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Board of Supervisors
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COUNTY OF SANTA CRUZ POLICIES AND PROCEDURES MANUAL

GENERAL FUND BUDGETING PRINCIPLES

TITLE V – ADMINISTRATION AND LEGISLATION

SECTION 500 – BUDGET

A. GLOSSARY OF TERMS

Adopted Budget	The County's annual budget as formally adopted by the Board of Supervisors for a specific fiscal year.
Appropriation	A legal authorization to make expenditures and to incur obligations for specific purposes.
Appropriation for Contingency	A budgetary provision representing that portion of the financing requirements set aside to meet unforeseen expenditure requirements or to offset revenue shortfalls.
Assigned Fund Balance	The portion of fund balance that reflects an intended use of resources. For non- general funds, it is the amount in excess of non-spendable, restricted and committed fund balance.
Authorized Position	Any permanent position in the classified service that is required to be filled through certification, or by provisional appointment. A position may either be funded or unfunded.
Balanced Budget	A budget in which the planned expenditures and the means of financing them are equal. A balanced annual budget is required by the State of California per Government Code §29000, et seq.
Base Budget	The Base Budget is the starting point for the development of the Proposed Budget, and includes salary and benefit projections for funded staff, changes for scheduled debt service, changes to one-time funding sources and status quo expenses and revenues based on the current year's adopted budget.
Basis of Accounting	The term used to describe the timing of recognition, that is, when the effects of transactions or events should be recognized. The County's governmental funds are required to use the modified accrual basis of accounting in GAAP financial statements.
Basis of Budgeting	Refers to the conversions for recognition of costs and revenue in budget development and in establishing and reporting appropriations, that are the legal authority to spend or collect revenues. Governmental funds use the modified accrual basis of accounting.
Budget	A financial plan for a fiscal year that includes expenditures and the means of financing them. The County's annual budget is voted upon by the Board of Supervisors and provided to the State of California.

Budgeted Position	A funded position (see Funded Position) as further discussed in Title II Personnel Procedures within the County Policy and Procedures.
Budgetary Control Level	The maximum level at which operations or capital projects can spend without exceeding the amount legally appropriated by the County Board of Supervisors. For operations, this control is at the department level. For capital projects, it is controlled at the project level.
Capital Budget	A plan of current and long-term expenditures for the acquisition or maintenance of fixed assets such as land, buildings, and equipment.
Capital Improvement Program (CIP)	The plan that identifies capital improvement projects proposed in the unincorporated area of the County over a period of not less than five years as well as proposed financing for these projects
Committed Fund Balance	Self-imposed limitations set on funds prior to the end of an accounting period. These limitations are imposed by the highest level of decision-making (i.e. the Board of Supervisors), and require formal action at that same level to remove.
Fiscal Year (FY)	A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and the results of its operations. The County of Santa Cruz's fiscal year is July 1 through June 30.
Funded Position	Any authorized position that the total cost is legally appropriated in the adopted budget before it can be filled.
Limited Term Position	Any Budgeted Position that has only a 12-month authorization by the County Board of Supervisors.
Net County Cost	The amount of General-Purpose Revenue that is budgeted to fund a department's services after all other funding sources for those services are taken into account; it is also referred to as "General Fund Contribution".
Operating Budget	A plan of current expenditures and the recommended means of financing them. The annual operating budget is the primary means by which most of the financing, acquisition, spending and service delivery activities of a government are controlled.
One-time funds	Revenue that is not expected to be received again within the next fiscal years. Any of these funds should be used in accordance with the guidance provided within the General Fund Budget Principles.
Salary Savings	The portion of the funding that would be required to cover the full cost of all funded positions that is withheld from most department budgets at the outset of each fiscal year.
Unfunded Position	Any authorized position that is not filled until the total cost is legally appropriated in the adopted budget.

B. GENERAL FUND BUDGETIN PRINCIPLES

INTRODUCTION

The Santa Cruz County Annual Budget is a resource-allocation document which serves as the financial plan for the County. Its purpose is to implement the goals and policies as determined by the Board of Supervisors. The following principles are designed to provide over-all guidance in the preparation, adoption, implementation and evaluation of the annual budget.

PUBLIC INPUT

Proposed budget documents should be made available to the Board and the public as early as possible.

The County Administrative Officer shall present a Proposed Budget for the review of the Board of Supervisors and the public 6 to 8 weeks prior to the adoption of the County budget, or earlier if possible. This will ensure that the community recognizes what is at risk in the budget and to provide adequate time to plan for the outcome.

Public comment is encouraged.

The County shall hold public hearings prior to the adoption of the budget to receive input. Opportunities shall be provided for public comment at the beginning of the hearings, during the Board of Supervisor's public review, and before final budget adoption.

GENERAL BUDGET PRINCIPLES

The County shall adopt a balanced budget.

The budget should be structured to assure that ongoing operating revenues and expenditures are balanced on both a short and long term basis.

The County Budget shall conform to all applicable requirements.

In accordance with applicable administrative requirements and including state regulations and Generally Accepted Accounting Principles (GAAP) for governmental agencies, the County shall adopt a balanced budget using reliable information to continue to build trust, confidence and credibility throughout the process.

Employees are the most valuable resource in providing public services.

Quality public service begins with employees that dedicate their careers to building and providing services to the public. Budget choices must value the contribution of employees and promote their continued dedication to provide services. The County shall limit the use of consultants where possible and train County staff to perform those tasks.

The budget shall be based on realistic revenue and expenditure projections.

The budget shall use realistic revenue and expenditure projections based on past actual experience, projected outside funding, and other financial conditions. The County shall rely on new revenues from anticipated growth or revenues contingent upon passage of legislation only when reasonably assured. Future costs shall only be budgeted if there is a high probability that the funds shall be available to support them.

The County shall target the use of Fund Balances.

Fund balances should be used to address one-time costs, maintenance of reserves and addressing cyclical rather than structural budgetary imbalances.

The budget shall distinguish between cyclical and structural deficits. Temporary downturns shall be addressed by using reserves, putting a freeze on hiring, deferring capital or maintenance spending and other similar short term measures. Long-term structural budget issues require permanent restructuring of services and operations, which may be phased in over an appropriate interval of time and based on the magnitude of the imbalance.

The County should regularly monitor budget conformity.

The status of expenses and revenues for each department shall be closely and thoroughly monitored by Department Heads. Any deviations from planned revenue receipts and expenses shall be addressed by the Department Head by recommending adjustments to assure the year end actuals are in balance.

The County shall endeavor to maintain a diversified revenue base sufficient to meet priority service needs.

The County shall endeavor to establish and maintain a diversified and reliable revenue base to reduce the effects of fluctuations in any single revenue source. Efforts shall be directed to optimize existing revenue sources while reviewing potential new revenue sources. The County shall attempt to identify revenues to meet the service needs determined by the Board of Supervisors.

RESERVES AND CONTINGENCIES

The County shall maintain prudent reserves for cash flow, designated purposes and unforeseen or emergency events.

The County shall maintain total reserves and contingencies in accordance to the Fund Balance policy (Title 1, Section 450). These amounts will fluctuate based on the economy, the needs of the County, the requirements of the rating agencies, and other related considerations.

The County shall maintain a working capital reserve to meet the financial obligations of the County as they come due.

The County shall maintain designated reserves to address uncertainties. Examples of these designated reserves could include program reserves, capital project accumulation reserves and the like. The need and extent of these reserves shall reflect the current and future needs of the County. The County shall maintain an emergency reserve to address some of the costs of natural disasters and unforeseen calamities.

The County shall limit the use of contingencies to emergencies and/or unusual or non-planned expenses.

USE OF RESOURCES

The County shall endeavor to maintain a budget which prioritizes the health, safety and welfare of the residents of the County and the preservation of the quality of life in the County and its environment.

The annual budget provides an opportunity to review the County's budget priorities, make revisions to address emerging needs and reflect changes in federal, state and local conditions. Protecting the County's health, safety, welfare, quality of life and natural resources to the greatest extent possible will assure the well-being of the community and future generations.

The County shall prioritize funding decisions based on legal requirements, the essential services of the county and discretionary services, as finances allow.

The County shall prioritize available resources and services according to whether they are legally mandated, essential (including business functions), or discretionary. Mandated expenditures will have the first call on the County's scarce resources, followed by essential services to the public and the business responsibilities of the County. Remaining funds will be allocated to discretionary services based on availability and only after consideration of both the short and long term needs and sustainability of the resources.

Funding decisions between mandated and discretionary services should consider the interrelated nature of service outcomes, including the potential for cost-avoidance in mandated services.

The County should protect direct services to the public as a priority.

The community needs to be able to depend on County services during difficult economic times. Budget priorities should always support services to the public.

Protect services that comprise the safety net in our community.

During times of economic distress, some local residents may need help for the first time in their lives. The County should work to ensure that both County services and community programs are available to help out the growing number of those in need.

Identify community services that might be cut early enough for the community to develop new strategies to fund them.

The County should support efforts of the community to assume the cost of services that are being reduced by the County.

The budget must be responsive to changing conditions.

Budgets should flexibly adjust to constantly changing conditions; which include changes in revenue, changes in demand, and changes in the law and policy. Changing conditions can also drive a need for shifts in service delivery priority.

One-time funds should be allocated to one-time expenses.

The County should fund ongoing costs with ongoing revenues and shall avoid the use of one-time revenues to support ongoing expenditures. It is recognized that in times of significant budget deficits, one-time funds may be allocated to ongoing costs as a part of a strategic plan to phase down expenditures over multiple years.

Leverage federal and state resources wherever possible.

The County should stretch local resources as far as possible and should maximize other funding streams when available.

The County shall minimize the allocation of local resources to overmatch or replace lost funding from outside revenue sources.

The County shall normally implement mandated programs at the level of funding provided by the State or federal government.

The County shall operate State or federal programs based on the level of funding provided and shall not backfill reductions with County General Fund except when local priorities dictate the need for continuation.

The County shall avoid General Fund subsidies to other special funds.

Resources should be maximized within and across departments, other jurisdictions, and community partners.

Our county has benefited from strategies that provide a preventative function. Departments should be encouraged in these activities, and overall savings should be calculated across departments rather than simply within departments to support these efforts. This will also promote collaboration rather than competition within our departments.

Duplicate and overlapping service provision dilutes the funds available to provide services. The County should look for opportunities to eliminate duplication by partnering and collaborating to share services and where appropriate, overlapping services should be consolidated.

Opportunities to increase and enhance revenues should be pursued.

Enhancing existing revenues and bringing in new revenues should be encouraged. Revenue from all sources should be considered including but not limited to grants, fees, and fines. The cost of fiscal administration and the sustainability of the revenue should be considered.

The use of technology should be increased where appropriate to meet community need and increase productivity.

Scale back instead of cutting out when appropriate.

Reducing staff hours and services instead of eliminating positions and programs provide the opportunity to rebuild more readily when the economy improves.

Programs should be regularly evaluated by departments and audits shall be conducted in accordance with generally accepted audit standards.

Programs and service levels shall be evaluated by departments based on performance and alignment with County resources. Audits shall be done in accordance with the generally accepted standards for government audits.

The County shall develop strategic approaches to address unfunded future liabilities.

Managing future liabilities such as PERS and retiree medical care costs shall be actuarially sound, unless otherwise prescribed by law or regulation. To the extent that liabilities exceed anticipated current contributions, the County shall develop appropriate strategies to phase in funding to address the anticipated costs of unfunded liabilities. The goal is to assure that future budgets do not reflect a disproportionate share of costs for current programs, services or expenditures.

The County shall maintain a Five Year Capital Improvement Program.

The County shall maintain a five year financing and implementation plan for capital improvements. The County shall maintain an annual Capital Improvement Program designed to ensure proper planning, funding and implementation of major capital projects.

COST RECOVERY

When fees for service are appropriate, the County shall seek to recover the cost for providing the services.

The County shall evaluate the feasibility and legality of imposing fees or other charges for any service provided by the County.

The County shall charge fees for services where the cost can be accurately attributed to specific users and where the cost of charging the fee is appropriate. The full cost of providing a service shall be calculated in order to provide a basis for setting the charge or fee. Full cost incorporates direct and indirect costs, including operations and maintenance, overhead, and charges for the use of capital facilities.

The County shall review and update charges and fees periodically based on factors such as the impact of inflation, other cost increases, the adequacy of the coverage of costs, and current competitive rates. Charges and fees shall be established to ensure that they are reasonable, fair, equitable in nature, and are proportionately representative of the costs incurred by the County.

The County shall make information on charges and fees available to the public, including information about the amounts of charges and fees, current and proposed, both before and after adoption.

INVESTMENT POLICIES

The County shall, through the annual adoption of the Treasurer's Investment Policy by the Board of Supervisors, assure continued compliance with state Government Code requirements for prudent management of County and other local government money. The Investment Policy is a public, transparent and enforceable document that assures the safety and liquidity of public monies for timely use by public agencies with funds on deposit in the Investment Pool. With regard to yield, the Investment Policies provide guidance for prudent investment of public monies commensurate with market conditions.

DEBT POLICIES

The County's Debt Management Policy shall conform to all Federal and State requirements. The Debt Management Policy confirms the commitment of the Board of Supervisors, County staff, advisors and other decision makers to adhere to sound financial management practices. The County shall not use long-term debt financing for any recurring purpose such as current operating and maintenance expenditures. The term of any County debt issue shall not exceed the useful life of the assets being acquired or constructed by the debt issue.

No bond issue shall be undertaken without consulting appropriate external financial advisers, bond counsel and disclosure counsel and reviewed by the County's Debt Oversight Committee. The County shall provide full disclosure on every financial report and bond prospectus and shall strive to maintain the best possible bond rating on all debt issuances. The County shall endeavor to maintain the creditworthiness of the County's bond rating and the marketability of its debt.

History

Date	Purpose
	Policy Adopted
4/28/2017	Revision
12/13/2022	Revision
6/13/2023	Revision