

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 Solano County Budget document and includes County ordinances and specific policies adopted relating to the County Budget.

LEGAL BASIS

The 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 prescribed by the State Controller in 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. Special districts required to be included in the budget document must use fund and account titles contained in the publication, Uniform Accounting System of Special Districts.

Fund Types

- General Fund - The chief operating fund of a government. The General Fund is used to account for all financial resources except those required to be accounted for in another fund.
- Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources restricted or committed to expenditures for specified purposes other than debt service or capital projects.
- Capital Projects Funds - These funds are used to account for and report financial resources restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- Debt Service Funds - These funds are used to account for and report the financial resources restricted, committed, or assigned to expenditures for principal and interest and related administrative charges.
- Enterprise Funds - These funds are used to account for operations financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. (i.e., Airport)
- Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department or agency to another department or agency of a government on a cost-reimbursement basis. (i.e., Fleet, Data Processing, Risk Management)

BASIS OF ACCOUNTING/BUDGETING

The general operating group of funds (governmental fund types) are budgeted and accounted for using the modified accrual basis of accounting. Governmental fund types include General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds. This group of funds is summarized on Schedule 2 of the budget document.

Internal service and enterprise funds are budgeted and accounted for using the full accrual basis of accounting.

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The basis of accounting used 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, 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 Recommended Budget.
- To make the Recommended Budget available to the general public.
- To publish notice that the budget is available and to announce and conduct public hearings, as prescribed by law.
- To adopt the Budget by resolution for the County and dependent Special Districts.
- To adopt tax rates.
- To levy property taxes.

All County Officials (Government Code §29040)

- To submit itemized requests of estimates for 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)

- To receive budget requests from officials.
- To prescribe and supply budget work sheets.
- To submit budget estimates when the official responsible has not done so.
- To compile budget requests.
- To submit Recommended Budget to the Board.

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

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

COUNTY STRATEGIC PLAN IMPLEMENTATION

The FY2018/19 Recommended Budget supports several of the 2007 County Strategic Plan, Goals and Initiatives. A key priority is financially supporting the Goals, Strategic Objectives and departmental activities consistent with the Plan.

Following is a description of each of the Strategic Plan's Goals:

Goal: Improve the health and well-being of those who live and work here

The County will encourage healthy, active lifestyles by promoting change toward wellness through healthy programs, partnering with schools, hospitals and cities, early intervention with children and families, providing for access to services, health care, dental care and mental health, assisting our vulnerable including seniors, children, and the disabled. As a large employer, the County will continue to model the importance of health and wellness throughout its workforce.

Goal: Ensure responsible and sustainable land use

The County, working with the cities, education, workforce training and business leaders, non-profit providers and interested citizens, encouraging environmentally friendly building and business activities that helps create a high quality of life in Solano County.

The County General Plan was updated and approved by the voters in 2008. The implementation of the various components of the General Plan is still ongoing, including working on plans for a sustainable Travis Air Force Base, a regional park district, and groundwater and water resource management.

Goal: Maintain a safe community

The County and its partners will offer services, programs and projects that move from incarceration to an integrated approach aimed at eliminating recidivism and reducing the growing need for jail beds. Programs on gang prevention, methamphetamine prevention, juvenile and adult recidivism, emphasizing education and training, positive parenting and restorative justice as parts of the integrated systems approach. Emergency preparedness will continue to play a key role in maintaining a safe community.

Goal: Invest in and for the future

Focused both internally and externally, work efforts involve customer service training and continuous quality improvement, survey and focus groups, succession planning, employee training and development, technology investment and financing of capital projects and renewal efforts to ensure access to services in the future.

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, its goals and objectives through programs and services.

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 to 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 appropriations in the areas of strategic importance to the County, such as Public Safety and Health and Social Services.

While many improvements have been incorporated into the process and the presentation of the Budget over the last several years, the basic principles, goals and objectives of the Board of Supervisors for Solano County have been maintained as the underlying foundation for the Budget. These include:

- The Budget must be balanced with appropriations equaling the combined total of estimated revenues, Fund Balance and/or reserves.
- Wherever possible, the Budget should be balanced with identified ongoing revenue sources equaling ongoing and reasonably expected appropriations.

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- To the extent possible, one-time money should not be used to fund ongoing operations.
- Service levels should be maintained at the highest level possible, within funding constraints.
- Contingencies and Reserves should be increased in good years to guard against future uncertainties.
- The Budget should have a goal to annually add \$2-3 million to Deferred Maintenance Capital Renewal Reserves.
- Discretionary revenues should be maximized to allow the Board options for the funding of beneficial local programs and services.
- Every effort should be made to ensure accuracy and accountability in estimating and monitoring both revenues and expenditures throughout the fiscal year.
- The Budget should, wherever possible, anticipate and make provisions for uncertain funding for County-operated programs.

In reference to the stated goals and objectives above, several policy guidelines were followed and maintained in developing this Budget:

- Revenues from Property Tax Administration Fees are recognized in the budgets of the Departments (Auditor-Controller, the Clerk of the Board, the Assessor, and the Tax Collector) actually incurring the expenditures.
- Proposition 172 funds have been allocated to maximize public safety services to the public.
- 1991 Realignment revenues have been allocated to Health and Social Services.
- 2011 Realignment revenues have been allocated to certain corrections and human services programs, in accordance with Chapter 40, Statutes of 2011 (AB 118, Committee on Budget) and Chapter 35, Statutes of 2011 (SB 89, Committee on Budget and Fiscal Review) and several 2011 trailer bills. 2011 Realignment Revenues include AB 109 funds reviewed and programmed through the Community Corrections Partnership.
- General Fund Contingencies and Reserves are increased, whenever possible, to safeguard against future uncertainties and are drawn down as directed and/or authorized by the Board when necessary. Consideration will be given during Budget Hearings to increase Committed General Fund Balances, such as the General Fund Balances for Accrued Leave Payoff, Pension 115 Trust/CalPERS Reserve, and for Deferred Maintenance/Capital Renewal, from available year-end Fund Balance whenever the Balance is in excess of the incoming fiscal year's financing needs.

BUDGET POLICIES OF THE BOARD OF SUPERVISORS

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

- Changing the arrangement of information on budget forms, upon approval of the State Controller. (Government Code §29005)
- Inclusion of other data, in addition to presenting the minimum information on available financing and financing requirements as submitted by the Departments in their estimates. (Government Code §29006)
- Selection of the method of presenting supporting data for salaries and allocated positions. (Government Code §29007)
- Designation of Auditor or Administrative Officer to receive budget requests. (Government Code §29040, 29042)
- Designation of Auditor or Administrative Officer to submit budget requests in event of non-performance by responsible official. (Government Code §29045)
- Designation of Administrative Officer to prepare recommended budget on prescribed forms. (Government Code §29061, 29062)
- Approval of new positions and capital assets prior to 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 an official to whom Auditor shall submit statements showing conditions of budget appropriations and estimated available financing. (Government Code §29126.2)

ADOPTED BUDGET POLICY

The FY2018/19 Budget Hearings will commence Tuesday, June 19, 2018 and continue for a period not to exceed 14 calendar days.

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

Chapter 2 of the Solano County Ordinance provides additional information on established County policies. Sections 2-40 through 2-47 specifically address the duties of the County Administrator. Section 2-45 delineates the County Administrator's role in budgetary matters. These duties include:

- Develop budget instructions and policies, revenue estimates and departmental budget targets to guide departments in budget preparations.
- Recommend to the Board an annual County operating budget based on revenue projections, budget targets and proposed work programs and projects developed by the various departments.
- Recommend to the Board a capital budget based upon long-range plans for acquiring, constructing or improving buildings, roads and other County facilities.
- Recommend to the Board the acquisition and disposition of real property, except for County roads, easements and rights-of-way, which shall be the responsibility of the Director of Resource Management.
- Establish a control system or systems to ensure the various County departments and other agencies under the jurisdiction of the Board are operating within their respective budgets.
- Recommend requests to the Board for unforeseen and unbudgeted expenditures.
- Approve fund transfers and budget revisions within appropriations.
- Recommend to the Board fund transfer requests requiring Board action under State law.
- Establish policies for acquiring additional or replacement capital assets.
- Keep the Board informed of the financial status of the County and of other matters of major significance to the County.

BUDGET AND FISCAL POLICIES FOR FY2017/18

Budget Policy

1. General Fund Emphasis: Pending the outcome of actual Year-End Fund Balance, departments' budgets should be prepared with a goal that the FY2018/19 Net County Cost or General Fund (GF) Contribution to programs will not exceed their FY2017/18 Midyear projection and have no new programs or positions unless revenue-offset.
2. Labor Costs: All employee approved MOU's are included in FY2018/19 Budget. The County anticipates continued increases in PERS employer rate effective FY2018/19, with significant increases in the future. In this regard, Departments should continue to pursue lowering labor costs where possible, developing efficiencies in the delivery of services, searching for opportunities to automate, streamline services where feasible, share back office operations, and eliminating vacant non-"Mission Critical" positions. A "Mission Critical" position is defined as "a position that provides essential life, safety and/or public health services to the community, or required to be filled by the County to avoid liability and to limit impairment or disruption to the delivery of mandated services."
3. Contributions to Outside Organizations: The budget should not include contributions to outside organizations not controlled by the Board, such as the State Courts, unless the organization is carrying out a priority of the Board based on the community's needs.
4. Maximize the Board's Discretion: 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

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allocating resources to local priorities, including the Goals and Objectives outlined in the County Strategic Plan. To the extent allowed by law, existing programs or activities should be funded with dedicated funding sources. This will free up scarce discretionary resources to fund Board priorities.

5. Pursuit of New Revenues: Pursue additional revenue sources to the fullest extent possible for all services; and, for fee-setting purposes, identify total cost (including indirect costs) to enable full recovery of all costs associated with the service provided when allowed by law and economic/market considerations.
6. Discretionary Programs: Do not recommend new discretionary programs unless the programs are stated Board priorities, are fully funded by non-General Fund sources in FY2018/19, and will continue to be in future years. Where the County has discretion, reduce the level of services or eliminate programs. Seek legislative relief or reform for programs when feasible to facilitate service outcomes over prescribed processes and procedures.
7. Pursue Operational Efficiencies: Explore reducing expenditures and maximizing revenues through automation and moving toward self-help service delivery where feasible, consolidation of functions and streamlining of County operations.
8. County Share: If funding is reduced, there should be no increased County share for programs funded primarily from non-General Fund sources, unless increased County share is mandated or the program is a high priority for the Board of Supervisors, and the amounts are feasible in light of the County's fiscal situation.

Fund Balance Policy

On February 13, 2007, the Board adopted a policy on the General Fund Reserve. On June 14, 2011, the Board approved changes to the General Fund Reserve Policy to conform to Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. While the changes primarily affect reporting and not budgeting, changes in terminology are notable.

The General Fund Reserve and Other Designations Policy was updated and renamed Fund Balance Policy. The classifications for governmental funds of designations, reserves and unreserved/undesignated were replaced by the five categories of non-spendable, restricted, committed, assigned and unassigned.

Examples of these five categories of Fund Balance are:

- a. Non-spendable: Long-term loans
- b. Restricted: Public Facilities Fees
- c. Committed: General Fund Balance for Accrued Leave Payoff
- d. Assigned: General Fund Contribution to other funds
- e. Unassigned: Residual net Fund Balance

Key provisions of the Board's updated Fund Balance Policy include:

The General Fund General Reserve will be maintained at a target level equal to 10% of the County's total budget excluding interfund transfers, with a minimum balance of \$20 million at all times. The current reserve is \$46.1 million which is currently 56% of the target Reserve of \$82.1 million. This level will be maintained to provide the County with sufficient working capital and a comfortable margin to support one-time costs for the following purposes:

- When the County faces economic recession/ depression and the County must take budget action.
- When the County is impacted by a natural disaster or any other emergency.
- When the County experiences unexpected declines in revenues and/or when unpredicted large one-time expenditures arise.

In circumstances where the General Fund General Reserve has fallen below the established level, the County shall replenish the deficiency within five fiscal years or as soon as economic conditions allow from the following revenue sources: year-end surpluses, non-recurring revenues, or if legally permissible and with a defensible rationale, from excess resources in other funds.

Subject to the Board of Supervisors' restrictions, the following will guide how the General Fund General Reserve should be used:

1. Use the General Fund General Reserve to phase into fiscal distress periods gradually, focusing on maintaining the Board's priorities.
2. To the extent possible, use the General Fund General Reserve as the last resort to balance the County Budget.
3. To the extent possible, the spending down of the General Fund General Reserve should not exceed \$6 million a year (Board of Supervisors' policy direction on February 13, 2007).
4. The General Fund General Reserve should not be used to support recurring operating expenditures.
5. The General Fund General Reserve is subject to restrictions imposed by Government Code §29086, which limits the Board's access to the General Reserve during the annual budget process and requires 4/5 vote by the Board.

General Fund Balance for Accrued Leave Payoff

During Fiscal Year 2005/06 Budget Hearings, the Board established a **Reserve for Accrued Leave Payoffs**. In accordance with GASB 54, this Reserve has been renamed as General Fund Balance for Accrued Leave Payoff. The purpose of this Fund Balance is to minimize the fiscal impact of employee retirements on County Departments' budgets. These funds are to be used for large employee payoffs upon retirement or employment separation from the County when the respective department has insufficient appropriations during the fiscal year to fund these payoffs. The following criteria and procedures were approved by the Board for managing the General Fund Balance for Accrued Leave Payoff:

1. Minimum General Fund Balance for Accrued Leave Payoff. On an annual basis, the Auditor-Controller shall calculate the projected leave payout requirements for the subsequent five years, net of Federal and State reimbursements, and provide the information to the County Administrator's Office for inclusion in the following year's Recommended Budget. The Board's policy is to maintain General Fund Balance for Accrued Leave Payoff equal to 40% of the five-year projected leave payout requirements net of State and federal reimbursements, with a minimum of \$2 million balance maintained at all times.
2. Replenishing General Fund Balance for Accrued Leave Payoff. In circumstances where the General Fund Balance for Accrued Leave Payoff has fallen below the established requirement, the County shall replenish the deficiency within three fiscal years or as soon as economic conditions allow from the following revenue sources: year-end surpluses, non-recurring revenues, or if legally permissible and with a defensible rationale, from excess resources in other funds.
3. Anticipated Accrued Leave Payoffs. During the budget process, a General Fund Department or a Department that receives a General Fund Contribution should determine the amount needed to cover anticipated Accrued Leave Payoffs for the upcoming year and include the amount in their budget and work with the CAO to determine the funding strategy to include the appropriate amount in the Recommended Budget. Strategies may be:
 - a. If the Department has sufficient appropriations to fund the Accrued Leave Payoff, the Department shall absorb the cost.
 - b. If the Department cannot absorb the cost, the Department must work with the CAO to determine the funding source(s) to offset the increased costs. Funding from the **General Fund Balance for Accrued Leave Payoff** may serve as a resource to provide the affected Department with the General Fund share of the employee payoff.
 - c. The General Fund share of the estimated Accrued Leave Payoff will be appropriated in the General Expenditures budget during the budget process. This appropriation will be funded from the **General Fund Balance for Accrued Leave Payoff**.
 - d. The CAO is authorized to make necessary budget adjustments to the affected Department(s) **without** Board approval up to the amount appropriated in 3. c. above.
4. Unanticipated Accrued Leave Payoffs. During the budget year, Departments may have employees retire/terminate that were not factored in the Accrued Leave Payoff calculation. Departments should consult with the CAO to determine the most appropriate funding strategy.
 - a. General Fund Departments or Departments that receive a General Fund Contribution should determine if sufficient appropriations are available in their budget to absorb the payoff, and, if not, work with the CAO to determine the

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appropriate level of funding from the **General Fund Balance for Accrued Leave Payoff** as indicated above in 3. c. or General Fund Contingency. These actions require a 4/5 vote of the Board.

- b. Non-General Fund Departments or Departments that do not receive General Fund Contributions will need to determine if their respective program has sufficient appropriations or contingencies to support the Accrued Leave Payoff and should adjust their budget accordingly at Midyear, if necessary. If their respective program does not have sufficient appropriations or contingencies to support the Accrued Leave Payoff, the Department(s) should work with the CAO to determine the appropriate funding strategy.

Contingency Policy

On February 13, 2007, the Board adopted the General Fund Contingency policy to establish a level equal to 10% of the General Fund total budget. The current recommendation from staff for FY2018/19 is to fund the General Fund Contingency at \$12 million. The final amount will be determined by close out of the budget reconciliation. Appropriations for Contingencies are legal authorizations granted by the Board of Supervisors to be used for one-time unexpected needs that arise outside of the regular budget planning process. Pursuant to Government Code §29130, access to the Appropriation for Contingency requires a 4/5 vote of the Board of Supervisors.

Investment Policy

The County maintains an Investment Pool managed by the Treasurer-Tax Collector-County Clerk. The Pool acts as a depository for funds from over 80 units of local government, including funds of the county school districts, special districts and other entities.

Amounts deposited in the Investment Pool are invested in accordance with investment policy guidelines established by the County Treasurer and approved by the Board.

The primary objectives of the Policy are:

- Safety - Maintain the security of principal
- Liquidity - Ensure adequate liquidity to meet its cash flow needs for pool participants
- Yield - Generate returns commensurate with the inherent risks being managed

The Policy addresses the soundness of financial institutions in which the County deposits funds, types of investment instruments as permitted by the California Government Code §53601, and the percentage of the portfolio that may be invested in certain instruments with longer maturity.

Debt Policy

The County Administrator's Office maintains a Debt Advisory Committee, consisting of the Assistant County Administrator and/or Budget Officer, Auditor/Controller, and Treasurer/Tax Collector/County Clerk. The Committee provides analyses and recommendations through the County Administrator for policy implementation and oversight.

The County establishes fund accounts to manage and budget resources for the payment of interest and principal for general long-term debt. The County also incurs debt when prudent to reduce future costs, such as pension obligation bonds.

Conditions for debt issuance are as follows:

- Purpose and Use of Debt - long-term General Fund debt will be incurred based on the County's needs and ability to repay, and where appropriate, methods and sources of funding will be maximized. Long-term debt will be restricted to those capital improvements that cannot be funded from current revenues.
- Types of Debt - includes General Obligation Bonds, Revenue Bonds, Certificates of Participation, Commercial Paper, Lease-Purchase Agreements and other obligations.
- Project Life - debt shall not exceed the useful life of the asset being acquired or constructed.
- Refunding Policies - the County maintains a debt structure that allows for early retirement of debt.

Restrictions on debt issuance include:

- The use of debt to fund operating costs or projects associated with operating costs are prohibited.
- Short-term debt will not be used to finance long-term debt.

Debt service limitations include:

- Debt is a policy decision which requires a financial condition analysis that incorporates economic trends, benchmark studies, and all other forces impacting the future finances of the County.
- Analysis of debt burden is measured, but not limited to, the following ratios:
 - Debt service requirements as a percentage of General Fund Revenue.
 - Debt service as a percentage of Per Capita Income.
 - Debt service as a percentage of General Fund Expenditures.

In addition to the policy above, California Government Code, §29909 states the total amount of bonded indebtedness shall not at any time exceed 5% of the taxable property of the county as shown by the last equalized assessment roll.

Resource Reduction Strategy

In the event reductions in resources in any fiscal year require actions to balance the budget, the County will be guided by the following:

1. General Philosophy

- a. To the extent possible, across-the-board reductions in expenditures will be avoided. Reductions will be made on a case-by-case basis. The emphasis will be on conserving General Fund discretionary resources to finance high priority programs, as set forth in the Solano County Strategic Plan adopted by the Board on December 11, 2007 and as further defined by the Board annually. If necessary, funding for lower priority programs will be reduced or eliminated to ensure appropriations remain in balance with resources;
- b. The County administers a number of costly State programs that are heavily funded by State and federal dollars. Compared to the State and federal governments, the County has only limited ability to raise revenues. Recognizing that, in the event of a substantial reduction in resources for these programs, the County's goal, to the extent legally possible, is to avoid back-filling reductions in State and federal dollars with County discretionary dollars;
- c. Maintaining a highly professional service delivery system is of foremost importance to the County. Thus, if it becomes necessary to make significant service delivery reductions, the goal will be to reduce the quantity of a service provided rather than the quality of service; and
- d. Finally, every effort will be made to continue capital and planning programs geared toward meeting the County's long-term needs.

2. Resource Reduction Priorities

a. Short-Term Actions

The following actions, listed in priority order, will be considered when dealing with the immediate impact of a reduction in resources. The purpose of these actions is to achieve immediate savings and/or better position the County to deal with the impact of longer-term actions once they are implemented.

- i. A Selective Hiring process will be implemented. Funding sources, Board priorities, the nature of the program, the potential for service delivery disruption, and the type of position – is it "Mission Critical?" will be considered by the CAO in implementing the hiring process.
- ii. Implementation of new programs, not fully operational, that are not fully revenue-offset, will be subject to further CAO review and recommendation to the Board.

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- iii. Purchase of equipment will be selectively deferred and reviewed annually. Funding source and impact on service delivery will be considered in implementing the deferral.

b. Long-Term Actions

The following actions will be considered when dealing with the longer-term impact of a significant reduction in resources. As appropriate, these reductions will be reflected in the Recommended Budget, and/or Midyear or Third Quarter budget adjustments. The actions are listed in priority order and lower priority actions will be implemented only if higher priority actions are insufficient to deal with the fiscal shortfall:

- i. General Fund discretionary contributions to certain programs that are primarily the State's responsibility will be capped at current levels, to the extent legally possible. Except as required by law, the County will not use General Fund dollars to backfill reductions in State or Federal funding for these programs.
- ii. A moratorium will be placed on implementing new programs or expanding existing programs if the cost of those programs or expansions is not fully revenue-offset and a secure long-term funding source is not identified.
- iii. Moderate service level reductions will be proposed on a case-by-case basis. These service level reductions will focus first on reducing General Fund support for those programs that have not been identified as a high priority by the Board.
- iv. Discretionary resources that have been earmarked by the Board for certain purposes will be proposed for re-allocation to fund on-going programs that are a priority for the Board.
- v. General Fund support to outside agencies not controlled by the Board should be greatly reduced or eliminated. This refers to the use of General Fund to support outside agencies whose programs are not aligned with Board priorities, and/or the County has determined would not be provided directly by the County.
- vi. Major program reductions will be proposed in accordance with the Solano County Strategic Plan and the General Philosophy described above. These reductions will fall into two general categories:
 - Program reductions that will be made in response to significant reductions in State funding for programs that are primarily the State's responsibility. In this case, the County will consider returning responsibility to the State for operating those programs to the extent permitted by law. Where returning responsibility to the State is not legally possible, County General Fund support for these programs will be reduced to the minimum level possible, consistent with State mandate requirements.
 - Program reductions will be proposed in response to a reduction in County discretionary revenue. In this case, reductions will be made first in those programs that are not related to the Board's priorities and goals.

Hiring Policy-Past Actions by the Board of Supervisors

In FY2010/11, a Selective Hiring Freeze process was instituted to help contain costs due to the State's continuing budget shortfall and to help balance the County's Budget. The County Administrative Officer (CAO) was authorized to selectively fill vacant positions based on the affected Department's need and the particular position's function. Authorization to recruit for vacant positions was reviewed in terms of the definition of "Mission Critical" positions presented to the Board on October 4, 2011 and was further defined in June 2013.

In FY2018/19, due to increasing salary and benefits costs associated for current and new positions authorized to meet mandates and Board approved promotions, the County Administrator recommends to the Board that the County continues a hiring policy that requires the CAO office to deliberately review all permanent, limited-term, part-time, and extra-help positions when they become vacant to see if they should be retained and rehired with new employees. Departments will have to demonstrate the critical need in operations and funding strategies to the CAO office for any new additional positions to be added during the fiscal year.

1. Duration

This Policy will be in effect for FY2018/19 and until the State and federal budgets and fiscal policies and their impacts on the County are known, and a long-term plan to address those impacts is formulated and approved by the Board.

2. Goal of Hiring Process

The goal of this Policy is to contain costs and to provide clear direction for hiring and implementing staffing reductions, if necessary.

3. Hiring Guidelines

The County Administrator's approval is required to fill departmental position requests. In evaluating whether to fill a vacant position, the following is to be considered:

- a. Is the position critical to the operation of an essential public safety activity, such that not filling the position will put the lives, health or safety of residents or other staff at risk? Is the position critical to avoid liability and limit impairment or disruption to the delivery of mandated services? If the answer is yes to both questions, the position can be considered for approval by the CAO.
- b. Is the program that the position supports funded on an on-going basis by a dedicated and assured revenue source? Is the position unique to that program? If the answer is yes to both these questions, then, absent other considerations, the position can be advanced for CAO consideration.
 - i. A position is considered unique to a program when the classification is not located in any other department or program. Examples might be Librarians or Engineers. In this context, an Office Assistant would not be a unique position, because this classification is found in many different programs and, in the event of the potential need to eliminate filled positions, an Office Assistant could be transferred from one program to another within the County organization.
 - ii. Before consideration will be given a position that meets the stated criteria, departments should evaluate whether the resources involved could instead be used to help mitigate the impact on the County of revenue reductions in other areas.
- c. If a position is not filled, is the resulting reduction of services for a program below a legally mandated level? If the answer is yes, the position can be considered, but subject to the following:
 - i. The Department should first explore obtaining a waiver of any service level mandate or the feasibility of ending the program or returning responsibility for the program to the State.
 - ii. To the extent practical, efforts should be made to fill the position using the call-back of a laid-off County employee formerly serving in the same classification, or extra help or through internal recruitment.
- d. If a position is not filled, is the result a diminished service level where, in the Department's judgment, the program's effectiveness is seriously compromised? If the answer is yes, the Department should further consider the following:
 - i. Is this a high priority program as determined by the Board of Supervisor's Strategic Plan and priorities?
 - ii. A thorough exploration of alternative means of providing adequate services has determined they are not feasible or are more costly.
 - iii. To the extent practical, efforts should be made to fill the vacant position using the call-back of a laid off County employee formerly serving in the same classification, or extra help or through internal recruitment.
- e. Is the position in question a critical and hard-to-fill position, as evidenced by repeated, unsuccessful attempts by the Department to recruit? If the answer is yes, and if the program is a high priority for the Board of Supervisors, then the position can be considered.

The Board approved in February 2008 actions in preparation for reductions that may be required for the future. These actions, reaffirmed by the Board in 2011. If possible, in times of economic uncertainty, to help maintain the County's financial stability:

- Departments are directed to immediately halt the implementation of all new programs without a dedicated funding source and that are not already fully implemented.

Budget Construction & Legal Requirements

- Departments are required to obtain CAO approval for the purchase of all capital assets or any computer-related purchase that has not been previously included in the Refresh Policy. Approval will only be granted if the cost of the equipment is fully revenue-offset or is critical to program operations.
- Departments may be directed to take whatever steps necessary to end the fiscal year with no increase in County Contribution.

SUMMARY OF DESIGNATED RESPONSIBILITIES FOR ACTIONS

As previously discussed, State laws and County ordinances prescribe the manner and form in which the Budget is presented. Additional responsibilities and the delegation for preparation, review, approval and amending the Budget are also established by statute and ordinance, and by policies coordinated through the Board of Supervisors, the County Administrator and the Auditor-Controller's Office.

Listed below are additional actions requiring a four-fifths vote of the Board of Supervisors:

- Appropriation increases within a fund.
- Appropriations from contingencies.
- Appropriations of unanticipated revenues.
- Transfers between funds.
- Transfers from designated reserves.
- Transfers from equipment replacement reserves.
- Transfers from the General Fund General Reserve (only during budget hearings).

Listed below are additional actions requiring a majority vote of the Board of Supervisors:

- Approval of a capital asset over \$75,000 that does not increase the overall department budget.
- Reduction of appropriations and revenues for funding not realized.
- Approval of contracts and amendments when the aggregate amount of the contract and amendment(s) is equal to or in excess of \$75,000 per fiscal year.
- Approval of petty cash accounts over \$3,000, with the exception of the County Library's petty cash account of \$5,000.
- Transfers between Departments within a Fund.
- Transfers between Capital Projects.
- Transfers equal to or more than \$75,000 from salaries and benefits (accounts 1110 through 1999) within a Department.
- Approval of grant application submissions when the amount of the grant is equal to or more than \$75,000 per fiscal year or when the grant-funded activity has General Fund impacts after the grant funds run out.

Listed below are the actions delegated to the County Administrator:

- Approval of a capital asset up to \$75,000 that does not increase the Department's budget.
- Approval of a type of capital asset in lieu of one already budgeted.
- Approval of appropriation transfers to reclassify capital asset appropriations incorrectly budgeted in the categories of Services and Supplies or Other Charges.
- Transfers between divisions, bureaus and sections within a Department provided the total appropriation of the Department is not changed.
- Approval of appropriation transfers to ensure proper classification in accordance with generally accepted accounting principles.

Budget Construction & Legal Requirements

- Transfers less than \$75,000 from salaries and benefits (accounts 1110 through 1999) to other object categories within a Department.
- Transfers to and from expenditure categories 2000 – Services and Supplies, 3000 – Other Charges, 5000 – Other Financing Uses, and 7000 – Intrafund Transfers, provided the total appropriation of the budget is not changed.
- Transfers to and from the following accounts: Salary/Wages-Regular (1110); Other Post-Employment Benefits (1213); Compensation Insurance (1240); Insurance-Property (2050); Liability Insurance (2051); Central Data Processing Services (2266); Countywide Administrative Overhead (3710); Building Use Allowance (3712); and Pension Obligation Bonds (5040), provided the total budget is not changed.
- Approval of contracts and amendments when the aggregate amount of the contract and amendment(s) is less than \$75,000 per fiscal year.
- Approval of appropriation transfers to increase the Fleet Management budget when Departments have received approval from the Board to purchase new vehicles.
- Approval of appropriation transfers for Operating Transfers In when an Operating Transfers-Out has already received Board approval.
- Approval of appropriation transfers for Interfund Services provided (subobjects 0009690-0009698) when an Interfund Services used (subobjects 0003690-0003698) has already been budgeted/used and the total budgeted revenue is not increased.
- Approval of modified work weeks and flexible work schedules for County departments provided the County departments can demonstrate a benefit for the County, and if applicable, meet its obligation under the Meyers-Millias-Brown Act (MMBA) with represented employees.
- Approval of grant application submissions when the amount of the grant is less than \$75,000 per fiscal year.
- Authority to release a Department head from accountability of unaccounted capital assets if it has a Fair Market Value of less than \$5,000 or it has been stolen and has a Fair Market Value of less than \$75,000. The Department must provide a copy of the police report, and the CAO must determine no negligence occurred.
- Authority to delete positions that have been vacant for over six months, in accordance with the 2011 Budget Reduction Strategy of eliminating or freezing vacant positions and only filling positions that are “Mission Critical” to the organization, and to direct the Director of Human Resources to make technical changes to the Position Allocation List.

Listed below are actions delegated to the Director of Human Resources:

- Affirm the appropriate jurisdictions are utilized for comparison purposes when determining compensation for County positions.
- Affirm the County’s policy of no retroactivity for compensation during negotiation with its bargaining units.
- Affirm that the Director of Human Resources, as provided for in the Employer/Employee Relations Rules and Regulations, may enter into side letter agreements or MOU amendments with represented bargaining units to resolve employee/employer disputes and/or issues in consultation with County Counsel and County Administrative Officer.
- Affirm the County’s practice that extra help employees are limited to working 999 hours per fiscal year. In the event the employee works over 999 hours per fiscal year, affirm the County’s policy of either separating the employee from service or, with the justification, continuing the employment and providing retirement benefits in the same manner as represented employees. Authorize the Director of Human Resources to review the classifications for unrepresented and at-will employees.
- Affirm that the Director of Human Resources shall implement benefit changes for unrepresented employees in the Executive Management, Senior Management and the Confidential Group consistent with the benefits received by represented employees.

Budget Construction & Legal Requirements

Listed below are additional actions delegated to the Auditor-Controller:

- Deposit prior year SB 90 revenues in General Revenues when a Department has a Net County Cost or receives a General Fund Contribution.
- Authorize the Auditor-Controller, in consultation with the County Administrator, to carry forward Board-approved capital project appropriations into subsequent years to facilitate the accounting and management of multi-year capital projects.
- Approve petty cash requests up to \$3,000, with the exception of requests of up to \$5,000 for the County Library's petty cash account.
- Process Appropriation Transfer Requests (ATR) as approved by the Board of Supervisors or County Administrator.
- Authorize the Auditor-Controller, with concurrence from the County Administrator, to reclassify appropriations between the maintenance accounts, interfund services, and capital outlay accounts within the same project budget, so long as total appropriations are not increased.
- Authorize the Auditor-Controller, with concurrence from the County Administrator, to decrease capital outlay appropriations within the respective capital project funds, and to increase appropriations in Public Art Fund to cover costs associated with the public art project to ensure compliance with Solano County Public Art Ordinance, Code Section 5-5.
- After the adoption of the Budget for FY2018/19, direct the Auditor-Controller, with the County Administrator's recommendation and approval, to:
 - As part of FY2017/18 closeout, transfer and/or redistribute BOS approved County General Fund Contribution between Departments within Fund 900 (Public Safety) and between Departments/Divisions for Fund 902 (Health & Social Services), provided that the BOS approved General Fund Contribution/Appropriation amount directed to each of the individual Funds 900 and 902 remains within the approved County General Fund Contribution/Appropriations amount.
 - In addition, as part of FY2017/18 closeout, if the Midyear projection of Fund Balance for the General Fund is not met (estimated at \$26.9 million), then County Administrator will authorize the Auditor-Controller to reduce, in this order, Accrued Leave Payoff, Capital Renewal, CalPERS Reserve, and then General Fund Contingency for FY2018/19 by the amount short of the projection.
 - As may be authorized by the Board of Supervisors following Budget Hearing deliberations:

Increased Deferred Maintenance/Capital Renewal by \$3.0 million, CalPERS Reserves by \$4.8 million, Accrued Leave Payoff by \$1.0 million. (Reference Schedule 4)

If the amount of the General Fund's Year-end Fund Balance at June 30, 2018 exceeds the Midyear projections for FY2017/18, the County Administrator is authorized to direct the Auditor-Controller to increase unrestricted Fund Balance to finance the gap between revenues and expenditures for FY2018/19 of any amount and to transfer year-end General Fund Balances to all or some of the following committed/restricted reserves in the following manner:

 - Any amount up to \$5 million to Deferred Maintenance/Capital Renewal Reserves
 - Any amount up to \$5 million to the CalPERS Reserves and/or 115 Trust
 - Any amount up to \$4 million to General Fund Reserves
 - Partially or wholly payoff the outstanding principal balance of the General Fund loan for Pension Obligation Bonds

In addition:

- Authorize the Auditor-Controller, with the County Administrator's approval, to increase the General Fund Balance for Accrued Leave Payoff by the amount appropriated in the General Expenditures Budget for Accrued Leave Payoff not used by the end of the fiscal year.
- Authorize the Auditor-Controller to increase General Fund Reserves by repayments from Pension Debt Services Fund and other General Fund Loans.

Listed below are actions delegated to the Chief Information Officer:

- Approval of all automation hardware and software purchases to ensure conformity with established standards, procedures and policies
- Approval of all software license agreements
- Approval of all end-user license agreements
- Approval of all software escrow agreements
- Approval of all work orders for IT contractors, within annual appropriations
- Approval of all agreements for communications services, within annual appropriations
- Approval of annual software maintenance agreements and hardware maintenance agreements for acquisitions previously approved by the Board, within annual appropriations
- Approval of appropriation transfers within the Department between fixed assets and services and supplies for the acquisition of hardware and software within annual appropriations
- Approval of all hardware and software acquisitions as well as substitutions of technology products included in the Department's budgeted fixed assets, within Board approved annual appropriations
- Authority to adopt standards for and acceptable manufacturers of hardware, software, and automation technology that may be purchased by the County
- Authority to adopt standards for and acceptable manufacturers of technology devices and components that may be incorporated into public works projects

Listed below is an additional action delegated to Departments:

- Request individual purchase of materials and services under \$7,500 in compliance with County Purchasing policies.

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