

DEPARTMENT 15 GENERAL FUND OTHER OPERATIONS

The General Fund Other Operations budget unit accounts for the discretionary revenues for the General Fund that are allocated out to departments to cover net cost allocations. In addition, this budget appropriates monies for contingency as well as miscellaneous outside programs.

Program Summaries

Appropriation for Contingency
Positions: 0.0 FTE

Total Appropriations: \$5,767,000
Net County Cost: \$5,767,000

The Chief Administrative Officer estimates and recommends amounts to set aside for unforeseen or uncertain expenditures or revenue shortfalls that may arise out of the course and scope of County operations. This contingency amount represents 3% of adjusted General Fund appropriations.

Salary and Benefit Adjustments
Positions: 0.0 FTE

Total Appropriations: \$500,000
Net County Cost: \$500,000

The Proposed FY 2008-09 Budget includes \$500,000 for possible salary adjustments as required by County Charter, Section 504 (also known as "Prop A") for certain justice and law enforcement positions.

Countywide Operations
Positions: 0.0 FTE

Total Appropriations: \$2,813,371
Net County Cost: \$2,813,371

The Proposed FY 2008-09 Budget includes funding for the TRANS borrowing costs (\$400,000), annual audit (\$80,970), sales tax audit services (\$55,000), the County's share of Local Agency Formation Commission (LAFCO) operations (\$131,738), bond-related expenses (\$8,000), Grand Jury report printing (\$8,500), a transfer to the Bond Authority to cover debt service payments (\$1,737,723), contributions to special projects (\$17,355), El Dorado Water & Power Authority (\$221,600), a transfer from Child Support Services for A-87 costs (-\$97,515), Air Quality Specialist and consultant costs to support the BEACON program(\$160,000) and Missouri Flat Coordinator (\$90,000).

Services Provided by Outside Agencies
Positions: 0.0 FTE

Total Appropriations: \$160,435
Net County Cost: \$160,435

The Proposed FY 2008-09 Budget includes funding for the following non-profit agencies: Resource Conservation Districts (\$147,435), American River Authority (\$5,000), Logging Days (\$3,000), and Pow Wow (\$5,000).

Aid to Fire Districts
Positions: 0.0 FTE

Total Appropriations: \$1,300,347
Net County Cost: \$1,300,347

The Proposed FY 2008-09 Budget includes funding for the County's fire districts in Department 15. The FY 2008-09 appropriation represents a hold the line approach with funding at the FY 2007-08 level.

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Transfers to Other Funds
Positions: 0.0 FTE

Total Appropriations: \$20,046,210
Net County Cost: \$20,046,210

The Proposed FY 2007-08 Budget includes transfers to the following funds:

- Road Fund (\$361,631): DOT General Plan Implementation (\$191,325), off-highway vehicle funds (\$170,306).
- Airport Fund (\$101,952) for operating subsidies for Georgetown Airport.
- Accumulated Capital Outlay (ACO) Fund (\$6,073,736) - General Fund contribution for facilities (\$5,549,707) and parks construction projects (\$524,029).
- Health – Maintenance-Of-Effort Match (\$409,233).
- Health – Jail & Juvenile hall medical costs (\$2,235,370).
- Health – Emergency Medical Services Agency costs (\$598,107).
- Health – State Local Program Realignment Match (\$704,192).
- Health – Vehicle License Fee Realignment (\$6,230,619).
- Mental Health – Patch Costs (\$5,000).
- Mental Health – State Local Program Realignment Match (\$16,510).
- Mental Health – Vehicle License Fee Realignment (\$1,130,973).
- Social Services – Wraparound (\$195,000).
- Community Services – Contribution (\$1,705,123).
- Social Services – Vehicle License Fee Realignment (\$278,764).

Chief Administrative Office Comments

The FY 2008-09 proposed budget for General Fund Other Operations, or Department 15, includes appropriation requests totaling \$30,587,364, a decrease of \$6,527,748 when compared to the FY 2007-08 Final Budget. The primary reason for the decrease is attributable to the decrease of the General Fund contribution to Accumulative Capital Outlay (ACO) fund due to no new contribution requests in FY 2008-09 and the elimination of the contribution to the road fund for maintenance projects. Contributions to outside agencies have been decreased \$158,400 with the elimination of additional funding for high risk youth.

General Fund Department 15 Revenue Sources

Discretionary Revenues

County government is unique from other forms of public agencies in that counties provide municipal services in the unincorporated areas (parks, libraries, roads), County-wide services (district attorney, public defender, property tax administration) and State/Federal programs (social services, child support, mental health, health) as a political subdivision of the State of

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California. General Fund Other Operations or Department 15 represents the County's discretionary revenues that fund County programs where departmental revenues do not cover cost and thus requires a General Fund contribution known as "Net County Cost."

County government is reliant upon three major sources of "discretionary revenues": property tax, sales tax and motor vehicle in-lieu tax.

Breakdown of Revenue Sources

The total FY 2008-09 discretionary revenues are \$115,045,069, an increase of 1.5% over the FY 2007-08 Final Budget. After reducing this total amount by the State mandated pass-through revenues for Realignment programs the FY 2008-09 total discretionary revenues equal \$107,404,713.

Distribution by Revenue Category

| Revenue Source | FY 2007-08 Revenue | % of Total | FY 2008-09 Revenue | % of Total |
|-----------------------|---------------------------|-------------------|---------------------------|-------------------|
| Property Tax | 59,164,862 | 52.2% | 60,596,270 | 52.9% |
| VLF | 17,151,173 | 15.2% | 18,326,143 | 15.9% |
| Other | 16,291,118 | 14.4% | 15,955,393 | 13.9% |
| Sales Tax | 10,863,558 | 9.6% | 10,730,241 | 9.3% |
| State Mandates * | 7,788,531 | 6.9% | 7,640,356 | 6.6% |
| State | 1,782,455 | 1.6% | 1,297,209 | 1.5% |
| Federal | 338,445 | < .01% | 106,700 | < .01% |
| Total | 113,380,142 | 100% | 114,652,312 | 100% |

* Mandates include Realignment pass-through for health, mental health and social services programs.

As shown in the chart above the "other" category has surpassed sales tax, as it includes \$1,600,000 in interest earnings on the County treasury and \$1,611,540 in tobacco settlement funds.

"Triple Flip"

The "triple-flip" was created four years ago to balance the FY 2004-05 State Budget. It was devised to reduce the State Budget's General Fund (and thus its constitutional commitment to schools via Proposition 98), maintain local governments' revenue base, and commit sales tax revenues to the Economic Recovery bonds that eliminated a large portion of the State operating deficit. The two components affecting County revenues are:

- 1) Swapping equal amounts of sales tax revenues for property tax revenues, and
- 2) Swapping equal amounts of VLF backfill revenues for property taxes revenues.

The revenue forecasts for each of these revenues are discussed in greater detail in the following sections, but the chart below provides the context by which to interpret those descriptions. The chart shows that property taxes are the life-blood of the organization's fiscal viability. This is particularly true now with the exchange of sales tax and VLF for property taxes plus the associated growth experienced by property taxes. The following chart reflects the individual revenue streams for property tax, VLF and sales tax on a historical basis. The total at

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the bottom rolls-up those revenues to reflect the fiscal trend of discretionary revenues and account for the impacts of the triple-flip to reflect the true underlying trends in the County's core revenues.

Discretionary Revenue Trends

| Revenue | FY 2005-06 Actual | FY 2006-07 Actual | FY 2007-08 Projected | FY 2008-09 Proposed |
|----------------------|------------------------------|------------------------------|---------------------------------|--------------------------------|
| Property Taxes | 46,685,258 | 50,453,023 | 54,313,638 | 57,029,320 |
| % Growth | | 8.1% | 7.7% | 5% |
| Vehicle License Fees | 14,849,509 | 15,771,194 | 17,127,236 | 18,326,143 |
| % Growth | | 6.2% | 8.6% | 7% |
| Sales Taxes* | 9,836,126 | 10,178,071 | 10,099,850 | 10,730,241 |
| % Growth | | 3.5% | -.1% | 6.2% |
| Total | 74,370,893 | 76,402,288 | 81,540,724 | 86,085,704 |
| % Growth | | 2.7% | 6.7% | 5.6% |

* Includes the In-Lieu property tax revenues.

Property Taxes

The 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 (land and permanently attached improvements) and tangible personal property (movable property) as of January 1.

Effect of Proposition 13

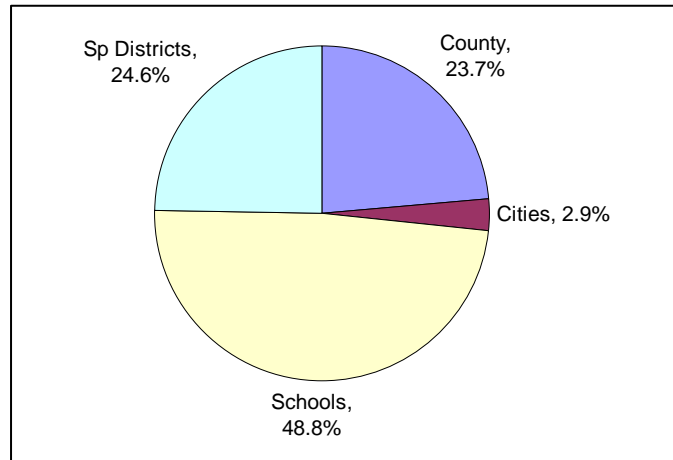
Proposition 13, passed by voters in 1978, limits the real property tax rate to one percent of assessed value, plus any rates imposed to fund indebtedness approved by the voters. Proposition 13 also allows increases to the value of real property at the rate of the Consumer Price Index, not to exceed two 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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Property Tax Distribution

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 31.1% of the Countywide tax rate in FY 1991-92 to 23.21% of the Countywide tax rate today. In other words, the County now receives nearly \$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 a pure discretionary revenue for one that is restricted to law enforcement (Sheriff, District Attorney, Probation and Public Defender) with statutory anti-supplanting language. The chart below quantifies the impacts of this property tax shifts and sales tax backfill. Since its inception 15 years ago, the County has lost \$175.5 million in property taxes and has experienced a net-loss of \$87.7 million. On a positive note, the passage of Proposition 1A in November 2004 provided protection, albeit limited, via a "revenue-fence" against future raids on local government property tax dollars.

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Impacts of ERAF and Proposition 172

| Fiscal Year | ERAF I | ERAF II | ERAF III | TOTAL ERAF | Prop 172 | Net Impact |
|--------------------|---------------------|----------------------|--------------------|----------------------|---------------------|---------------------|
| 1992-93 | \$1,569,734 | \$0 | \$0 | \$1,569,734 | \$0 | \$1,569,734 |
| 1993-94 | 1,643,850 | 6,487,397 | 0 | 8,131,247 | 4,242,859 | 3,888,388 |
| 1994-95 | 1,688,893 | 6,781,124 | 0 | 8,470,017 | 4,466,167 | 4,003,850 |
| 1995-96 | 1,753,108 | 7,038,957 | 0 | 8,792,065 | 4,701,228 | 4,090,837 |
| 1996-97 | 1,817,477 | 7,297,407 | 0 | 9,114,884 | 4,948,661 | 4,166,223 |
| 1997-98 | 1,879,170 | 7,545,110 | 0 | 9,424,280 | 5,209,117 | 4,215,163 |
| 1998-99 | 1,971,993 | 7,917,805 | 0 | 9,889,798 | 5,483,281 | 4,406,517 |
| 1999-00 | 2,083,085 | 8,363,854 | 0 | 10,446,939 | 5,771,875 | 4,675,064 |
| 2000-01 | 2,212,914 | 8,885,132 | 0 | 11,098,046 | 6,480,890 | 4,617,156 |
| 2001-02 | 2,419,615 | 9,715,064 | 0 | 12,134,679 | 6,237,365 | 5,897,314 |
| 2002-03 | 2,653,211 | 10,652,983 | 0 | 13,306,194 | 6,862,638 | 6,443,556 |
| 2003-04 | 2,957,063 | 11,872,998 | 0 | 14,830,061 | 6,860,713 | 7,969,348 |
| 2004-05 | 3,263,372 | 13,102,858 | 1,465,981 | 17,832,211 | 8,221,231 | 9,610,980 |
| 2005-06 | 3,715,609 | 14,918,646 | 1,465,981 | 20,100,236 | 8,848,730 | 11,251,506 |
| 2006-07* | 4,050,014 | 16,261,324 | 0 | 20,311,338 | 9,379,654 | 10,931,684 |
| 2007-08 * | 4,414,515 | 18,581,061 | 0 | 22,995,576 | 10,233,919 | 12,761,657 |
| Total | \$40,093,623 | \$154,741,260 | \$2,931,962 | \$197,766,845 | \$98,393,140 | \$99,373,705 |

* Estimated increase from ERAF shifts and Proposition 172.

FY 2008-09 Budget Outlook:

The FY 2008-09 Proposed Budget estimate for Property Tax Revenue is \$60,596,270 or 5.1% over FY 2007-08 year-end projections. This projection reflects the County's slowing housing market, as indicated by the flattening in assessed land values. The current secured property taxes are projected at an increase of 5%, however the proposed supplemental roll budget has dropped approximately \$2,000,000 or 50% from the FY 2007-08 Final Budget amount.

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Motor Vehicle License Fees (VLF)

The VLF for each vehicle is calculated at a percentage of the vehicle's market value, as adjusted for depreciation. These fees are paid annually to the Department of Motor Vehicles at registration and renewal. The fee is imposed by the State "in lieu" of local property taxes on the vehicle.

The FY 2004-05 State budget included the second leg of the "triple flip" by swapping VLF for property tax. The State eliminated \$4.1 billion in VLF backfill and took the VLF rate from 2% to 0.65%. Cities and counties instead receive an equivalent amount of property taxes.

FY 2008-09 Budget Outlook:

For FY 2008-09, the Proposed General Fund budget for discretionary Vehicle License Fees is \$18,326,143, which represents a 7% increase from the FY 2007-08 estimates as the growth is based on property taxes.

Sales Tax

The California State Board of Equalization administers revenues from sales taxes. Sales Taxes are collected at the point of sale, and then forwarded to the Board of Equalization. The County receives sales tax revenue payments based on estimates on a monthly basis with quarterly adjustments for actual receipts. The County historically received one cent, or 13.79% of the total 7.25-cent Statewide sales tax levied on each dollar of taxable sales that occur in the unincorporated areas of the County. Sales tax revenue can be used for any general purpose.

FY 2008-09 Budget Outlook:

For FY 2008-09, the proposed estimate for sales tax receipts is \$10,730,241 or an increase of 6.25%. The point-of-sale based sales tax amount equals \$8,119,441, which represents a 6% increase from the FY 2007-08 year end estimates. This projection is solely based on sales tax revenues and does not include the in-lieu property tax associated with the triple-flip. The sales tax in-lieu is estimated at \$2,610,800 and represents a growth rate of property taxes at 7%.

FY 2004-05 was the first year of the "triple flip" where one exchange included the swapping of equal amounts of sales tax revenues for property tax revenues and similarly VLF backfill revenues for property taxes. It is anticipated that this swap of revenues will continue for another eight to 12 years as it is tied to the repayment of the Economic Recovery Bonds.

Other Discretionary Revenues

County government is also reliant upon other sources of "discretionary revenues" from State, Federal and Other source, as noted in the chart above. The following describes each of these revenue sources and their anticipated growth for FY 2008-09.

Hotel/Motel Occupancy Tax

The Hotel/Motel Occupancy Tax is imposed on the daily rental price of a room in a lodging facility 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 FY 2008-09 budget proposal includes \$1,958,340 in hotel/motel occupancy tax revenue which is almost equal to the FY 2007-08 projected receipts.

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Licenses/Permits/Franchise Fees

The County receives franchise fee from a number of garbage and cable companies. The FY 2008-09 General Fund budget is \$350,000. This reflects only those fees collected by cable companies. The garbage franchise fees are reflected in the Environmental Management Department.

Fines/Forfeitures/Penalties

Revenue recorded in this category represents delinquent property tax payments and is estimated to decrease \$141,454 when compared to the FY 2007-08 Final Budget.

Use of Funds and Property

There are two sources of revenue recorded in this category: interest income from County investments and rental income received through the rental of County property. Interest earnings have declined over the past year and is estimated to be \$1,600,000 for FY 2008-09.

Intergovernmental Revenue

The County receives State and Federal funds that are recorded in Department 15 and totals \$8,937,565. The majority of these funds are simply pass-through realignment funds for Public Health, Mental Health and Human Services (\$7.6 million).

El Dorado County also receives two sources of State subvention revenues: homeowner property tax relief (\$615,239 for FY 2008-09) and Williamson Act revenues that replace property taxes otherwise received through the development of land (\$43,116 for FY 2008-09).

The provision of Proposition 1A, passed by the voters November 2004 contained constitutional protection of local revenues and required repayment by the State of deferred unfunded mandate obligations. The FY 2008-09 budget anticipates \$350,000 to be reimbursed.

The FY 2008-09 budget assumes \$500,000 in reimbursement for Angora fire related expenses due back to the General Fund.

The County receives two sources of Federal revenue that are recorded in Department 15: Grazing Fees, and Payments in Lieu of Taxes (PILT). For FY 2008-09, the combined amount of Federal funding is \$106,700.

Charges for Service

The County receives 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". The FY 2008-09 proposed budget amount is \$1,883,638.

Interfund Revenue

The General Fund charges 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 A87). South Lake Tahoe Transit and Community Service District #3 are also charged for their indirect costs. The amount in the Proposed FY 2008-09 Budget is \$3,269,149.

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Financial Information by Fund Type

FUND TYPE: 10 GENERAL FUND
 DEPARTMENT: 15 GENERAL FUND OTHER OPERATIONS

| | | PRIOR YR ACTUAL | CURRENT YR APPROVED BUDGET | DEPARTMENT REQUEST | CAO RECOMMENDED BUDGET | DIFFERENCE |
|----------------------------|------------------------------------|--------------------|----------------------------------|-----------------------|------------------------------|-------------|
| TYPE: R REVENUE | | | | | | |
| CLASS | CLASS TITLE | | | | | |
| 01 | REV: TAXES | 87,707,800 | 93,577,536 | 96,513,719 | 95,506,254 | 1,928,718 |
| 02 | REV: LICENSE, PERMIT, & FRANCHISES | 378,773 | 350,000 | 350,000 | 350,000 | 0 |
| 03 | REV: FINE, FORFEITURE & PENALTIES | 486,571 | 539,256 | 397,802 | 417,692 | -121,564 |
| 04 | REV: USE OF MONEY & PROPERTY | 2,616,765 | 2,800,000 | 1,600,000 | 1,600,000 | -1,200,000 |
| 05 | REV: STATE INTERGOVERNMENTAL | 10,651,852 | 9,570,986 | 8,852,520 | 9,212,565 | -358,421 |
| 10 | REV: FEDERAL INTERGOVERNMENTAL | 110,551 | 338,445 | 106,700 | 106,700 | -231,745 |
| 12 | REV: OTHER GOVERNMENTAL AGENCIES | 148,794 | 148,794 | 148,794 | 148,794 | 0 |
| 13 | REV: CHARGE FOR SERVICES | 3,668,416 | 4,794,249 | 5,418,949 | 5,698,767 | 904,518 |
| 19 | REV: MISCELLANEOUS | 53,937 | 284,239 | 0 | 0 | -284,239 |
| 20 | REV: OTHER FINANCING SOURCES | 106,732 | 976,637 | 0 | 1,611,540 | 634,903 |
| 22 | FUND BALANCE | 0 | 27,278,109 | 8,876,393 | 17,253,272 | -10,024,837 |
| TYPE: R SUBTOTAL | | 105,930,192 | 140,658,251 | 122,264,877 | 131,905,584 | -8,752,667 |
| TYPE: E EXPENDITURE | | | | | | |
| CLASS | CLASS TITLE | | | | | |
| 30 | SALARY & EMPLOYEE BENEFITS | 9,878 | 500,000 | 500,000 | 500,001 | 1 |
| 40 | SERVICE & SUPPLIES | 324,751 | 1,030,309 | 582,879 | 566,731 | -463,578 |
| 50 | OTHER CHARGES | 1,435,018 | 1,579,389 | 1,042,520 | 1,987,520 | 408,131 |
| 70 | OTHER FINANCING USES | 20,270,752 | 26,927,382 | 16,275,013 | 21,863,627 | -5,063,755 |
| 72 | INTRAFUND TRANSFERS | -273,932 | 0 | 0 | 0 | 0 |
| 73 | INTRAFUND ABATEMENT | 0 | -331,113 | 5,762,485 | -97,515 | 233,598 |
| 77 | APPROPRIATION FOR CONTINGENCIES | 0 | 7,409,145 | 0 | 5,767,000 | -1,642,145 |
| TYPE: E SUBTOTAL | | 21,766,467 | 37,115,112 | 24,162,897 | 30,587,364 | -6,527,748 |
| FUND TYPE: | 10 SUBTOTAL | -84,163,725 | -103,543,139 | -98,101,980 | -101,318,220 | 2,224,919 |
| DEPARTMENT: | 15 SUBTOTAL | -84,163,725 | -103,543,139 | -98,101,980 | -101,318,220 | 2,224,919 |