

**FLOOD CONTROL DISTRICT
BUDGETING FOR RESULTS GUIDELINES AND PRIORITIES
FOR FY 2007-08**

Approved by the Board of Directors on December 4, 2006

The purpose of these guidelines and priorities is to provide direction from the Board of Directors to the Office of Management and Budget and District staff so that they can develop a sustainable, structurally-balanced budget that achieves, within available resources, the District's mission and strategic goals.

Property Taxes:

The budget will advance the goal of reducing property tax rates by continuing the self-imposed limits on the District property tax levy and by controlling expenditure increases.

- In order to protect taxpayers from tax increases resulting from high valuation increases, the FY 2007-08 Flood Control District secondary tax levy on properties taxed in FY 2006-07 will increase by no more than 2%, which is equivalent to limits on primary property taxes.
- The targeted overall increase in operating expenditures should be less than the combined rate of increase in population and inflation (as measured by the GDP Price Deflator), currently estimated at 7.0% for FY 2007-08. To achieve this target, the Office of Management and Budget is directed to identify possible savings by working with District staff and advisory boards and recommend corresponding changes to the budget.

Employee Compensation:

The budget should support progress toward achieving the goal of competitive total compensation that results in improved customer service. The Office of Management and Budget is therefore directed to allocate funding for employee salary and benefit increases, including market and performance-based salary adjustments.

1. District base budgets will include allocations for performance-based salary adjustments averaging **3.5%** (subject to available funding) for employees eligible under the performance-based salary adjustment plan for FY 2007-08. The budgeted rate for performance-based salary adjustments may not be increased without direction from the Board of Directors. The Employee Compensation Division of the Office of Management & Budget is directed to develop the FY 2007-08 Performance-Based Salary Advancement Plan consistent with FY 2006-07 and present it to the Board of Directors for review and approval.
2. Funding for market adjustments will be prioritized to proactively manage turnover, retention and recruitment issues that have a significant impact on critical public services. The District may not include requests for new market compensation funding in their budget requests.

Base Budget Targets:

Base budgets for all funds will be prepared within target amounts equal to their current budgets plus authorized adjustments. The Office of Management and Budget is directed to adjust budget targets for the following:

1. Annualized cost of FY 2006-07 approved Results Initiatives.
2. Annualized impact of FY 2006-07 mid-year appropriation adjustments.
3. Annualized impact of other items (including intergovernmental agreements) that were approved by the Board of Directors, so long as the impact was disclosed at the time of Board approval.
4. Items required by State law.
5. Estimated cost of performance-based salary adjustments for FY 2007-08 averaging 3.5%, as well as estimated employee benefit increases.
6. Other technical adjustments as required.

The District must submit its base expenditure budget requests within budget targets. If justified by revenue projections, base revenue budget requests may exceed revenue targets. Revenue targets for non-General Fund budgets will include an adjustment as necessary to maintain structural balance (recurring revenues equal to or greater than recurring expenditures) within the fund. If the revenue target cannot be met, the District must reduce base expenditures and base revenue by an amount sufficient to restore structural balance.

Requests for Additional Funding:

The Office of Management and Budget may only consider requests for additional funding arising from public safety issues and current strategic goals. Any requests must be presented in "Budgeting for Results" format and fully supported by performance measures. Other priorities for funding that are directed to achieving strategic goals and meeting service demands will be accepted so long as they can be funded with recurring revenues.

Requests that do not meet the above criteria may only be considered upon direction by the Board of Directors.

Capital Improvement Program

The Office of Management and Budget is directed to work with District staff to develop an updated Capital Improvement Program and Capital Projects budget for FY 2007-08 that meets the strategic goal of developing, identifying funding, and begin implementing a long-range plan for addressing District capital infrastructure needs. The capital improvement program should be financed on a pay-as-you-go basis through a combination of operating revenues and non-recurring resources.