



County of Monterey

Board of Supervisors
Chambers
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Legislation Details (With Board Report)

File #: 19-0212 **Name:** Receive the FY 2019-20 BOS Budget Workshop Presentation.

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Title: Receive the FY 2019-20 Board of Supervisors' Budget Workshop Presentation.

Sponsors: County Administrative Office

Indexes:

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Attachments: 1. Board Report, 2. FY 2019-20 General Financial Policies

Date	Ver.	Action By	Action	Result
4/9/2019	1	Board of Supervisors	received	

Receive the FY 2019-20 Board of Supervisors' Budget Workshop Presentation.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- Receive an update on budget development as part of the Board of Supervisors' FY 2019-20 Budget Workshop;
- Receive an update on the County's General Financial Policies; and
- Provide direction to staff.

SUMMARY/DISCUSSION:

On March 12, 2019, the County Administrative Office (CAO) presented the countywide financial forecast to the Board of Supervisors (Board). The forecast indicates continued growth in discretionary revenues. However, revenue growth is not enough to keep up with increased costs of doing business. Sharply rising pension contributions, increased employee health insurance costs, higher workers' compensation and general liability program expenditures, and formulaic increases in general fund subsidies lead to an estimated funding gap of \$14 million next fiscal year, growing to \$36 million by FY 2021-22.

Since the forecast, departments have submitted their requested budgets for next fiscal year, including initial "baseline" plans of operations if increased County contributions are not available. Staff in the County Administrative Office are analyzing the requested budgets to better understand each department's operational needs and implications to services. These preliminary baseline budgets identify staffing-related funding gaps for continuing 70 positions, including 56.5 filled positions and 13.5 vacancies.

Departments submitted augmentation requests totaling \$40.9 million to address funding gaps and, in some cases, to add new staff or enhance programs. The augmentation includes: \$7.6 million to keep filled staff, \$210,993 to preserve vacancies, \$2.9 million to support current non-personnel operating costs (travel expenses, building maintenance, etc.), \$10.2 million for 104.5 new positions, \$15.7 million for capital spending, and \$4.3 million for program expansion. Staff is assessing potential funding sources (e.g., discretionary revenue growth

and cannabis revenue) to support the highest priority requests.

During the April 9, 2019, Board budget workshop, the Board will receive information and perspectives on the developing budget for next fiscal year, including presentations from Department Heads. Direction provided in the workshop will be incorporated into the Recommended Budget scheduled to be presented for consideration during the annual budget hearings commencing on June 3, 2019.

Update to the General Financial Policies

The Government Finance Officers Association (GFOA) recommends as a best practice that governing bodies maintain financial policies for annual budget development and financial oversight. This year's update to the financial policies articulates criteria in Section 5.11 used by staff to weigh competing funding requests in the context of limited resources for inclusion in the annual recommended budget and subsequent mid-year modifications. The criteria include:

- Mandated by current law or Board policy;
- Alignment with the County's strategic initiatives and priorities;
- Consistent with community priorities expressed in forums, surveys, and other community engagement initiatives;
- Necessary to maintain current level of mission-critical services/operations;
- Substantiation of compelling public need (e.g., health, safety, economy vitality, quality of life) that cannot be met within existing resources;
- Likelihood of success based on prior performance, degree of readiness (planning/specificity), requested resources, and assumed timeline;
- Leverages sustainable financial support from non-County sources;
- Appropriate placement of responsibility (federal, state, or local);
- Degree of urgency; and
- Critical infrastructure investment to ensure productivity and continuity of operations.

The above criteria comprise common points for evaluating resource requests and is not intended to be an exhaustive list. Criteria in the listing are not in any order nor are they mutually-exclusive; funding recommendations may align with more than one criterion.

Although these criteria have been employed by staff in prior budget cycles, recording them in the financial policies helps ensure a common understanding of how recommendations are formulated for consideration by the Board.

OTHER AGENCY INVOLVEMENT:

Development of the Recommended Budget is a collaborative effort between the County Administrative Office and all County departments, with overall direction provided by the Board of Supervisors. This workshop was preceded by a budget workshop with Department Heads on March 29, 2019.

FINANCING:

Receipt of this report do not specifically impact the budget. However, feedback received in the workshop will help shape the overall approach in developing the budget for next fiscal year.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The budget workshop supports the Board's strategic initiative to promote an organization that practices efficient

and effective resource management and is recognized for responsiveness, strong customer orientation, accountability and transparency. An important objective of this strategic initiative is achieving a balanced budget that sustains core services and efficiently allocates resources. The annual budget workshop helps fulfill this objective.

☐ Economic Development
☒ Administration
☐ Health & Human Services
☐ Infrastructure
☐ Public Safety

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Attachments: FY 2019-20 General Financial Policies (Updated Section 5.11)
(Attachments on file with the Clerk of the Board)