

DEPARTMENT: Administration

BY: Rick Benson

PHONE: 966-3222

**RECOMMENDED ACTION AND JUSTIFICATION:**

Approve the Proposed Fiscal Year 2010-11 Budget Development Guidelines. During these uncertain fiscal times, it is prudent to adopt budget development guidelines. Please see the attached guidelines for additional information.

**BACKGROUND AND HISTORY OF BOARD ACTIONS:**

In past fiscal years, the Board has adopted budget guidelines. Most recently in Fiscal Year 2006-07, when the Board directed departments to reduce their proposed budgets by 2-percent.

**ALTERNATIVES AND CONSEQUENCES OF NEGATIVE ACTION:**

Do not approve the Proposed Fiscal Year 2010-11 Budget Development Guidelines. County departments will submit proposed budgets, that in all likelihood will require the County Administrative Office to recommend reductions to their proposals.

Financial Impact? ( ) Yes ( ) No	Current FY Cost: \$	Annual Recurring Cost: \$
Budgeted In Current FY? ( ) Yes ( ) No ( ) Partially Funded		
Amount in Budget: \$		List Attachments, number pages consecutively
Additional Funding Needed: \$		Proposed FY 2010-11 Budget Dev. Guidelines
Source:		
Internal Transfer		
Unanticipated Revenue	_____ 4/5's vote	
Transfer Between Funds	_____ 4/5's vote	
Contingency	_____ 4/5's vote	
( ) General ( ) Other		

**CLERK'S USE ONLY:**

Res. No.: 10-160 Ord. No. \_\_\_\_\_  
 Vote - Ayes: 5 Noes: \_\_\_\_\_  
 Absent: \_\_\_\_\_  
 Approved  
 ( ) Minute Order Attached ( ) No Action Necessary

The foregoing instrument is a correct copy of the original on file in this office.

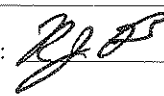
Date: \_\_\_\_\_  
Attest: MARGIE WILLIAMS, Clerk of the Board  
County of Mariposa, State of California

By: \_\_\_\_\_  
Deputy

**COUNTY ADMINISTRATIVE OFFICER:**

Requested Action Recommended  
 No Opinion  
 Comments:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

CAO: 

## **PROPOSED FY 2010-11 BUDGET DEVELOPMENT GUIDELINES**

The County begins its annual budget planning process for the coming fiscal year by preparing a very preliminary financial forecast and budget development guidelines. The proposed schedule for the development of the FY 2010-11 Recommended Budget requires all County departments to submit their budget requests for next fiscal year by May 3, 2010. Departments must now begin the process of preparing these budget requests. As with previous fiscal years, these requests must be developed with the following major uncertainties still pending: 1) the final outcome of the current fiscal year's budget execution; 2) the impact of FY 2010-11 State and Federal budget actions; and 3) final estimates of revenues for FY 2010-11 including the all-important Transient Occupancy Tax (TOT).

All reports indicate that the State will once again have a major shortfall for FY 2010-11. The State is already revising their estimates of sales tax revenues downward. We will have a better understanding of the State's financial picture after the release of the "May Revise" version of the State Budget. Even the May revision to the Governor's Budget is subject to major changes through subsequent budget deliberations in the Legislature.

As with previous fiscal years, departmental budget requests will need to be developed without knowledge of the final outcome of the current fiscal year's budget or final estimates of FY 2010-11 revenues. The County's ability to accurately forecast next year's available revenues is once again impaired because of the uncertain impact from State budget actions and possible fluctuations in the tourism market.

As a result of these uncertainties, the Recommended Budget Development Guidelines for FY 2010-11 have been structured to provide a preliminary planning framework to accommodate a broad range of possible outcomes regarding available budget resources. The proposed budget guidelines provide the flexibility necessary to quickly adjust to changing fiscal circumstances.

### ***Projections for FY 2010-11***

There are four primary determinants of the forecast for the coming budget year and the development of a financial plan for that year. These elements include: 1) State and Federal fiscal actions which will increase or decrease County costs or revenues; 2) the status of the current year's budget and year-end fund balances carried forward to the next fiscal period; 3) known, quantifiable changes in local program costs and revenues; and 4) estimates of the property tax and TOT revenues. These elements must be evaluated and carefully monitored before the County can establish a final plan for developing next year's budget.

Revenues from the State comprise a significant portion of the County's annual revenue. Therefore, State budget actions can dramatically impact the County's available budget resources. The most recent report from the State Legislative Analyst's Office estimates that the State has a \$20 billion budget shortfall. State budget actions necessary to address this shortfall are expected to have some implications for program specific revenues received from State resources.

### ***Proposed FY 2010-11 Budget Development Guidelines***

Because of the level of uncertainty this year regarding available budget resources, it is proposed that departments submit their budget requests for FY 2010-11 at a baseline level, defined as the current year's adopted Net General Fund Cost (representing the amount of discretionary revenues allocated for expenditure), plus mid-year salary cost increases approved by your Board and implemented in October 2009. It should be emphasized that this Net General Fund Cost "baseline" approach only provides a reference point or starting point for individual budget analysis of each budget unit, and does not in any way infer or imply that departments' budgets will be ultimately recommended or adopted at the baseline amounts. In specific circumstances where a "baseline" budget is not possible due to an extraordinary expense or a loss of critical revenue, the department is to provide ample justification.

Under the proposed guidelines, departments will be required to absorb all cost impacts, other than the mid-year salary increases noted above, within the targeted amount. Using the Net General Fund Cost approach considers departmental revenue collections (program-specific revenues) as well as expenditure requirements. Some departments have the capability to generate additional program revenues, or to increase cost applied charges to other departments where appropriate. Therefore, absorbing potential cost increases does not necessarily equate to a like reduction in appropriations, or spending authority.

Pending additional information on revenue estimates, departments should be prepared to submit a Budget Step-Down Plan for the purpose of identifying a 5% funding reduction and relative priorities below the established Net General Fund Cost target. Step-Down Plans identify options for making budget changes if the County's financial condition worsens as well as the specific service impacts related to those options. These Step-Down Plans may also prove to be useful should your Board choose to shift discretionary funds from one program to another. The Budget Step-Down Plans will not be required to be submitted at this time but should be completed by the end of May after this office has had an opportunity to analyze the Governor's "May Revise" budget document and provide a better estimate of available revenues. These Step-Down Plans will be essential in evaluating service impacts and consequences of decreased funding levels in each department.

In addition to submitting a baseline budget request it is also recommended that your Board authorize the County Administrative Officer to direct all General Fund departments to submit their budget request with no additional position requests. It is highly unlikely that any funds will be available to add positions and therefore processing position requests becomes an exercise which unnecessarily utilizes valuable staff resources of the affected department as well as at the County Administrative and Auditor's offices. Any position requests not involving the General Fund must be submitted with adequate documentation per County policy. Reorganization and reclassification requests will be addressed separate from the budget process.

The development of the FY 2010-11 County Budget will be challenging. As often noted, Mariposa County is generally in better financial condition than most other

California counties. However, the County is again faced with many uncertainties and significant unfavorable developments regarding the fiscal outlook. Major factors impacting next year's budget are still unknown, such as actual assessed valuation, carryover fund balance, the effects of continued reduced economic activity on tourism, and final State Budget impacts. The proposed budget development guidelines will provide this office and departments with a preliminary planning framework to develop a balanced recommended budget for the coming year.

Therefore, it is recommended that your Board approve the proposed FY 2010-11 Budget Development Guidelines.