



County of El Dorado

Chief Administrative Office

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May 24, 2011

Honorable Board Members:

Submitted for your review and consideration is the Chief Administrator's Recommended Budget for FY 2011-12. This budget is balanced through overall reductions in departmental budgets, use of all tobacco settlement and casino revenues, pay-as-you-go retiree health and use of approximately \$1.6M in one time funds in order to balance reduced revenues. Whether this budget maintains prudent levels of general reserves and contingencies in the significant fiscal uncertainty in which this budget is prepared is unclear given the condition of the State budget.

The following chart shows a few key economic indicators that are impacting us:

El Dorado County Economic Snapshot

	2007	2008	2009	2010	2011
Median Housing Price (March)	\$479,000	\$359,000	\$335,000	\$294,950	\$268,000
Unemployment Rate	5.1%	6.9%	11.3%	13.6%	11.9%
Single Family Dwelling Permits Issued	405	205	72	95	

Sources: El Dorado County Association of Realtors; California Employment Development Department; Development Services Department

The Board has taken timely and decisive action over the past four years to address the changes in our fiscal position as a result of the down trending economic conditions. The result of that dedication, the follow through of departments in meeting their targeted Net County Cost (NCC), and the fortitude of our employees in handling increased workload and concessions is a successfully balanced the FY 2011-12 budget. We are proposing to utilize a small amount of one-time funds to balance our ongoing operational costs. The County continues to have a structural deficit resulting in a projected shortfall of \$11 million in FY 2012-13. Where the next round of reductions will come from will be extremely challenging.

This budget is submitted during the prolonged ongoing negotiation of the State's FY 2011-12 budget and does not make any assumption about the impact of the State's FY 2011-12 Budget. The State is facing a \$9.6 billion deficit for FY 2011-12. In their

overview of the Governor's May Revision the LAO agrees that the Administration's estimates are based on reasonable assumptions. However, the Governor's major tax proposals are temporary in nature and raise long-term issues of sustainability. The budget does include over \$13 billion of expenditure actions, fund shifts, and other measures already approved by the Legislature earlier this year. The Governor's plan involves much uncertainty but does move in the more positive direction of addressing the structural deficit with less reliance on one-time and short-term solutions.

Each department summary provides a detailed list of program areas with corresponding budgetary information, number of staff, extra help costs, and net county cost and/or general fund contribution. Ten year information is shown in a staffing allocation trend chart and a ten year fiscal history by line item class. Organizational charts show the department's staff by allocation and distribution by program. Detailed financial information is shown by fund type for the proposed budget. Additionally the Budget Basics has been updated to include current data and is incorporated into the Recommended Budget document. CAO staff and departments will be available to discuss this information with the Board in functional group meetings and during the Budget Special Meetings.

The Budget Special Meetings will begin on June 6, 2011 and potentially go through June 10, 2011. CAO staff will provide an overview of the Recommended Budget followed up with policy issues and red flag items. I recommend that you adopt the Recommended FY 2011-12 Budget at either your June 21 or June 28th meeting, and approve the Adopted FY 2011-12 Budget in September.

OVERALL BUDGET OUTLOOK

The total Recommended Budget for FY 2011-12 is \$387M, which is \$27M (6%) less than the Adopted FY 2010-11 budget of \$414M. The County's proposed General Fund budget, which includes discretionary funds for County services, is \$195M, which is \$6M less than the Adopted FY 2010-11 budget of \$201M. The chart below provides a five-year trend of County budget changes. It should be noted that the FY 2009-10 amount includes a one-time decrease of \$6.3M due to the Prop 1A Property Tax State borrowing:

Five Year Budget Growth
(\$\$ In Millions)

	2007-08	2008-09	2009-10	2010-11	2011-12
General Fund	\$231	\$220	\$195	\$201	\$195
% Growth from prior year	4.5%	(4.8%)	(11.4%)	3%	(3%)
Non-General Fund	\$386	\$310	\$264	\$213	\$192
% Growth from prior year	50.8%	(19.7%)	(14.8%)	(19.3%)	(9.9%)
Total	\$617	\$530	\$459	\$414	\$387
% Growth from prior year	29.4%	(14.1%)	(13.4%)	(9.8%)	(6.5%)

The Recommended Budget includes decreases in the General Fund discretionary revenue sources primarily in Property Taxes. Non-General Fund revenues are restricted in their use for programs delivered by the Department of Transportation, Public Health, Mental Health, Community Services and Erosion Control. The decrease of \$21M within Non-General Fund revenues are primarily related to changes within the Road Fund (\$14M). Changes in the Road Fund are related in a large part to a reduced Capital Improvement Program due to lower construction costs as well as a general decline in development projects. Other reductions include Countywide Special Revenue funds (\$5M).

The Recommended FY 2011-12 Budget includes funding for 1679.43 full-time equivalent positions (FTEs). This represents a 23.80 FTE reduction from the current FY 2010-11 allocation and an 84 FTE reduction from the Recommended FY 2010-11 Budget.

Department	Position Additions	Position Reductions	Total
Chief Administrative Office	3.00	-3.00	0.00
Auditor-Controller	2.00	-4.60	-2.60
Assessor	1.20	-4.20	-3.00
County Counsel	2.00	-2.00	0.00
Human Resources	2.00	-1.00	1.00
Information Technologies		-2.00	-2.00
District Attorney	1.00	-4.00	-3.00
Sheriff	1.20	-17.00	-15.80
Probation	1.00	-4.00	-3.00
AQMD	1.00		1.00
Health Services	12.00	-12.00	0.00
Human Services	12.60	-8.00	4.60
Veterans		-1.00	-1.00
Totals	39.00	-62.80	-23.80

GENERAL FUND SUMMARY

The chart below reflects the increases and decreases in General Fund appropriations by expenditure class for the Recommended Budget. Salaries have decreased due to the assumption of the employee CalPERS pick up as well as decreases due to vacancies related to the Early Retirement Incentives. Expenses have increased primarily due to the Rubicon grant funds which are included in the Chief Administrative budget. Contingency was increased in FY 2010-11 with one-time funds related to the securitization of the Property Taxes borrowed by the State under Prop 1A. In FY 2011-12 these funds have been moved from contingency to reserves for capital projects.

Appropriations by Expenditure Class

Expenditure Class	FY 2010-11 Budget	FY 2011-12 CAO Recm'd	\$ Increase/ (Decrease)	%Increase/ (Decrease)
Salaries	\$123,046,262	\$119,343,751	(\$3,702,511)	(3.0%)
Expenses	50,240,250	52,225,662	1,985,412	4.0%
Fixed Assets	1,032,489	467,845	(564,644)	(54.7%)
Other	28,600	31,000	2,400	8.4%
Transfers	14,422,456	13,084,876	(1,337,580)	(9.3%)
Contingency	10,113,011	5,200,000	(4,913,011)	(48.6%)
Reserve	1,903,926	4,697,931	2,794,005	147%
Appropriations	\$200,786,994	\$195,051,065	(\$5,735,929)	(2.9%)

The chart below reflects the distribution of increases and decreases in General Fund appropriations by functional group. The largest percentage decrease is in the Non-Department (Department 15), primarily due to reductions in contingency and the General Fund contribution to DOT. Law & Justice has also decreased 4.7% due to Board actions in November as well as approximately \$1.3M in salary reductions due to the anticipated employee pick-up of CalPERS contributions. Increases in Health and Human Services are primarily related to Human Services.

Appropriations by Functional Group

Functional Group	FY 2010-11 Budget	FY 2011-12 CAO Recm'd	\$ Increase/ (Decrease)	%Increase/ (Decrease)
General Gov't	\$23,733,211	\$24,323,539	\$590,328	2.5%
Law & Justice	79,805,081	76,028,592	(3,776,489)	(4.7%)
Land/Dev Svc	18,629,156	18,770,734	141,578	0.1%
Hlth/Human Svc	51,825,569	52,929,964	1,104,395	2.1%
Non Dept	24,890,051	18,300,305	(6,589,746)	(26.5%)
Appropriations	\$198,883,068	\$190,353,134	(\$8,529,934)	(4.3%)

The chart below reflects the distribution of increases and decreases in the amount of discretionary NCC/General Fund support by functional group. All groups have decreases with the exception of Health and Human Services. The increase in Health &

Human Services is related to the increase in Human Services. On April 25, 2011, the Chief Administrative Office notified the Board about the large increase in Net County Cost for Human Services due to the loss of one-time funding that had been used to fill a structural gap within the department. This issue is discussed in more detail in the Human Services narrative and will be discussed during the budget special meetings in June.

Net County Cost/GF Contribution by Functional Group

Functional Group	FY 2010-11 Budget	FY 2011-12 CAO Recm'd	\$ Increase/ (Decrease)	% Increase/ (Decrease)
General Gov't	\$16,538,370	\$15,890,708	(\$647,662)	(3.9%)
Law & Justice	60,579,614	58,655,624	(1,923,990)	(3.2%)
Land/Dev Svc	10,966,881	10,827,695	(139,186)	(1.3%)
Hlth/Human Svc	4,437,695	5,305,931	868,236	19.6%
Total	\$92,522,560	\$90,679,958	(\$1,842,602)	(2.0%)

The General Fund budget includes assumptions about the following discretionary revenue sources that are recorded in Department 15 (General Fund – Other Operations):

- **Current Secured Property Tax Revenues:** The FY 2011-12 Recommended Budget estimate for Property Tax Revenue is \$52M or 4% less than FY 2010-11 year end projection.
- **Sales Tax:** The FY 2011-12 Recommended Budget estimate for Sales Tax is \$6.4M, which represents no growth over FY 2010-11 year end projection.
- **Vehicle License Fees (VLF):** The FY 2010-11 Recommended Budget for Vehicle License Fees is \$15.6M which represents a 4% decrease over FY 2010-11 year end projection. The VLF is also associated with the triple flip and grows at the rate of property taxes

More information concerning these revenue sources can be found in the “General Fund – Other Operations” section of this document.

Appropriated fund balance: As noted in the April 25, 2011 presentation to the Board, the fund balance estimate is composed of both ongoing and one-time funds. The current fund balance estimate of \$15.5M includes \$5.1M in roll-over contingency and approximately \$4M in ongoing departmental savings and additional non-departmental revenues. The fund balance estimate also includes \$4.8M in one-time contingency related to the securitization of the property tax revenues borrowed by the State. The CAO recommendation sets these funds aside as a designation for capital projects. The fund balance also includes one time department savings and non-departmental revenues totaling \$1.6M. These funds are included in the Recommended Budget to

help fund ongoing operations. This estimate is subject to change with the close of the financial records for FY 2010-11 in August.

Contingency / Reserves Budgeted at 8%: The Recommended FY 2011-12 Budget sets aside 8% for "rainy-day" reserves. The contingency fund is proposed to be \$5.2M or 3% of adjusted General Fund appropriations. The reserve fund is proposed to be \$8.6M or 5% of adjusted General Fund appropriations. The reserve has decreased \$102,069 from FY 2010-11 due to a decrease in general fund appropriations. With the high degree of uncertainty we are facing it is critical to have resources to address those unknown but highly likely future fiscal challenges.

Designations: The Recommended FY 2011-12 Budget includes and additional \$4.8M set aside as a designation for capital projects. Currently the County has \$1.8M set aside. The addition of the \$4.8 brings the total designation for capital projects to \$6.6M.

THE OUT YEARS

General Fund Five-Year Projection: Attached to this letter is the five-year projection for the General Fund. While we have made much progress in the past year, this projection indicates on going potential deficits if current fiscal conditions continue. Appropriations are still growing at a higher rate than revenues resulting in a structural deficit. Property taxes continue to decline; there are potential increases in the range of 2-4% in our PERS rates, and there is still much uncertainty in regards to State actions. We need to continue to look for more efficient ways to operate in order to tackle this structural deficit in coming years.

OTHER SCHEDULES

Provided in a separate section of the budget document, "Other Schedules," is a list of proposed fixed assets and memberships included in the Recommended Budget.

BUDGET AND BEYOND

The closure of the Recommended Budget workshops will not conclude the FY 2011-12 Budget process. There are still many issues at play including the State budget, the final closing of the County books, and collective bargaining issues. The Chief Administrative Office will be watching all of these factors closely and returning to the Board in September for Budget Hearings.

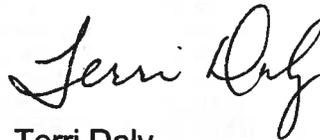
CONCLUSION / ACKNOWLEDGEMENTS

This year's budget document is the culmination of continuous budget review and dialogue with department heads, their staffs and the Board over the past ten months. This budget could not have been balanced without their assistance.

I wish to acknowledge my staff for their perseverance and dedication in preparing this document and the Auditor-Controller's Office for providing the budget summary schedules. I also want to thank the Board of Supervisors for their support of this office.

My staff and I look forward to working with you as you review and discuss the Recommended Budget.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Terri Daly". The signature is written in a cursive, flowing style.

Terri Daly
Chief Administrative Officer

Attachment A
5 year forecast as of May 26, 2011

COUNTY OF EL DORADO
General Fund Revenue and Appropriation Projection

	FY 2011-12	FY 2012-13	Projected FY 2013-14	FY 2014-15	FY 2015-16
REVENUES					
Property Tax	\$ 51,946,631	\$ 51,655,900	\$ 51,367,978	\$ 51,082,797	\$ 50,800,291
Other Local Taxes	29,470,754	29,395,913	29,321,532	29,247,612	29,174,151
Licenses/Permits/Franchises	4,933,642	4,982,268	5,031,839	5,082,375	5,133,893
Fines/Forfeitures/Penalties	803,210	809,904	816,694	823,581	830,567
Use of Funds/Property	106,559	122,151	122,749	123,353	123,963
Intergovernmental Revenue	61,724,066	56,891,408	58,346,359	59,830,108	61,338,854
Charges for Service	14,934,903	15,094,209	15,256,466	15,421,735	15,590,082
Other Revenue	3,486,127	3,486,307	3,486,489	3,486,672	3,487,858
Transfers from Other Funds	12,139,500	17,123,866	17,346,105	17,576,894	17,816,126
Total Current Revenues	\$ 179,545,392	\$ 179,561,926	\$ 181,096,210	\$ 182,675,127	\$ 184,295,786
Appropriation from Fund Balance	15,505,673	7,200,000	7,375,000	7,570,000	7,770,000
Total Revenues	\$ 195,051,065	\$ 186,761,926	\$ 188,471,210	\$ 190,245,127	\$ 192,065,786
Discretionary Revenues	\$ 113,678,194	\$ 105,147,019	\$ 105,102,120	\$ 105,082,794	\$ 105,074,016
Departmental Revenues	81,372,871	81,614,907	83,369,090	85,162,333	86,991,770
Total Revenues	\$ 195,051,065	\$ 186,761,926	\$ 188,471,210	\$ 190,245,127	\$ 192,065,786
APPROPRIATIONS (Category)					
General Government	\$ 24,323,539	\$ 25,233,773	\$ 26,170,202	\$ 27,142,764	\$ 28,152,867
Law and Justice	76,028,592	78,874,005	81,829,361	84,898,944	88,087,201
Development Services	18,770,734	19,458,234	20,171,334	20,911,002	21,678,240
Health/Human Services	52,929,964	54,753,131	56,667,183	58,649,515	60,702,610
Nondepartmental	18,300,305	18,706,455	19,158,708	19,622,125	20,101,862
Total Appropriations	\$ 190,353,134	\$ 197,025,598	\$ 203,996,789	\$ 211,224,350	\$ 218,722,781
APPROPRIATIONS (Object)					
Salaries/Benefits	\$ 119,343,751	\$ 124,111,701	\$ 129,075,569	\$ 134,237,992	\$ 139,606,912
Operating Expenses	52,225,662	53,832,673	55,376,050	56,965,728	58,603,096
Fixed Assets	467,845	481,880	496,337	511,227	526,564
Other Financing Uses	31,000	6,180	6,365	6,556	6,753
Transfer to Other Funds	13,084,876	13,218,164	13,472,468	13,732,847	13,999,456
Appropriation for Contingency	5,200,000	5,375,000	5,570,000	5,770,000	5,980,000
Total Appropriations	\$ 190,353,134	\$ 197,025,598	\$ 203,996,789	\$ 211,224,350	\$ 218,722,781
Revenue Surplus/(Shortfall)	\$ 4,697,931	\$ (10,263,672)	\$ (15,525,579)	\$ (20,979,223)	\$ (26,656,995)
Designated for Capital Projects	\$ 6,582,596	\$ 6,582,596	\$ 6,582,596	\$ 6,582,596	\$ 6,582,596
General Reserve	\$ 8,746,513	\$ 8,644,444	\$ 8,955,000	\$ 9,278,267	\$ 9,613,614
\$ Needed for 5% General Reserve	\$ 8,644,444	\$ 8,955,000	\$ 9,278,267	\$ 9,613,614	\$ 9,961,500
Additional Funds to Reach 5%	\$ 102,069	\$ (310,556)	\$ (323,267)	\$ (335,347)	\$ (347,886)
Total Revenue Surplus/Shortfall	\$ (0)	\$ (10,574,228)	\$ (15,848,846)	\$ (21,314,571)	\$ (27,004,881)

FY 2011-12

Property Tax reduced by 4%
Sales Tax remains flat
Funding of \$500K for roads

FY 2012-13 through FY 2015-16

Property Tax reduced by 0.5%
Sales Tax remains flat
Funding of \$500K for roads