



County of El Dorado

Chief Administrative Office

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Honorable Board Members:

Submitted for your review and consideration is the Chief Administrative Office's Recommended Budget for FY 2016-17. This budget is balanced. This budget is based on the Board adopted budget policies and overall direction to maintain a status quo budget. While this budget is balanced, future year projections indicate expenditures outpacing revenue growth, resulting in budget deficits. 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 strategic plan. One time funds strategically invested result in future on-going operational savings to help close our structural deficit, invest in infrastructure and enhance services.

Each department summary provides a detailed list of program areas with corresponding budgetary information, number of staff, and net county cost and/or general fund contributions. 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 during the Budget Special Meeting.

The Budget Special Meeting is scheduled for Monday, June 13, 2016. Staff will provide an overview of the Recommended Budget and the Board will accept public comment. The Board has the opportunity to approve the Recommended Budget as presented or to make modifications to the Recommended Budget and approve the modified budget, including fixed assets and position allocations. The approval of the Recommended Budget will not conclude the FY 2016-17 Budget process. Final adjustments to the budget will be made in late August, once the FY 2015-16 books have closed. These revisions will be presented to the Board during the Budget Hearings scheduled to begin on September 12th with approval of the Adopted FY 2016-17 Budget on September 27th.

OVERALL BUDGET OUTLOOK

The total Recommended Budget for Government Funds for FY 2016-17 is \$510M, which is \$9.3M (2%) less than the Adopted FY 2015-16 budget of \$519M. The County's proposed General Fund budget, which includes discretionary funds for County services, is \$275M, which is \$9.3M (3%) more than the Adopted FY 2015-16 budget of \$266M. Of the \$275M, \$120M is used to fund County programs and services that do not have an outside funding source, referred to as the department Net County Cost (NCC). For more detail regarding the distribution of these funds, please see page 56 in the budget document. The chart below provides a five-year trend of County budget changes:

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

	2012-13	2013-14	2014-15	2015-16	2016-17
General Fund	\$216	\$249	\$255	\$266	\$275
% Growth from prior year	3%	15%	3%	4%	3%
Non-General Fund	\$262	\$250	\$278	\$253	\$234
% Growth from prior year	36%	(3%)	11%	(9%)	(8%)
Total	\$478	\$499	\$533	\$519	\$510
% Growth from prior year	19%	5%	7%	(3%)	(2%)

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 (\$11M), Mental Health (\$3M), and Countywide Special Revenue (\$4M).

POSITION ALLOCATION

The most expensive investment that the County has is in human resources. Included in the budget detail is ten year staffing trends by departments. Over the past ten years, the County has gone through many changes. The table below summarizes the changes in total FTE's by functional group.

Functional Group	Total FTE's FY 2007-08	Total FTE's FY 2016-17	Variance
General Government	312	266	(46)
Law & Justice	618	589	(29)
Land Use & Development Services	417	331	(86)
Health and Human Services	708	706	(2)
Totals	2055	1892	(163)

The Recommended FY 2016-17 Budget includes funding for 1891.49 full-time equivalent positions (FTEs). This represents a 28.9 FTE increase from the current FY 2015-16 allocation. The chart below details these changes.

Department	Position Additions	Position Reductions	Total
Assessor	4.00	-2.00	2.00
Auditor-Controller	5.00	-5.00	0.00
Chief Administrative Office	6.00	-5.00	1.00
Child Support Services	0.00	-1.00	-1.00
Community Development Agency	8.00	-7.00	1.00
District Attorney	10.00	-10.00	0.00
Health & Human Services Agency	32.60	-8.20	24.40
Human Resources	1.50	0.00	1.50
Information Technologies	3.00	-3.00	0.00
Library	1.05	-1.05	0.00
Probation	3.50	-3.50	0.00
Treasurer/Tax Collector	1.00	-1.00	0.00
Totals	75.65	-46.75	28.90

STATUS OF BOARD REQUESTS

In an effort to balance the Recommended Budget, the Chief Administrative Office held to the Board direction of a status quo budget. On April 26, 2016, the Chief Administrative Office presented budget information for the Board to consider. The Board requested that the following items be included in the FY 2016-17 Recommended Budget *if funding could be identified*:

Unfunded Projects	Amount	Status in Recommended Budget
One Time Costs		
Public Safety Facility Reserve	\$2,200,000	Funded
Juvenile Hall Match	\$1,200,000	Funded
Capital Reserve	\$800,000	\$706,300 Funded
Tree Mortality Grant Match	\$250,000	\$125,000 Funded
Community Planning Effort	\$100,000	Funded
Southeast Connector	\$225,000	Funded
Depot Road Land	\$320,000	Funded
Placerville Pool	\$25,000	Funded
Fish & Game	\$20,000	Funded
Commission on Aging	\$2,500	Funded
Ongoing Costs		
Public Information Officer	\$131,151	Funded
Sub-Total Funded	\$5,054,951	
Roads	\$3,000,000	Not funded
Property Tax System	\$352,000	Not funded – Explore using potential savings from FENIX to fund
Tree Mortality Grant Match	\$125,000	Partially funded
Marijuana Enforcement	\$500,000	Not funded
Sub-Total Not Funded	\$3,977,000	

The majority of funding identified for these projects is one time. The recommendation is to reduce the General Reserve by \$2,303,061 and reduce General Fund Contingency by \$1,810,000 to help fund the majority of items noted in the chart above. Past practice has been to calculate the General Reserve and Contingency based on total adjusted General Fund appropriations. General Fund appropriations are adjusted to pull out one-time expenses, such as Capital Projects, as well as appropriations covered 100% by other funding sources, such as Child Support Services. Human Services is a large part of the General Fund appropriations and in prior years, appropriations related to Human Services were included in the General Reserve/Contingency calculation. The majority of Human Services appropriations are covered by Federal, State and Realignment dollars. Therefore there is less of a need to set aside General Fund reserves and contingency dollars against these programs funded with other sources. The recommendation for FY 2016-17 is to pull Human Services out of the Reserve/Contingency calculation which reduces the total amount required to meet the 5% General Reserve and 3% Contingency amount.

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 \$10.4M or 7%. This increase is primarily due to increased salaries, retirement and health insurance costs. Services, supplies and other charges remain relatively flat. Fixed assets have decreased by approximately \$417K. Transfers have decreased slightly by \$1.3M or 5%.

Reserves and Contingency will be discussed in more detail later in this memo.

Appropriations by Expenditure Class

Expenditure Class	FY 2015-16 Budget	FY 2016-17 CAO Recm'd	\$ Increase/ (Decrease)	%Increase/ (Decrease)
Salaries & Benefits	158,192,868	168,599,883	10,407,015	7%
Services, Supplies & Other Charges	70,039,686	70,169,238	129,552	0%
Fixed Assets	2,174,992	1,757,556	(417,436)	(19%)
Transfers	27,484,070	26,134,117	(1,349,953)	(5%)
Contingency	6,720,000	5,340,000	(1,380,000)	(21%)
Reserve/Designation	1,192,492	3,146,003	1,953,511	164%
Appropriations	\$265,804,108	\$275,146,797	\$9,342,689	4%

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 increase in Net County Cost is related to Law & Justice. Decreased revenues of \$2M and increased appropriations of \$5.3M result in an increase in Net County Cost of \$7.4M or 11%. The Net County Cost related to General Government increased \$1.9M or 6%, based on decreased revenues of \$641K and increased appropriations of \$1.2M. The Net County Cost for Land Use and Development Services decreased \$175K, primarily due to increased revenues in the Community Development Agency.

The increase in Net County Cost related to Health and Human Services is a result of a change in methodology related to A87 charges. A87 charges are countywide overhead charges calculated annually and approved by the State Controller. These expenses are allocated to County programs and charged to departments that have the ability to recover these charges through outside funding sources, such as the Road Fund, Public Health and Mental Health. Beginning in FY 2016-17, A87 costs are also being charged to Human Services-Social Services (\$2.7M), Public Guardian (\$285K), and Animal Services (\$645K). These charges result in a corresponding increase in Net County Cost. This increase in Net County Cost is offset with an expenditure abatement in Department 15 so the bottom line is a net cost of zero. The benefit of charging the A87 costs to these departments are the ability to recover some of these costs when developing rates and charging for services.

Appropriations by Functional Group

Functional Group	FY 2015-16 Budget	FY 2016-17 CAO Recm'd	\$ Increase/ (Decrease)	%Increase/ (Decrease)
General Gov't	39,723,944	40,958,926	1,234,982	3%
Law & Justice	93,978,256	99,328,318	5,350,062	6%
Land/Dev Svc	24,612,281	26,453,100	1,840,819	7%
Hlth/Human Svc	70,234,117	74,787,088	4,552,971	6%
Non Dept	37,255,510	33,619,365	(3,636,145)	(10%)
Appropriations	\$265,804,108	\$275,146,797	\$9,342,689	4%

Revenues by Functional Group

Functional Group	FY 2015-16 Budget	FY 2016-17 CAO Recm'd	\$ Increase/ (Decrease)	%Increase/ (Decrease)
General Gov't	8,556,747	7,915,127	(641,620)	(7%)
Law & Justice	27,751,868	25,660,878	(2,090,990)	(8%)
Land/Dev Svc	18,650,408	20,666,551	2,016,143	11%
Hlth/Human Svc	65,508,378	66,571,742	1,063,364	2%
Non Dept	145,336,707	154,332,499	8,995,792	6%
Revenues	\$265,804,108	\$275,146,797	\$9,342,689	4%

Net County Cost by Functional Group

Functional Group	FY 2015-16 Budget	FY 2016-17 CAO Recm'd	\$ Increase/ (Decrease)	% Increase/ (Decrease)
General Gov't	31,167,197	33,043,799	1,876,602	6%
Law & Justice	66,226,388	73,667,440	7,441,052	11%
Land/Dev Svc	5,961,873	5,786,549	(175,324)	(3%)
Hlth/Human Svc	4,725,739	8,215,346	3,489,607	74%
Total	\$108,081,197	\$120,713,134	\$12,631,937	12%

In addition to the Net County Cost noted above, the FY 2016-17 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)):

- \$4.2M to Public Health programs (primarily jail medical)
- \$2.5M to Community Services programs
- \$80K to Airports

FUND BALANCE, CONTINGENCY, RESERVES AND DESIGNATIONS

Fund Balance

The FY 2016-17 fund balance projections are as follows:

Description	Amount
Unspent Contingency	\$6M
Unspent Department Appropriations	\$9M
Additional Discretionary Revenues	\$1M
Use of General Reserve	\$2.9M
Unspent Accumulative Capital Outlay	\$10.8M
Designation for Capital Projects	\$6.2M
Total Projected Fund Balance for FY 16-17	\$35.9M

This estimate is subject to change with the close of the FY 2015-16 financial records in August. The Chief Administrative Office is recommending that any additional General Fund fund balance identified after the books close be directed toward the Capital reserve.

The Recommended use of the projected Fund Balance in FY 2016-17 are as follows:

Description	Amount
Projected Fund Balance from FY 2015-16	\$35.9M
Use of Fund Balance	
Contingency	\$5.4M
Public Safety Facility Set Aside	\$2.2M
Juvenile Hall Match	\$1.2M
Capital Replacement Designation	\$0.7M
4/26 Board Requested Projects	\$0.9M
Capital Projects	\$16.8M
Operating Expenses (Usually carries forward every year in the form of salary savings)	\$8.7M
Total Use of Fund Balance	\$35.9M

Contingency / Reserves

The Recommended FY 2016-17 Budget sets aside 8% for reserves and contingency. The contingency is proposed to be \$5.4M or 3% of adjusted General Fund appropriations. The General Reserve is proposed to be \$8.2M or 4.6% of adjusted General Fund appropriations. As noted previously, these amounts have decreased from prior year amounts based on a change in the methodology for calculating adjusted General Fund Appropriations by pulling out appropriations related to Human Services. The FY 2015-16 Contingency was budgeted at \$6.7M and the General Reserve was budgeted at \$11.2M. The proposed change in methodology reduces these amounts by \$1.3M and \$3M respectively.

The Chief Administrative Office is recommending a one-time “borrowing” of \$650,800 out of the General Reserve to fund a request by the Resource Conservation Districts (RCD’s) related to the King Fire Restoration and Reforestation Project. The RCD’s received a grant that is funded on a reimbursement basis. The RCD’s are in need of cash flow up front in order to provide the services. These funds will be added back into the General Reserve over the next 4 years in lieu of the annual payments normally given to the RCD’s for their share of County property tax dollars.

The Recommended Budget also includes a new audit reserve in the amount of \$240,000. The State is in the process of auditing Health and Human Services claims for Medical Administration Activities (MAA) and Targeted Case Management (TCM) claims. The State has changed the criteria for what constitutes a claimable expense and is applying these rules retroactively. There is a possibility that the County may need to pay funds back to the State if audit exceptions are noted. Therefore an audit reserve of \$240,000 is requested to cover these audit exceptions if necessary. Any funds remaining in the audit reserve after the State has completed the audits will revert back to the General Fund.

Designations and Capital Projects

The Recommended FY 2016-17 Budget includes the use of \$6.2M in the Designation for Capital Projects fund balance to complete the A/B renovation project as well as other Capital Projects. The Recommended Budget includes setting aside \$706,300 in the Capital Designation as a replacement reserve for future projects. If additional funding is not identified, FY 2016-17 will be the last year that the deferred maintenance projects identified in the VANIR report will be worked on.

OTHER SCHEDULES

Provided in a separate section of the budget document, “Other Schedules,” is a list of proposed fixed assets and the County-wide Personnel Allocations included in the Recommended Budget.

MULTI YEAR BUDGET PROJECTION

Attachment A is the five-year projection for the General Fund. As presented on April 26, 2016, the 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. These projections **do not** include sufficient funding for Capital infrastructure, road, or the approximately \$2.2M necessary to annually fund lease financing costs for the Public Safety Facility.

PENDING ISSUES AND POLICY CONSIDERATIONS

Several departments have identified pending issues and policy considerations for the Board to consider. These are outlined in the department summaries. The Chief Administrative Office is not requesting specific direction at this time, other than the approval of the Recommended Budget with any Board directed changes (approved by a majority vote).

Public Safety Facility

As noted above, the approximate \$2.2M necessary for annual lease payments for the Public Safety Facility is not included in the FY 2017-18 budgets and beyond. The Chief Administrative Office will be returning to the Board on June 28 with a presentation regarding financing options and budget scenarios that include annual lease payments of \$2.2M. In order to pursue interim financing options as well as the USDA loan, the County will need to show a balanced 5 year projection that includes a \$2.2M lease payment. If revenue projections remain as projected, the County will need to hold down future costs in order to balance revenues and appropriations. As an example, based on the attached 5 year forecast, in FY 2020-21 the County would need to reduce appropriations by approximately \$8M in order to balance the budget and fund the Public Facility payment.

CONCLUSION

Over the next several months the Board will be presented information regarding some important issues that are going to require strategic planning to align resources with service needs. Simply stated, the budget is a closed system with competing priorities for limited resources. The Chief Administrative Office will be working closely with departments to present options for Board consideration to begin implementation of the County's Strategic Plan and address system wide challenges. The County must continue to find efficiencies, focus on cost containment and seek out new revenues in order to provide the "Gold Standard" of service.

Attachment A
CAO Recommendation
5 year forecast as of May 27, 2016

COUNTY OF EL DORADO
General Fund Revenue and Appropriation Projection

	FY 2016-17	FY 2017-18	Projected FY 2018-19	FY 2019-20	FY 2020-21
REVENUES					
Property Tax	\$ 63,169,023	\$ 65,692,025	\$ 68,315,908	\$ 71,044,709	\$ 73,882,624
Other Local Taxes	38,071,946	39,240,914	40,452,118	41,707,156	43,007,693
Licenses/Permits/Franchises	10,460,356	10,571,468	10,685,767	10,803,373	10,924,415
Fines/Forfeitures/Penalties	894,113	899,568	905,078	910,643	916,264
Use of Funds/Property	269,600	269,826	270,054	270,285	270,518
Intergovernmental Revenue	65,824,403	66,436,683	66,944,946	67,473,147	68,029,241
Charges for Service	15,243,934	15,531,111	15,827,777	16,112,230	16,428,857
Other Revenue	6,624,040	6,650,580	6,677,385	6,704,458	6,731,802
Transfers from Other Funds	38,635,521	39,839,750	41,116,935	42,411,894	43,725,484
Total Current Revenues	\$ 239,192,936	\$ 245,131,926	\$ 251,195,968	\$ 257,437,897	\$ 263,916,896
Appropriation from Fund Balance*	35,953,861	15,800,000	16,400,000	17,000,000	17,650,000
Total Revenues	\$ 275,146,797	\$ 260,931,926	\$ 267,595,968	\$ 274,437,897	\$ 281,566,896
Discretionary Revenues	\$ 154,332,499	\$ 137,996,398	\$ 142,477,234	\$ 147,056,779	\$ 151,840,893
Departmental Revenues	120,814,298	122,935,528	125,118,734	127,381,117	129,726,003
Total Revenues	\$ 275,146,797	\$ 260,931,926	\$ 267,595,968	\$ 274,437,897	\$ 281,566,896
APPROPRIATIONS (Category)					
General Government	\$ 40,958,926	\$ 42,362,970	\$ 43,830,195	\$ 45,363,446	\$ 46,965,693
Law and Justice	99,328,318	102,971,994	106,779,635	110,758,620	114,916,660
Land Use & Development	26,453,100	27,214,548	28,010,248	28,841,742	29,710,639
Health/Human Services	74,787,088	76,563,474	78,419,798	80,359,656	82,386,808
Nondepartmental	30,473,362	11,629,106	12,013,459	12,433,343	12,838,924
Total Appropriations	\$ 272,000,794	\$ 260,742,092	\$ 269,053,336	\$ 277,756,808	\$ 286,818,724
APPROPRIATIONS (Object)					
Salaries/Benefits	\$ 168,604,883	\$ 176,190,437	\$ 184,117,328	\$ 192,400,916	\$ 201,057,251
Operating Expenses	69,297,405	69,297,405	69,297,405	69,297,405	69,297,405
Fixed Assets	1,791,556	1,791,556	1,791,556	1,791,556	1,791,556
Transfer to Other Funds	26,966,950	7,942,694	8,127,047	8,316,931	8,512,512
Appropriation for Contingency	5,340,000	5,520,000	5,720,000	5,950,000	6,160,000
Total Appropriations	\$ 272,000,794	\$ 260,742,092	\$ 269,053,336	\$ 277,756,808	\$ 286,818,724
Revenue Surplus/(Shortfall)	\$ 3,146,003	\$ 189,834	\$ (1,457,368)	\$ (3,318,911)	\$ (5,251,828)
Designated for Capital Projects	\$ 2,906,300	\$ 2,906,300	\$ 2,906,300	\$ 2,906,300	\$ 2,906,300
Audit Reserve	\$ 240,000	\$ 240,000	\$ 240,000	\$ 240,000	\$ 240,000
General Reserve	\$ 11,194,914	\$ 8,241,053	\$ 9,156,216	\$ 9,492,980	\$ 9,844,870
\$ Needed for 5% General Reserve	\$ 8,241,053	\$ 9,156,216	\$ 9,492,980	\$ 9,844,870	\$ 10,212,729
Change in Funds to Reach 5%	\$ (3,146,003)	\$ (915,163)	\$ (336,764)	\$ (351,890)	\$ (367,858)
Total Revenue Surplus/Shortfall	\$ (0)	\$ (725,329)	\$ (1,794,132)	\$ (3,670,801)	\$ (5,619,686)

Revenue Assumptions

Property Tax and other local taxes grown at 4% annually
Sales tax grown at 2% annually
All other Discretionary Rev remains flat
Assumes 49% TOT for GF Operating Costs

Appropriation Assumptions

4.5% growth on salaries and benefits, no growth on operating exp
No additional GF for roads or Fire
Annual funding for Public Safety Facility not included in FY 2017-18 and beyond