

General Fund – General Revenues & Other Operations

RECOMMENDED BUDGET • FY 2020-21

MISSION

The General Fund Other Operations budget unit collects and accounts for the discretionary revenues for the General Fund and allocates those revenues to departments to cover net county cost allocations. In addition, this budget appropriates monies for contingency, General Fund contributions to departments, and other outside programs. This budget unit also includes appropriations for countywide expenses that are not appropriately assigned to individual departments, also referred to as Non-Departmental Expenses.

BUDGET SUMMARY

Description	Prior Year Actual	Current Year Adopted	CAO Recommended	Difference from Adopted
Taxes	114,667,201	117,423,092	120,289,204	2,866,112
License, Pmt, Fran	2,007,676	1,720,000	1,720,000	0
Fines & Penalties	1,652,783	350,000	350,000	0
Rev Use Money/Prop	1,542,754	1,000,000	1,000,000	0
IG Rev - State	4,056,558	2,470,000	2,470,000	0
IG Rev - Federal	717,864	500,000	500,000	0
Other Gov Agency	7,377,659	7,457,161	7,565,404	108,243
Service Charges	5,892,013	5,262,463	5,682,238	419,775
Miscellaneous Rev	688,135	0	0	0
Fund Balance	0	34,269,374	23,272,911	(10,996,463)
Total Revenue	138,602,642	170,452,090	162,849,757	(7,602,333)
Salaries & Benefits	53,643	1,216,000	25,000	(1,191,000)
Services & Supplies	364,174	819,100	689,100	(130,000)
Other Charges	3,156,456	3,295,429	3,405,022	109,593
Other Fin Uses	10,980,535	12,150,320	16,369,002	4,218,682
Intrafund Abatement	(6,008,958)	(5,522,188)	(7,451,763)	(1,929,575)
Contingency	0	12,525,308	6,932,894	(5,592,414)
Reserves Budgetary	0	13,543,335	5,162,700	(8,380,635)
Total Appropriations	8,545,850	38,027,304	25,131,955	(12,895,349)
FUND 1000 GENERAL FUND TOTAL	(130,056,792)	(132,424,786)	(137,717,802)	(5,293,016)

MAJOR BUDGET CHANGES

Revenue

- \$2,866,112 Increase in Property Tax – Current Secured based on projected increase in property assessed valuation, currently estimated at a 4% increase over FY 2019-20, with like increase in Property Tax In-Lieu allocation.
- (\$9,019,870) Decrease in estimated carryover Fund Balance Available for general operations, as compared to the FY 2019-20 Adopted Budget.
- (\$3,819,151) Decrease in estimated carryover Fund Balance Available committed for Accumulative Capital Outlay projects, as compared to the FY 2019-20 Adopted Budget.

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- \$2,500,000 Use of Capital Project Reserves for the Shakori Garage facility project, per January 14, 2020, Board direction.
- \$1,241,000 Use of Designated Funds set aside in FY 2019-20 for the Industrial Drive Intersection project.

Appropriations

- \$1,000,000 Decrease in Permanent Employee costs reflecting one-time funds set aside in FY 2019-20 to cover negotiated pay increases set to take effect during FY 2019-20.
- \$291,000 Decrease in Permanent Employee and Professional & Specialized Services costs reflecting the discontinuation of prior year funds set aside to cover the implementation of the new Vegetation Management ordinance. The funds are now appropriated in the Emergency Preparedness & Response Program in the Chief Administrative Office.
- \$109,593 Increase in Contributions to Non-County Governments reflecting Board approved projects during FY 2019-20 that carry-over into FY 2020-21. Projects include an additional \$22,543 contribution to UCCE, a \$40,000 annual contribution to the Transportation Commission for federal advocacy, and a \$47,050 MOU with the Water Agency for a Fairgrounds Water Runoff Study.
- \$4,161,133 Increase in Operating Transfers to the Accumulative Capital Outlay (ACO) fund to re-budget General Fund contributions for projects approved in prior year work-plans, using carry-over fund balance from the prior year.
- (\$2,000,000) Decrease in new General Fund ACO project funding requests due to the increased amount of carryover projects.
- \$1,241,000 Increase in Operating Transfers to the Department of Transportation for the Industrial Drive Intersection Project, using designated funds from the prior year.
- \$358,182 Increase in the General Fund Contribution to Community Services for the Jail and Juvenile Hall Medical Services Contracts.
- \$1,929,575 Increase in Intra-fund Abatement revenue (reimbursement for overhead costs) based on increased Countywide Cost Allocation (A-87) Cost Plan charges.
- \$1,182,894 Increase in General Fund Contingency to address the anticipated impacts of COVID-19 on county budgets and services. The additional contingency appropriations were developed in part by all general fund departments reducing travel costs by 25% and holding overall services and supplies costs to FY 2019-20 levels, per Chief Administrative Office direction.
- (\$6,775,308) Decrease in General Fund Contingency as compared to the FY 2019-20 Adopted Budget, directly related to excess carryover Fund Balance temporarily appropriated to Contingency during the September budget adoption. Similar increases/decreases will be considered in September of 2020, based on carryover Fund Balance Available.
- (\$8,380,635) Decrease in Designation/Reserve of Fund Balance as compared to the FY 2019-20 Adopted Budget, directly related to carryover Fund Balance Available designated for special future uses during the September budget adoption. Similar increases to

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Designations/Reserves will be considered in September of 2020, based on carryover Fund Balance Available.

GENERAL FUND REVENUES

Property Tax

Property Tax is the County's largest source of revenue in the General Fund. The property tax is annually imposed on the assessed value of real property including land and permanently attached improvements, and tangible personal property (movable property).

El Dorado County distributes property tax proceeds to a number of local governments, school districts, and special districts within the County. The distribution is based on Assembly Bill 8 (Chapter 282, Statutes of 1979), which provides for the distribution of the proceeds generated by the 1% property tax. AB 8 allocates property tax in proportion to the share of property taxes received by a local entity prior to Proposition 13.

In FY 1992-93, the State began imposing property tax shifts on local governments (discussed below). This action, coupled with annexation of territory by and subsequent growth in special districts, has resulted in a decreased proportion of property tax revenues to the County, from 31% of the Countywide tax rate in FY 1991-92 to 23% of the Countywide tax rate today. In other words, the County now receives an estimated \$23 for every \$100 collected from County taxpayers.

Education Revenue Augmentation Fund (ERAF)

In FY 1992-93, the State took action to reduce its obligation for school funding, as mandated by Proposition 98, by shifting local property tax revenues to school districts via the Education Revenue Augmentation Fund (ERAF I). This was followed by two subsequent shifts in property taxes in 1993-94 (ERAF II) and FY 2004-05 (ERAF III). FY 2005-06 represented the second and last year of ERAF III where the County was obligated to shift \$1.45 million to the State as part of the State's budget solution in FY 2004-05.

Upon adoption of the ERAF program the voters were asked to approve Proposition 172 (Local Law Enforcement Sales Tax) as a backfill of property tax dollars shifted. It is important to note that the County only received 50 cents on the dollar and exchanged discretionary revenue for one that is restricted to law enforcement (Sheriff, District Attorney, Probation and Public Defender) with statutory anti-supplanting language.

Proposition 13

Proposition 13, passed by voters in 1978, limits the real property tax rate to one percent of assessed value, plus any rates imposed to fund indebtedness approved by the voters. Proposition 13 also allows increases to the value of real property at the rate of the Consumer Price Index (CPI), not to exceed two percent per year based on the 1975 value, unless the property is improved or sold at which time the property is reassessed at market value. Since most property tax is guaranteed by placing a lien on the real property, properties are classified as secured or unsecured.

Secured Property includes real and personal property located upon the property of the same owner. Secured roll property taxes are paid in two installments, due on December 10 and April 10. Unsecured Property is property for which the value of the lien is not sufficient to assure payment of the tax. Unsecured roll taxes are due on August 31.

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Secured Property Tax revenue is recommended at \$72,022,731 for FY 2020-21. The recommended budget for Property Tax revenue assumes an increase of 4% in the Secured Roll over the FY 2019-20 Adopted Budget. The actual property tax revenue anticipated to be received in FY 2019-20 is currently projected to equal the budgeted amount for that fiscal year.

Sales and Use Tax

The California State Board of Equalization administers revenues from sales taxes. Sales Tax is collected at the point of sale, and then forwarded to the Board of Equalization. The County receives monthly sales tax revenue payments based on estimates, with quarterly adjustments made for actual receipts. Sales Tax revenue can be used for any general purpose.

Sales and Use Tax revenue is recommended at \$12,852,000 for FY 2020-21. The recommended budget for Sales Tax revenue assumes no increase over the FY 2019-20 anticipated actual revenue due to the impacts of COVID-19 on sales and use tax. Sales and Use Tax revenue will be re-evaluated in the fall with the Adopted Budget.

Property Tax In-Lieu VLF (Motor Vehicle License Fees)

Prior to 2004, a primary source of revenue for California counties was the motor vehicle in-lieu tax. Due to the voter approved Proposition 1A (Protection of Local Government Revenues Act of November 2004), the State now receives the motor vehicle in-lieu revenues and has “swapped” that revenue for property tax. That revenue is budgeted in the Property Tax In-Lieu – Vehicle License Fee account. The intent of Proposition 1A was to protect revenues collected by local governments (cities, counties, and special districts) from being transferred to the California state government for statewide use. This was a permanent change to the County-State relationship regarding these revenues, and the County will continue to receive Property Tax revenues in lieu of Motor Vehicle License Fees. Property Tax In-Lieu - Vehicle License Fee revenues are calculated each year by a formula determined by the State Controller’s Office. It should be noted that the In-Lieu Property Tax revenue grows in relation to each jurisdictions assessed valuation, but should not in any way impact the amount received in the Property Tax – Secured account.

Property Tax In-Lieu VLF revenue is recommended at \$23,011,181 for FY 2020-21, increasing by 4% when compared to the FY 2019-20 Adopted Budget. Any change to the calculated revenue amount for FY 2020-21 will be adjusted with the adoption of the Budget in September.

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Transient Occupancy Tax (TOT)

The Transient Occupancy Tax (TOT), or Hotel/Motel Occupancy Tax, is imposed on the daily rental price of a room in a lodging facility, including vacation home rentals, when used by visitors staying in the unincorporated portions of El Dorado County for less than 30 days. The tax rate for the County is 10% of gross room receipts and is allocated directly to General Fund functions.

The General Fund's direct share of TOT revenue is recommended at \$4,450,000 for FY 2020-21. The recommended budget is the same as the FY 2019-20 Adopted Budget, based on current revenue projections. This number does not include an additional 10% of TOT revenue that is distributed directly to the Treasurer-Tax Collector in recognition of services provided in the collection of this tax. Any change to the estimated revenue amount for FY 2020-21, based on actual receipts for FY 2019-20 and projected impacts of COVID-19 on Hotel/Motel Occupancy will be adjusted with the adoption of the Budget in September.

Other Taxes

Other miscellaneous taxes include property transfer taxes, tax loss reserve, cannabis activities tax, and timber yield. The Cannabis Activities Tax was added in FY 2019-20 and is recommended at \$165,000 for FY 2020-21. The remaining miscellaneous taxes combined revenues are anticipated to remain relatively flat in FY 2020-21.

License/Permit/Franchise

The County receives franchise fees from a number of garbage and cable companies. Garbage franchise fees total \$840,000. Cable franchise fees total \$880,000. Franchise fees are not anticipated to change in FY 2020-21.

Fines/Forfeitures/Penalties

Revenue recorded in this category represents delinquent property tax payments. This revenue is anticipated to remain relatively flat in FY 2020-21 and is recommended at \$350,000.

State Revenue

Pursuant to a statewide Master Settlement Agreement, California counties receive an annual Tobacco Settlement payment. Tobacco Settlement payment will remain the same in FY 2020-21 pursuant to the 1998 Master Settlement Agreement and MOU between the State of California and local governments. This revenue is estimated at \$1.7 million in FY 2020-21.

El Dorado County also receives one source of State subvention revenues - the homeowner property tax relief (\$610,000). A minor amount for mandate payments (SB90) of \$100,000 is also included in this category.

Federal Revenue

The County receives Federal revenue for Payments in Lieu of Taxes (PILT). This payment is budgeted to remain at \$500,000 for FY 2020-21. Any change to the estimated revenue amount for FY 2020-21, based on actual receipts for FY 2019-20, will be adjusted with the adoption of the Budget in September.

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Other Governmental

This category includes Tribe funding in the amount of \$7.3 million, as well as funding from other governmental agencies (\$245,000). This annual payment from the Shingle Springs Band of Miwok Indians is budgeted pursuant to the current Agreement.

Charges for Service

Charges for service includes a fee for the collection of property taxes for the cities of Placerville and South Lake Tahoe and a number of special districts under the account name “Assessment/Tax Collection Fees” (\$2,008,086); the General Fund Countywide Cost Allocation (A-87) Cost Plan charges to various non-General Fund operations, such as the Department of Transportation, Public Health, Mental Health and Environmental Management, for Building C Rent and for their share of indirect costs, referred to as A-87 (\$3,474,152); and recording fees of \$200,000. The combined revenue in this category is anticipated to decrease by \$633,729 in FY 2019-20, primarily due to decreased A-87 Cost Plan charges.

Fund Balance

The Recommended Budget includes \$17,161,133 in Fund Balance carryover. These are funds that are anticipated to be available at the end of FY 2019-20 as a result of operations and unspent appropriations designated for capital project work, and are recommended to be available for use in the following budget year. It is important to note that, although these funds are considered to be one-time in nature, the County still relies on a portion of these carryover funds to help balance its operating budget, although the reliance on use of fund balance to fund on-going expenses is generally decreasing.

The Fund Balance available to meet operational funding requirements is estimated at \$12,600,000 for FY 2020-21. This carryover estimate reflects \$7.6 million in un-spent contingency. The balance of the estimated Fund Balance is due to combination of additional departmental revenues and anticipated departmental savings. In concept, \$5 million of this carryover fund balance is used in the FY 2020-21 Recommended Budget to increase the Designation for Capital Projects, and \$5.75 million used to replenish the Appropriation for Contingency.

The carryover Fund Balance designated for capital projects is estimated at \$4,561,133 for FY 2020-21.

It should be noted that these budgeted amounts are estimates and are subject to change with the close of the FY 2019-20 financial records in August and when we are better able to project the impacts of COVID-19 on the budget.

General Reserve and Appropriation for Contingency

The General Reserve and Contingency calculations are determined based on adjusted General Fund appropriations. The General Fund Appropriation for Contingency is recommended at \$5.75 million. Board Budget Policy No. 8 directs that the Contingency be set at a minimum of 3% of the adjusted General Fund appropriations. This funding is a set aside to provide resources in the event of unforeseen fiscal issues throughout the year.

An additional appropriation of \$1,182,894 in the General Fund Appropriation for Contingency is recommended to be set aside to help address any budgetary or programmatic impacts of COVID-19 during FY 2020-21. The needs and uses of these funds will be reassessed in the fall with the adoption of the Budget.

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The General Fund General Reserve is recommended at \$9,015,108. Board Budget Policy No. 9 directs that the General Reserve be set at an amount equivalent to approximately 5% of the adjusted General Fund appropriations. The General Reserve is established to provide for additional resources in the event of significant emergency situations where additional funds are required, and functions as a cash flow reserve during the year.

In FY 2016-17, the Chief Administrative Office recommended a one-time use of the General Reserve in the amount of \$650,800 to provide the cash advance to the Resource Conservation Districts (RCDs). The RCDs will be foregoing their annual payment for four years and the equivalent of ¼ of these funds will go back into the General Reserve to pay back the cash advance. The FY 2020-21 Recommended Budget includes the final repayment of \$162,700 back to the General Reserve.

Use of Designations (Reserved Fund Balance)

The Recommended Budget includes a use of \$2,370,778 of funds previously set aside to offset the General Fund's share of CalPERS Retirement cost increases.

With the adoption of the FY 2017-18 Budget, the Board adopted a budgeting philosophy of establishing and funding a reserve equal to the General Fund's estimated additional contribution for the following two years. In concept, this reserve serves as a revolving fund, with funds being drawn down in the immediate budget year's Recommended Budget based on the budgeted General Fund cost increase, and subsequently replenished in the same year, once the carry-forward fund balance amount is known, and based on the updated 2-year estimated cost. Maintaining this reserve, and using funds to help cover the increase in CalPERS costs in each subsequent budget year, will help ensure the County is able to fund those required contributions in future years.

Community Funding Requests

The Recommended Budget includes \$50,000 for Community Funding Requests. El Dorado County has provided varying levels of funding for a variety of community organizations in the past. During the Budget discussions for FY 2017-18, \$50,000 was allocated for Community Funding Requests based on Board direction, and has been allocated each year since. No specific requests for funding were received for the FY 2020-21 Recommended Budget. However, requests may be made throughout the year and amounts allocated based on Board direction.

Requests are for one-time funding allocations for cultural and community events or efforts that benefit residents. Some may have an economic development or promotions-related impact; however, it is not required for consideration. Funds may be allocated to projects or events at the time of Budget adoption, or throughout the year by request of any Board member. Requests would not be funded through Transient Occupancy Tax revenue. The maximum amount for an individual request is \$5,000, and funds may be provided to private non-profit, public organizations, or community-based associations without formal non-profit status.

The Board of Supervisors may choose to adjust the appropriation for FY 2020-21 based on available budget resources. The Chief Administrative Office does not make recommendations for funding on these requests, as these funding decisions are made solely at the discretion of the Board.

RECOMMENDED BUDGET

The Recommended Budget for Non-Departmental Expenses is \$25,131,955. The Total Revenue Budget is recommended at \$162,849,757. This reflects a decrease in total revenue of \$7,602,333, and a decrease in appropriations of \$12,895,349 when compared to the FY 2019-20 Adopted Budget.

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Description	Recommended Amount
General Fund Contingency	\$ 5,750,000
General Fund Contingency COVID-19 Impacts	\$ 1,182,894
General Fund Contributions to	
Accumulative Capital Outlay Facilities Investment	\$ 4,561,133
Capital Projects Reserve for Shakori Garage	\$ 2,500,000
Broadband Grant Match (place holder)	\$ 450,000
Miwok Indians for Health Programs	\$ 2,759,141
DOT for Office Space	\$ 2,000
DOT for Industrial Drive Project	\$ 1,241,000
Airports	\$ 157,029
HCED	\$ 115,000
LAFCO	\$ 163,296
University California Cooperative Extension (UCCE)	\$ 275,535
Tahoe Regional Planning Agency (TRPA) Compact	\$ 45,000
El Dorado Hills Fire ERAF (place holder)	\$ 75,000
EDC Transportation Commission Federal Advocacy MOU	\$ 40,000
EDC Water Agency Fairgrounds Water Runoff Study MOU	\$ 47,050
Veteran's Affairs Commission (place holder)	\$ 175,226
Veterans SRF - House Council	\$ 15,000
General Fund Contribution to Public Health Programs	\$ 4,237,147
Jail & Juvenile Hall Medical Services Contract	\$ 3,539,103
County Medical Services Program (place holder)	\$ 233,492
California Children's Services (CCS) Diagnostics Program Match	\$ 330,222
California Children's Services (CCS) Program Match	\$ 134,330
General Fund Contribution to Community Services	\$ 2,645,125
Area Agency on Aging Programs	\$ 1,819,766
Senior Day Care	\$ 516,990
In Home Supportive Services (IHSS) Public Authority	\$ 88,331
Community Services Administration	\$ 129,848
Senior Shuttle	\$ 5,400
Public Housing Authority	\$ 84,790
General Fund Contribution Health - State Local Program	
Realignment Match	\$ 704,192
General Fund Contribution Mental Health - State Local	
Program Realignment Match	\$ 16,510
Annual Audit Contract	\$ 80,000
Sales Tax Audit Services	\$ 40,000
CalPERS annual bill	\$ 25,000
CalPERS reports required for GASB 68	\$ 5,000
SB 90 Mandates	\$ 20,000

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Description	Recommended Amount
A87 Charges to Child Support (expenditure abatement)	\$ (263,828)
A87 Charges to Social Services	\$ (3,409,325)
A87 Charges to HHSA Admin, CDA Admin, Animal Services & Public Guardian	\$ (3,778,610)
Countywide Legislative Memberships (CSAC, NACO)	\$ 36,100
Community Funding Requests (place holder)	\$ 50,000
Increase to General Reserve (Repayment for Advance to RCDs)	\$ 162,700
Increase to Designation for Capital Projects	\$ 5,000,000