



Budget Basics

El Dorado County Budget
FY 2010-11
September, 2010

What is the Budget?

- A forecast of all planned revenue and expenses
- Provides a model for how the county might perform financially given certain assumptions about the future
- Enables the actual financial performance of the county to be measured against the forecast
- A budget should balance:
 - Total revenue equals total appropriations

Is the Budget balanced?

- The Budget is balanced
 - Projected Revenue = Projected Appropriations



What assumptions are built into the Budget?

- Property tax revenue: \$52.8 million
 - 6.22% decrease from FY 2009-10
- Sales tax revenue: \$7.9 million
 - No increase from FY 2009-10 actuals
- Property tax in lieu of Vehicle License Fees: \$16.3 million
 - 6.22% decrease from FY 2009-10

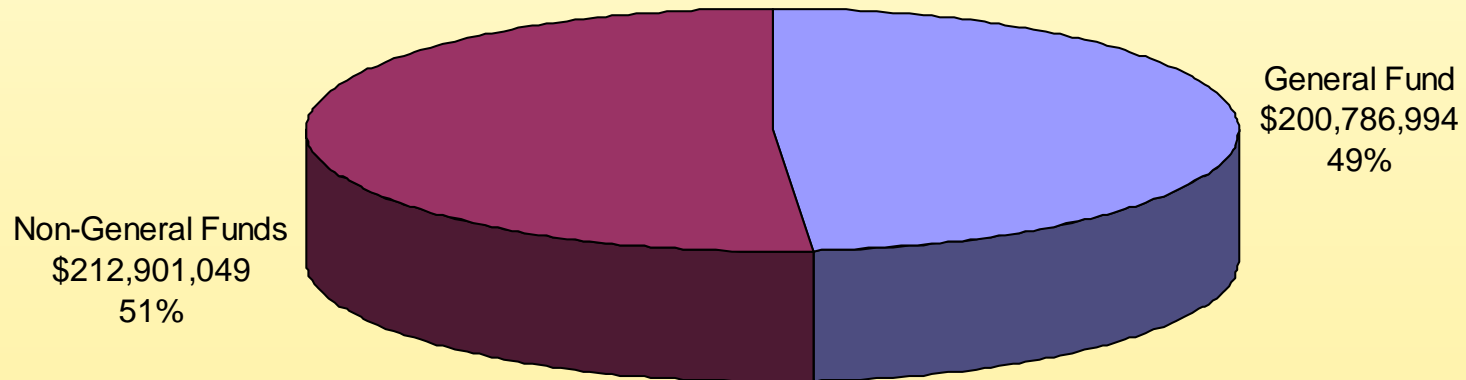
How does the Budget compare to last year's budget?

- Total budget decreased by \$40.5 million (-8.9%)
- General Fund decreased by \$269,903 (0%)*
- Reduction of 26 FTE's from FY 2009-10 (-1.5%)

* Adjusted for the Proposition 1A securitization

How big is the Budget?

- **TOTAL** Recommended Budget = \$413,688,042
 - General Fund = \$200,786,994
 - Non-General Funds = \$212,901,049



What is the General Fund?

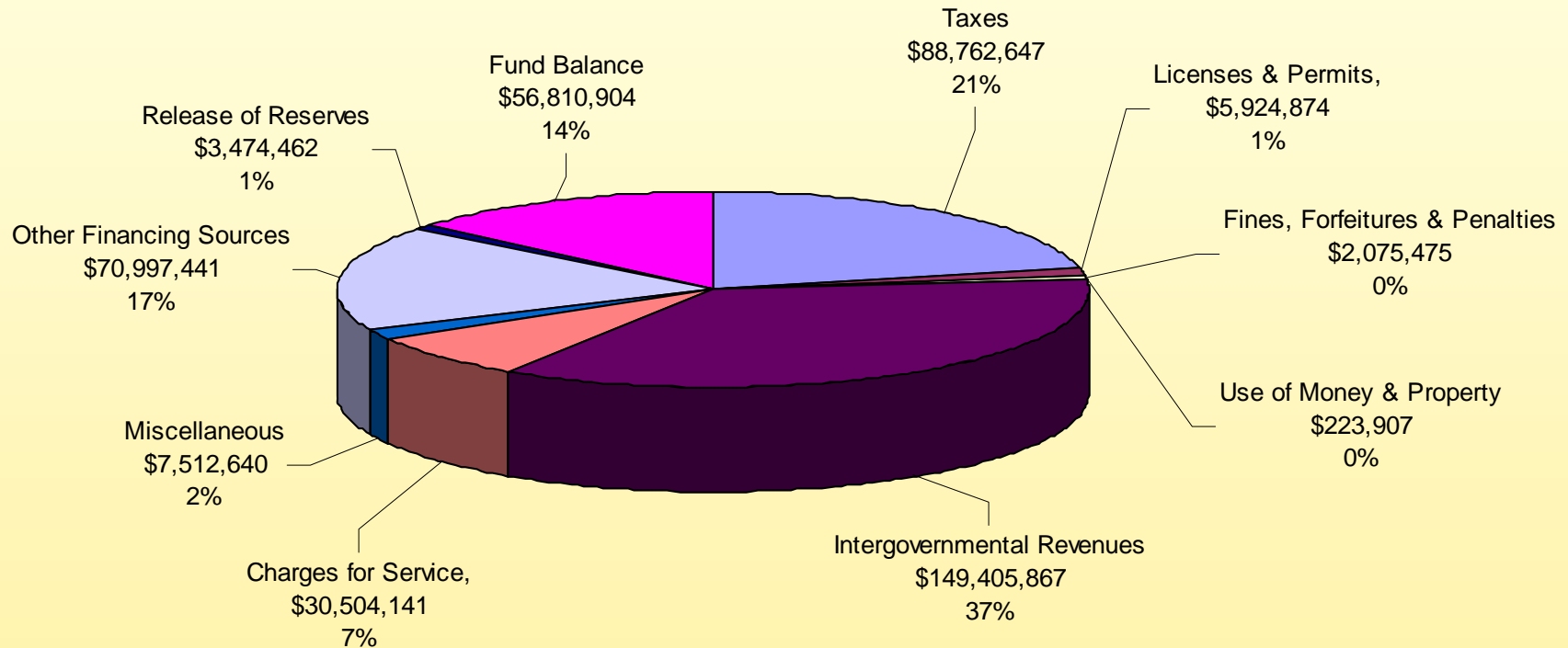
- The General Fund is the slice of the budget primarily funded with discretionary dollars

What are Non-general funds?

- Non-General Fund spending is determined by state law or other special conditions
- **Most** of the County's budget consists of non-General Fund money (51%)

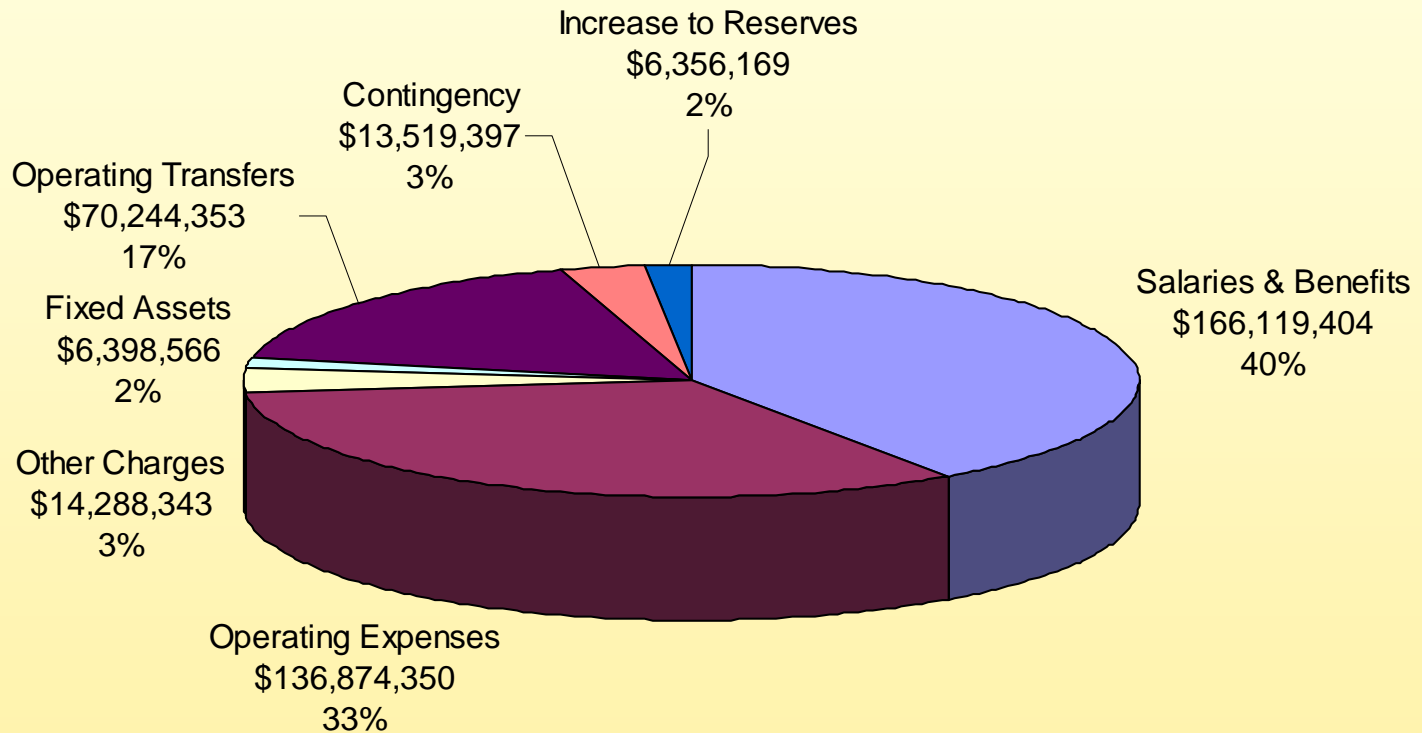


Where does all the money come from in the Budget?



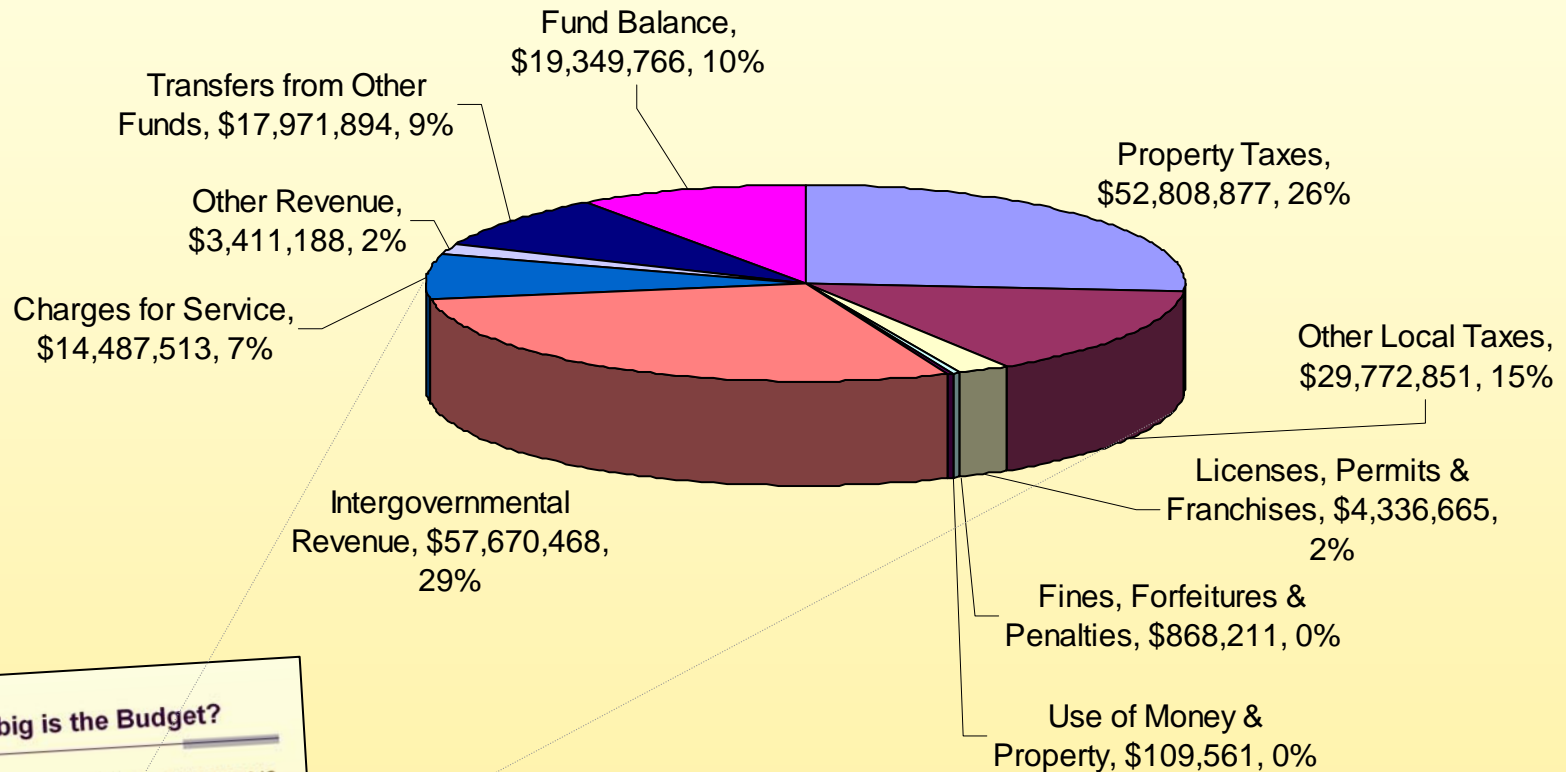
(revenue sources across all funds)

What does the Budget pay for?



Salaries & Benefits = People = Services to the Public

Where does the *General Fund* money come from?



**General Fund
\$200,786,994**

How are General Fund dollars spent?

- Citizens expect and rely on services such as:
 - Road maintenance
 - Law enforcement
 - Libraries
 - Land use



How else are General Fund dollars spent?

- In addition, small contributions from the General Fund also assist in the delivery of programs such as:
 - Public Guardian
 - Animal Services
 - Veterans Affairs

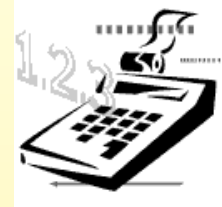


How else are General Fund dollars spent?

- There are also internal costs to provide public services such as:

- Financial Controls

- Accounts payable/receivable, payroll
- Budget development and monitoring



- Information Technology

- Website/Communications
- Computer support



- Human Resources

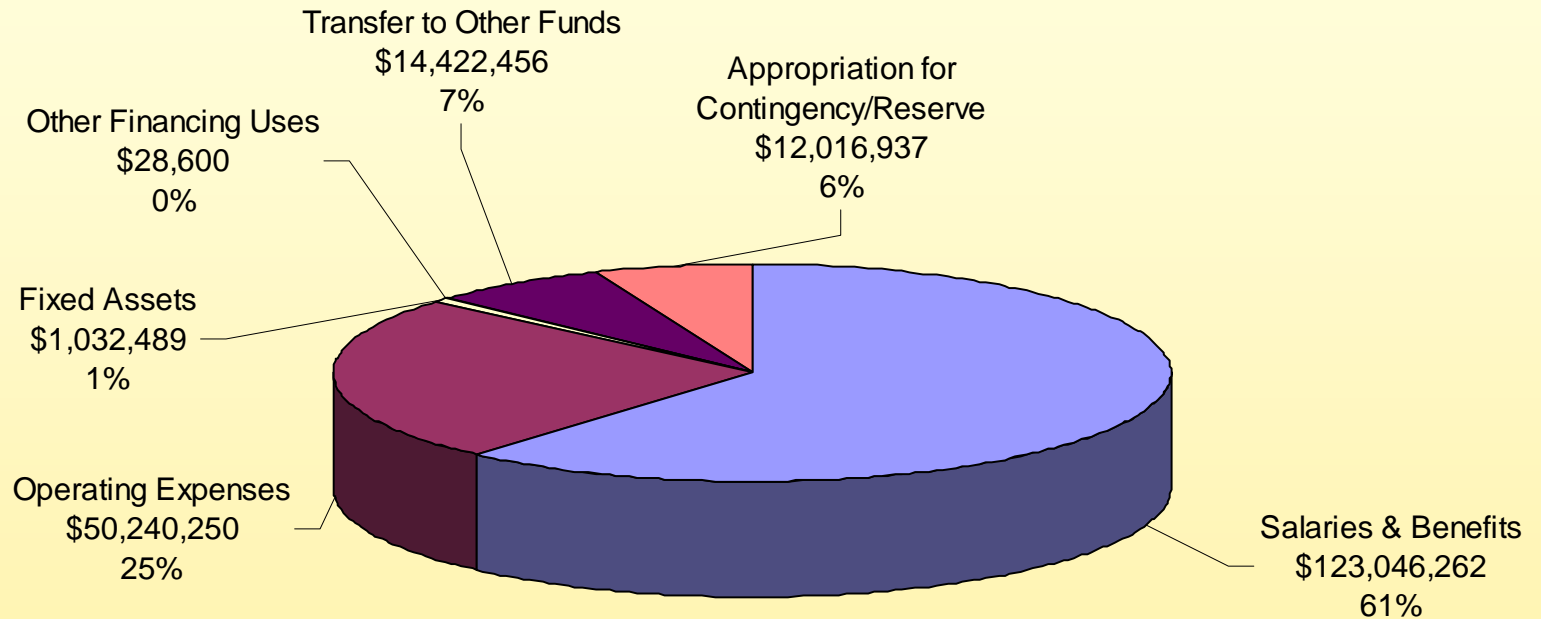
- Recruitment/retention



- Legal Services



What does the General Fund pay for?

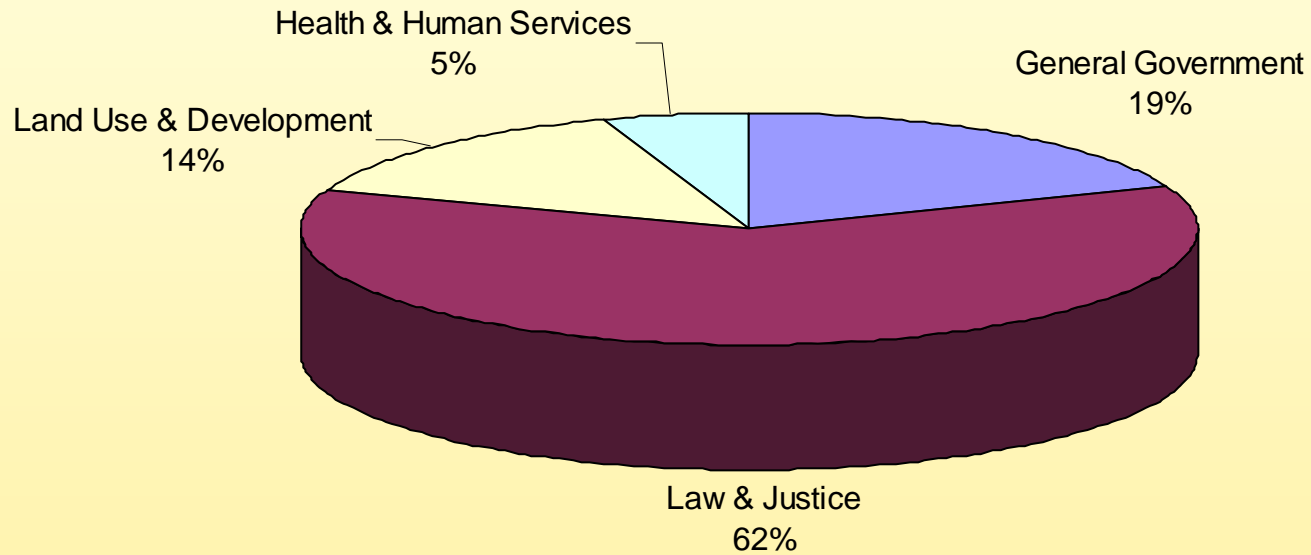


Salaries & Benefits = People = Services to the Public

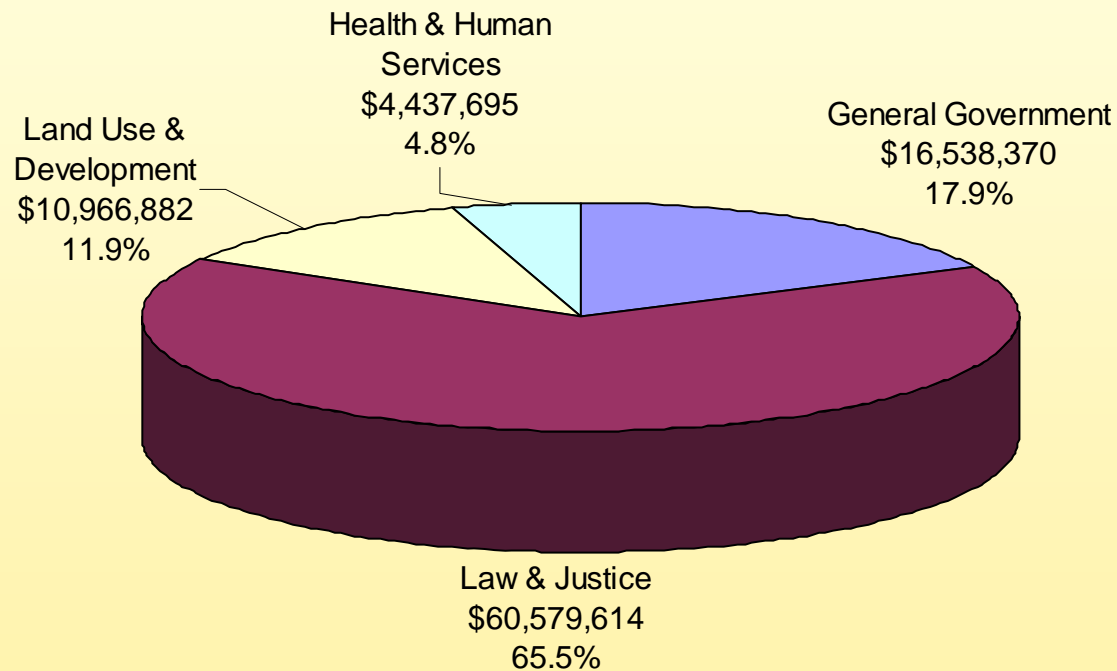
How does the General Fund support county programs?

- Departments get money from different sources
 - For example: grants, state & federal agencies, and charges for service
- When that doesn't cover all of the department's costs, the difference is made up with other General Fund discretionary dollars
- These other discretionary dollars are a department's **“Net County Cost”**
- Departments are required to live within their “Net County Cost” to ensure that no additional General Fund support is required

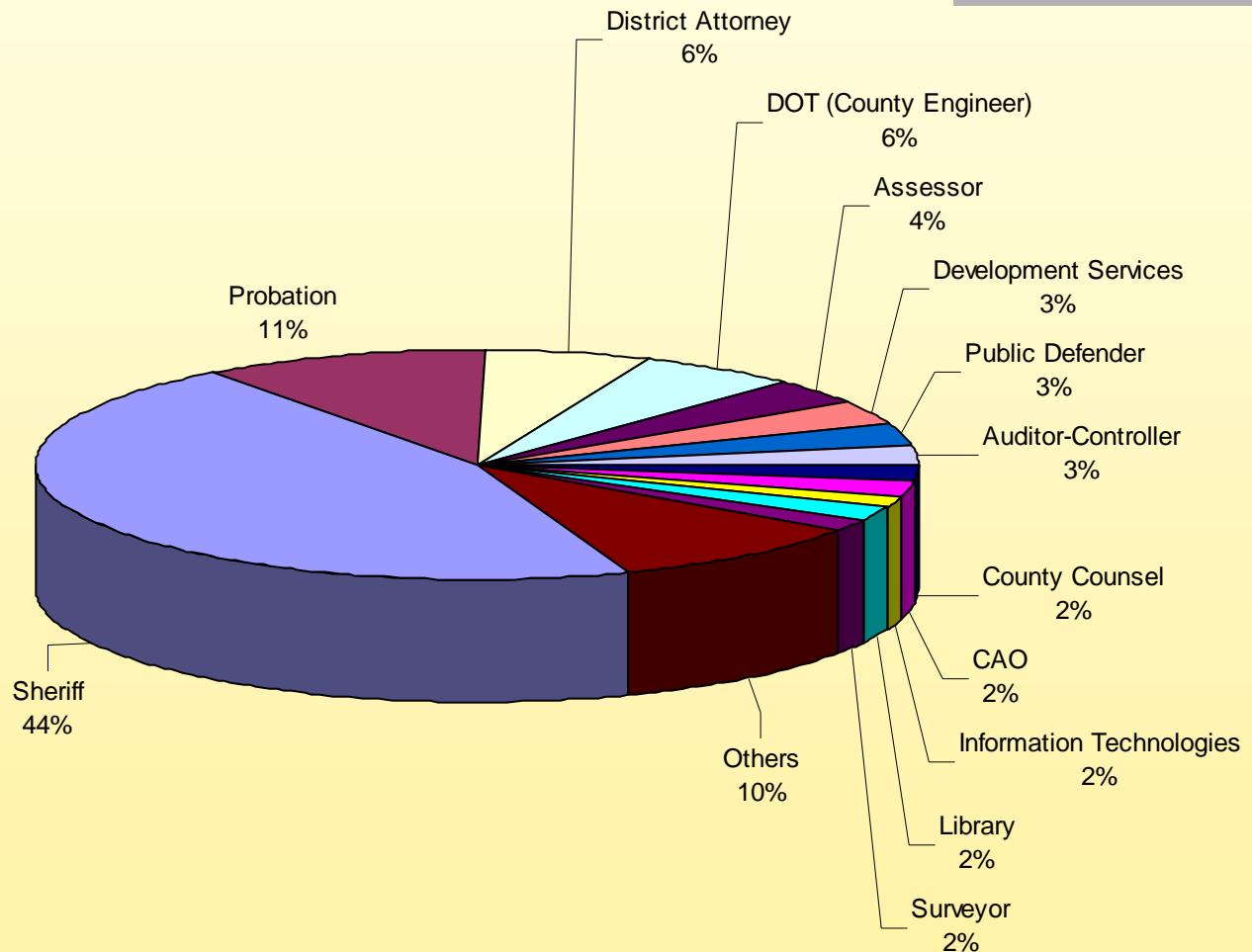
Distribution of Net County Cost by Program Area FY 2001-02



Distribution of Net County Cost by Program Area FY 2010-11



Distribution of Net County Cost by Department FY 2010-11



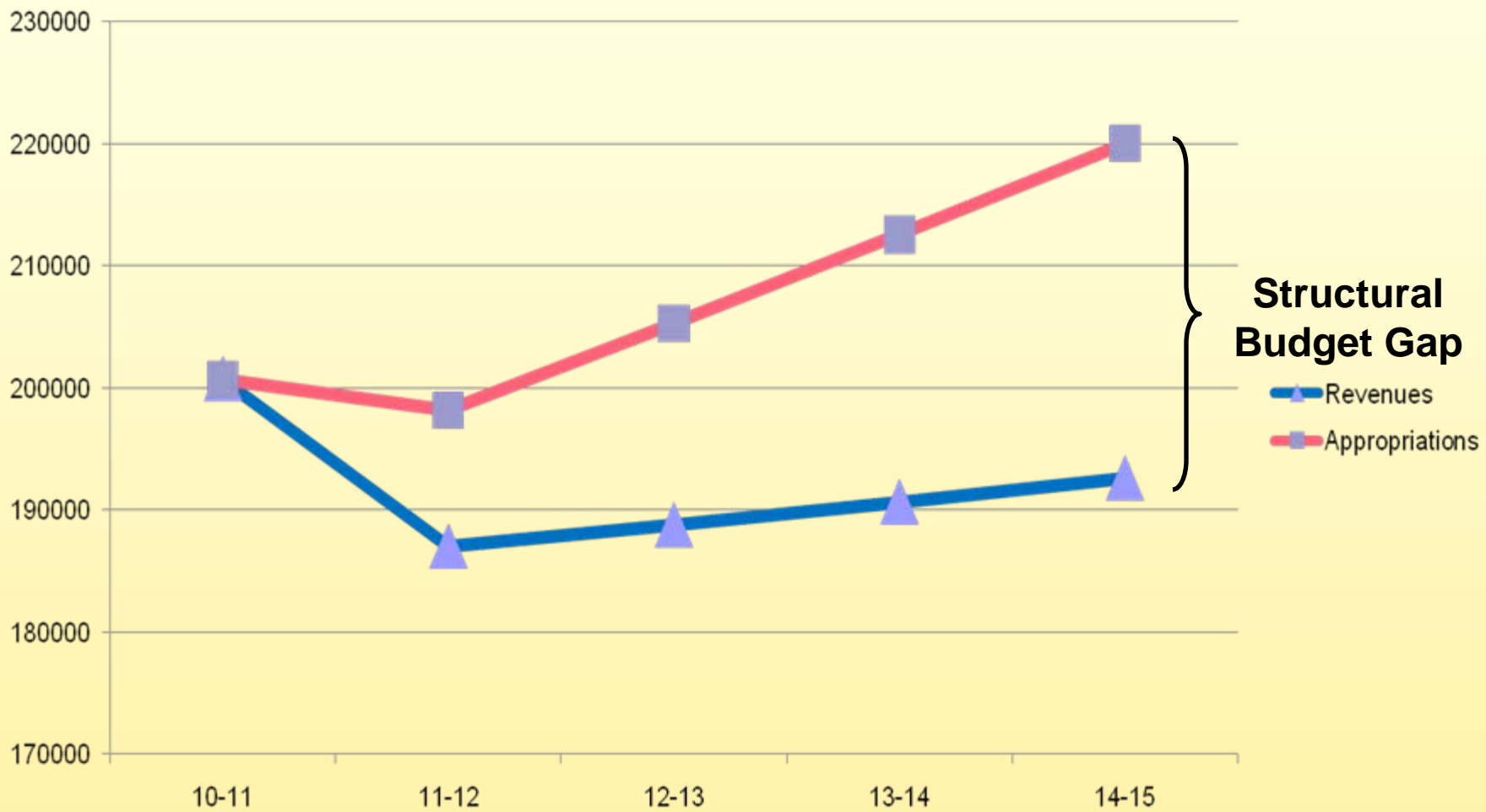
* Animal Control, Recorder-Clerk, Human Services, Treasurer/Tax Collector, Court, Human Resources, Promotions, Agriculture, Veterans, Environmental Management, UCCE, Grand Jury

What does the Budget mean for the future?

- \$11 million shortfall next fiscal year
- Out year shortfalls assume:
 - Continued decline in property and sales tax
 - Maintaining 8% reserve/contingency
 - Annual appropriations growth of approx. 3%
- Does not account for potential effects of state action

	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>
Revenue	\$200,786,994	\$187,369,482	\$189,083,887	\$190,850,091	\$192,630,900
Appropriations	\$200,786,994	\$198,307,501	\$205,414,434	\$212,671,341	\$220,190,151
	\$0	(\$10,938,019)	(\$16,330,547)	(\$21,821,250)	(\$27,559,251)



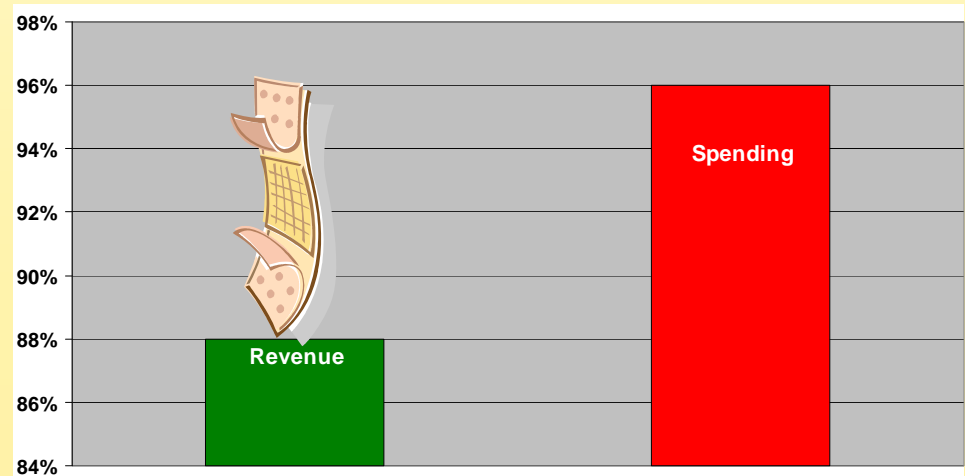


Does the Budget contain reserve funds?

- 10.8% set aside for “rainy day” including:
 - \$8.7 million in reserves
 - 5% of adjusted General Fund appropriations
 - \$10.1 million for contingency
 - 5.8% of adjusted General Fund appropriations
- \$1.8 million set aside as designation for Capital Projects

Can't we fix the budget gap by spending reserve funds?

- Use of reserves does not permanently bring spending in line with revenue
 - Use of reserves does not fix the structural budget gap
 - This would be a one time “band aid” for an ongoing problem
 - Once reserves are exhausted, permanent reductions will still be necessary



One time example

- Example A – Use of one time revenue
 - Utilize \$4.8M of contingency to help fill the gap in FY 2011-12

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Shortfall	(10,969,746)	(16,366,443)	(21,861,454)	(27,603,907)
Reserve	4,800,000			
New Shortfall	(6,169,746)	(16,366,443)	(21,861,454)	(27,603,907)

Sustainable Savings Example

- Example B – Sustainable savings
 - Reduce 110 positions in FY 2010-11 resulting in 100% cost savings by July 1, 2011
 - Assumes \$100K savings per position

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Shortfall	(10,969,746)	(16,366,443)	(21,861,454)	(27,603,907)
Savings	11,000,000	11,440,000	11,897,600	12,373,504
New Shortfall	30,254	(4,926,443)	(9,963,854)	(15,230,403)

Sustainable vs. One Time

■ Sustainable

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■ One time – Buys time

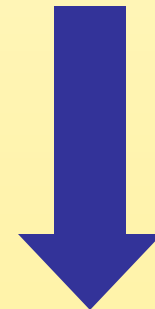
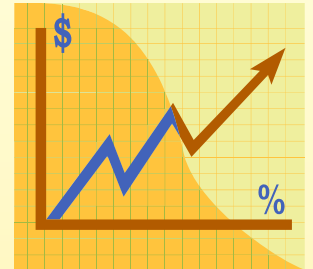
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How do we bridge the budget gap?

- Revenue must increase

AND/OR

- Spending must decrease



How can we reduce spending?

- We have to reduce each department's

“Net County Cost”

Why focus on Net County Cost reductions?



Money from grants, state & federal agencies, charges for service



Discretionary General Fund Revenue

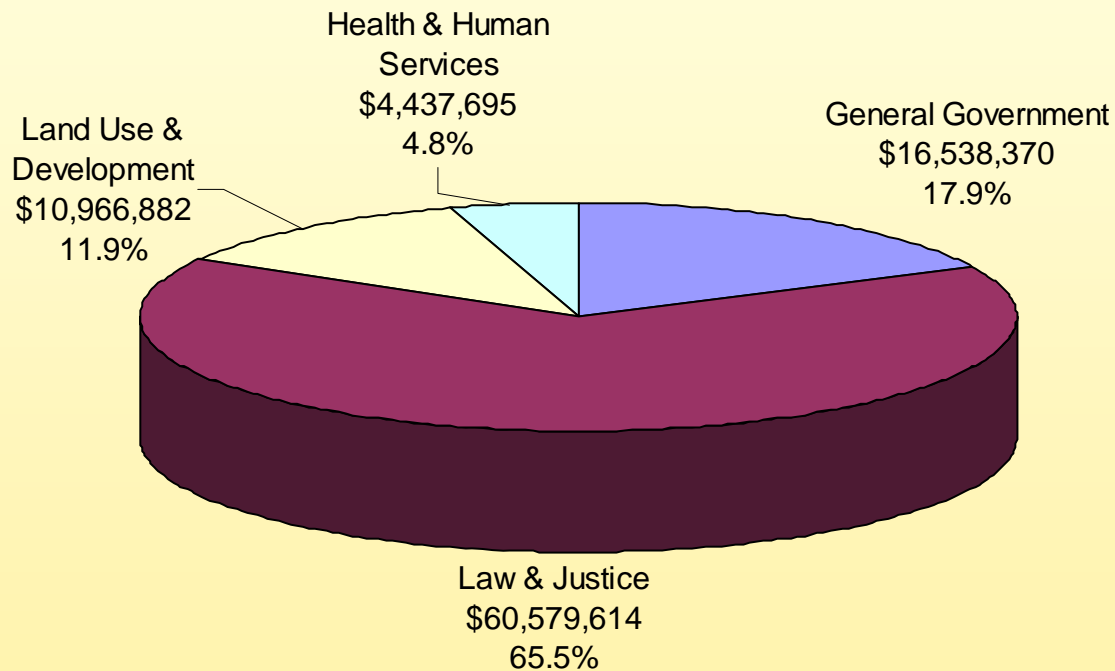
Cutting departments that have little or no Net County Cost does not result in significant savings to the General Fund



Department Budget

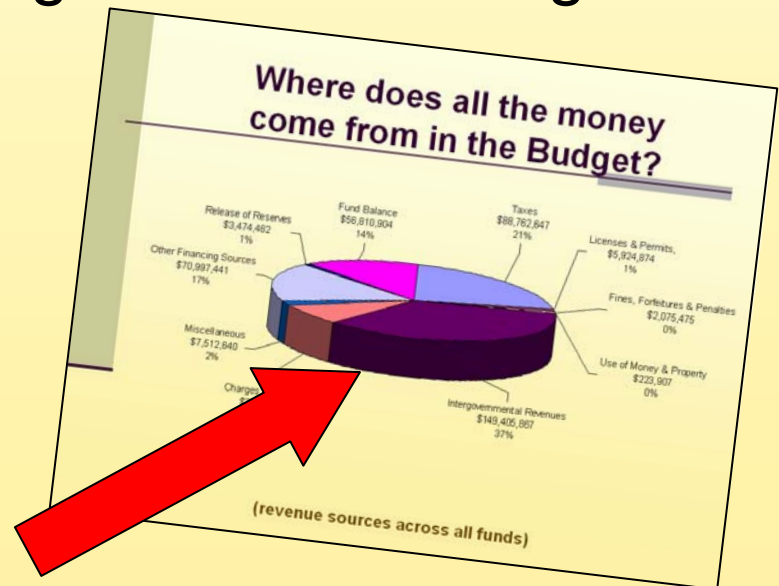
Due to their impact on General Fund “discretionary” dollars, departments with a large Net County Cost become the focus of spending reductions

Distribution of Net County Cost by Program Area FY 2010-11



What about departments with little or no Net County Cost?

- The State of California provides the county money to carry out certain activities
 - For example, most Public Health, Social Services and Mental Health programs
- State funding for these programs is declining
- The County cannot afford to subsidize these programs any longer



Intergovernmental revenue

What's Next

- October 19: CAO provides budget reduction proposal to Board of Supervisors
- Special Board of Supervisors Budget Workshops
 - October 19 (focus on information technology)
 - November 1 (focus on Law & Justice)
 - November 3 (various departments)
 - November 8 (General Government & Parks)
 - November 15 (CAO requests Board of Supervisors direction on budget reductions)

Thank you

Questions