



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: 12-1191, **Version:** 1

- a. Approve the recommended County Financial Guidelines containing County-wide financial principles and strategies for building the Fiscal Year (FY) 2013-14 Recommended Budget and ongoing fiscal management; and
- b. Approve the financial strategy to fulfill Board direction established in the Financial Guidelines to fund the Capital Improvement Program through the Building Use Allowance as calculated in the Countywide Cost Allocation Plan (COWCAP).

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve the recommended County Financial Guidelines containing County-wide financial principles and strategies for building the Fiscal Year (FY) 2013-14 Recommended Budget and ongoing fiscal management; and
- b. Approve the financial strategy to fulfill Board direction established in the Financial Guidelines to fund the Capital Improvement Program through the Building Use Allowance as calculated in the Countywide Cost Allocation Plan (COWCAP).

SUMMARY/DISCUSSION:

In February 2003, the Board first adopted formal financial guidelines, policies, principles and strategies by establishing a framework for overall fiscal planning and management. The County Administrative Office (CAO) annually recommends updates to the County's existing financial guidelines, policies, principles, and strategies in order to provide an enhanced framework for administering the current Budget and developing the Recommended Budget. Specific areas of focus include the following: Roles and Functions, Operating Budget Guidelines, General Financial Guidelines, Revenue and Expenditure Guidelines, Structurally Balanced Budget Policy, Fund Balance and Reserve Policy, Development of Performance Measures that are aligned with the County's Strategic Initiatives and Objectives, Strategic Planning Policy, County-wide Contingency and Reserve Policy, User Fees Fair Share Policy, Outside Agency Contributions Policy, Other Post Employment Benefits Policy, Enterprise Fund Policy, Internal Service Fund Policy, and Capital Facilities and Improvement Policy.

In recent years, the Board and County management have made significant progress in developing and implementing sound fiscal guidelines, policies, principals and strategies. As a result, in preparation for the development of the Fiscal Year (FY) 2013-14 Recommended Budget, it is recommended that the Financial Guidelines (see **Attachment 1**) remain for the most part, unchanged from those adopted for FY 2012-13, with the exception of the inclusion of the Board's direction to the County Administration Office (CAO) to provide a guideline and to find a reliable, consistent and sustainable strategy to meet annual funding needs for the County's capital improvement and maintenance needs.

Current strategy to meet annual capital funding needs for General Fund departments is primarily through the use of any unbudgeted year-end Fund Balance. The strategy has proven problematic and unreliable when there

isn't unbudgeted Fund Balance available for assignment to meet such purposes. The recommended guideline and strategy is to use the Building Use Allowance as calculated in the Auditor-Controller Monterey County Countywide Cost Allocation Plan (COWCAP)) to charge departments the annual cost for use of facilities and incorporate that charge/allocation in their annual budgets.

The Building Use Allowance is generally calculated for each County building at two percent of the building cost (defined as acquisition cost plus the cost of subsequent improvements such as paved parking areas, fences, sidewalks, less any construction funds received from other government agencies). The amount of building use allowance assigned to any individual department is based on their actual use of square footage in a building. The total calculated amount for General Fund departments in FY 2009-10 was \$2.9 million (County of Monterey COWCAP for use in FY Ending June 30, 2012). See **Attachment 2**.

The recommended methodology insures a consistent and reliable source of funding for General Fund departments' facility replacement and repair.

OTHER AGENCY INVOLVEMENT:

The County Administrative Office works with all departments in the review and development of the Financial Guidelines.

FINANCING:

The Financial Guidelines provide the framework for building and administering the Recommended Budget each fiscal year. The fiscal implications related to the recommended funding strategy for the Capital Program is each department will be charged in FY 2013-14 their respective Building Use Allowance per the Auditor-Controller Monterey County Countywide Cost Allocation Plan (COWCAP) for use in FY Ending June 30, 2012.

Prepared by: Rod Walker, Principal Administrative Analyst

Approved by: Dewayne Woods, County Budget Director

Attachment 1: Monterey County FY 2013-14 General Financial Guidelines

Attachment 2: Allocation of Building Use Allowance