

Reader's Guide

This Reader's Guide is to assist you, the reader, to better understand the information contained in Nevada County's budget document for the Fiscal Year starting July 1, 2017 and ending June 30, 2018. Our goal is to present the information about the County's budget in a format that meets state and federal guidelines and provides easy readability to the citizens of Nevada County.

Creating the Annual Budget for Nevada County is a large project requiring significant collaboration. The County Executive Officer and Board of Supervisors strongly desire that the County budget development and adoption process be transparent to Nevada County's citizens. Anyone can follow the budget process on the County Budget Home Page.

The County Budget Portal - Nevada County citizens can get up-to-date information about the County's budget development at the County's unique [Budget Home Page](#).

The Budget Portal makes it easy for anyone to see the latest information about the County's fiscal status.

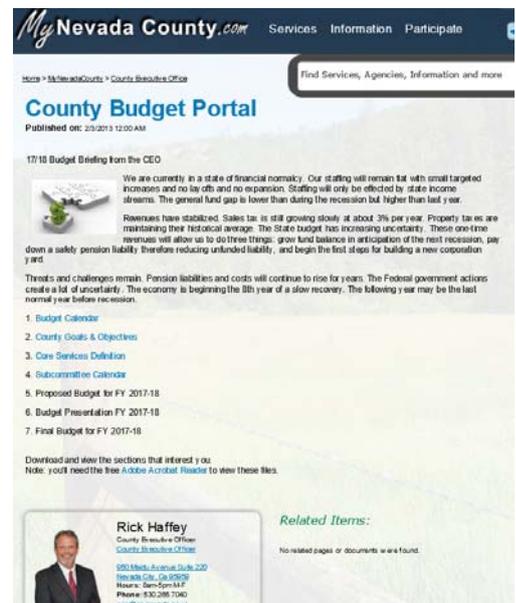
The Budget Portal includes the Budget Message from the County Executive Officer, the Budget Calendar showing key dates, the County Goals and Objectives as set by the Board of Supervisors, and a document describing major revenue and expenditure sources and trends. Once available, the Budget Portal also includes links to the proposed and adopted budget documents. Prior year budgets can be accessed through related links.

When the proposed and final budget documents are ready, they will be placed on the site as a PDF file, which can be viewed with Adobe Acrobat Reader. If you don't already have that software, you can download it free directly from Adobe.

The County of Nevada is committed to effective, efficient and reliable improvements in the budget process, including the use of the Budget Home Page. Please contact the Nevada County Executive Office if you cannot find the information you need.

County Executive Office staff is available to answer your questions regarding the budget process or the budget document. Any comments, suggestions or ideas about the budget website, including how it can be better illustrated or made more useful, should be directed to the County Executive Office at (530) 265-7040 or via e-mail at: <mailto:ceo@co.nevada.ca.us>

Written comments may be mailed to:
Richard A. Haffey, County Executive Officer
County of Nevada
950 Maidu Avenue
Nevada City, California 95959



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Statement of Philosophy – The County's budget is an annual financial and operational plan. It is a clear statement of County priorities as established by the County Goals and Objectives. Any alteration of the adopted plan requires approval of the Board of Supervisors. The primary purpose of the annual budget development process and this resulting document is to identify the several hundred services provided by the County and the resources that support them.

Budget Subcommittee - The County Executive Officer is responsible for recommending a proposed budget to the Board of Supervisors for consideration and adoption. As a recommending body to the County Executive Officer, a Budget Subcommittee is appointed whose members provide a comprehensive review of department requests for service levels, funding, and staffing. The Subcommittee consists of two members of the Board of Supervisors. Also serving as advisors are the elected Auditor-Controller, the County Executive Officer and the County's Deputy County Executive Officer. Each department head and appropriate staff appears before the Budget Subcommittee to discuss their budget request.

This year, the Budget Subcommittee spent nearly one hundred hours in working sessions to review and make recommendations concerning the departments' operating budgets and County reserves. The result is a set of budget policies and priorities, an open and transparent process and a balanced budget delivered on schedule.

Budget Policies - As the departments prepared their 2017-2018 budget requests for consideration by the Budget Subcommittee, they were guided by the following policies as identified by the County Board of Supervisors:

1. Every effort will be made to provide the same level of service as 2016-2017, understanding that this will require, for many agencies, departments and programs, reorganization or streamlining of current resources.
2. The budget must be balanced. Specifically, income must be equal to or greater than expenses. The total expenses of a department in 2017-2018 will be their expenses from the 2016-2017 fiscal year as modified by MOU changes and minor increases in services and supplies to the extent resources allow. All departments are expected to review their sources of income for correctness and validity.
3. There will be no unfunded positions included in the budget or staffing resolution. The vacancy review instituted over eight years ago remains in effect to create a pool of positions to either be eliminated if the State continues to divert local revenues or to be filled to avoid layoffs if other positions are eliminated. All positions will be reviewed. If revenue contingent positions lose their funding from the state or Federal government, those positions will be eliminated first before other cuts are enacted. No new positions will be considered unless there is new income for the position that covers not only the cost of the position, but any indirect and overhead costs as well. There must also be a reasonable expectation that there will be an ongoing funding stream for any new position.
4. The 2017-2018 budget will only use reserve funds for emergency and one-time expenditures or for purposes that the reserve is designated to fund. Every effort will be used to preserve reserve funds. A one-time use of an appropriate level of General Fund fund balance is authorized for the 2017-2018 budget from amounts previously set aside for economic downturns.
5. If the County contributes funds to Non-Profit or Community Partners for other than the purchase of services, it will give priority to one-time initiatives (as opposed to operational subsidies), and to those who demonstrate collaboration with other Community Partners. Funding will be adjusted based upon discretionary revenues available as with other County departments. Loans and advances will not be considered unless extraordinary events occur and must be secured.
6. Economic Development will remain a priority. Funding will be maintained at its current level and will not be adjusted downward based upon discretionary revenues available as is occurring with other County departments.



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7. Investment in technology will be maintained.
8. The budget format and terminology will be standardized so that pertinent and relevant performance and financial information is provided for presentation to the public.
9. There will be a high level of fiscal discipline by the Department Heads, Budget Subcommittee, County Executive officer and Board of Supervisors. Every effort will be made to maximize County assets, achieve a high level of funding for employee retirement promises, evaluate cost per service item and develop and maintain contracts with vendors within Nevada County.
10. Staff will apply the approved space guidelines to include newly proposed space and Staff will continue to identify income streams for the improvement of the County's capital facilities.

Budget Development - Each year, the Board of Supervisors adopts a set of objectives to guide the development of the annual budget (see the Executive Summary of this budget book for a list of Board Objectives). This process begins with a collaborative effort and assessment by the County management team, which provides input to the Board on needs and critical issues.

Board-adopted County objectives are issued to the County departments along with budget instructions in January. These goals provide the foundation on which County budgets are built. Resource allocation is intrinsically tied to the achievement of these objectives.

Department heads are responsible for preparing and managing their budgets at the line item level. The County Executive Office reviews departmental projections for expense and income accuracy, consistency with budget policies, and planned attainment of the County's objectives.

The Budget Subcommittee reviews the recommendations of the CEO Office analysts and solicits input from department heads on past completion of goals and objectives and planned performance measures. The Board of Supervisors is responsible for adopting the budget, after considering it as a whole, and gauging its success in reflecting countywide objectives and priorities for the community.

FY 2017-2018 Budget Development Calendar

At the start of the budget cycle, a calendar is prepared detailing the key dates from January through June. The following schedule lists the key dates that was distributed to the department heads and fiscal staff at the start of the 2017-2018 budget development cycle.

2017 Dates	Key Budget Meetings/Activities/Deliverables
January 25-26	Board workshop to set goals and budget priorities
January 31	Budget Kick-Off: Draft Department Objectives and Performance Indicators due to CEO Office
January 31- March 3	Department budget preparation
February 14	Board of Supervisors set Budget Schedule
February 21-March 3	Budgets due to CEO Office
February 21-April 20	Department fiscal staff meet with budget team as needed for CEO Office Review
March 24-April 21	Budget Subcommittee Presentations and Review
May 26	Public Copy of Proposed Budget Book available in Board of Supervisors Office
June 6- June 7	Budget Hearings and Rate and Fee Hearings held in the Board Chambers
June 15	Public Copy of Final Budget Book available in Board of Supervisors Office
June 20	Final Budget Adoption held in the Board Chambers



Budget Development Process

Four Levels of Review

County Priorities & Objectives: The Board of Supervisors adopts a set of county priorities and objectives in January/February each year which are used to kick-off the budget process to departments.

#1. Department Head Line Level Review

Federal, State & Local Service Levels



Department Heads develop line item budgets (salaries, department supplies, vehicles, etc.)
Occurs: December - March

#2. CEO Analyst Review



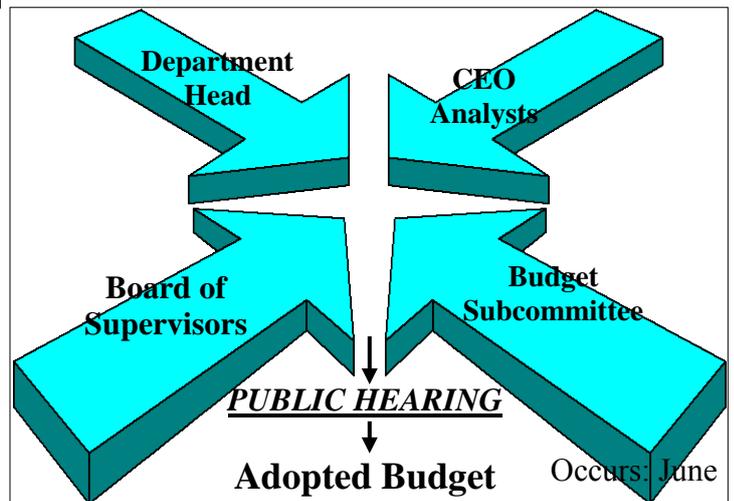
County Executive Office (CEO) Analysts independently scrutinize line level budgets using many tools (expenditure records, funding source data, program planning information, performance measurements, etc.) Recommended amounts are reported to the **Budget Subcommittee** at the "Class Level" (salaries & benefits, services & supplies, fixed assets, overhead and reimbursements.)
Occurs: February - April

#3. Budget Subcommittee Review



Budget Subcommittee reviews Analyst recommendations and discusses all critical issues and requests with Department Heads. Subcommittee includes two members of the Board of Supervisors, CEO staff, and independently elected Auditor-Controller. Recommendations made here go to public budget hearings as the **CEO Proposed Budget** with full review of the **Board of Supervisors**.
Occurs: April- May

#4. Board of Supervisors & Public Hearing Review



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Excellent Services – The 2017-2018 budget will have equal emphasis on what we do and how well we do it. Our services should not only be judged by how much they cost, but by how they protect our citizens and improve our community.

Performance Measures - Each Service Budget Unit presented in section two of this budget includes an overview of the mission, service description, previous year's major accomplishments, and performance measures for the new fiscal year. Departments are required to provide performance measures addressing as many County and departmental objectives as applicable to their areas of service. These performance measures are monitored throughout the year. The performance measures are intended to be outcome-oriented. In other words, how do the County's customers benefit from our services, and how can we quantify the services we provide?

Budget Summaries - For each Service Budget Unit are presented in section two of this budget. These summaries provide an overview of the revenues and expenses budgeted for fiscal year 2017-2018 as well as information about prior years to assist the reader in identifying trends. Note that direct comparisons between years are not always possible due to changes in accounting practices. The Budget Summaries also provide a summary of changes in the balances of the Funds that comprise that Budget Service Unit.

Fund Balances – When revenues do not equal expenses during a particular fiscal year, the result is a change in Fund Balance. The County maintains a variety of Funds, corresponding to specific restrictions on the use of funds as specified by law or regulation or by the source of funds. The timing of the receipt of funds from various sources does not always coincide with the schedule for expenditure of those funds. When revenue is received which is not scheduled to be expended until the following fiscal year, the budget will show that amount as “Fund Balance Added.” Conversely, if the planned expenses will require using revenue received in a prior year, the budget will show the amount as “Fund Balance Used.” Please refer to the Glossary at the back of this budget book for further description of Funds and the various types of Funds that the County maintains.

Accountability – There are several levels of financial accountability mechanisms built into the budget process. Our internal Auditor-Controller, an independent elected official, pre-audits payments to determine appropriateness under County guidelines. Externally, the County hires an independent audit firm to perform an audit of our books to determine their conformity with generally accepted accounting principles and to make management recommendations based upon their observations. Finally, the Nevada County Civil Grand Jury periodically investigates and reports regarding County operations and finances.

Fiscal Policies – The County Board of Supervisors desires to ensure prudent County fiscal management, including the adoption of policies such as the **Fund Balance Reserve, Debt Management, and Investment Policies**. The County of Nevada Fund Balance Reserve policy aims to ensure a sustainable level of core services to the public. A core service is defined as that which is essential to the public's health and safety, including roads, jail, law enforcement and other services which may require maintenance of effort to leverage state or other sources of revenues for basic public/mental health services and other social services. Prudent levels of fund balance and reserves provide the ability to sustain services and planned capital projects with minimal cyclical disruption.

The Debt Management Policy serves as a tool in managing the County's finances. The County recognizes that it may need to enter into debt obligations to finance projects and to meet fiscal responsibilities. Debt financing is a powerful and necessary tool for undertaking major capital projects that cannot be reasonably financed on a pay-as-you go basis. Accordingly, the Debt Management Policy confirms the commitment of the Board, staff, advisors and other decision makers to adhere to sound financial management practices.



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The Investment Policy is reviewed and approved annually and is intended to provide guidelines for the operation of the investment program and the prudent investment of funds of the Nevada County Treasury in order to provide participants maximum security of funds, liquidity to meet cash flow requirements and the highest investment return available without risking capital or liquidity. This policy applies to funds deposited with the Nevada County Treasurer as part of the Nevada County Treasury Pool.

The adopted Debt Management and Fund Balance Policies can be found in Section 6 - Appendices. The Investment Policy is located on the Treasurer-Tax Collector's website.

Long-term Financial Planning – The County is committed to prudent fiscal management and engages in targeted long-term planning when possible and appropriate. The long-term planning takes in to account known and anticipated changes to salaries and benefits, revenues, levels of services, Board priorities, economic indicators, and federal and State policy changes. Revenue estimates are based on the most recent financial data and available information about local, federal and state funding levels. Some of the key areas include the County's Road Maintenance and Capital Improvement Plan, the Information and Communication Technology Strategic Plan, and Pension Obligations.

The County's long term financial planning has focused on several key areas such as fiscal health, stable operations, and the capital needs of Roads. Each year, a five-year Road Maintenance and Capital Improvement Plan (CIP) is prepared for and approved by the County Board of Supervisors. The CIP is a plan for short range and long-range plans to improve or rehabilitate the County-owned roads and related infrastructure. While the CIP covers a five-year planning period, it is updated each year to reflect ongoing changes. This summary provides a brief overview of the County's Road Maintenance and Capital Improvement Program. The 2017 CIP update represents a five year, \$84 million program from July 2016 through June 2021 for 562 miles of County maintained roadways. The funding for the CIP projects is a mix of Federal, State and local sources and subject to availability.

Project	Type	Amount
2017 Capital Improvement Projects		
Nevada City Sidewalk	Sidewalk Extension	\$421,000
Retrac Bridge	Bridge Replacement	\$1,541,000
2017 Countywide Striping Program	Safety Striping	\$240,000
2017 Thermoplastic Striping Program	Safety Striping	\$362,000
High Friction Surface Treatment	Safety Road Surfacing	\$751,000
SR 49 Emergency Vehicle Preemption	Signal Preemption	\$136,000
Garden Bar at Wolf Creek (Sanford)	Bridge Rehabilitation	\$1,020,000
Garden Bar at Wolf Creek (Railcar)	Bridge Replacement	\$1,364,000
McCourtney at Rock Creek	Bridge Replacement	\$1,364,000
2017 PRD and CSA Microsurface	PRD / CSA Road Preservation	\$506,000
Combie, Rule 20A, Phase 3	Utility Undergrounding	\$1,185,000
TOTAL – 2017 Capital Projects		\$8,890,000
Key Future Capital Improvement Projects		
6 Bridges (2018-2021)	Bridge	\$17,887,000
2018 Thermoplastic Striping Program	Safety Striping	\$377,000
Road Safety Audit – Phase 2 (2018)	Safety - Signage	\$1,121,000
Combie widening (2018)	Safety / Widening	\$3,479,000
Donner Pass Road Maintenance (2020)	Safety / Maintenance / Widening	\$10,390,000



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The County's Capital Facilities Master Plan is reviewed and updated on a periodic basis. The plan document contains a facilities condition assessment of all buildings, the life expectancy of systems and finishes, and the priority of identified projects. The plan provides information on future facility needs and estimated costs. The County has assigned a portion of the General Fund's available fund balance to build toward the funding for future projects. The Capital Facilities Committee is tasked with reviewing all proposed projects for funding streams, current and future budgetary impacts, and continuity with Board Priorities, community needs, and infrastructure sustainability and maintenance. The Capital Facilities Committee meets regularly throughout the fiscal year to review current and future projects. The projects expenditure and revenue projections are utilized in the budget and considered when projecting future years. Capital Expenditures in the major operating funds have ranged from approximately \$3.0 million in fiscal years 2003-2004 and 2013-2014 to up to \$7.0-\$8.0 million in fiscal years 2008-2009 and 2015-2016; and larger amounts of \$8.0 million in fiscal year 2016-2017 and \$11.8 million in fiscal year 2017-2018 reflecting the county's dedication to sustaining our infrastructure.

The Information and Communication Technology (ICT) Strategic Plan covers a three year planning period and is prepared for and approved by the Board of Supervisors. The ICT Strategic Plan's purpose is to provide the overall vision, direction and prioritization for countywide initiatives and issues. The funding for the ICT Plan projects is a mix of sources depending on which department initiates the project. Sources of funding may include Federal, State and local sources which are subject to availability. Additionally, the County has assigned a portion of General Fund's available fund balance toward the funding of future projects. Currently, there are approximately 94 projects in the plan across the seven initiatives. The ICT Plan is reviewed annually to reflect ongoing changes as new projects are added, existing projects are modified and completed projects are removed from the plan. This process is facilitated by the Information Systems Steering Board (ISSB). The ISSB meets regularly throughout the fiscal year to review current and future projects. This entails evaluating funding streams, current and future budgetary impacts, and continuity with Board Priorities, community needs, and project sustainability. The projects expenditure and revenue projections are utilized in the budget and considered when projecting future years.

The County's pension obligations continue to rise and be a cause of concern. The 2017/2018 total cost of County pensions is \$18.4 million and is estimated to increase to \$36.3 million by the year 2021/2022. The Board of Supervisors recognized back in 2005/2006 that this liability had to be addressed and began to take action. The Board of Supervisors over the several years has taken a very proactive approach to public pensions. The Board's continuing direction has been to favor long range financial planning actions such as: increasing pension reserves, negotiating employee paid contributions, controlling the number of employees, planning to pay down the unfunded liability, and establishing a \$3.2 million pension trust fund to stabilize pension contributions.

Fiscal Monitoring Throughout the Year – After adoption of the budget, the County Executive Office staff reviews and monitors revenues and expenses quarterly and assists departments in fiscal management as necessary. Departments submit an operating analysis to the CEO Office each quarter, and the CEO presents periodic reports to the Board of Supervisors.

Budget Amendments - Periodically, changes to the budget are necessary to seize opportunities that occur throughout the year, or to increase appropriations for unanticipated expenses. In addition, it is important to revise the budget downward when opportunities do not materialize. Department heads have the authority to amend budgets for changes within a category (e.g., Services & Supplies). County Administrator approval is required for adjustments between categories (e.g., Services & Supplies to Other Charges) or between program budgets within the department. Budget amendments are required in order to increase or decrease total revenues or appropriations and the Board of Supervisors must approve prior to committing any County resources. Consolidated budget amendments are processed through the County Executive Office at least twice a year.



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Basis of Budgeting - The budget is developed on a modified accrual basis for governmental fund types (General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds), adjusted for encumbrance accounting. Appropriations for encumbrances are included and appropriations for expenditures against prior year encumbrances are excluded.

Under the modified accrual basis, obligations are generally budgeted as expenses when incurred, while revenues are recognized when they become both measurable and available to finance current year obligations.

Proprietary fund types (e.g., Transit and Solid Waste) are budgeted on a full accrual basis. Not only are obligations recognized when incurred, but revenues are also recognized when they are incurred or owed to the County.

Fiduciary funds include trust funds and agency funds. All trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds are reported using the accrual basis of accounting to recognize receivables and payables.

A summary of fund types and which budget utilizes those fund types can be found in Section 4 - County Resources.

