



Agenda

FINANCE COMMITTEE

November 15, 2016
1:00 P.M. After the Board Meeting
651 Pine Street, Room 101, Martinez

Supervisor Federal D. Glover, Chair
Supervisor Mary N. Piepho, Vice Chair

Agenda Items:

Items may be taken out of order based on the business of the day and preference of the Committee

1. Introductions
2. Public comment on any item under the jurisdiction of the Committee and not on this agenda (speakers may be limited to three minutes).
3. CONSIDER approving the Record of Action for the October 13, 2016, Finance Committee meeting (Lisa Driscoll, County Finance Director)
4. CONSIDER attached report on the funding shortfall in County Service Area M-28. (Brian Balbas, Chief Deputy Director/Public Works).
5. CONSIDER recommendations for FY 2017/18 Board-Administered Special Revenues (Lisa Driscoll, County Finance Director)
6. CONSIDER a review of the County's 2006 County Budget Policy (Lisa Driscoll, County Finance Director)
7. The next meeting is currently scheduled for December 8, 2016.
8. Adjourn

The Finance Committee will provide reasonable accommodations for persons with disabilities planning to attend Finance Committee meetings. Contact the staff person listed below at least 72 hours before the meeting.

Any disclosable public records related to an open session item on a regular meeting agenda and distributed by the County to a majority of members of the Finance Committee less than 96 hours prior to that meeting are available for public inspection at 651 Pine Street, 10th floor, during normal business hours.

Public comment may be submitted via electronic mail on agenda items at least one full work day prior to the published meeting time.

For Additional Information Contact:

Lisa Driscoll, Committee Staff
Phone (925) 335-1021, Fax (925) 646-1353
lisa.driscoll@cao.cccounty.us



Contra Costa County Board of Supervisors

Subcommittee Report

FINANCE COMMITTEE

3.

Meeting Date: 11/15/2016

Subject: Record of Action for October 13, 2016 Finance Committee Meeting

Submitted For: FINANCE COMMITTEE,

Department: County Administrator

Referral No.: N/A

Referral Name: Record of Action

Presenter: Lisa Driscoll, County
Finance Director

Contact: Lisa Driscoll, County Finance Director
(925) 335-1023

Referral History:

County Ordinance requires that each County body keep a record of its meetings. Though the record need not be verbatim, it must accurately reflect the agenda and the discussions made in the meetings.

Referral Update:

Attached for the Committee's consideration is the Record of Action for its October 13, 2016 meeting.

Recommendation(s)/Next Step(s):

Staff recommends approval of the Record of Action for the October 13, 2016 meeting.

Fiscal Impact (if any):

No fiscal impact.

Attachments

Draft Record of Action October 13, 2016

DRAFT



FINANCE COMMITTEE

October 13, 2016

10:30 A.M.

651 Pine Street, Room 101, Martinez

Supervisor Federal D. Glover, Chair
Supervisor Mary N. Piepho, Vice Chair

Agenda Items:

Items may be taken out of order based on the business of the day and preference of the Committee

Present: Chair Federal D. Glover
Vice Chair Mary N. Piepho

Staff Present: Lisa Driscoll, Finance Director
Laura Strobel, County Administration
Brian Balbas, Public Works
Ramesh Kanzaria, Public Works
Wanda Quever, Public Works
Gabriel Lemus, Department of Conservation & Development
Christine Louie, Department of Conservation & Development

Attendees: Lloyd Madden
Joanna Griffith

1. Introductions
2. Public comment on any item under the jurisdiction of the Committee and not on this agenda (speakers may be limited to three minutes).

There were no public comments.

3. Staff recommends approval of the Record of Action for the June 9, 2016 meeting.

The Record of Action for the June 9, 2016, Finance Committee meeting was approved as recommended.

AYE: Chair Federal D. Glover, Vice Chair Mary N. Piepho
Passed

4. Accept attached Capital Projects Report.

Ramesh Kanzaria presented the Quarterly Capital Report. Mr. Kanzaria reviewed the summary page in detail. There are currently 60 projects funded at \$77.2 million. There were 14 new projects since the last report totaling \$5.9 million and 11 projects were completed (\$5.2 million). In addition there are 16 Facilities Life-Cycle Investment Program (FLIP) projects totaling \$26,017,286 of which 8 were finished and 8 are in process (no change since previous report). The report also includes FLIP projects being managed by the Facilities Maintenance Division and Potential Surplus Property Report prepared by the Real Estate Division. Supervisor Glover requested an update on the Pittsburg Clinic. Mr. Kanzaria responded that there were several stages of remodel and many were completed. Mr. Kanzaria next summarized the Potential Surplus Property Report. Supervisor Piepho thanked Mr. Kanzaria for the report and requested that future reports be updated to include an identifier for vacant buildings, and an estimated value broken out by improvements, land, etc. There were no further questions.

AYE: Chair Federal D. Glover, Vice Chair Mary N. Piepho

Passed

5. Accept attached recommendation to increase the occupancy cost factor from the current 1% to 3%.

Brian Balbas and Wanda Quever from Public Works presented a report requesting that the current \$750,000 per year capital renewal rate for facility maintenance and replacement be increased in the 2017/18 fiscal year. The original rate, which was offset by general fund dollars, was approximately 1% and was intended to build funding for preventative maintenance. The current funding level doesn't cover annual maintenance and provides no funds for preventative maintenance. The request was to increase the rate to approximately 3% or \$2,550,000 per year. The request was approved.

AYE: Chair Federal D. Glover, Vice Chair Mary N. Piepho

Passed

6. CONSIDER accepting Department of Conservation and Development's attached recommendations regarding a request to substantially amend the County's FY 2016/17 Community Development Block Grand (CDBG) Program Action Plan.

Christine Louie, CDBG Program Planner, recommended that the Community Housing and Development Corporation of North Richmond - Neighborhood House Multicultural Senior and Family Center be allocated an additional \$9,700 in CDBG funds. She noted that the funds will come from CDBG income, primarily from housing project residual receipts. Supervisor Piepho asked if the request had been made during the original application if it would have affected the outcome. Staff responded that it would not. The item was approved.

AYE: Chair Federal D. Glover, Vice Chair Mary N. Piepho

Passed

7. The next meeting is currently scheduled for November 10, 2016.
8. Adjourn

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Contra Costa County Board of Supervisors

Subcommittee Report

FINANCE COMMITTEE

4.

Meeting Date: 11/15/2016

Subject: Funding Shortfall in County Service Area M-28

Submitted For: Julia R. Bueren, Public Works Director/Chief Engineer

Department: Public Works

Referral No.: N/A

Referral Name: Facility Maintenance and Replacement

Presenter: Brian Balbas, Chief Deputy Director **Contact:** Brian Balbas (925) 313-2284

Referral History:

Referral was not submitted to the full Board of Supervisors due to timing.

Referral Update:

This is the first time this issue is being presented to the Finance Committee. Attached for the Committee's recommendation is a report on the funding shortfall for CSA M-28.

Recommendation(s)/Next Step(s):

CONSIDER attached report on the funding shortfall in County Service Area M-28 (Bethel Island), as recommended by Public Works Director.

Fiscal Impact (if any):

The potential cost impact to the general fund is \$770,000.

Attachments

CSA M-28 Staff Report



Contra Costa County
Public Works
Department

Julia R. Bueren, Director

Deputy Directors
Brian M. Balbas, Chief
Mike Carlson
Stephen Kowalewski
Carrie Ricci
Joe Yee

Memo

November 15, 2016

TO: Finance Committee
FROM: *Carrie Ricci*
for Julia R. Bueren, Public Works Director
SUBJECT: County Service Area M-28 Status

Purpose:

The purpose of this staff report is to provide a status report for County Service Area (CSA) M-28 operation and present staff's recommendation to use Undesignated County Facilities Improvements funds to retrofit the existing water treatment facilities.

Background:

Willow Mobile Home Park is located on Bethel Island and consists of one 23-acre parcel with 172 mobile homes. CSA M-28 was established in 1991 (Resolution 91/807), to provide for the treatment of well water for distribution to the Willow Mobile Home Park. At that time a financial analysis was performed to provide the framework for an operating budget for the CSA. Revenues collected are only to be used for the expenditures of CSA M-28 as reflected in the annual report. Spending includes the cost of construction, operation, maintenance and servicing of the water system and also includes administration, engineering fees, legal fees and all other costs associated with managing the water system.

CSA M-28 owns and operates the well, a reverse osmosis (RO) system, storage tank and the associated facility buildings. Water is pumped from the well and is treated through an RO system. The treated water is then stored in a 20,000 gallon tank. From the tank, the water is transferred via a single piping system to the Willow Mobile Home Park for distribution to the residents within the mobile home park. The water distribution system operation and maintenance is the responsibility of the mobile home park.

CSA M-28 has been operating at a deficit for a number of years, with a significant amount of deferred maintenance required. The most significant infrastructure improvement required is the replacement of the aging reverse osmosis system. CSA M-28 has not been able to secure funding for capital improvements due to the limited revenues. CSA M-28 does not qualify for a loan from municipal lenders since it only has one rate payer and no substantial collateral assets. Operational costs have exceeded

revenues for a number of years and the Public Works Department has been exploring ways to address and change this situation for CSA M-28, including loans, grants, and raising the rates.

CSA M-28 is regulated by the State of California to provide water service to its rate payer. The State oversees on-going operation and approves changes to CSA M-28's operation. The ultimate service obligation of the CSA M-28 resides with the County. It is not a separate entity from the County. CSA M-28 must provide water service as regulated by the State. If CSA M-28 does not collect sufficient revenue to operate through the approved rate structure, the County is obligated to continue to provide service per State regulations.

CHANGES IN LEVEL OF SERVICE

In October 2014, Public Works hosted a town hall meeting with Willow Mobile Home Park residents to discuss options to reduce operational costs and level of service. Residents agreed that shutting down the RO system and receiving well water from CSA M-28 that only meets Primary drinking water standards would be acceptable in lieu of a rate increase. CSA M-28's well water currently meets Primary standards (safe for drinking). The RO system provides treatment to Secondary standards for odor and taste. Reducing the level treatment from Secondary to Primary standards requires a waiver from the State.

In December 2014, a formal vote was authorized by the Board to increase the M-28 rate to make necessary RO improvements (for Secondary treatment). The ballot was opened in March 2015, where the Board determined a majority protest existed and subsequently directed Public Works to seek a waiver from the State.

STATE WAIVER REQUIREMENTS

Since March 2015, Public Works staff has been working on the process to move toward reducing the water treatment service. A Water Treatment System analysis is required by the State, to obtain the waiver for Secondary standards. CSA M-28 contracted with a consultant to provide the necessary report and guide the waiver request submittal. A draft engineering report has been completed. This report analyzed 10 different alternatives for water treatment with the estimated costs ranging from \$770,000 to \$1,820,000. The \$770,000 waiver alternative provides well water with minimal chlorine treatment while the \$1,820,000 alternative replaces the existing RO system with a new RO system. All the alternatives required site improvements for seismic upgrades and safety. Four of the alternatives would not require the County to seek a State waiver; however, they are also the four highest cost alternatives and are not fiscally viable alternatives based on our review. The \$770,000 alternative is the lowest cost alternative. After reviewing the alternatives completed by our consultant, staff

recommends we complete the \$770,000 alternative and as part of those improvements request a waiver by the State.

Before proceeding with an application for waiver and the preferred alternative, a formal State approved survey will need to be sent to the residents to confirm their previously expressed opinion. If the State confirms and approves the recommendation of this engineering report, the County will receive the waiver and can implement the \$770,000 waiver alternative.

FINANCIAL OUTLOOK

The lowest cost alternative will require \$770,000 to retrofit the existing water treatment facilities. There is only 1 rate payer for CSA M-28, the mobile home park owner. The mobile home park owner has indicated that he passes on the annual rate charge to his tenants. If this cost were passed onto the rate payer (the mobile home park owner), it will result in a \$222,000 annual assessment (capital and annual maintenance). If the rate payer passes this cost on to his tenants, then it will result in approximately \$107 per unit per month. This estimate is based on a previously contemplated loan from the County revolving fund at 3% to fund the capital project. As a comparison, the FY 2016-2017 assessment rate is \$97,109 or \$47 per unit per month. The increase would be more than twice the current rate.

The State requires the County to provide water that meets its Primary standards. Completing these proposed recommended improvements will meet State Primary standards. Unlike other CSAs for recreation or park services where service levels are commensurate with revenues received, the County cannot necessarily cease or reduce water service for CSA M-28. Since CSA M-28 is considered a County facility, the \$770,000 cost to implement the waiver alternative can be funded by the Undesignated Capital Improvement Fund budgeted in Plant Acquisition – General Fund, approved in the 2016-2017 budget.

Recommendation

Staff recommends continuing the efforts to pursue the State waiver and use the Undesignated Capital Improvement Fund budgeted in Plant Acquisition – General Fund to retrofit the existing water treatment facilities using the lowest cost alternative.

JC:WL:nt

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c: B. Balbas, Admin
C. Ricci, Admin
W. Lai, Engineering Services
J. Chen, Engineering Services
W. Quever, Finance
D. Oyler, Finance



Contra Costa County Board of Supervisors

Subcommittee Report

FINANCE COMMITTEE

5.

Meeting Date: 11/15/2016

Subject: FY 2017/18 Recommended Budget Development - Board-Administered Special Revenues

Submitted For: FINANCE COMMITTEE,

Department: County Administrator

Referral No.: 11/14/16 SD.8

Referral Name: County Budget Policy - Resolution No. 2006/677

Presenter: Lisa Driscoll, County
Finance Director

Contact: Lisa Driscoll, County Finance Director
(925) 335-1023

Referral History:

On March 2, 2015, the Finance Committee began an update of the County's Budget Policy. The Board-Administered Special Revenue reference binder was discussed in the context of budget policy as well. The Committee requested that staff continue to develop a summary report that describes all of these special revenues and includes a detailed list of how the funds are annually distributed. The details would include how the distribution of monies is annually determined, who gets the revenue, how much they get, and what the monies are used for. When available the report would list sums received and distributed to date as well as annual figures. This report is partially described in the supplement to the County Budget Policy adopted by the Board of Supervisors on December 3, 2013. Staff was directed to review potential best practices in budget policy for submission to the Committee. The Committee will review staff's recommendations and continue to review the County Budget Policy in its entirety. In the meantime, staff was directed to begin implementation of the new policies in the FY 2015/16 Recommended Budget and letter.

Per the Committee's direction, FY 2016/17 budget recommendations were made on February 18, 2016. The attached report includes recommendations for FY 2017/18.

Referral Update:

See attached information and preliminary recommendations for FY 2017/18.

Recommendation(s)/Next Step(s):

ACCEPT Board-Administered Special Revenue recommendations for FY 2017/18.

Attachments

Board Administered Special Revenue Report

Board-Administered Special Revenues

		FY 2015-16 Prior-Year Review				FY 2016-17 Current Year Budget				FY 2017-18 Recommendation			
<u>TAB</u>	<u>NAME</u>	<u>PY Fund Balance</u>	<u>Earned Revenues</u>	<u>Expenditures</u>	<u>General Purpose Revenue Allocation</u>	<u>Fund Balance June 30, 2016</u>	<u>Budgeted Revenue</u>	<u>Budgeted Expenditure</u>	<u>General Purpose Revenue Allocation</u>	<u>Estimated Fund Balance June 30, 2017</u>	<u>Budgeted Revenue</u>	<u>Budgeted Expenditure</u>	<u>General Purpose Revenue Allocation</u>
1	Child Care Affordability Fund					Zero				Zero			
2	Contra Costa Futures Fund	1,507,780	0	67,500	0	1,440,280	0	67,500	0	1,372,780	0	67,500	0
3	Contra Costa Transfer Station, Martinez	0	1,640,087	412,546	-1,227,541	Zero	700,000	0	-700,000	Zero	700,000		-700,000
4	County Regional Enhancement Contributions	51,102	0	20,000	0	31,102	0	20,000	0	11,102	0	11,102	0
5	Crocket Rodeo Return-to-Source	120,000	542,600	482,600	0	180,000	464,820	644,820	0	0	525,000	525,000	0
6	Dougherty Valley Transit Fees	202,211	955,321	764,330	0	393,202	671,000	702,373	0	361,829	738,100	726,000	0
7	Industrial Job Training & Education Fee					Zero				Zero			
8	Integrated Resource Recovery Facility (IRRF) Mitigation	319,222	192,372	126,738	0	384,856	192,000	135,000	0	441,856	192,000	140,000	0
9	Keller Canyon Landfill Surcharge	0	2,169,639	459,420	-1,710,219	Zero	1,400,000	0	-1,400,000	Zero	1,400,000	0	1,400,000
9.1	Keller Canyon Landfill Mitigation	688,553	1,359,989	1,453,860	0	594,682	1,367,796	1,450,000	0	512,478	1,381,474	1,450,000	0
10	Livable Communities Trust Fund	6,629,390	619,152	0	0	7,248,542	800,000	500,000	0	7,548,542	700,000	500,000	0
11	RSS Abatement	42,312	902	20,000	0	23,214	0	0	0	23,214	0	0	0
* Defunct. No new source of funds/funds expended.													

Board-Administered Special Revenues

<u>TAB</u>	<u>NAME</u>	<u>Allocation Policy #</u>	<u>Source of Funds</u>	<u>Who Makes Funding Recommendation</u>	<u>Where is it Annually Distributed</u>	<u>How is it Used</u>
1	Child Care Affordability Fund					
2	Contra Costa Futures Fund		Fund balance - no new revenue	CDBG Staff on behalf of District IV Supervisor	District IV	Offsets District IV staff costs (0.60 FTE)
3	Contra Costa Transfer Station, Martinez		25% of Transfer Station revenue	County Administrator	100% to General Purpose Revenue	Offsets costs of code enforcement & recycling
4	County Regional Enhancement Contributions		Fund balance - no new revenue	CDBG Staff on behalf of Board of Supervisors	City of San Ramon, Town of Danville	Annual StreetSmarts Program (traffic safety education program)
5	Crocket Rodeo Return-to-Source		Property Tax revenue	County Administrator to the Board of Supervisors, based on recommendation of the Foundation and District V	Crocket Community Foundation	Differs annually, reported to Board, generally used for Crockett Library, Recreation Department, Crockett-Carquinez Fire Dept, Sanitary Department
5	Rodeo/Unocal/Conoco Philips		Property Tax revenue	County Administrator	District V	Crockett,Rodeo, Tormey – community improvements
6	Dougherty Valley Transit Fees		Per Unit applicant fees	Department of Conservation & Development	Transit Services (e.g. County Connection)	May only be used by a transit provider as part of the cost of providing transit services to Dougherty Valley.
7	Industrial Job Training & Education Fee					
8	Integrated Resource Recovery Facility (IRRF) Mitigation		Mitigation fee	Department of Conservation & Development	Sheriff-Coroner	Resident Sheriff's Deputy
9	Keller Canyon Landfill Surcharge & Mitigation		Surcharge & Mitigation fees	Department of Conservation & Development to the Board of Supervisors based on recommendation of District V	Various Organizations	To mitigate the effects of the landfill site by funding community-based organizations for: Youth Services; Code Enforcement; Community Beautification; Public Safety; and Community Services.
10	Livable Communities Trust Fund		Per Unit developer fee	Department of Conservation & Development	Not applicable	To assist with the implementation of the Smart Growth Action Plan.
11	RSS Abatement		Richmond Sanitary Service - adjusted rates to customers	District I	Various Organizations	For use in instituting programs/services that directly aid in the prevention or abatement of illegal dumping within areas served by the Richmond Sanitary Service.
* Defunct. No new source of funds/funds expended.						



Contra Costa County Board of Supervisors

Subcommittee Report

FINANCE COMMITTEE

6.

Meeting Date: 11/15/2016

Subject: Update of County Budget Policy (Resolution No. 2006/677)

Submitted For: FINANCE COMMITTEE,

Department: County Administrator

Referral No.: N/A

Referral Name: County Budget Policy

Presenter: Lisa Driscoll, County
Finance Director

Contact: Lisa Driscoll, County Finance Director
(925) 335-1023

Referral History:

On April 19, 2005, the Board of Supervisors adopted a policy related to the practice of allocating general fund revenue to specific communities or programs (attached).

On November 2, 2006, a formal Budget Policy was presented to the Finance Committee and approved for submission to the full Board of Supervisors.

On November 14, 2006, the Board of Supervisors adopted the attached County Budget Policy - Resolution No. 2006/677 (attached). This policy was developed after Standard & Poor's announced Financial Management Assessment Criteria would be used for future ratings. This announcement was important. In the past, it was difficult to judge how an agency would be rated, this was the beginning of the development of specific assessments of issuer's policies.

On December 15, 2009, the Board of Supervisors affirmed the policy on special revenue mitigation funds (attached).

On December 3, 2013, the Board of Supervisors adopted a new policy on governing special revenues administered by the Board of Supervisors and directed staff to incorporate these policies into the County's formal Budget Policy.

On March 3, 2015, the Finance Committee began review of the policy.

Referral Update:

Since adoption by the Board of the original Budget Policy, S&P has rated the County's fiscal policies as "Strong" and has increased the County's credit rating to AAA. A rating of Strong "indicates that practices are strong, well-embedded and likely sustainable; County maintains best practices that support credit quality and are used in daily operations; policies may be formal".

In 2006 when the original policy was adopted, the County was loosely following a list of 12 habits of highly successful finance officers. We worked with our financial advisor to rank the 12 habits in order of importance and addressed them. The practices/policies are:

1. Fund balance reserve policy/working capital reserves;
2. Debt affordability reviews and polices;

3. Superior debt disclosure practices;
4. Multiyear financial forecasting;
5. Monthly or quarterly financial reporting and monitoring;
6. Pay-as-you-go capital funding policies;
7. Rapid debt retirement policies (greater than 65% in 10 years);
8. Contingencies planning policies;
9. Policies regarding nonrecurring revenue;
10. 5-year capital improvement plan that integrates operating cost of new facilities;
11. Financial reporting awards; and
12. Budgeting awards.

Over the last ten years the County has followed/met each of these "habits" except the 5-year capital improvement plan that integrates operating cost of new facilities. It is recommended that the County's Budget Policy be updated to include a capital improvement plan that integrates capital life-cycle costs as well as all operating costs.

A thorough review and update of the County's Budget Policy is warranted. A draft of a new policy is attached for discussion purposes/direction.

Recommendation(s)/Next Step(s):

Continue review of the County's 2006 County Budget Policy to consider future recommendations for changes/updates.

Fiscal Impact (if any):

No specific fiscal impact.

Attachments

Recommended Updates to the County Budget Policy

April 19, 2005 Document

November 14, 2006 Document

December 15, 2009 Document

December 3, 2013 Document

GFOA- Recommended Budget Practices from the National Advisory Council on State and Local Budgeting

Recognizing that the establishment and maintenance of a budget policy is a key element in enhancing the management of the County's finances and management of the County's credit quality, the Board of Supervisors established a County Budget Policy in November of 2006 and revised it in December 2013. The current policy with suggested changes is presented below:

1. Contra Costa County shall annually adopt a budget that balances on-going expenditures with on-going revenue.
2. Contra Costa County shall adopt a budget each year early enough (and no later than May 31) to allow all impact on programs and/or revenues to be in effect by July 1.
3. Contra Costa County shall prepare multi-year (3-5 year) financial projections as part of the annual budget planning process.
4. Contra Costa County shall at a minimum prepare formal mid-year budget reports to the Board of Supervisors detailing actual expenditures and projections through the remainder of the fiscal year. This report will include through December 31 of each year:
 - a. actual net County cost by department by fund
 - b. actual and budgeted expenditure by major object by department
 - c. actual and budgeted revenue by major object by department
 - d. If a particular cost center is projected to be over-budget, a report clearly indicating planned corrective action will be presented to the Board of Supervisors within 30 days of the mid-year report. If necessary, this report will include appropriation and revenue adjustments.
5. The County will not directly allocate a specific General Purpose Revenue source to specific programs/communities. The policy would not apply to mitigation revenue that is derived from a project and intended to offset the environmental impacts from the project on the "host" community.
6. Short-term funding sources shall be used for short-term requirements, one-time uses, or contingencies.
7. Revenue windfalls not included in the budget plan will not be expended during the year unless such spending is required in order to receive the funding.
8. Fee-for-service and federal/state revenue offsets will be sought at every opportunity.
9. As part of the annual budget process, each department shall analyze its fee structure in order to maintain maximum offset for services.
10. The Board of Supervisors shall make reserve funding available for venture capital to be used to increase efficiencies and economies in

Update to County Budget Policy

departments that do not have resources available within their normal operating budgets for such expense. Requests for these funds will be included as part of the annual budget process.

11. The year-end practice of “use it or lose it” shall be changed to “save it and keep it”. The County Administrator’s Office will continue to refine the concept of fund balance sharing as an incentive to departments to maximize resources. Some portion of fund balance credit may be used by operating departments for one-time expenditure. These one-time expenditures shall be used to maximize economy/service delivery/efficiencies/employee satisfaction. Unless specific arrangements are made with the County Administrator’s Office, fund balance credit will be spent/encumbered within the following fiscal year.
12. The annual budget process will include funding decisions for maintaining the County’s facility assets, allowing the Board of Supervisors to weigh competing funding decisions using credible information.
13. ~~Beginning in FY 2008-09,~~ Ithe annual budget process will include a strategic planning and financing process for facilities renewal and new construction projects (short and long term capital budgets) and establishment of a comprehensive management program for the County’s general government real estate assets relative to acquisition, use, disposition, and maintenance. [This capital improvement plan should be updated every five years and will integrate operating cost of new facilities and capital life-cycle costs.](#)
14. Each ~~February~~fall, Contra Costa County shall prepare and make a formal budget report to the Board’s Finance Committee detailing earned revenues and expenditures for all mitigation and community benefit fees, trust and special revenue funds, and special Board appropriations during the prior fiscal year. The report shall identify amounts that were diverted from General-Purpose revenue in order to satisfy a special Board appropriation or other special revenue program. The Finance Committee shall review prior-year expenditures for consistency with the approved purpose of the fees, funds or special Board appropriations, and will forward recommendations for the subsequent budget year to the Board of Supervisors for consideration in the annual budget process. ~~Contra Costa County shall distribute updates to the Board-Administered Special Revenue Reference Book annually.~~

~~**Special Revenues Policy** In December 2013, the Board of Supervisors adopted the following policy to ensure clarity and county-wide continuity on the use of various revenue sources.~~

15. Adopt the following definitions to be used in County policies with regard to special revenues:

- a. Mitigation fee: A monetary exaction other than a tax or special assessment, whether established for a broad class of projects by legislation of general applicability, such as Area of Benefit mitigation fees (County Ordinance Code §913-2.404)¹, Drainage fees, and Park Dedication fees, or imposed on a specific project on an ad hoc basis, that is charged by a local agency to the applicant in connection with approval of a development project for the purpose of mitigating the impacts of the project on the affected community. Such fees are not intended to be a general-purpose revenue measure for the host community.
- b. Trust Fund: Funds held in trust for any beneficiary or for any purpose, in a separate fund and not commingled with any public funds, earning interest, and to be paid to the beneficiary of such trust upon the termination thereof, including moneys held as trustee, agent or bailee by the state, any county, city or town, or other political subdivision of the state, or any commission, committee, board or office thereof or any court of the state, when deposited in any qualified public depository. Trust funds are limited to the following purposes as defined by Governmental Accounting, Auditing, and Financial Reporting: Pension, Investment, Private-Purpose and OPEB Irrevocable funds.
- c. Special Revenue Fund: Funds used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditure for specified purposes. Examples of special revenue funds are those established for the purpose of financing schools, parks, or libraries.
- d. Community Benefit Fee: Voluntary payment(s) made by a developer or project sponsor that benefit a defined community, either through capital or community program improvements. These funds, typically, have been intended for uses that will benefit the quality of life for the communities in which a project is approved. In the past, these funds have been identified for such uses as economic development, health care, education, infrastructure, transportation, etc.
- e. Special Board Appropriation: A designation by the Board of Supervisors dedicating a portion of one or more General-Purpose Revenue sources to a specific program or activity, and/or to benefit a specific geographic area.
- f. Special Revenues: Collectively, all of the preceding revenues.

¹ Area of Benefit mitigation fees are to be used specifically to improve the capacity and safety of the arterial road network within a defined boundary area as development occurs in order to mitigate traffic impacts generated by new development projects.

~~16. Re-affirm Paragraph 5 of the County Budget Policy prohibiting special Board appropriations, which states, "The County will not directly allocate a specific General Purpose Revenue source to specific programs/communities. The policy would not apply to mitigation revenue that is derived from a project and intended to offset the environmental impacts from the project on the "host" community."~~

~~17.~~ 16. Adopt a policy governing the Authorization for Mitigation and Community Benefit Fees and Their Allocation:

~~g.~~ a. Affirm that revenues from existing fees are to be administered by the Supervisor serving in the district for which the fee was created, unless specified otherwise when the fee was established or as an action of the Board of Supervisors, and may require Board of Supervisors approval prior to expenditure.

~~h.~~ b. Affirm that revenues from existing fees are to be used with the support and authorization (to be signified by sponsorship or co-sponsorship of a Board Order/Proposal) of the current Supervisor serving in the district where the fee originated, unless specified otherwise when the fee was created or as an action of the Board of Supervisors.

~~i.~~ c. Affirm that when fees are created in the future, the authorizing Board Order or Resolution must specify:

- the type of fee (mitigation or community benefit)
- in what geographic area the funds are to be used, e.g., countywide or limited to one or more supervisorial districts or areas within a supervisorial district;
- the specific purpose of the fee;
- the recommended process for allocating the funds; and
- the department that will be responsible for administration of the funds;
- measurable performance outcomes that demonstrate how the fee revenue has mitigated the project impacts and otherwise benefited the affected community.

~~j.~~ d. Affirm that no new fees are to be negotiated or created without input or consultation with the current Supervisor serving in the district where the land development project is located.

~~k.~~ e. Affirm that fees developed for Countywide use will be administered by the full Board of Supervisors, with the goal of spending the money equally among supervisorial districts, unless specified otherwise when the fee is established. These fees will be assigned to and administered by a particular County department.

~~18.17. Accept the compendium of current special revenue funds for FY 2009/10 and Pursue opportunities to secure new mitigation and community benefit fees, where appropriate.~~

~~19. Amend the County Budget Policy, adopted in November 2006, to include the following new policy:~~

~~—“Each February, Contra Costa County shall prepare and make a formal budget report to the Board’s Finance Committee detailing earned revenues and expenditures for all mitigation and community benefit fees, trust and special revenue funds, and special Board appropriations during the prior fiscal year. The report shall identify amounts that were diverted from General Purpose revenue in order to satisfy a special Board appropriation or other special revenue program. The Finance Committee shall review prior-year expenditures for consistency with the approved purpose of the fees, funds or special Board appropriations, and will forward recommendations for the subsequent budget year to the Board of Supervisors for consideration in the annual budget process. Contra Costa County shall distribute updates to the Board Administered Special Revenue Reference Book annually.”~~

TO: BOARD OF SUPERVISORS

FROM: FINANCE COMMITTEE,
Supervisor John Gioia, Chair
Supervisor Mary N. Piepho



Contra
Costa
County

C.104

DATE: April 19, 2005

SUBJECT: POLICY RELATED TO PRACTICE OF ALLOCATING GENERAL FUND
REVENUE TO SPECIFIC COMMUNITIES OR PROGRAMS

SPECIFIC REQUEST(S) OR RECOMMENDATION(S) & BACKGROUND AND JUSTIFICATION

RECOMMENDATION:

ADOPT the following policy: It is the Board of Supervisors' intention to discourage the practice of establishing new programs or mechanisms to allocate revenue sources to specific communities or programs when the revenue would otherwise accrue to the County General Fund. The policy would not apply to mitigation revenue that is derived from a project and intended to offset the project's environmental or other impacts on the "host" community or communities.

FISCAL IMPACT: The policy is intended to preserve General Fund revenue for the purpose of funding the programs and projects in the County's adopted budget.

BACKGROUND:

At the March 7, 2005 meeting of the Finance Committee, the committee reviewed the history of "return to source" revenue from the Crockett Cogeneration plant and the Unocal "Reformulated Gasoline Project." The committee also reviewed the list of local revenue sources that are allocated on a discretionary basis by the Board of Supervisors. The committee subsequently considered adoption of a policy to discourage additional programs or mechanisms to allocate local revenue sources to specific communities or programs, except when the revenues are to be used to mitigate environmental or other impacts of a project.

CONTINUED ON ATTACHMENT: YES

SIGNATURE: *Larry DeLaney*

RECOMMENDATION OF COUNTY ADMINISTRATOR _____ RECOMMENDATION OF BOARD COMMITTEE _____
APPROVE _____ OTHER _____

SIGNATURE(S):

John Gioia
JOHN GIOIA, Chair

Mary N. Piepho
MARY N. PIEPHO

ACTION OF BOARD ON *April 19 2005* APPROVE AS RECOMMENDED OTHER _____

VOTE OF SUPERVISORS

UNANIMOUS (ABSENT *none*)

AYES: _____ NOES: _____
ABSENT: _____ ABSTAIN: _____

I HEREBY CERTIFY THAT THIS IS A TRUE AND CORRECT COPY OF AN ACTION TAKEN AND ENTERED ON THE MINUTES OF THE BOARD OF SUPERVISORS ON THE DATE SHOWN.

ATTESTED: APRIL 19, 2005

JOHN SWEETEN, CLERK OF THE BOARD OF SUPERVISORS AND COUNTY ADMINISTRATOR

CC: FINANCE COMMITTEE STAFF
BOARD OF SUPERVISORS
COUNTY ADMINISTRATOR'S OFFICE

BY *James Miller* DEPUTY

Summary of Local Revenues Allocated on a Discretionary Basis

The following is summary information about the various revenue sources that are allocated on a discretionary basis by the Board of Supervisors.

1. Crockett/Rodeo "Return-to-Source"

Source of funds: Property Tax based on assessed value of projects

Funding Cycle: Annual property tax assessments on the Crockett-Cogeneration Plant and Rodeo Unocal's "Reformulated Gasoline Project"

Purpose of funds: To fund community-based programs and police services

Restrictions for funding: The Board has discretion over the use of these funds. There is a contract, however, with respect to the Cogeneration Plant. Though the contract stipulates flat contributions, Board subsequently acted to dedicate all property tax from the plant to the community, providing 43% for community-based projects and 57% for enhanced police services.

Advisory/Approval Body: Crockett Community Foundation (for Cogeneration Funds), Tosco Return-to-Source Steering Committee (for Reformulated Gasoline Project Funds)/ Board of Supervisors for approval

FY03/04 Actual Revenue: \$528,700 (Does not include prior year fund balance of \$529,573)

FY03/04 Actual Expenditures: \$1,121,273 - Balance paid out of prior year fund balance

Fund Balance: \$0

FY04/05 Budgeted Amount: \$543,486

Description and Amounts of Programs Currently Funded:

Crockett Co-Gen: \$207,518 43% to the Crockett Community Foundation for community projects
 \$275,082 57% to the Sheriff – P1 District

Unocal "RGP": \$ 60,866 Not yet allocated. However, there is an agreement to allocate it to the communities of Crockett (45%), Rodeo (40%), and Tormey (15%). Supervisor Uilkema has proposed using a portion of the funding for a Resident Deputy.

2. County Regional Enhancement Contribution

Source of funds: Gale I Project Development Agreement with Shapell. This is a one-time revenue source with no additional revenue projected, aside from the property taxes derived from the project, from which the County General Fund receives its share.

Funding Cycle: \$1,000 per residential unit developed in Gale I, Dougherty Valley. This is a source of revenue considered a "contribution" in the conditions of approval for the project.

Purpose of funds: For one or any number of the following purposes and in those locations determined by the Board: transit improvements, other transportation improvements, assistance with the provision of affordable housing, and economic development activities.

Restrictions for funding: None other than the stated purposes.

Advisory/Approval Body: Board of Supervisors

FY03/04 Actual Revenue: \$18,251

FY03/04 Actual Expenditures: \$51,292

Fund Balance: \$404,679

FY04/05 Budgeted Amount: \$253,000 (gross expenditures)

Description and Amounts of Programs Previously Funded:

1. Open Space Measure \$450,000 (FY 02-03)
2. Shaping Our Future \$91,014 (FY 01-02)
3. Kensington Residential Overlay \$15,000 (FY 03-04)
4. Tri-Valley Business Council \$25,000 (FY 03-04)
5. Buchanan Airport RFP \$50,000 (FY 03-04) *to be reimbursed*
6. School Resource Officer (FY 04-05), \$130k for 3 years
7. Mandatory Subscription Enforcement (FY 03-04), \$100k
8. Street Smarts Contribution \$5,000 (FY 04-05)

3. Keller Canyon Landfill and Contra Costa Transfer Station Surcharge

Source of funds: 25% Surcharge on the Contra Costa Transfer Station Proprietary Rate; 25% Surcharge on base gate rate for Keller Canyon Landfill (Of the 25% Surcharge for Keller Canyon Landfill, \$1.75 is for the Landfill Mitigation Fund and \$1.25 is for City of Pittsburg Mitigation fund.)

Funding Cycle: Monthly revenue received and allocated on a fiscal year basis

Purpose of funds: County General Fund support for department operations

Restrictions for funding: None

Advisory/Approval Body: County Administrator's Office for approval by the Board of Supervisors

FY03/04 Actual Revenue:

Keller Canyon Surcharge	\$2,013,195
Transfer Station Surcharge	\$1,037,823

FY03/04 Actual Expenditures: *same as revenues*

Fund Balance: \$0

FY04/05 Budgeted Amount:

Keller Canyon Surcharge	\$1,888,014
Transfer Station Surcharge	\$1,022,546

Description and Amounts of Programs Currently Funded:

Keller Canyon Surcharge

General Purpose Revenues	\$775,000
Board of Supervisors	\$ 164,000
Building Inspection	\$ 75,000
Clerk of the Board	\$ 58,000
Social Services	\$ 159,000
Risk Management	\$ 468,000
Human Resources	\$ 174,014
County Administrator	\$ 15,000

Transfer Station Surcharge

Building Inspection (D 1-4)	\$ 50,000
General Services	\$ 292,546
Health Services	\$ 70,000
District 2	\$ 5,000
General Purpose Revenues	\$ 605,000

4. Keller Canyon Landfill Mitigation

Source of funds: Keller Canyon Landfill Mitigation Trust Fund. (This is a portion of the 25% Surcharge on Keller Canyon Landfill, described above. In addition, the County General Fund receives its share of the property taxes generated from the project.)

Funding Cycle: Monthly revenue received from \$1.75/ton at Keller Landfill site. Allocated annually for projects in East County.

Purpose of funds: To mitigate effects of landfill site by funding community-based organizations for programs in the following areas:

- a. Youth Services
- b. Code Enforcement
- c. Community Beautification
- d. Public Safety
- e. Community Services

Restrictions for funding: The Board has discretion over the use of these funds.

Advisory/Approval Body: Recommendations from District 5 must be approved by the Board of Supervisors.

FY03/04 Actual Revenue: \$1,381,463 (Does not include prior year fund balance of \$1,051,804)

FY03/04 Actual Expenditures: \$1,508,267

Fund Balance: \$ 925,000 (one-time only)

FY04/05 Budgeted Amount: \$2,325,000

Description and Amounts of Programs Currently Funded:

\$847,900	Variety of CBO's providing services
145,000	GSD – Beautification efforts in Pittsburg
137,680	Sheriff – 1 School Resource Officer in Bay Point
275,360	Sheriff – 2 Resident Deputies in Bay Point
28,000	Sheriff – portion of school resource officer in Oakley
20,000	Probation – East County Drug Court
30,000	EHS – Bay Point Works – 2 projects
84,000	Health Services – 6 different projects
3,540	Library – Pittsburg & Bay Point
84,482	County Counsel – Code Enforcement Attorney
200,000	Building Inspection – Code Enforcement Program
278,520	Not Yet Identified – Misc. Community Projects
190,518	Reserve
\$2,325,000	TOTAL

Funds have already been allocated for this year with the exception of \$278,520 of funding for Miscellaneous Community Projects and \$190,518 of Reserves. The Board may authorize an allocation from Miscellaneous Community Projects to an additional program. Traditionally, District V makes recommendations to the Board for this funding and sets up agreements with the communities.

5. West Contra Costa Sanitary Landfill/Processing Facility (Transfer Station) Host Community Mitigation Fee

Source of funds: Joint imposition of mitigation fee by City of Richmond and Contra Costa County to be paid by permittee on all solid waste and processible materials received at the facility. The amount of the mitigation fee shall be the same as the Solid Waste Mitigation Fee currently collected at the Central IRRF (Integrated Resource Recovery Facility) of \$2.76/ton, adjusted annually for CPI. The amount of the mitigation fee for all other materials processed at the Bulk Materials Processing Center shall be \$0.75/ton, adjusted annually for CPI.

Funding Cycle: Two year expenditure plan.

Purpose of funds: For the benefit of the host community as described in the Draft EIR, to defray annual costs associated with collection and disposal of illegally dumped waste and associated impacts in North Richmond and associated areas.

Restrictions for funding: "Shall be spent to mitigate the impacts of the Project on the host community" for the benefit of the incorporated and unincorporated North Richmond area.

Advisory/Approval Body: Recommendations for expenditures of the mitigation fee shall be made by a committee composed of three members of the Richmond City Council, one member of the Board of Supervisors, and two members of the North Richmond Municipal Advisory Council appointed by the

Board of Supervisors. Final approval of a two-year expenditure plan shall be made by the Richmond City Council and the County Board of Supervisors.

6. Host Mitigation for the IRRF

The West Contra Costa Integrated Waste Management Authority and Contra Costa County executed an agreement on May 25, 1993 specifying that mitigation fees are to be collected in the IRRF rates and all amounts collected are to be placed in trust for exclusive use in the area impacted by the existence and operation of the IRRF.

The mitigation fees are limited to the reasonable costs for mitigation of the impacts reasonably related to the existence and operation of the IRRF in addition to other mitigation as required as part of the conditions of approval of the facility.

The mitigation fee is currently \$2.76/ton, adjusted annually for CPI. Proposals for the use of the mitigation money are provided to the WCCIWMA.

7. Child Care Affordability Fund

The Board of Supervisors established the Child Care Affordability Fund on April 9, 1991, to be funded by 50% of Transient Occupancy Tax (TOT) revenues from the Embassy Suites Hotel not to exceed \$250,000 annually. The purpose of the fund was to assist low-income parents with child care affordability needs throughout Contra Costa County. The other 50% of the TOT goes to the County General Fund.

In 1996, responsibility for recommending annual financial plans to the Board of Supervisors was transferred to the Family and Human Services Committee. In 1997, the Board approved a recommendation that the Family and Children's Trust Committee be responsible for establishing annual priorities for use of the Fund, develop a competitive bid process based on those priorities, and recommend agencies and funding amounts to Family and Human Services.

Current allocations are recommended by the Family and Children's Trust Committee to the Family and Human Services Committee based on establishment of yearly priorities, release of an RFQ to solicit proposals from qualified agencies, and conduct of a formal review process. The period of funding is one year with the option for a one year renewal pending program evaluation and availability of funds. Funds are used for programs throughout Contra Costa County.

8. CCFuture Fund

The Board of Supervisors created the CCFuture Fund in February 4, 2003, to be funded through the Transient Occupancy Tax from the Renaissance Club Sport Hotel, and earmarked the Fund for early intervention and prevention programs serving children and families throughout Contra Costa County. The mission of the CCFuture Fund is:

"... invest in programs and services that are result-based, family oriented, collaborative and available at critical points in the lives of children and families, thereby improving family functioning and reducing the high cost of dependency."

On August 10, 2004, the Board of Supervisors approved, for the next two years, allocation of CCFuture Funds to children and families programs that meet the CCFuture Fund criteria and are being eliminated or substantially reduced through budget cuts. The programs approved for allocation include \$675,000 per year to Children's Mental Health and \$225,000 per year to Zero Tolerance for Domestic Violence initiative.

Future allocations will be made by the existing CDBG staff under a separate cycle, with the first competitive grant awards in January 2006, providing for program funding effective July 2006.

27.8



Contra Costa County

TO: BOARD OF SUPERVISORS

FROM: FINANCE COMMITTEE
Mary N. Piepho, Chair
John Gioia

DATE: November 14, 2006

SUBJECT: County Budget Policy

SPECIFIC REQUEST(S) OR RECOMMENDATION(S) & BACKGROUND AND JUSTIFICATION

RECOMMENDATION:

ACCEPT report from the Finance Committee on the need for a formal County Budget Policy; ADOPT the attached County Budget Policy (Resolution 2006/677).

FISCAL IMPACT:

No specific fiscal impact.

BACKGROUND:

On November 2, 2006 the Finance Committee reviewed and discussed a report regarding establishing a County Budget Policy. The Committee directed staff to report to the full Board on November 14, 2006 the recommendation to adopt the attached County Budget Policy (Resolution 2006/677).

In June, 2006 Standard & Poor's announced new Financial Management Assessment Criteria¹. This announcement was important. In the past, it was difficult to judge how an agency would be rated; now rating agencies are starting to provide investors with specific assessments of issuer's policies, or lack thereof. There is a long history of "public policy analysis" and "public finance". The Government Financial Officers Association (GFOA), Securities and Exchange Commission, National Federation of Municipal Analysts, and rating agencies all promote sound financial disclosure policies, but only recently began formal "scoring" of polices. The National Advisory Council on State and Local Budgeting (NACSLB), which was created by the GFOA and other public sector associations, published the first comprehensive report on best practices in 1998. The publication was formalized from the lessons learned from public sector crises². There obviously exists a correlation between poor disclosure policies and fiscal crisis.

CONTINUED ON ATTACHMENT: _____ YES SIGNATURE: *Lisa Duvall*

_____ RECOMMENDATION OF COUNTY ADMINISTRATOR _____ RECOMMENDATION OF BOARD COMMITTEE

_____ APPROVE _____ OTHER

SIGNATURE(S): _____

ACTION OF BOARD ON November 14, 2006 APPROVED AS RECOMMENDED OTHER

Speaker: ROLAND KATZ, P.E.U. LOCAL 1, MARTINEZ, Ca

VOTE OF SUPERVISORS

I HEREBY CERTIFY THAT THIS IS A TRUE AND CORRECT COPY OF AN ACTION TAKEN AND ENTERED ON MINUTES OF THE BOARD OF SUPERVISORS ON THE DATE SHOWN.

What did Standard & Poor's (S&P) June report say and how will it impact Contra Costa County? S&P enhanced its Financial Management Assessment. The Financial Management Assessment (FMA) conveys to investors the quality of an issuer's financial management practices. Scores will be assigned to general governments such as counties, including Contra Costa County. Although S&P has always evaluated the County's financial polices as one of the four key credit areas³, this new scoring mechanism is a more explicit way of reporting analytical results. Interestingly, FMA will not score the County's governing body or the effectiveness of its governance practices and issues of public policy; but will focus on the existence and implementation of practices, not necessarily the results of those practices. The results of the practices will be visible in fund balances and annual budgets. In other words, FMA focuses on whether polices have the *potential* to move credit quality away from what current results indicate. Issuers who rank well are those whose policies help reduce the likelihood of credit deterioration and whose polices help them benefit from changing conditions (economic, budgetary, statutory or personnel related. This is important to Contra Costa County.

Given this information, what are the most important financial management practices? Fitch Ratings answers this question in an article entitled "The 12 Habits of Highly Successful Finance Officers"⁴. Our Advisor has indicated that the three most significant practices/policies are:

1. Fund balance reserve policy/working capital reserves⁵;
2. Debt affordability reviews and polices; and
3. Superior debt disclosure practices.

The four significant practices/policies are:

4. Multiyear financial forecasting;
5. Monthly or quarterly financial reporting and monitoring;
6. Pay-as-you-go capital funding polices; and
7. Rapid debt retirement polices (greater than 65% in 10 years).

And finally, five influential practices/policies are:

8. Contingencies planning polices;
9. Policies regarding nonrecurring revenue;
10. 5-year capital improvement plan that integrates operating cost of new facilities;
11. Financial reporting awards; and
12. Budgeting awards.

How can these practices be applied to policy areas? S&P compresses these "12 Best Practices" to Seven Policy Areas:

1. Revenue and expenditure assumptions (high weight). Are the County's financial assumptions and projections realistic and well-grounded from both long-term and recent trend perspectives?
2. Budget amendments and updates (high weight). Are there procedures for reviewing and amending the budget based on updated information and actual performance to assure fiscal targets are met?
3. Long term financial planning (average weight). Does the County have a long-term financial plan that allows it to identify future revenues and expenditures as well as address upcoming issues that might affect these?
4. Long term capital planning (less weight). Has the County created a long-term capital

6. Debt management policies (less weight). Has the County established policies pertaining to the issuance of debt, such as projects that may or may not be funded with debt (including economic development projects); maturity and debt service structure; use of security and pledges; credit enhancement and derivatives; and debt refunding guidelines?
7. Reserve and liquidity policies (less weight). Has the County established a formalized operating reserve policy, which takes into account the County's cash flow/operating requirements and the historic volatility of revenues and expenditures through economic cycles?

Finally, how are scores assigned? After each of these areas has been reviewed S&P assigns an overall "Score":

- **Strong** indicates that practices are strong, well-embedded and likely sustainable; County maintains best practices that support credit quality and are used in daily operations; policies may be formal
- **Good** indicates that practices are good, but not comprehensive; County maintains best practices that support credit quality and are used in daily operations, especially in the finance department; practices may not be formal, may lack detail and long-term elements, or may have little recognition by decision makers outside the finance department
- **Standard** indicates the finance department maintains adequate policies in most, but not all, key areas; policies may lack formal detail and may not include best practices
- **Vulnerable** indicates the County lacks policies in many areas deemed critical for credit quality support; suggests high degree of uncertainty regarding County's ability to effectively adapt to changing conditions that could threaten long-term financial position

THE BOARD OF SUPERVISORS OF CONTRA COSTA COUNTY, CALIFORNIA

Adopted this Resolution on November 14, 2006, by the following vote:

AYES: I, II, III, V
NOES: NONE
ABSENT: ~~IV~~
ABSTAIN: NONE



Resolution No. 2006/677

Subject: ESTABLISHING A)
COUNTY BUDGET POLICY)

WHEREAS, the Board of Supervisors has an interest in the County's long-term financial stability, service delivery consistency, and departmental empowerment;

WHEREAS, the Board wishes to be a leader in County public service delivery in this country;

WHEREAS, the establishment and maintenance of a budget policy is a key element in enhancing the management of the County's finances and maintaining the County's credit quality;

WHEREAS, services will be supported as the County achieves and maintains an Aa2 (Moody's)/AA (Standard & Poors) credit rating, maintains its facility and equipment assets in "good" to "excellent" condition, promotes a highly skilled workforce, and effectively responds to the changing needs of its residents;

WHEREAS, the Board wishes to recognize that Contra Costa County has the experience/asset of 25 Department Heads who are experts in their particular fields, and are committed to helping the County continue to achieve its goals;

WHEREAS, it is the County's desire to improve its fiscal health by continuing to establish formal fiscal policies;

WHEREAS, these Budget Policies have been prepared to guide, advise, and empower our Department Heads in providing services to residents of Contra Costa County.

It is hereby RESOLVED by the Board that:

1. Contra Costa County shall annually adopt a budget that balances on-going expenditures with on-going revenue.
2. Contra Costa County shall adopt a budget each year early enough (and no later than May 31) to allow all impact on programs and/or revenues to be in effect by July 1.
3. Contra Costa County shall prepare multi-year (3-5 year) financial projections as part of the annual budget planning process.
4. Contra Costa County shall at a minimum prepare formal mid-year budget reports to the Board of Supervisors detailing actual expenditures and projections through the remainder of the fiscal year. This report will include through December 31 of each year:
 - a. actual net County cost by department by fund
 - b. actual and budgeted expenditure by major object by department
 - c. actual and budgeted revenue by major object by department

6. Short-term funding sources shall be used for short-term requirements, one-time uses, or contingencies.
7. Revenue windfalls not included in the budget plan will not be expended during the year unless such spending is required in order to receive the funding.
8. Fee-for-service and federal/state revenue offsets will be sought at every opportunity.
9. As part of the annual budget process, each department shall analyze its fee structure in order to maintain maximum offset for services.
10. The Board of Supervisors shall make reserve funding available for venture capital to be used to increase efficiencies and economies in departments, that do not have resources available within their normal operating budgets for such expense. Requests for these funds will be included as part of the annual budget process.
11. The year-end practice of "use it or lose it" shall be changed to "save it and keep it". The County Administrator's Office will continue to refine the concept of fund balance sharing as an incentive to departments to maximize resources. Some portion of fund balance credit may be used by operating departments for one-time expenditure. These one-time expenditures shall be used to maximize economy/service delivery/efficiencies/employee satisfaction. Unless specific arrangements are made with the County Administrator's Office, fund balance credit will be spent/encumbered within the following fiscal year.
12. The annual budget process will include funding decisions for maintaining the County's facility assets, allowing the Board of Supervisors to weigh competing funding decisions using credible information.
13. Beginning in FY 2008-09, the annual budget process will include a strategic planning and financing process for facilities renewal and new construction projects (short and long term capital budgets) and establishment of a comprehensive management program for the County's general government real estate assets relative to acquisition, use, disposition, and maintenance.

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown:

ATTESTED: (date) 11/14/2006

JOHN CULLEN, Clerk of the Board of Supervisors
and County Administrator

By Lena O'Neal Deputy

Contact: Lisa Driscoll 925-335-1023



Contra
Costa
County

To: Board of Supervisors
From: Supervisors Mary Piepho and Susan Bonilla
Date: December 15, 2009
Subject: Special Revenue Mitigation Funds

RECOMMENDATION(S):

ACKNOWLEDGE that special revenue funds have been established to mitigate the impact of projects approved in certain areas of the County and that they have been intended for uses that will benefit the quality of life for the communities in which the project is approved and special revenue funds originate.

AFFIRM that existing special revenue funds are to be administered by the Supervisor serving in the district for which a special revenue fund was created, unless specified otherwise when the fund was established.

AFFIRM that existing special revenue funds are to be used with the support and authorization of the current Supervisor serving in the district where the special district fund originated.

FISCAL IMPACT:

No General Fund impact. Revenue Neutral.

BACKGROUND:

There have been a number of large projects proposed by applicants and eventually approved

APPROVE OTHER
 RECOMMENDATION OF CNTY ADMINISTRATOR RECOMMENDATION OF BOARD COMMITTEE

Action of Board On: 12/15/2009 APPROVED AS RECOMMENDED OTHER

Clerks Notes:

VOTE OF SUPERVISORS

AYES 5 NOES _____
ABSENT _____ ABSTAIN _____
RECUSE _____

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: December 15, 2009

David J. Twa, County Administrator and Clerk of the Board of Supervisors

Contact: Tomi Van de Brooke,
820-8683

By: June McHuen, Deputy

cc:

BACKGROUND: (CONT'D)

by the Contra Costa County Board of Supervisors that require mitigation to offset the impacts to the communities where they are built and operate. One of many mechanisms that has been used to address impacts from these projects has been the creation of special mitigation funds to benefit the quality of life for the communities that are affected. Some of the funds are one time only and others are replenishing.

These funds include, but are not limited to, the Conoco Phillips fund, C&H Sugar Cogeneration Project Fund, Futures Fund, Keller Canyon Mitigation Fund, Dougherty Valley Fund, and others.

These special revenue funds were intended to be administered by the Supervisor serving in the district for the benefit of the district where the special revenue fund was created, unless specified otherwise when established.

CONSEQUENCE OF NEGATIVE ACTION:

CHILDREN'S IMPACT STATEMENT:



Contra
Costa
County

To: Board of Supervisors
From: FINANCE COMMITTEE
Date: December 3, 2013

Subject: Policy Governing Special Revenues Administered by the Board of Supervisors

RECOMMENDATION(S):

ADOPT attached formal policy governing special revenues, as recommended by the Finance Committee.

FISCAL IMPACT:

None.

BACKGROUND:

On December 9, 2008, following a discussion about a proposal to allocate County Regional Enhancement funds to provide industrial education and vocational training to West County youths, the Board of Supervisors referred to the Internal Operations Committee (IOC) a review of how special revenue or "trust" funds are expended by the County and the possible development of a policy or protocol regarding the allocation and expenditure of such funds. As the referral was made after the IOC's final scheduled meeting for 2008, the Board referred the matter to the 2009 IOC for action. The IOC began studying the matter and compiled historical records on an array of Board-administered special revenues, which was provided to each Board of Supervisors member in a special reference binder. The committee developed a draft policy including findings and recommendations for protocols for establishing and allocating special revenues, and also clarifying some

APPROVE

OTHER

RECOMMENDATION OF CNTY ADMINISTRATOR

RECOMMENDATION OF BOARD
COMMITTEE

Action of Board On: 12/03/2013 APPROVED AS RECOMMENDED OTHER

Clerks Notes:

VOTE OF SUPERVISORS

AYE: John Gioia, District I Supervisor
Candace Andersen, District II Supervisor
Mary N. Piepho, District III Supervisor
Karen Mitchoff, District IV Supervisor
Federal D. Glover, District V Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: December 3, 2013

David J. Twa, County Administrator and Clerk of the Board of Supervisors

Contact: Lisa Driscoll, County Finance
Director (925) 335-1023

By: June McHuen, Deputy

cc: Robert Campbell, Auditor-Controller

BACKGROUND: (CONT'D)

of the terminology typically associated with special revenues. Prior to making the final recommendations to the Board, the IOC desired to have the Finance Committee review the proposed findings and recommendations and provide constructive feedback to the IOC. The IO Committee also asked the County Administrator to review and comment on the proposed policy. Both the Finance Committee and County Administrator provided comments on the draft policy.

On December 15, 2009, prior to the IO Committee returning their recommendations to the full Board of Supervisors, the Board of Supervisors adopted the County's current policy (attached). The Board of Supervisors acknowledged that most special revenue funds have been established to mitigate the impact of projects approved in certain areas of the County and that most funds have been intended for uses that will benefit the quality of life for the communities in which the project is approved and special revenue funds originated. The Board affirmed that existing special revenue funds are to be administered by the Supervisors serving in the district for which a special revenue fund was created.

Because it has been nearly four years since the Board formally reviewed these funds, the County Administrator requested and was granted a referral to the Finance Committee to review special revenues administered by the Board of Supervisors and a review of the current policy governing the use of special revenues.

As part of a Finance Committee referral from the full Board of Supervisors on October 14, 2013, the Finance Committee met and reviewed a draft policy regarding governing special revenues. The Committee made revisions to the draft policy and requested that staff return to the Finance Committee in December for further changes. On November 14, 2013, the Finance Committee reviewed the updated draft policy, made slight revisions, and requested that the new proposed policy be sent to the full Board for review and adoption. If adopted, the proposed policy points will be incorporated into the County's formal Budget Policy. The 2013 draft special revenue policy and the 2009 current special revenue policy are attached.

CONSEQUENCE OF NEGATIVE ACTION:

The County will be required to continue to rely on institutional knowledge regarding historical special revenues. Additionally, the current purposes defined for special revenues are overly board, which may result in unintended expenditures.

CHILDREN'S IMPACT STATEMENT:

None.

CLERK'S ADDENDUM

ADOPTED the formal policy governing special revenues, as amended for item 3.e. to now read "Affirm that fees developed for Countywide use will be administered by the full Board of Supervisors, with the goal of spending the money equally among supervisorial districts, unless specified otherwise when the fee is established".

ATTACHMENTS

2013 Draft Policy Governing Special Revenues

Current (2009) Policy Regarding Special Revenue Mitigation Funds

COUNTY POLICY GOVERNING SPECIAL REVENUES

FINDINGS

1. As BOS membership has changed and County support staff has turned over, institutional knowledge about historical special revenues has been lost, philosophies between current Supervisors and their predecessors about allocating Community Benefit fees, e.g., Livable Communities Trust and Industrial Job Training & Education Fee, have changed, and new Supervisors often have very little information about the historic special revenues they have inherited within their Districts.
2. Many of the terms used to describe what we collectively refer to as “special revenues” are erroneously used interchangeably, causing confusion in the way certain funds are treated. For example, terms such as special appropriations, mitigation fees, trust funds, special revenue funds, community benefit funds, area of benefit fees have been used interchangeably when they actually have distinct differences that indicate whether or not the source of funds are general purpose revenues and affect how much discretion the Board may have over their allocation.
3. The County policies that govern the allocation and expenditure of special revenues are:
 - a. the Process for Determining Compensation to Impacted Communities, to Be Paid by Benefitting Communities, as Mitigation for Waste Division adopted by the Board in 1989,
 - b. the Policy Related to Practice of Allocating General Fund Revenue to Specific Communities or Programs adopted in 2005,
 - c. the County Budget Policy adopted in November 2006, and
 - d. specific procedures established by Order of the Board of Supervisors for a particular special revenue, e.g. Keller Canyon Mitigation funds, Crockett Cogeneration funds, West Contra Costa Transfer Station Mitigation funds.
4. Mitigation fees help to mitigate the impacts of a development project on the affected community.
5. Developers sometimes desire to contribute Community Benefit Fees in order to promote community awareness and demonstrate a willingness to integrate into the community by sponsorship of local groups, and funding of community programs and services, and school projects.
6. Mitigation and Community Benefit Fees add costs to projects that may often be passed on to consumers.
7. When the purposes defined for special revenues are overly broad, unintended expenditures may result.
8. Special Board appropriations of general-purpose revenue for specific programs or activities places those programs or activities on a priority level that is equal to mandated programs and activities.
9. Special revenues are not, as a rule, highlighted and discussed during the annual budget deliberations because they are generally less discretionary than General Purpose revenues.

10. During times of severe fiscal crisis, programs funded with special revenues will be more insulated from budget reductions than programs funded from the General Fund.
11. While mitigation fees shall not be levied, collected, or imposed for general revenue purposes, nothing specifically prohibits the Board from expending mitigation fees to enhance mandated services if those services are consistent with the purposes of the mitigation fee.
12. Some mitigation fees are required as a result of project impacts identified in an EIR or other environmental analysis of the project.

RECOMMENDATIONS

1. Adopt the following definitions to be used in County policies with regard to special revenues:
 - a. Mitigation fee: A monetary exaction other than a tax or special assessment, whether established for a broad class of projects by legislation of general applicability, such as Area of Benefit mitigation fees (County Ordinance Code §913-2.404)¹, Drainage fees, and Park Dedication fees, or imposed on a specific project on an ad hoc basis, that is charged by a local agency to the applicant in connection with approval of a development project for the purpose of mitigating the impacts of the project on the affected community. Such fees are not intended to be a general-purpose revenue measure for the host community.
 - b. Trust Fund: Funds held in trust for any beneficiary or for any purpose, in a separate fund and not commingled with any public funds, earning interest, and to be paid to the beneficiary of such trust upon the termination thereof, including moneys held as trustee, agent or bailee by the state, any county, city or town, or other political subdivision of the state, or any commission, committee, board or office thereof or any court of the state, when deposited in any qualified public depository. Trust funds are limited to the following purposes as defined by Governmental Accounting, Auditing, and Financial Reporting: Pension, Investment, Private-Purpose and OPEB Irrevocable funds.
 - c. Special Revenue Fund: Funds used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditure for specified purposes. Examples of special revenue funds are those established for the purpose of financing schools, parks, or libraries.
 - d. Community Benefit Fee: Voluntary payment(s) made by a developer or project sponsor that benefit a defined community, either through capital or community program improvements. These funds, typically, have been intended for uses that will benefit the quality of life for the communities in which a project is approved. In the past, these funds have been identified for such uses as economic development, health care, education, infrastructure, transportation, etc.

¹ *Area of Benefit mitigation fees are to be used specifically to improve the capacity and safety of the arterial road network within a defined boundary area as development occurs in order to mitigate traffic impacts generated by new development projects.*

- e. Special Board Appropriation: A designation by the Board of Supervisors dedicating a portion of one or more General-Purpose Revenue sources to a specific program or activity, and/or to benefit a specific geographic area.
 - f. Special Revenues: Collectively, all of the preceding revenues.
2. Re-affirm Paragraph 5 of the County Budget Policy prohibiting special Board appropriations, which states, "The County will not directly allocate a specific General-Purpose Revenue source to specific programs/communities. The policy would not apply to mitigation revenue that is derived from a project and intended to offset the environmental impacts from the project on the "host" community."
 3. Adopt a policy governing the Authorization for Mitigation and Community Benefit Fees and Their Allocation:
 - a. Affirm that revenues from existing fees are to be administered by the Supervisor serving in the district for which the fee was created, unless specified otherwise when the fee was established or as an action of the Board of Supervisors, and may require Board of Supervisors approval prior to expenditure.
 - b. Affirm that revenues from existing fees are to be used with the support and authorization (to be signified by sponsorship or co-sponsorship of a Board Order/Proposal) of the current Supervisor serving in the district where the fee originated, unless specified otherwise when the fee was created or as an action of the Board of Supervisors.
 - c. Affirm that when fees are created in the future, the authorizing Board Order or Resolution must specify:
 - the type of fee (mitigation or community benefit)
 - in what geographic area the funds are to be used, e.g., countywide or limited to one or more supervisorial districts or areas within a supervisorial district;
 - the specific purpose of the fee;
 - the recommended process for allocating the funds; and
 - the department that will be responsible for administration of the funds;
 - measurable performance outcomes that demonstrate how the fee revenue has mitigated the project impacts and otherwise benefited the affected community.
 - d. Affirm that no new fees are to be negotiated or created without input or consultation with the current Supervisor serving in the district where the land development project is located.
 - e. Affirm that fees developed for Countywide use will be administered by the full Board of Supervisors. These fees will be assigned to and administered by a particular County department.
 4. Accept the compendium of current special revenue funds for FY 2009/10 and pursue opportunities to secure new mitigation and community benefit fees, where appropriate.

5. Amend the County Budget Policy, adopted in November 2006, to include the following new policy:

“Each February, Contra Costa County shall prepare and make a formal budget report to the Board’s Finance Committee detailing earned revenues and expenditures for all mitigation and community benefit fees, trust and special revenue funds, and special Board appropriations during the prior fiscal year. The report shall identify amounts that were diverted from General-Purpose revenue in order to satisfy a special Board appropriation or other special revenue program. The Finance Committee shall review prior-year expenditures for consistency with the approved purpose of the fees, funds or special Board appropriations, and will forward recommendations for the subsequent budget year to the Board of Supervisors for consideration in the annual budget process. Contra Costa County shall distribute updates to the Board-Administered Special Revenue Reference Book annually.”



Government Finance Officers Association

BEST PRACTICE

Recommended Budget Practices from the National Advisory Council on State and Local Budgeting

BACKGROUND:

Governments make program and service decisions and allocate scarce resources to programs and services through the budget process. As a result, the budget process is one of the most important activities undertaken by governments. The quality of decisions resulting from the budget process and the level of their acceptance depends on the budget process that is used.

Finding that too little information about effective budgeting practices existed and that an effort to identify and share recommended practices in budgeting was needed, GFOA and seven other state and local government associations created the National Advisory Council on State and Local Budgeting (NACSLB) in 1995 and charged it with developing a set of recommended practices in the area of state and local budgeting. In December 1997, the Council concluded its work by adopting a budgeting framework and recommended budget practice statements.

The GFOA Committee on Governmental Budgeting and Fiscal Policy has continuously reviewed and been involved with the work of the Council. The GFOA Executive Board passed a resolution in support of its ongoing work in October 1997.

RECOMMENDATION:

GFOA endorses the work of the NACSLB, including the NACSLB's definition, mission, and key characteristics of the budget process, stated as follows:

Definition of the Budget Process: The budget process consists of activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital assets.

Mission of the Budget Process: To help decision makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process.

Key Characteristics of the Budget Process:

- Incorporates a long-term perspective;
- Establishes linkages to broad organizational goals;
- Focuses budget decisions on results and outcomes;
- Involves and promotes effective communication with stakeholders; and
- Provides incentives to government management and employees.

Accordingly, GFOA adopts the NACSLB framework for improved state and local government

budgeting and recommended budget practice statements. GFOA recommends that state, provincial, and local governments look to the recommended practices of the NACSLB as a model for evaluating and improving their own budget policies and procedures, with the goal of ultimately developing, adopting and implementing their budgets in accordance with these recommended practices. Given the evolving nature of good budgeting and management, these practices are not intended as mandatory prescriptions for governments. Rather, they are recommendations that provide a blueprint for governments to make improvements to their budget processes. Implementation of these practices is expected to be an incremental process that will take place over a number of years.

References:

- *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting*, NACSLB, 1998.
- *Recommended Budget Practices* CD-ROM, NACSLB, 1998.
- NACSLBs recommended practices located on GFOAs web site at www.gfoa.org.