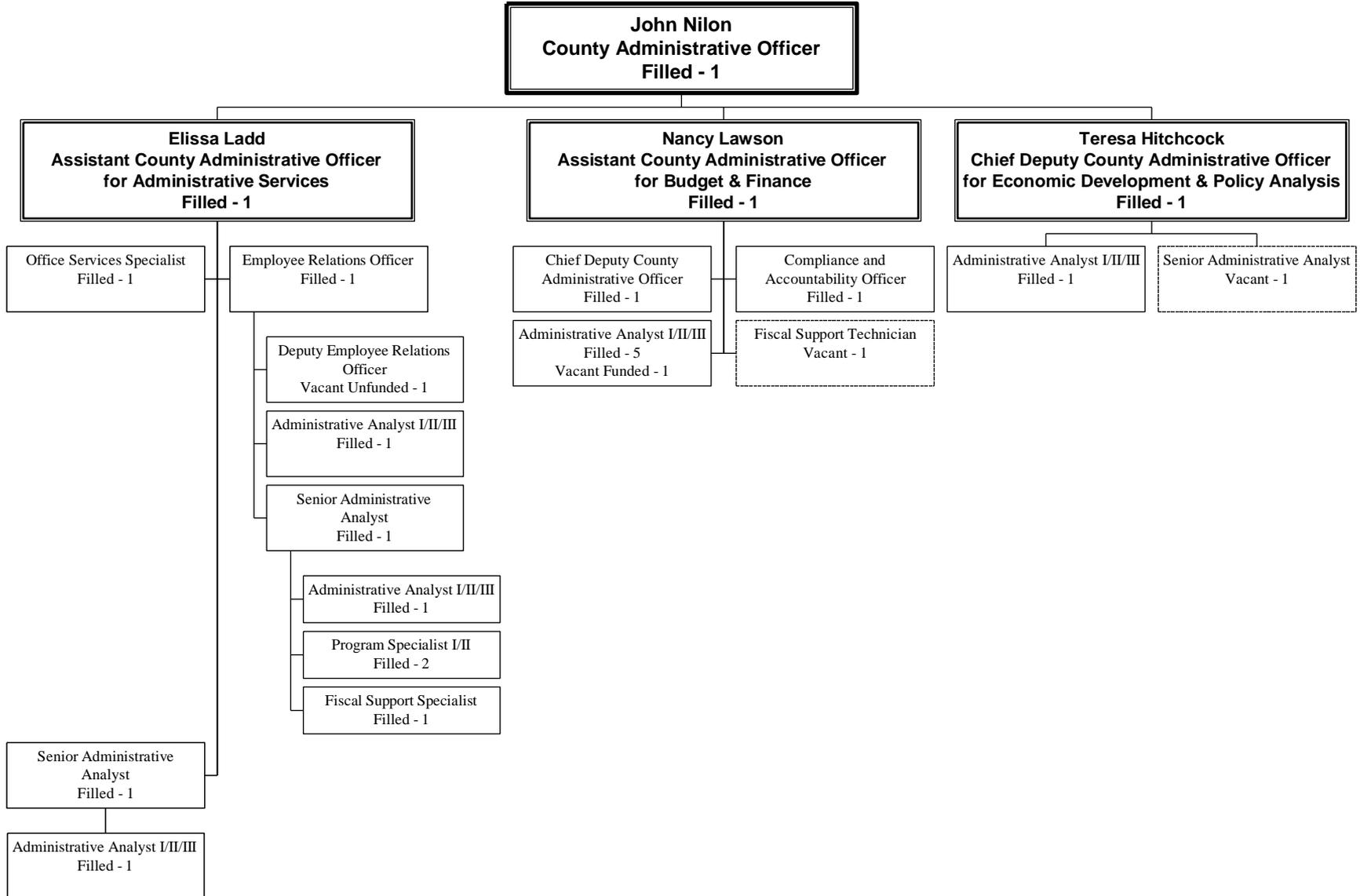
Following is the sequence and approximate dates of the actions that must be taken to develop the annual County Budget, including development of the Capital Projects budget unit:

TIMEFRAME	ACTION
Mid December	Proposals for capital and major maintenance projects (Form CAO-037) are due to the General Services Division. Proposals related to General Service maintained buildings or facilities are due by mid-October with a copy to the County Administrative Office.
Mid February	County Administrative Office obtains Board of Supervisors approval of the Proposed Fiscal Year Budget Development Guidelines, including the Budget Hearing dates, net General Fund cost guidelines and revenue forecasts for budget development.
Late February	County Administrative Office provides “Budget Kickoff” meeting for departments and issues guidelines for the next fiscal year’s budget and will distribute procedural instructions and relevant information.
Early March	<ol style="list-style-type: none"> (1) Departments that charge other departments for services send charges to affected departments and the County Administrative Office for the upcoming fiscal year. (2) Departments using Garage vehicles under Plans 1 and 2 submit Vehicle Request Forms to the General Services Division, with copy to County Administrative Office. (3) Risk Management charges for workers’ compensation, general liability, automobile and other insurance, are forwarded to the County Administrative Office for review and distribution to departments. (4) County Administrative Office develops rates for employee health and unemployment insurance and updates the Budget Preparation System (BPS).
Early April	Requests for new or increased fees are to be submitted to the County Administrative Office.

TIMEFRAME	ACTION
Mid April	Departments' budget requests, including step-down plans (if required) and preliminary performance measures are submitted to the County Administrative Office and the Board of Supervisors.
Mid May	Department Program Prioritization Plans are due to the County Administrative Office.
Mid June	County Administrative Office presents the preliminary recommended budget with the Department Program Prioritization Plans to the Board of Supervisors for the first budgetary discussion.
Late June	Assessor files assessment roll.
Early July	Auditor-Controller reports County fund balances available as of June 30 to Board of Supervisors and County Administrative Office (not later than Tuesday after 14 th working day in July).
Early July	The General Services Division forwards priced and prioritized copies of capital projects and major maintenance proposals to the County Administrative Office. County Administrative Office sends departments updated lists of capital projects, which are to be returned to the County Administrative Office with departments' desired priorities by mid July, and priced copies of major maintenance project proposals for inclusion in the recommended budget.
Early July	Departments provide updated performance measures with final data to the County Administrative Office to be included in the recommended budget.
Mid July	County Administrative Office presents updated budget status with year-end closing numbers and departments identify budgetary issues to the Board of Supervisors for the second budgetary discussion.
Early August	Recommended budget documents are available for public (must be 10 days before start of Budget Hearings). Clerk of the Board publishes notice announcing Budget Hearings.
Mid/Late August	Board of Supervisors holds Budget Hearings on County Administrative Office Recommended Budget. After close of Budget Hearings, Board of Supervisors adopts resolutions adopting the regular County budget, budgets for funds not included in regular County budget, budgets for county service areas and special districts under control of Board, and budgets for Kern County Water Agency and its zones of benefit.

COUNTY ADMINISTRATIVE OFFICE

Proposed for Fiscal Year 2013-14
 Requested Authorized Positions: 26



VEHICLE REQUESTS (SUBMIT TO CAO)

Budget Unit No. _____ Budget Unit Title _____ For Fiscal Year 20____-

Item Requested - Give Detailed Description (do not use brand names):		This request is for the following: A. <input type="checkbox"/> Additional Vehicle B. <input type="checkbox"/> Replacement Vehicle C. <input type="checkbox"/> Leased Vehicle
Class Code: _____ <small>(Choose type of vehicle from the drop down list)</small>	Add G.P.S. To Vehicle(s) _____ <small>(Additional Charges will apply to add GPS to a vehicle)</small>	Aproximate Cost to Add G.P.S. \$388 per unit plus \$17 per month
Vehicle Inventory Number(s) being Replaced:		Select which Vehicle Service Plan: Plan: _____ Plan 1 - Garage Owns & Maintains Plan 2 - Dept Owns & Garage Maintains Plan 3 - Dept Owns & Maintains
Number Requested:	Unit Cost:	Total Cost (Includes Freight & Tax): \$0
Source of Estimated Cost: <input type="checkbox"/> Purchasing Agent <input type="checkbox"/> Fleet Services Garage <input type="checkbox"/> Other, Explain	Source of Funds:	Intended Location:
Explain Source of Estimated Cost:		
Detailed Justification of use and need: <small>(see Chapter 11, Exhibit D, Appendix A for listing of standard County</small>		
Justification of vehicle size and type (including options such as engine size, 4x4, etc. if applicable) If other than the County Standard:		
Approved by Dept. Head: _____ Date _____ Approved by CAO Analyst: _____ Date _____		

Once approved by CAO Analyst, fax copy to:
 Purchasing - 868-3100
 Fleet Services - 868-6901
 Requesting Dept.

SAMPLE

Summary of Departmental Step-down Plan
Provide up to 6 step-downs totaling 5% of the department's General Fund Cost
 Increment size to be determined by the department
 Blue cells are formula driven and should not be altered

Department: Sample County Department

Net General Fund Cost:	\$1,000,000	Percentage:	Currently Authorized Positions:
Step 1	(25,000)	-2.50%	Full-Time 0
Step 2	(25,000)	-5.00%	Part-Time 0
Step 3	-	-5.00%	<u>0</u>
Step 4	-	-5.00%	
Step 5	-	-5.00%	
Step 6	-	-5.00%	

Total Net GF Cost after step-downs: \$950,000

Step 1: Reduction to the ABC Program

Brief Narrative of Potential Impact, Including Projected Impact on Performance Measures/Action:

The Department has proposed a reduction to the ABC Program. This program serves over 123,000 people per year and is the Department's fourth most visible program. Reducing the program would require not funding 7 full time positions and 3 extra help, possibly resulting in the layoff of 4 full time employees. Additional reductions to costs will result from the closing of a leased facility and transferring the use of 7 leased vehicles to a fully funded State program within the Department. Reducing this program would result in the Department's clientele experiencing a decrease in access to a critical service, and an increase in crime and violence in the streets. The reduction to this program will result in a decrease in program revenue.

<u>Resulting Decrease in Costs/Decrease in Revenue:</u>		<u>Positions Not Funded:</u>
Salaries and Benefits:	(\$25,000)	Full-Time (3)
Services and Supplies:	(\$25,000)	Part-Time 0
Other Costs:	\$0	Extra Help 0
Decrease in Revenue:	\$0	<u>(3)</u>
Decrease to Net GF Cost:	<u>(\$50,000)</u>	

Step 2:

Brief Narrative of Potential Impact, Including Projected Impact on Performance Measures/Action:

<u>Resulting Decrease in Costs/Decrease in Revenue:</u>		<u>Positions Not Funded:</u>
Salaries and Benefits:	\$0	Full-Time 0
Services and Supplies:	\$0	Part-Time 0
Other Costs:	\$0	Extra Help 0
Decrease in Revenue:	\$0	<u>0</u>
Decrease to Net GF Cost:	<u>\$0</u>	

Step 3: Eliminating the XYZ Program

Brief Narrative of Potential Impact, Including Projected Impact on Performance Measures/Action:

The Department has proposed ...

<u>Resulting Decrease in Costs/Decrease in Revenue:</u>		<u>Positions Not Funded:</u>
Salaries and Benefits:	\$0	Full-Time 0
Services and Supplies:	\$0	Part-Time 0
Other Costs:	\$0	Extra Help 0

SAMPLE

Decrease in Revenue:	\$0	0
Decrease to Net GF Cost:	\$0	

Step 4: Reducing the XYZ Program

Brief Narrative of Potential Impact, Including Projected Impact on Performance Measures/Action:
 The Department has proposed ...

<u>Resulting Decrease in Costs/Decrease in Revenue:</u>		<u>Positions Not Funded:</u>	
Salaries and Benefits:	\$0	Full-Time	0
Services and Supplies:	\$0	Part-Time	0
Other Costs:	\$0	Extra Help	0
Decrease in Revenue:	\$0		0
Decrease to Net GF Cost:	\$0		

Step 5: Eliminating the XYZ Program

Brief Narrative of Potential Impact, Including Projected Impact on Performance Measures/Action:
 The Department has proposed ...

<u>Resulting Decrease in Costs/Decrease in Revenue:</u>		<u>Positions Not Funded:</u>	
Salaries and Benefits:	\$0	Full-Time	0
Services and Supplies:	\$0	Part-Time	0
Other Costs:	\$0	Extra Help	0
Decrease in Revenue:	\$0		0
Decrease to Net GF Cost:	\$0		

Step 6: Eliminating the XYZ Program

Brief Narrative of Potential Impact, Including Projected Impact on Performance Measures/Action:

<u>Resulting Decrease in Costs/Decrease in Revenue:</u>		<u>Positions Not Funded:</u>	
Salaries and Benefits:	\$0	Full-Time	0
Services and Supplies:	\$0	Part-Time	0
Other Costs:	\$0	Extra Help	0
Decrease in Revenue:	\$0		0
Decrease to Net GF Cost:	\$0		