



The Sonoma County Grand Jury

SONOMA COUNTY BUDGET POLICY

February 5, 2004

Summary

The 2002-03 and the 2003-04 Sonoma County Civil grand juries undertook a review of the Sonoma County Board of Supervisors' policies and procedures utilized in the process of preparing the Sonoma County budget for the fiscal year 2003-04. The grand jury engaged an accounting firm to examine these procedures and report their findings to the grand jury.

Reason for the Investigation

The purpose of the Sonoma County grand jury is to act as a "watchdog" to make certain that citizen interests are being protected. In this role, one of the jury's tasks is to study and evaluate government practices so as to assure the public that the County of Sonoma is providing competent and efficient services to its citizens. In light of the current fiscal crisis facing all levels of government, the grand jury conducted a review of the policy, process and methodology used by the Board of Supervisors in developing the annual budget for the County of Sonoma.

Background

The grand jury engaged the services of a professional accountancy firm that is experienced in the review of government budgets. Based on the scope approved by the grand jury, the firm conducted its review and reported its findings to the grand jury.

During the study, the accountancy firm and grand jurors met with the County Administrator and other county officials, who were involved in the budget process. The accountancy firm reviewed the fiscal year 2003-04 budget resources and needs, reviewed the County Comprehensive Annual Financial Reports (CAFR) ending June 30, for the past two years, reviewed various other documents prepared by the County Administrator and Auditor-Controller, and conducted analysis of revenue and expenditure documents produced by the county administrative staff. The budget study process complied with government auditing standards, 1994 revision by the Comptroller General of the United States, and US General Accounting Office, as such studies apply to special audits.

Investigative Procedures

The grand jury and/or the contracted accountancy firm interviewed:

- The Sonoma County Administrator
- The Sonoma County Auditor-Controller

The grand jury reviewed:

The study prepared by the contracted accountancy firm, which analyzed the fiscal year 2003-04 Sonoma County budget. This analysis was completed in accordance with the grand jury's direction.

Findings

- F1. Sonoma County has maintained a strong and conservative financial management operation, which allows it the flexibility to address unforeseen revenue needs.
- F2. In recent years Sonoma County has run large annual surpluses and built substantial reserves.
- F3. Sonoma County at present maintains one of the highest credit ratings of any county in the State of California.
- F4. Actions by the state legislature and governor to close the California budget gap could result in significant revenue cuts in the budgets of California counties.
- F5. The Board of Supervisors does not have an adopted policy regarding the level of reserves to be maintained by the county, nor is there a policy on the priority use of such reserves in maintaining county services.

Conclusions

A written policy regarding budget reserve planning would provide guidance to the Board of Supervisors and County Administrator in establishing the appropriate level of reserves to build and maintain.

An independent budget analyst or firm reporting directly to the Board of Supervisors would assist the Board in determining its options regarding budget development and implementation.

Recommendations

- R1. That the Board of Supervisors make a philosophy statement on how or whether the Board anticipates annual surpluses and the building of reserves in establishing the annual budget, or the drawdown of reserves in deficit situations. This statement should require that funding and spending options be considered in the building or drawdown of reserves in the development of the budget.
- R2. That the Board of Supervisors engage an independent budget analyst or independent accountancy firm, which reports directly to the Board, to annually advise the Board on the accuracy of its budget estimates and the use of reserve funding and spending options in its implementation.

Required Responses to Findings

None

Required Responses to Recommendations

Board of Supervisors – R1, R2