

# **Budget Process and Policies**

## **Purpose**

This segment of the Budget document sets forth the Government Code Sections and administrative directives, as issued by the Office of the State Controller, pertaining to the form and content of the Annual County Budget. It describes the format of the El Dorado County Budget document and includes County ordinances and specific policies adopted relating to the County Budget that is relevant to the preparation of the FY2008-09 Proposed Budget.

## **Legal Basis**

California Government Code specifies the content of the budget, budget adoption procedures and dates by which actions must be taken. (Government Code 29000-29144)

## **Forms**

The budget document must be on forms that are prescribed by the State Controller and consultation with the Committee on County Accounting Procedures. (Government Code 29005)

## **Permission to Deviate**

A County may add to the information required, or show it in more detail, providing the financial information and the classifications or items required to be included in the budget are clearly and completely set forth. Any change proposed by a County in the arrangement of the information required on the forms shall be subject to review and approval by the State Controller.

## **Funds and Accounts**

Fund and account titles to be used by counties in the preparation of the budget are those contained in the publication, *Accounting Standards and Procedures for Counties*, issued by the State Controller.

## **Types of Funds**

The Proposed Budget includes the following types of funds:

- a. *Governmental Funds* are those in which most governmental functions are reported.
  - (1) The General Fund – Used to account for all financial resources except those required to be accounted for in another fund.
  - (2) Special Revenue Funds – Used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.
  - (3) Capital Projects Funds – Used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).
  - (4) Debt Service Funds – Used to account for the accumulation of resources for, and the payment of, governmental funds debt principal and interest (other than those financed by Proprietary Funds and Trust Funds).
  - (5) Permanent Governmental Funds – Used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's program – that is, for the benefit of the government or its citizenry.

- b. *Proprietary Funds* are used to account for a government's ongoing organizations and activities that are similar to those found in the private sector.
- (1) Enterprise Funds – Used to account for an activity for which a fee is charged to external users for goods or services.
  - (2) Internal Service Funds – Used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.
- c. *Fiduciary Funds* are used to account for assets held by a government in a trustee capacity or as an agent that therefore cannot be used by the government to support its own programs.
- (1) Pension (and Other Employee Benefit) Trust Funds – Used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or other employee benefit plans.
  - (2) Investment Trust Funds – Used to report governmental external investment pools in separately issued reports and the external portion of these same pools when reported by the sponsoring government.
  - (3) Private-Purpose Trust Funds – Used to report all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which principal and income benefit individuals, private organizations, or other governments.
  - (4) Agency Funds – Used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities) that thus do not involve measurement of results of operations.

### **Basis of Accounting**

The general operating group of funds (governmental fund types) are budgeted and accounted for utilizing the modified accrual basis of accounting, the same as the basis of accounting used in the County's audited financial statements. This group of funds is summarized on Schedule 1 of the Summary Budget Schedules section of the Proposed Budget document.

The accounting reflected in this budget document is required by directive of the State Controller and Governmental Generally Accepted Accounting Principles (GAAP) and prescribed by pronouncements of the Governmental Accounting Standards Board (GASB).

### **Legal Duties and Deadlines**

#### **State Controller** (Government Code 29005)

To promulgate budget rules, regulations and classification and to prescribe forms.

#### **Supervisors** (Government Code 29061, 29063, 29064, 29065, 29066, 29080, 29081, 29088, 29100, 29101):

- To hold hearings on budget estimates prepared by officials.
- To make revisions, reductions and additions to estimates.
- To formally approve the tabulations, as revised, as the Proposed Budget.
- To make the Proposed Budget available to the general public.

- To publish notice that budget is available and to announce and conduct public hearings, as prescribed by law.
- To adopt Final Budget by resolution for County and Special Districts.
- To adopt tax rates.
- To levy taxes.

In addition to the legally required duties, there are certain actions to implement the budget process, which the Supervisors may take:

- Changes to the arrangement of information on budget forms, upon approval of the State Controller. (Government Code 29005)
- Designation of data, in addition to available financing and financing requirements included in departmental estimates. (Government Code 29006)
- Selection of method of presenting supporting data for salaries and wages appropriations. (Government Code 29007)
- Designation of Auditor or Administrative Officer to receive budget estimates. (Government Code 29040, 29042)
- Designation of Auditor or Administrative Officer to submit estimates in event of nonperformance by responsible official. (Government Code 29045)
- Designation of Administrative Officer to prepare budget tabulation on prescribed forms. (Government Code 29061)
- Designation of Administrative Officer to hold hearings and recommend changes in tabulation. (Government Code 29062)
- Adoption of alternate Proposed Budget Procedures. (Government Code 29065.5)
- Authorization of additional appropriation controls and designation of official to administer controls. (Government Code 29090)
- Approval of new positions and fixed assets prior to Final Budget adoption. (Government Code 29124)
- Designation of official to approve transfers and revisions of appropriations within a budget unit. (Government Code 29125)
- Approval of budgetary adjustments. (Government Code 29125, 29126, 29126.1, 29127, 29130)
- Designation of official to whom Auditor shall submit statements showing conditions of budget appropriations and estimated available financing. (Government Code 29131)

**All County Officials** (Government Code 29040):

To submit itemized estimates of available financing, financing requirements, and any other matter required by the Board on or before June 10th of each year.

**Auditor or Administrative Officer as Designated by Board** (Government Code 29040, 29042, 29045, 29060, 29062, 29065.5):

- To receive budget estimates from officials.
- To prescribe and supply budget work sheets.
- To submit budget estimates when official responsible has not done so.
- To prepare tabulation of estimates.
- To submit tabulation to the Board.
- To file alternate procedure for the Proposed Budget.

**Auditor** (Government Code 29043, 29044, 29083, 29103, 29109, 29093, 29124):

- To furnish financial statements or data to responsible officials.
- To attend public hearings on Proposed Budget and furnish any financial statements and data required.
- To revise the Proposed Budget to reflect changes made by the Board.
- To calculate tax rates.
- To forward statement of all County tax rates, assessed valuations and amount of taxes levied and allocated to the State Controller.
- To file copy of Final Budget with the Office of the State Controller.
- To approve all payments in accordance with the Adopted Final Budget.

### **Budget Goals and Objectives**

The County Budget sets forth the foundation for major Board policy actions and provides a fiscal “road map” for the direction of County government to follow, now and in the future. As such, the County Budget represents the single most important document that is prepared, reviewed and approved on an annual basis. It is the document that reflects the County’s fiscal commitment to the Strategic Plan and its goals and objectives.

The intent of the Budget document is to:

- Provide a document in a format that is user friendly and readable in order to give the public a clear understanding about county government operations and funding. The County Statistical Profile gives the reader a comprehensive profile of the County.
- Identify the strategic goals and objectives upon which budget allocations are made and measure the progress of County Departments and operations in fulfilling their departmental goals and objectives as well as the County’s overall mission.
- Provide the Board and the public with a clear understanding of revenues and expenditures in the areas of strategic importance to the County.

The County maintains the following principles, goals and objectives as the underlying foundation for the Budget:

- The Budget must be balanced; estimated revenues equal appropriations.

- Wherever possible, the Budget should be balanced with ongoing and known revenue sources equaling ongoing and reasonably expected expenditures.
- To the extent possible, one-time money should not be used for ongoing operations.
- Service levels should be maintained at the highest level, within funding constraints.
- Prudent Contingencies and Reserves should be maintained to guard against future uncertainties 3% and 5% of overall County appropriations respectively).
- Discretionary revenues should be maximized to provide the Board with options for the funding of beneficial local programs and services.
- Accuracy and accountability should be used in estimating and monitoring both revenues and expenditures throughout the fiscal year.

### **Proposed Budget Process**

The Board of Supervisors has designated the County Administrator as the official responsible to carry out all County budgetary responsibilities not specifically reserved to the Board of Supervisors, Auditor or State Controller.

**Chapter 2 – El Dorado County Ordinance Code** provides that the Chief Administrative Officer shall:

- A. Recommend to the board of supervisors an annual executive budget containing recommendations on department operations, revenue and financing projections, proposed goals, objectives, and work programs for all activities under the control of the board of supervisors;
- B. Develop budget policies and issue instructions to guide departments in budget preparation;
- C. Report periodically to the Board of Supervisors on the status of expenditures and revenues based on budget control systems established by the Auditor-Controller and recommend procedures to control expenditures when required to stay within the Board's approved annual budget;
- D. Recommend to the Board regarding requests for unforeseen and unbudgeted expenditures; approve budget transfers and revisions within appropriations, including additional fixed assets, and make recommendations on transfer requests which require board action.

### **Budget and Fiscal Directives**

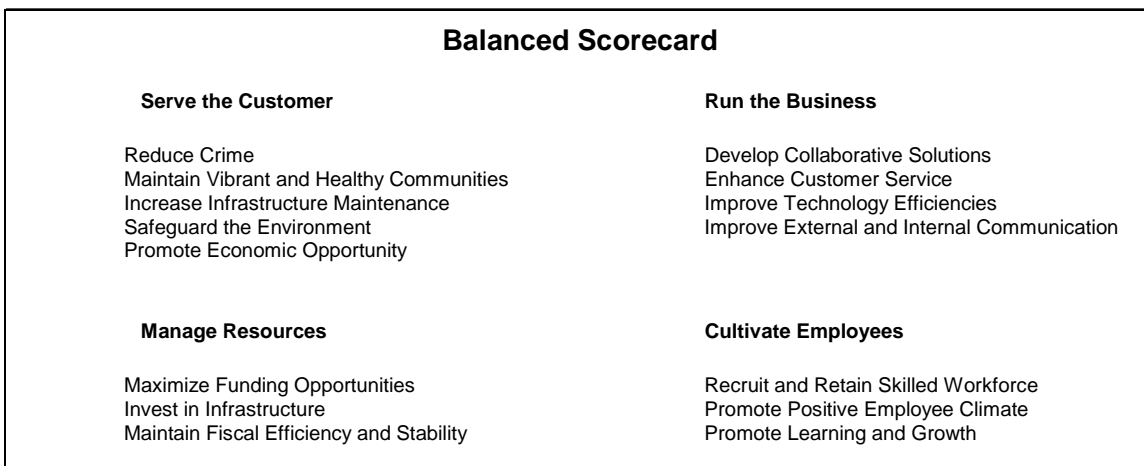
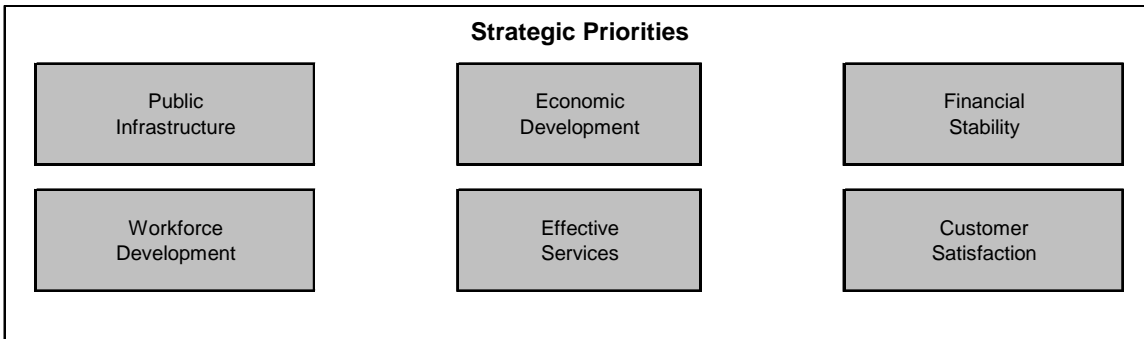
1. Budgets should be prepared with a goal that the FY2008-09 Net County Cost or General Fund Contribution to programs will not exceed the prior year level. Wherever possible, reductions in General Fund Contribution or Net County Cost should be sought. Increases in General Fund Contribution or Net County Cost may be proposed, consistent with the Board's priorities and County Strategic Plan.
2. Wherever legally possible, revenues are to be treated as discretionary resources, rather than as dedicated to a particular program or service. The goal is to give the Board as much flexibility as possible in allocating resources to local priorities including the Goals and Objectives outlined in the County Strategic Plan.

3. Pursue additional revenue sources to the fullest extent possible for all services. To the extent possible, any new revenue sources for programs receiving General Fund support should be used to offset the cost of existing staff and programs, rather than funding new staff or programs.
4. No new discretionary programs should be proposed unless the programs are fully funded in FY2008-09 and continue to be funded in future years.
5. Reduce expenditures and maximize revenues through organization and/or consolidation of functions and by streamlining County operations.

**Strategic Plan Integration into Budget Process**

To the extent possible, General Fund discretionary resources were used to finance high priority programs as defined by the County’s Strategic Plan as adopted on March 27, 2007. The County’s Strategic Plan incorporates the stated goals of the Board within a “balanced scorecard” perspective:

**EI Dorado County Strategy Map**



## **Proposed Budget Calendar Fiscal Year 2008-09**

February 13, 2008	Budget Kick-off meeting
March 31, 2008	Department budget requests due to the CAO
June 9, 2008	Board Budget Workshop begins
June 17, 2008	Board Approval of Proposed Budget
September 15, 2008	Final Budget Hearings begin
September 30, 2008	Board Adoption of Final Budget

## **Budget Amendments**

Subsequent to the adoption of the County Budget, the following actions require a four-fifths vote of the Board of Supervisors:

- Appropriation increases within a fund.
- Appropriations from contingencies.
- Appropriations of unanticipated revenues.
- Transfer between funds.
- Transfers from designated reserves.
- Transfers from equipment replacement reserves.
- Transfers from general reserves (only during budget process)

## **Budget Control Policy**

Board of Supervisor's Policy B-1 identifies outlines budget responsibilities of department heads, the County Chief Administrative Officer and the Auditor-Controller:

### *POLICY: Budget Control & Responsibility*

It is the primary responsibility of department heads to maintain their department's expenditure levels within the approved budget, and to collect the full amount of revenues budgeted. It is also the department heads' responsibility to initiate budget adjustments (Budget Transfers) in a timely manner so that their department's budget record accurately reflects (a) estimated annual revenues, and (b) the distribution of Board approved appropriations among their expenditure classes as required to meet operational needs.

### *DEFINITIONS:*

Expenditure class: A major category of appropriation sub objects. Examples: "Salaries and Benefits", "Services and Supplies", "Fixed Assets".

Index code: An organizational unit used by County management to track budgetary activity (revenues and expenditures) related to specific program or function.

Revenue class: A major category of revenue sub objects. Examples: "Taxes", "State Revenue", "Federal Revenue" or "Charges for Services".

Sub object: A line item description of expenditure or revenue. Example: "Office Expense" is a sub-object in the expenditure class "Services and Supplies".

Sub fund: A fiscal and accounting set of self-balancing accounts for which cash is segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

PROCEDURES:

1. Budget transfers should be prepared by the department, submitted to the Auditor-Controller's Office for pre-auditing and then forwarded to the Chief Administrative Office for review.
  - a. All budget transfers require the approval of the department head and the Chief Administrative Office.
  - b. Increases or decreases in the total departmental appropriations and departmental estimated revenues must be approved by the Chief Administrative Office and the Board of Supervisors.
2. If a budget over-expenditure is going to occur at the department sub fund expenditure class level and expenditure levels are within the department's control, the department head shall perform one or more of the following steps:
  - a. Lower the expenditure level to maintain overall expenditures within the budgeted amount for the expenditure class.
  - b. Request a transfer from another sub object within the same index code.
  - c. Request a transfer from another index code within the same sub fund under the department head's control.
3. If a revenue estimate is not going to be met, the department head shall do one or more of the following:
  - a. Attempt to speed up revenue collections, or increase rates being charged.
  - b. Lower expenditure levels so that originally budgeted net County costs are not exceeded.
  - c. Request that the revenue estimate be decreased through a transfer from the contingency appropriation by submitting a Board agenda item and budget transfer to the Chief Administrative Officer, providing adequate justification.
4. If a department's overall budget will be over-expended because of circumstances beyond the department's control, i.e., unbudgeted sick leave and comp time payoffs, retirements, equipment failure, operational emergencies, the department head shall request a transfer from the appropriate contingency appropriation to cover such over-expenditures by submitting a Board agenda item and budget transfer to the Chief Administrative Officer, providing adequate justification.
5. It shall be the responsibility of the Auditor-Controller's Office to not allow payment to be processed and disbursed when over-expenditures of an expenditure class other than Class 30, "Salaries and Employee Benefits", have occurred, or will be caused to occur,



during the fiscal year within a department's budget at the sub fund level with the following exception:

The Auditor-Controller's Office will process and disburse all payments submitted after June 30 for goods and services received prior to July 1. Once the prior year's financial records are finalized, the Auditor-Controller shall provide the Board of Supervisors with a departmental budget performance schedule that indicates the departments that exceeded either their appropriations by expenditure class or their Net County Cost.

6. It shall be the responsibility of the Chief Administrative Officer to determine when, or if, the shortfall of department revenues requires budget changes. If such a situation occurs, and the department has not completed action described in Section 1 above, the Chief Administrative Officer shall submit a transfer request to the Board of Supervisors to reduce the revenue estimate, with offsetting appropriation decreases or adjustment to the appropriate contingency fund.