

County Legal Structure & Budget Process

CALIFORNIA CONSTITUTION & GOVERNMENT CODE

Basic provisions for the government of counties are contained in the California Constitution and the California Government Code. A county is the largest political subdivision of the state and is vested by the Legislature with the powers necessary to provide for the health and welfare of the people within its borders. The distinction between a county and a city is that legislative control over counties is more complete than it is over cities. The Legislature may delegate to the counties any of the functions that belong to the state itself, unless specifically restricted by the State Constitution, and the State may take back functions previously delegated to counties.

State laws and county ordinances prescribe the manner and form in which the budget is presented. The Office of the State Controller sets forth the Government Code that specifies the content of the budget, budget adoption procedures and dates by which actions must be taken. A county may include additional detail, providing the financial detail and the classification of items required to be included in the budget are set forth.

Fund and account titles to be used by counties in the preparation of the operating budget are set forth in the publication, *Accounting Standards and Procedures for Counties*. The general operating group of funds are budgeted and accounted for under the modified accrual basis of accounting, and are summarized on Schedule 1 of the budget document. Internal service and enterprise funds are budgeted and accounted for under the full accrual basis of accounting as required by the State Controller, Governmental Generally Accepted Accounting Principles and the Governmental Accounting Standards Board.

PLACER COUNTY CHARTER

The California Constitution recognizes two types of counties: general law counties and charter counties. General law counties adhere to state law as to the number and duties of county elected officials. Placer County, as a charter county, has a limited degree of "home rule" authority that may provide for the election, compensation, terms, removal, and salary of the governing board. Responsibilities and the delegation for preparation, review and approval of the budget are established by statute and ordinance and by policies coordinated through the Board of Supervisors, the County Executive Officer and the Auditor-Controller. Under the County Charter, the County Executive Office is responsible for providing systematic planning of the budget, recommending long-range capital planning, and must recommend an annual budget after reviewing requests of all departments and agencies for which the Board is responsible or which request County funds.

BUDGET PROCESS

In accordance with provisions of Sections 29000 through 29144 of the California Government Code and other statutory provisions known as the County Budget Act, the County prepares and legally adopts a balanced Final Budget each fiscal year. Until the adoption of the Final Budget, the adopted Proposed Budget approved by the Board of Supervisor governs operations. A balanced budget is defined as total estimated revenues, including carryover fund balance, equal to total estimated expenditures for the year. In balancing the budget each year, revenues shall be conservatively estimated pursuant to the County Financial Policies.

The Budget is prepared using the modified accrual basis of accounting. The preparation of the County's financial statements conform to generally accepted accounting principles applicable to counties. The County's governmental funds use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Expenditures generally are recorded when a liability is incurred, except for debt service and compensated absences related expenditures, which are recorded only when payment is due. Proprietary funds use the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when the liability is incurred.

The County's Major Funds and Non-Major funds as reported in the County's Comprehensive Annual Financial Report (CAFR) are determined annually using established criteria. For financial reporting purposes in the CAFR, the General Fund as a Major Governmental Fund includes the General, Public Safety, Lake Tahoe Tourism and Promotions, and Open Space Fund, along with the following other funds which are not included in the Proposed

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and Final Budgets: General State and Federal Grants, Public Safety State and Federal Grants, County Local Revenue 2011, General Construction and Maintenance Projects, General Special Programs, and Public Safety Special Programs. Other Major Governmental Funds includes the Capital Projects, Special Capital Projects, Low and Moderate Income Housing Asset, Roads Construction and Maintenance Projects, Traffic Mitigation Construction and Maintenance Projects, and the Road Funds.

The Proposed Budget is prepared based on the Board adopted County Financial Policies and after receiving direction from the Board of Supervisors regarding County priorities and goals to address long-term concerns and issues. Following this direction, the County Executive Office prepares budget procedures and forms for use by departments and establishes targets for General Fund budgets. All departments then submit their requested budgets for the upcoming fiscal year. County Executive Office staff review budget requests, which are balanced against the County's overall priorities and fiscal resources. Board workshops are held during the budget development process to review the County's fiscal position for the current and upcoming year including requests from departments, and to receive Board direction. The workshops are also intended as a forum to communicate County priorities, and challenges and choices in order to foster public input.

A Proposed Budget document with narratives and accompanying schedules is prepared and submitted to the Board of Supervisors by June 30 of each year. The Board adopts the County's Proposed Budget, which consists of a balanced budget for operating, enterprise and internal service funds. Reserves and estimated carryover fund balance / retained earnings may be added to estimated revenues to fund the estimated budget expenditures and other uses in each fund.

For the Final Budget, a public hearing is conducted to review all appropriations, the sources of financing and to make any adjustments necessitated by county needs and expenditure and revenue changes. The Board of Supervisors must adopt a balanced Final Budget by October 2 of each year.

The Board may make supplemental appropriations through budget revisions during the year, upon a four-fifths vote. Management cannot amend the budget without the Board's approval, unless the adjustments are between accounts that do not change object or appropriation totals. Amendments and transfers of appropriations between budget units, that increase an appropriation, or that involve the addition of and augmentation to a capital/road project and/or fixed assets, must have Board approval. In addition to budget revisions during the fiscal year, the Board of Supervisors also approves budget adjustments at fiscal year-end. Budgetary control is exercised at the appropriation or budget unit level, except for fixed asset equipment and capital/road projects which are separately appropriated and for allocated positions, which must be approved by the Board.

The FY 2016-17 Proposed Budget book is intended to communicate county priorities and the distribution of available resources in a clear and meaningful way including the following elements:

County Profile: Provides broader context for residents and businesses including history, population, local economy, housing, and tourism.

Budget Overview and County Financial Policies: Compares year over year changes to resources, costs, and staffing for all funds, highlight significant fiscal and policy issues to ensure sustainability of operations, and outline the guiding policies that provide the foundation for building the budget.

Spotlight on Critical Issues: Provides a summary of major policy and operational issues facing the County.

Priority Based Budgeting Overview: Provides status of "PBB" initiative to enhance financial transparency through detailed program budgeting within each department's appropriation in order to facilitate decision making by and priorities of the Board through feedback from the public.

Department Budgets and Appropriation Detail: Directly communicate to residents about what we do, include a summary of critical issues, followed by detailed fiscal, staffing, and services information.

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| FY 2016-17 BUDGET DEVELOPMENT AUDITOR/CEO INTEGRATED CALENDAR | | |
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| PROPOSED BUDGET | ITEM | INVOLVES |
| October 2015 to January 2016 | Complete Internal Service Fund Recommendations; Develop Proposed Budget Fiscal Assumptions and Guidelines; Issue Budget Instructions and Forms to Departments | CEO / Departments |
| January 2016 | Analysis of Governor's Budget Proposal | Departments / CEO |
| January 2016 | Analysis of State of Department Summaries | Departments / CEO |
| January 2016 | Board of Supervisors Priorities Workshop and emerging Critical Issues | Public / Board / Departments / CEO |
| March 2016 | Submit Operating and Enterprise Budget Requests and Narratives | Departments / CEO |
| March 2016 | Board of Supervisors Mid-Year Budget Workshop - Presentation to the Board on Status of Current Year Budget with Information | Public / Board / Departments / CEO |
| March / April 2016 | Analysis and Discussion with Departments in Context of Board Priorities, Financial Policies, and Multi-Year Sustainability; Develop Proposed Budget Recommendations | Departments / CEO |
| May 2016 | Board of Supervisors Proposed Budget Presentation - Challenges and Choices | Public / Board / Departments / CEO |
| May 2016 | Finalize Proposed Budget Recommendations; Analyze Governor's May Revise | CEO |
| June 7, 2016 | Board of Supervisors Approves Proposed Budget | Public / Board / Departments / CEO |
| Late June 2016 | Distribution of Budget Book and Update to County Website | CEO |
| FINAL BUDGET | ITEM | INVOLVES |
| June 2016 | Develop and Issue Final Budget Guidelines to Departments | CEO |
| July 2016 | Board of Supervisors Workshop for Capital Facilities Financing Plan Update | Public / Board / CEO |
| August 2016 | Current Fiscal Year Closes; Departments Submit Final Budget Adjustment Requests | Auditor / Departments |
| August 2016 | Revise Revenue and Expenditure Forecasts | CEO |
| August 2016 | Final Budget Recommendations Based on Updated Financial Forecasts and Board direction at Proposed Budget on Critical Issues | CEO |
| August 2016 | Balance Final Budget Schedules with Auditor | Auditor / CEO |
| September 2016 | Board of Supervisors Conducts Public Hearing and Approves Final Budget, and Multi-Year Capital Plan | Public / Board / Departments / CEO |
| September 2016 | County Website Updated | CEO |
| October 2016 | Final Budget Book Production and Distribution | Auditor / CEO |
| October 2016 | Begin FY 2017-18 Budget Development | CEO |