



County of El Dorado

Chief Administrative Office

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May 23, 2014

Honorable Board Members:

Submitted for your review and consideration is the Chief Administrator's Recommended Budget for FY 2014-15. This budget is balanced. This budget continues to be based on the Board adopted Investment Plan with long term strategies geared towards limiting government and enhancing services. These strategies include moving forward with replacement of costly, inefficient systems that require more and more resources to maintain, allowing employees to become more efficient and turning these savings into enhanced services. This budget is based on the core principals of spending conservatively, investing wisely and being flexible and ready to act. The strategy is to minimize future shortfalls by holding down spending until efficiencies can be gained through system and process improvements. Any "surplus" or unanticipated fund balance should be invested wisely based on the investment plan. One time funds strategically invested result in future on-going operational savings to help close our structural deficit and enhance services.

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

	2010	2011	2012	2013	2014
Median Housing Price (March)	\$294,950	\$268,000	\$255,000	\$309,000	\$386,000
Unemployment Rate	13.6%	11.9%	10.9%	9%	8%

The County continues to have a structural deficit (see Attachment A) resulting in a projected shortfall of \$12.5 million in FY 2015-16. Many of the projects in the Board adopted Strategic Investment Plan are already underway and as efficiencies are recognized this projected shortfall will decrease.

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 department, by fund type. 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 be formally set at the Board of Supervisors meeting scheduled for June 10, 2014. CAO staff will provide an overview of the Recommended Budget as well as present a new Personnel Resolution for adoption. Budget Hearings are scheduled to begin on September 15th with approval of the Adopted FY 2014-15 Budget on September 30th.

OVERALL BUDGET OUTLOOK

The total Recommended Budget for Government Funds for FY 2014-15 is \$485M, which is \$13M (3%) less than the Adopted FY 2013-14 budget of \$499M. The County's proposed General Fund budget, which includes discretionary funds for County services, is \$254M, which is \$5M (2%) more than the Adopted FY 2013-14 budget of \$249M. The chart below provides a five-year trend of County budget changes:

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

	2010-11	2011-12	2012-13	2013-14	2014-15
General Fund	\$201	\$209	\$216	\$249	\$254
% Growth from prior year	3%	4%	3%	15%	2%
Non-General Fund	\$213	\$193	\$262	\$250	\$231
% Growth from prior year	(19%)	(9%)	36%	(3%)	(7%)
Total	\$414	\$402	\$478	\$499	\$485
% Growth from prior year	(10%)	(3%)	19%	5%	(3%)

The Recommended Budget includes slight growth in the General Fund discretionary revenue sources. 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 \$19M within Non-General Fund revenues and appropriations are primarily related to a decreases in the Road Fund (\$10M), Housing, Community and Economic Development (\$4M), Public Health (\$6.5M), and the Accumulative Capital Outlay fund (\$1.5), offset with an increase in Mental Health (\$3M).

The Recommended FY 2014-15 Budget includes funding for 1837.34 full-time equivalent positions (FTEs). This represents a 9.64 FTE decrease from the current FY 2013-14 allocation. The chart below details these changes and includes only departments with personnel allocation changes.

Department	Position Additions	Position Reductions	Total
Assessor	1.00	-1.00	0.00
Auditor-Controller	5.00	-5.00	0.00
Chief Administrative Office	2.00	-3.00	-1.00
Child Support Services	3.00	-9.00	-6.00
Community Development Agency	14.00	-26.00	-12.00
District Attorney	1.00	-3.60	-2.60
Health & Human Services Agency	26.76	-17.80	8.96
Human Resources	3.00	-2.00	1.00
Information Technologies	5.00	-4.00	1.00
Library	2.00	-2.00	0.00
Public Defender	2.00	-1.00	1.00
Recorder Clerk/Elections	1.00	-1.00	0.00
Sheriff	1.00	-2.00	-1.00
Treasurer/Tax Collector	1.00	0.00	1.00
Totals	67.76	-77.40	-9.64

DEPARTMENT REQUESTS “PARKED” UNTIL SEPTEMBER

In an effort to balance the Recommended Budget, the Chief Administrative Office held to the Board direction of essentially a “status quo” budget. The list below details department requests that were considered to be an “add” to the budget. The Chief Administrative Office is recommending that these requests be “parked” until the September budget hearings at which time we will have a final fund balance figure and have started discussions on Priority Based Budgeting.

- Chief Administrative Office – Addition of 1 Administrative Technician to help with the increased facilities workload as projects related to the Vanir study increase
- Chief Administrative Office - \$70,000 for professional services related to Federal Advocacy
- Probation Department – 3 FTE’s at an annual cost of approximately \$300K in the areas of Administration, Juvenile Supervision and Adult Supervision.
- Public Defender – 2 FTE’s to create a fully staffed investigative unit for a total cost of approximately \$250K.
- Animal Services – Addition of 1 Animal Services Officer to help absorb workload impacts at an annual cost of approximately \$70K
- HHS Administration – Addition of 1 Program Coordinator to develop a volunteer and internship program within the agency
- HHS Social Services – Addition of a Paralegal for the Child Protective Services program

- HHSA – Community Services – Addition of a 0.5 Mental Health driver for the Public Guardian program

GENERAL FUND SUMMARY

The chart below reflects the increases and decreases in General Fund appropriations by expenditure class for the Recommended Budget. Salaries and benefits have increased \$11.8 or 8%. This increase is primarily due to increased salaries, retirement and health insurance costs. Expenses have increased slightly at 2% primarily related to costs for the facilities investment plan. Fixed assets and other expenses have decreased overall by approximately \$787K. Operating Transfers have decreased slightly by \$591K or 2%. The majority of this decrease is related to a reduction in the General Fund contribution to DOT (\$1.8M). The FY 2014-15 Recommended Budget does include an increase of \$739,366 to the General Reserve bringing that total to \$10,741,788 or 5% of adjusted General Fund appropriations. In FY 2013-14 General Fund contingency was increased significantly to help offset future costs related to employee negotiations. The FY 2014-15 Recommended Budget reduces the General Fund Contingency from \$10.3M to \$6.5M (approximately 3% of adjusted General Fund appropriations).

Appropriations by Expenditure Class

Expenditure Class	FY 2013-14 Budget	FY 2014-15 CAO Recm'd	\$ Increase/ (Decrease)	%Increase/ (Decrease)
Salaries & Benefits	141,905,049	153,663,316	11,758,267	8%
Expenses	67,281,259	65,827,205	1,454,054	2%
Fixed Assets	1,702,326	1,001,475	(700,851)	(41%)
Other	90,070	3,600	(86,470)	(96%)
Transfers	27,236,784	26,671,555	(565,229)	(2%)
Contingency	10,330,221	6,450,000	(3,880,221)	(37%)
Reserve/Designation	621,201	739,366	118,165	19%
Appropriations	\$249,166,910	\$254,356,517	\$5,189,607	2%

The charts below reflect the distribution of increases and decreases in General Fund appropriations, revenues and Net County Cost (NCC) by functional group. The largest change in appropriations is in Non Departmental, comprised of the decrease of \$4M in Contingency, \$2M to ACO, \$1.8M to DOT, approximately \$1M in pass through funding and \$500K to the Meyers Landfill Special Revenue Fund. The increase in NCC for the General Government functional group is related to the change in methodology regarding Information Technology cost applied charges. In the past, charges for network, mainframe and PC support were spread across all departments. With the FY 2014-15 budget, these costs remain 100% in Information Technologies resulting in an increased Net County Cost of \$5.4M. NCC for Law and Justice has increased 7% or \$4.6M. This is the result of decreased revenues and increased appropriations. All groups experienced large increases in workers compensation and general liability insurance due to the lifting of the rate holiday applied in FY 2013-14. Land Use has remained fairly static with a 1% or \$108K increase in NCC. Health and Human services actually saw a reduction in NCC of 10% or \$476K related to increased revenues.

Appropriations by Functional Group

Functional Group	FY 2013-14 Budget	FY 2014-15 CAO Recm'd	\$ Increase/ (Decrease)	%Increase/ (Decrease)
General Gov't	35,293,211	40,068,777	4,775,566	13%
Law & Justice	85,905,308	89,855,169	3,949,861	4%
Land/Dev Svc	19,792,427	20,625,720	833,293	4%
Hlth/Human Svc	62,017,789	66,892,348	4,874,559	7%
Non Dept	46,158,175	36,914,503	(9,269,694)	(20%)
Appropriations	\$249,166,910	\$254,356,517	\$5,189,607	2%

Revenues by Functional Group

Functional Group	FY 2013-14 Budget	FY 2014-15 CAO Recm'd	\$ Increase/ (Decrease)	%Increase/ (Decrease)
General Gov't	10,301,009	8,642,925	(1,658,084)	(16%)
Law & Justice	23,812,423	23,158,586	(653,837)	(2%)
Land/Dev Svc	12,891,361	13,616,159	724,798	5%
Hlth/Human Svc	57,388,347	62,739,311	5,350,964	9%
Non Dept	104,193,390	110,434,442	(1,860,747)	(1%)
Revenues	\$208,586,530	\$218,591,423	\$10,004,893	4%

Net County Cost by Functional Group

Functional Group	FY 2013-14 Budget	FY 2014-15 CAO Recm'd	\$ Increase/ (Decrease)	% Increase/ (Decrease)
General Gov't	24,992,202	31,425,852	6,433,650	25%
Law & Justice	62,092,885	66,696,583	4,603,698	7%
Land/Dev Svc	6,901,066	7,009,561	108,495	1%
Hlth/Human Svc	4,629,442	4,153,037	(476,405)	(10%)
Total	\$98,615,595	\$109,285,033	\$10,669,438	10%

In addition to the Net County Cost noted above, the FY 2014-15 Recommended Budget includes the following General Fund contributions to programs (detail is provided in the General Fund – Other Operations section of the budget (aka Dept. 15)):

- \$500K to the Road fund for Road Maintenance
- \$268K to Airports
- \$4M to Public Health programs
- \$2.5M to Community Services programs

Appropriated fund balance: The current fund balance estimate of \$35.8M includes \$8.6M in roll-over contingency, approximately \$9M in departmental savings, \$4.1M in additional non-departmental revenues, \$2.2M in use of Designation for Capital Projects and \$11M in savings in the ACO fund that will be carried forward to FY 2014-15 for various projects (including \$4.5M for FENIX). This estimate is subject to change with the close of the FY 2013-14 financial records in August.

Contingency / Reserves Budgeted at 8%: The Recommended FY 2014-15 Budget sets aside 8% for “rainy-day” reserves. The contingency fund is proposed to be \$6.5M or 3% of adjusted General Fund appropriations. The reserve fund is proposed to be \$10.7M or 5% of adjusted General Fund appropriations. The reserve has increased \$739K from FY 2013-14 due to the increase 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 2014-15 Budget includes \$4.9M in the Designation for Capital Projects fund balance set aside for the future facilities investment plan.

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.

THE OUT YEARS

Attachment A 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. The FY 2014-15 Recommended Budget does include some discretionary revenue growth. However, there are potential increases in the range of 4-7% in our PERS rates, and there is still much uncertainty in regards to State actions. The Board has adopted the Investment Plan which relies on a long term strategy of limiting government and enhancing services by spending conservatively, investing wisely, and being flexible and ready to act. Through strategic investments the

County will reduce operating costs and allow employees to become more efficient moving towards closing the structural deficit.

BUDGET AND BEYOND

The closure of the Recommended Budget special meeting will not conclude the FY 2014-15 Budget process. There are still many issues at play including the State budget, the final closing of the County books, and investment strategies. The Chief Administrative Office will be returning to the Board multiple times over the next several months with a goal of implementing Priority Based Budgeting.

The most expensive investment that the County has is in staff. Included in the budget detail are ten year histories by department with summaries at the functional group level. Over the past ten years the County has gone through many changes. The table below summarizes the changes in total FTE count by functional group.

Functional Group	Total FTE's FY 2005-06	Total FTE's FY 2014-15	Variance
General Government	280	267	-13
Law & Justice	582	583	1
Land Use & Development Services	517	313	-204
Health and Human Services	678	678	0
Totals	2057	1841	-216

While overall staffing levels have dropped, total Net County Cost has steadily increased. The chart below summarizes the changes in Net County Cost by functional group between FY 2005-06 and FY 2014-15.

Functional Group	NCC FY 2005-06	NCC FY 2014-15	\$ Variance	% Variance
General Government*	\$15,423,183	\$31,425,852*	\$16,002,669*	103%*
Law & Justice	46,428,248	66,696,583	20,268,335	43%
Land Use & Development Services	6,391,857	7,009,561	617,704	9%
Health and Human Services	2,184,615	4,153,037	1,968,422	90%
Totals	70,427,903	109,285,033	38,857,130	55%

* Approximately \$5M of the increased NCC in General Government is related to the change in the Information Technology (IT) methodology regarding charges for Network, Mainframe and PC support. In the past these charges have been spread to all departments. In FY 2014-15, these charges will remain in IT which results in the disproportionate increase of 103% compared to FY 2005-06.

The County will continue to face fiscal challenges as costs increase at a greater rate than revenues. We need to develop a budget plan that supports the County's core functions for the long term. We need to adopt strategic questions to focus future discussions of community values and the relative benefits of different programs and services. Over the next twelve to eighteen months the Chief Administrative Office will be working with the Board and departments to better define priorities and link these priorities to programs.

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 several months. This budget could not have been balanced without their assistance.

I wish to acknowledge my staff, and especially Chief Budget Officer Laura Schwartz, 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 blue ink that reads "Terri Daly". The signature is written in a cursive style and is positioned above a horizontal line.

Terri Daly
Chief Administrative Officer

Attachment A 5 year forecast as of May 23, 2014

COUNTY OF EL DORADO General Fund Revenue and Appropriation Projection

	FY 2014-15	FY 2015-16	Projected FY 2016-17	FY 2017-18	FY 2018-19
REVENUES					
Property Tax	\$ 56,452,078	\$ 57,579,894	\$ 58,730,254	\$ 59,903,608	\$ 61,100,418
Other Local Taxes	35,515,534	36,505,438	37,532,285	38,597,669	39,703,265
Licenses/Permits/Franchises	6,958,346	7,072,777	7,190,706	7,312,273	7,437,623
Fines/Forfeitures/Penalties	1,019,750	1,026,198	1,032,709	1,039,287	1,045,929
Use of Funds/Property	181,090	181,301	181,514	181,729	181,946
Intergovernmental Revenue	62,924,661	68,963,273	73,585,653	74,980,378	76,454,578
Charges for Service	19,614,338	14,591,155	14,713,739	14,837,595	14,962,737
Other Revenue	5,014,204	5,028,032	5,044,523	5,061,180	5,078,003
Transfers from Other Funds	30,911,422	29,988,576	29,427,237	30,421,188	31,416,398
Total Current Revenues	\$ 218,591,423	\$ 220,936,645	\$ 227,438,621	\$ 232,334,908	\$ 237,380,897
Appropriation from Fund Balance*	35,765,094	13,450,000	15,610,000	18,860,000	19,150,000
Total Revenues	\$ 254,356,517	\$ 234,386,645	\$ 243,048,621	\$ 251,194,908	\$ 256,530,897
Discretionary Revenues	\$ 146,199,536	\$ 126,360,403	\$ 132,493,942	\$ 138,028,978	\$ 140,667,641
Departmental Revenues	108,156,981	108,026,243	110,554,679	113,165,930	115,863,255
Total Revenues	\$ 254,356,517	\$ 234,386,645	\$ 243,048,621	\$ 251,194,908	\$ 256,530,897
APPROPRIATIONS (Category)					
General Government	\$ 40,068,777	\$ 38,876,810	\$ 40,373,221	\$ 41,933,294	\$ 43,559,820
Law and Justice	89,855,169	93,478,798	97,257,093	101,196,846	105,305,152
Land Use & Development	20,625,720	21,391,602	22,188,697	23,018,345	23,881,943
Health/Human Services	66,892,348	69,152,816	71,500,010	73,937,535	76,469,150
Nondepartmental	36,175,137	23,710,924	24,175,707	24,686,933	25,164,796
Total Appropriations	\$ 253,617,151	\$ 246,610,949	\$ 255,494,728	\$ 264,772,953	\$ 274,380,860
APPROPRIATIONS (Object)					
Salaries/Benefits	\$ 153,663,316	\$ 159,887,729	\$ 167,073,117	\$ 174,581,835	\$ 182,428,433
Operating Expenses	65,827,205	65,503,543	66,717,230	67,955,214	69,217,981
Fixed Assets	1,001,475	1,022,055	1,042,413	1,063,179	1,084,360
Other Financing Uses	3,600	3,672	3,745	3,820	3,897
Transfer to Other Funds	26,671,555	13,583,950	13,798,222	14,018,905	14,246,190
Appropriation for Contingency	6,450,000	6,610,000	6,860,000	7,150,000	7,400,000
Total Appropriations	\$ 253,617,151	\$ 246,610,949	\$ 255,494,728	\$ 264,772,953	\$ 274,380,860
Revenue Surplus/(Shortfall)	\$ 739,366	\$ (12,224,303)	\$ (12,446,107)	\$ (13,578,045)	\$ (17,849,964)
Designated for Capital Projects	\$ 4,876,355	\$ 4,876,355	\$ 4,876,355	\$ 4,876,355	\$ 4,876,355
Designated for Contingencies	\$ -	\$ -	\$ -	\$ -	\$ -
General Reserve	\$ 10,002,422	\$ 10,741,788	\$ 11,008,964	\$ 11,423,905	\$ 11,855,947
\$ Needed for 5% General Reserve	\$ 10,741,788	\$ 11,008,964	\$ 11,423,905	\$ 11,855,947	\$ 12,305,826
Additional Funds to Reach 5%	\$ (739,366)	\$ (267,176)	\$ (414,941)	\$ (432,042)	\$ (449,879)
Total Revenue Surplus/Shortfall	\$ 0	\$ (12,491,480)	\$ (12,861,049)	\$ (14,010,087)	\$ (18,299,843)

FY 2014-15 Assumptions

Property Tax and other local taxes grown at 2% annually
 Sales tax grown at 5% annually
 All other Discretionary Rev remains flat
 1% growth on departmental revenues
 Funding of \$500K for roads
 4.5% growth on salaries and benefits, 2% growth in all other operating costs
 Assumes 25% (Approx \$500K) TOT for GF Operating Costs

* Investment Strategy Savings

Included in Fund Balance
 Assumes \$5M in FY 15-16
 Assumes \$7M in FY 16-17
 Assumes \$10M in FY 17-18
 Assumes \$10M in FY 18-19

FY 2015-16 through FY 2018-19

Fund balance = Contingency plus \$2M departmental savings / increased revenues plus Investment Strategy Savings
 All other assumptions remain the same as FY 2014-15