Fiscal Year 2026-2027 Budget Policies

Budget Development Policy

The following budget policies are intended to be responsive to the Sanitation Districts and County's Priority Objectives, the impacts of the State and Federal budget dynamics and the overall economic climate and are intended to guide the development of the Sanitation Districts Budget.

1. Every effort will be made to meet the core services needs of the community, understanding that this may require reorganization or streamlining of current resources.
2. There will be no unfunded positions included in the budget or staffing resolution. Vacancy review remains in effect to create budget flexibility in case of loss of revenue, and to ensure the need exists for filling positions. 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.
3. Requests for staffing changes will follow the established "RSC" process. Recommended staffing changes will be guided by a staffing philosophy that reflects fiscal prudence, sustainability, and the need to staff appropriately to meet core service needs. Special consideration will be given to state and federal mandates, staffing to support grants and new state and federal funding, and use of limited-term employees where possible. All requests will consider revenue to cover the cost of the position and indirect and overhead costs and a reasonable expectation that there will be an ongoing funding stream for any new position.
4. The 2026-2027 budget will only use reserve funds for emergencies, one-time expenditures or for purposes that the reserve is designated to fund. Use of reserves for operating purposes must be reviewed with the County Executive Office for sustainability and cost mitigation planning purposes.
5. There will be a high level of fiscal discipline by the department heads, Budget Subcommittee, County Executive Officer and Nevada County Sanitation District No. 1's Board. Every effort will be made to comply with adopted financial policies, and prioritize existing programs, Priority Objectives, core services and related administration and infrastructure. New or expanded programs and expenses will be contingent upon either new resources or a reduction in existing programs or services, or approval by a majority of the Sanitation Board.
6. If the District 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.
7. Investment in technology will be maintained to keep current infrastructure operational, to support enhanced employee productivity, to meet regulatory requirements, to protect citizen data, and to enhance citizen service levels, quality, and accessibility.
8. The budget format and terminology will be presented in a manner consistent with best practices so that pertinent and relevant performance and financial information is provided for presentation to the public.

Budget Control Override Policy

In addition to the preceding statements, the following policies are intended to facilitate the effective administration of the final budget in the Sanitation District's financial system.

Purpose

The County of Nevada (the "County") and the Nevada County Sanitation District No. 1 are committed to managing their finances in a fiscally responsible and transparent manner. Part of that management is the annual adoption of and adherence to a Fiscal Year budget (the "Budget") by the Board of Supervisors (the "Board") as well as the Nevada County Sanitation District Board (District Board), that represents planned activities for the Fiscal Year, including estimated revenues and expenditures related to those planned activities.

Additionally, California Government Code Section 29000 et seq., otherwise known as the County Budget Act, defines the general statutory provisions and requirements concerning county budgets. Included in those provisions (section 29120) is the requirement that the County and Sanitation District "shall be limited in the incurring or paying of obligations to the amounts of the appropriations allowed for each budget unit as originally adopted or as thereafter revised by addition, cancellation, or transfer."

Revenues, expenditures, or both, can exceed the estimates which were used to develop the Budget, and in some circumstances, those changes require a budget amendment, transfer, or appropriation by a four-fifths vote of the Board or District Board. Administrative processes and legal publication requirements placed upon the creation of Board meeting agendas can mean that a resolution to revise the budget can take between three to five weeks. There are specific circumstances where this time delay can negatively impact immediate operational needs. The purpose of this policy is to define those circumstances which warrant limited financial-system budget control override approval and direct staff to develop a process for follow-up Board/District Board action, where required, either at the next available Board of Supervisors or District Board meeting or through the next available Sanitation District Budget Amendment.

Budget Control Override is a financial-system control only. It does not create or increase appropriation authority, authorize a new program, position, contract, purchase, encumbrance, or discretionary expenditure, or substitute for any Board/District Board approval required by the Budget Act or other applicable law.

Delegated Authorization Budget Control Override

Budget Control Override is an optional process within the County's Financial System that would allow transactions that fail budget check to continue through to completion, upon approval through a series of reviews. The Financial System is configured to require Budget Control Override requests to be approved by both the County Executive Office and the Auditor-Controller's Office. This configuration allows for multiple layers of control to ensure that the process is not used outside of the intent of this policy.

Approved Budget Control Override Categories

The following categories are scenarios for which Budget Control Override is authorized under this policy:

1. **All Revenues.** Estimates for revenues are part of the process of developing the Budget and are in fact a required component of the Budget per the County Budget Act. However, the County Budget Act places no restriction on the receipt of revenues in excess of the amounts in the Budget. In no case shall a revenue budget override authorize the expenditure or encumbrance of that excess revenue unless and until it is appropriated or otherwise made available for expenditure in accordance with applicable law.

2. **Any Ledger Account Exceeding Budget by not more than $1,000.** In the interest of efficient and functional operations, any ledger account that exceeds its budget by not more than $1,000 shall be allowed Budget Control Override. If the Cost Center is within its overall budget appropriation by fund as previously approved by the Distric Board no budget amendment would be required. However, if the Cost Center is over budget at the fund level, a budget amendment would be required to fix the amount that exceeds the over budget amount as soon as is feasible.

3. **Personnel Costs (Ledger Account 51000).** The primary control for salaries and benefit costs is through requirements that the Board approve staffing levels and salaries by resolution. Estimates for these costs are also included in the Budget, but certain situations can result in the need for Budget Override in this category, such as an unexpected termination resulting in leave balance payout, District Board approved mid-year grant award expenditures, or approved bargaining agreements in excess of budgeted estimates. The costs in this Ledger Account, once incurred as lawful obligations, are legally required to be paid. Budget Override Control for this category is limited to $10,000 per request.

4. **Intrafund and Interfund Charges (Ledger Accounts 53033, 55030).** Sanitation District and County departments provide services to each other as a course of conducting business. The reimbursement costs realized by departments through this category are for costs incurred by (and budgetarily controlled for) in another department and therefore do not represent the "incurring or paying of obligations" which form the basis of the limitations imposed by the County Budget Act in section 29120.

5. **Intrafund and Interfund Reimbursements (Ledger Account 56066).** This category represents the balancing side of Intrafund and Interfund Charges. These reimbursements are budgeted and recorded as negative expenditures in the Financial System. Exceeding the Budget in this category means less expenditure, not more.

6. **Emergencies.** For the purposes of this policy, emergencies are defined by the County's Purchasing Policy, as adopted by the District Board. That policy defines an emergency as an unexpected and pressing situation which requires swift and immediate procurement action that is essential to public life, health, safety, or improved property of the County. In these cases, the budget unit requesting Budget Override shall be required provide documentation regarding the nature of the emergency and the urgency of the requested procurement. As soon as is possible, procurement approval and budget adjustment shall be completed in alignment with the County's Purchasing Policy.

7. **Legally Mandated Activities.** There are several types of activities carried out by our safety-net service Departments which include assistance payments to residents that are time-sensitive and legally mandated. In the event issuance of a payment is blocked due to insufficient budgetary control, this type of payment request is eligible for Budget Control Override, where the payment is required by statute, regulation, court order, grant or program requirement, or other binding legal obligation.

8. **CalPERS Unfunded Accrued Liability (UAL) Prepayment.** Each year, the County has the option to prepay its actuarially determined CalPERS UAL in a lump sum at the beginning of the fiscal year in order to avoid interest costs that would apply if payments were made monthly. This prepayment is made from the General Fund and then allocated to departments each pay period. Because the full annual payment is recorded upfront cost center CC10206 reflects an over budget condition for most of the year, until the cost is fully recovered through the allocation process, when the expense in CC10206 is returned to $0, thus resolving the over budget situation.

Follow-Up Requirements

With the exception of revenue-only overrides and other recording-only transactions that do not require Board budget action, the Budget Control Override authorization provided by this policy is intended to be temporary in that formal Budget Amendment approval by 4/5ths of the District Board is still required and should be requested as soon as reasonably possible but not later than the next Sanitation District Budget Amendment. The Budget Subcommittee will be notified via email by the CEO, or designee, of any Budget Control Override request.