FP 11: Contingency Planning

The County will develop practices to guide the financial actions it will take in the event of emergencies, natural disasters, or other unexpected events.

When emergencies or unexpected events occur, having a policy that can be applied, or at least serve as a starting point, for financial decisions and actions improves the ability of a government to take timely action and aids in the overall management of such situations. Policies on contingency planning are used as a general guide when an emergency or unexpected event occurs. A set of actions and strategies are identified for each type of situation. Examples of financial emergencies that require contingency plans are sudden and severe decreases in locally collected revenues or intergovernmental aid and unexpected major capital maintenance requirements. Development of a contingency plan in advance of such situation may be viewed positively by the rating agencies when evaluating a government's credit quality. This plan can also help expedite relief efforts when an emergency does occur and allow the government to recover funds more quickly or more effectively in the event of a natural disaster.

The County will establish a plan, including definitions, policies, and procedures to address financial conditions that could result in a net shortfall of resources as compared to requirements. The plan will be divided into the following three components:

Indicators: These serve as warnings that potential budgetary impacts are increasing in probability. The County will monitor key revenue sources such as sales tax and building activity, as well as inflation factors and national state trends. A set of standard indicators will be developed.

Phases: These will serve to classify and communicate the severity of the situation, as well as identify the actions to be taken at the given phase.

Actions: These are pre-planned steps to be taken in order to prudently address and counteract the anticipated shortfall.

The recession plan and classification of the severity of the economic downturn will be used in conjunction with the County's policy regarding the importance of maintaining reserves to address economic uncertainties. Any recessionary impact reduces the County's reserves, corrective action will increase proportionately. The following is a summary of the phase classifications and the corresponding actions to be taken:

Alert. An anticipated net reduction in available revenues and reserves from 0% up to 10%. The actions associated with this phase would best be described as delaying expenditures where reasonably possible, while maintaining the "Same Level" of service. Each department will be responsible for monitoring its individual budgets to ensure that only essential expenditures are made.

Minor. A reduction in reserves in excess of 10%, but less than 25%. The objective at this level is still to maintain "Same Level" of service where possible. Actions associated with this level would be:

- **a.** Implementing the previously determined "Same Level" Budget.
- **b.** Intensifying the review process for large items such as contract services, consulting services, and capital expenditures including capital improvements.

c. Closely scrutinizing hiring for vacant positions, delaying the recruitment process, and using temporary help to fill in where possible.

Moderate. A reduction in reserves in excess of 25%, but less than 50%. Initiating cuts of service levels by:

a. Requiring greater justification for large expenditures.
b. Deferring capital expenditures.
c. Reducing CIP appropriations form the affected fund.
d. Hiring to fill vacant positions only with special justification and authorization.
e. Closely monitoring and reducing expenditures for travel, seminars, retreats and bonuses.

Major. A reduction in reserves of 50% to 100%. Implementation of major service cuts.

a. Instituting a hiring freeze.
b. Reducing the temporary work force.
c. Deferring merit wage increases.
d. Further reducing capital expenditures.
e. Preparing a strategy for reduction in force.

Crisis. Reserves have been 100% depleted and potential for having a deficit is present.

a. Implementing reduction in force or other personnel cost-reduction strategies.
b. Eliminating programs
c. Eliminating capital improvements.

In the event that an economic uncertainty is expected to last for consecutive years, the cumulative effect of the projected reduction in reserves will be used for determining the appropriate phase and corresponding actions.

The Information Technology Department will establish, document, and maintain a Computer Disaster Recovery Plan and will provide for the daily backup of data and the offsite storage of the same.