



The County of El Dorado

Chief Administrative Office

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Honorable Board Members:

Submitted for your review and consideration is the Chief Administrator's Recommended Budget for FY 2010-11. This budget is balanced through overall reductions in departmental budgets, use of one time funds initially designated for capital projects, one time revenues associated with the securitization of the Prop 1A State borrowing of property taxes, use of all tobacco settlement and casino revenues, and pay-as-you-go retiree health 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

	2006	2007	2008	2009	2010
Median Housing Price (March)	\$515,000	\$479,000	\$359,000	\$335,000	\$294,950
Unemployment Rate	4.6%	5.1%	6.9%	11.3%	13.6% (March)
Single Family Dwelling Permits Issued	701	405	205	72	

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

The Board has engaged in continuous budget discussions for the past year to address the change in our fiscal position as a result of the down trending economic conditions. The result of that dedication and the follow through of departments in meeting their targeted Net County Cost (NCC) is that we have successfully balanced the FY 2010-11 budget. We are still standing, however some of our operations are only just holding on. During FY 2009-10 many employees experienced furloughs which accounted for up to 5% in salary decreases. Some programs are functioning on minimal staffing levels. We are utilizing one-time funding to balance our ongoing operational costs. The County continues to have a structural deficit resulting in a projected shortfall of \$15 million in FY 2011-12. Where the next round of reductions will come from will be extremely

challenging. Unfortunately, all information from Sacramento indicates that significant cuts to counties are inevitable.

This budget is submitted during the prolonged ongoing negotiation of the State's FY 2010-11 budget and does not make any assumption about the impact of the State's FY 2010-11 Budget. The State is facing a \$19.1 billion deficit for FY 2010-11. In their overview of the Governor's May Revision the LAO agrees that the Administration's estimate of the problem is reasonable. The May budget includes program spending reductions which make up approximately two-thirds of the proposed deficit with new revenues making up under 5% of the budget. Some of the spending reductions proposed are ongoing in nature, but the State is still anticipating a multibillion dollar operating deficit in future years.

Each department write up 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 Workshops.

Budget Workshops will begin on June 7, 2010 and potentially go through June 10, 2010. 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 2010-11 Budget at either your June 22 or June 29th meeting, and approve the Adopted FY 2010-11 Budget in September.

OVERALL BUDGET OUTLOOK

The total Recommended Budget for FY 2010-11 is \$410M, which is \$49M (11%) less than the Final FY 2009-10 budget of \$459M. The County's proposed General Fund budget, which includes discretionary funds for County services, is \$195.2M, which is \$500K more than the Final FY 2009-10 budget of \$194.7M. However, it should be noted that the FY 2009-10 total of \$194.7 included a one-time reduction in Property Taxes of \$6.3M due to State borrowing. Therefore, if the FY 2009-10 Final Budget is adjusted by adding back the \$6.3M for an adjusted total of \$201M, the Recommended Budget for FY 2010-11 has actually decreased by \$6M or 3%. The chart below provides a five-year trend of County budget changes and includes the \$6.3M adjustment for the Prop 1A Property Tax State borrowing:

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

	2006-07	2007-08	2008-09	2009-10	2010-11
General Fund	\$221	\$231	\$220	\$201*	\$195
% Growth from prior year	7.3%	4.5%	(4.8%)	(8.6%)	(3%)
Non-General Fund	\$256	\$386	\$310	\$264	\$215
% Growth from prior year	13.8%	50.8%	(19.7%)	(14.8%)	(18.6%)
Total	\$477	\$617	\$530	\$465	\$410
% Growth from prior year	10.5%	29.4%	(14.1%)	(12.3%)	(11.8%)

* Adjusted to include an additional \$6.3M in Property Taxes

The General Fund growth trend has historically ranged between 4% and 7%. However the last three years have trended backwards with negative growth. The Recommended Budget includes decreases in discretionary revenue sources such as Property Taxes and Sales Taxes. Some of these reductions are offset with one-time revenues in the form of fund balance. There is also some revenue growth in State, Federal and other Governmental revenues in the area of Human Services. These increases are for direct program services and are not discretionary in nature.

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 \$49M within Non-General Fund revenues are primarily related to changes within the Road Fund (\$34M). 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 (\$12M) and Community Services (\$1.8M).

The Recommended FY 2010-11 Budget includes funding for 1763.43 full-time equivalent positions (FTEs). This represents a 7.1 reduction from the current FY 2009-10 allocation and a 70.36 reduction from the Proposed FY 2009-10 Budget.

Department	Position Additions	Position Reductions	Total
Chief Administrative Office	1.00		1.00
Child Support Services		-2.00	-2.00
Human Services		-0.10	-0.10
Information Technologies		-1.00	-1.00
Library		-1.00	-1.00
Probation		-4.00	-4.00
Public Defender		-0.50	-0.50
Sheriff	0.50		0.50
Surveyor		-1.00	-1.00
Transportation	1.00		1.00
Totals	2.50	-9.60	-7.10

GENERAL FUND SUMMARY

The chart below reflects the increases and decreases in General Fund appropriations by expenditure class for the Recommended Budget. Salaries increased due to the add back of the furlough values that were taken out of the FY 2009-10 budget as well as significant increases in health insurance costs. Transfers decreased primarily due to the elimination of bond debt in FY 2009-10.

Appropriations by Expenditure Class

Expenditure Class	FY 2009-10 Budget	FY 2010-11 CAO Recm'd	\$ Increase/ (Decrease)	%Increase/ (Decrease)
Salaries	\$120,276,706	\$123,120,280	\$2,843,574	2.4%
Expenses	50,663,876	49,958,149	(705,727)	(1.4%)
Fixed Assets	1,267,234	673,181	(594,053)	(46.9%)
Other	132,500	28,600	(103,900)	(78.4%)
Transfers	17,476,689	14,349,029	(3,127,660)	(17.9%)
Contingency	4,856,178	5,240,000	383,822	7.9%
Reserve	0	1,878,811	1,878,811	N/A
Appropriations	\$194,673,183	\$195,248,053	\$574,870	0.3%

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 within the contributions to the Accumulative Capital Outlay fund and bond debt, offset with increases to Reserves and Designations for Capital Projects. Health and Human Services increased 6% due to increased State and Federal funding for specific program services.

Appropriations by Functional Group

Functional Group	FY 2009-10 Budget	FY 2010-11 CAO Recm'd	\$ Increase/ (Decrease)	%Increase/ (Decrease)
General Gov't	\$23,588,610	\$23,642,553	\$53,943	0.3%
Law & Justice	80,597,011	79,350,364	(1,246,647)	(1.5%)
Land/Dev Svc	18,534,105	18,211,865	(322,240)	(1.7%)
Hlth/Human Svc	49,034,273	52,175,559	3,141,286	6.4%
Non Dept	22,919,184	21,867,712	(1,051,472)	(4.6%)
Appropriations	\$194,673,183	\$195,248,053	\$574,870	0.3%

The chart below reflects the distribution of increases and decreases in the amount of discretionary NCC/General Fund support by functional group. The increase in Land Use and Development Services is primarily related to the Board's decision to provide increased General Fund support to Development Services. The increase in Health & Human Services is related in part to changes in the cost allocation methodology resulting in increased costs to programs funded with discretionary dollars.

Net County Cost/GF Contribution by Functional Group

Functional Group	FY 2009-10 Budget	FY 2010-11 CAO Recm'd	\$ Increase/ (Decrease)	% Increase/ (Decrease)
General Gov't	\$16,487,300	\$16,637,712	\$150,412	0.9%
Law & Justice	60,402,712	60,271,608	(131,104)	(0.2%)
Land/Dev Svc	12,358,509	13,067,050	708,541	5.7%
Hlth/Human Svc	9,399,370	10,112,026	712,656	7.6%
Total	98,647,891	100,088,396	1,440,505	1.5%

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 2010-11 Recommended Budget estimate for Property Tax Revenue is \$53M or 4% less than FY 2009-10 budget.
- Sales Tax: The FY 2010-11 Recommended Budget estimate for Sales Tax is \$6.9M, which represents an 11% decrease over FY 2009-10 budget.
- Vehicle License Fees (VLF): The FY 2010-11 Recommended Budget for Vehicle License Fees is \$16.7M which represents a 4% decrease over FY 2009-10 budget. 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: The primary contributors to the fund balance are increased revenues resulting from the securitization of the Prop 1A revenues, savings associated with vacancies in the workforce, unused contingency appropriations, carryover contributions to capital projects, and departmental efforts to curtail expenditures. The amount of fund balance that is appropriated to balance the General Fund for FY 2010-11 is \$14 million, or 7% of the recommended General Fund budget. This amount represents a \$3.1M increase from FY 2009-10.

This estimate is subject to change with the close of the financial records for FY 2009-10 in August.

Contingency / Reserves Budgeted at 8%: The Recommended FY 2010-11 Budget sets aside 8% for “rainy-day” reserves. The contingency fund is proposed to be \$5M or 3% of adjusted General Fund appropriations. The reserve fund is proposed to be \$8.7M or 5% of adjusted General Fund appropriations. The reserve has increased \$96,218 from FY 2009-10 due to increased 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 2010-11 Budget includes \$1.8M set aside as a designation for capital projects. In FY 2007-08, the County had set aside \$3.7M designated for capital projects. \$300K of this was utilized to purchase some critical Information Technology equipment in FY 2008-09. The remaining \$3.4M was utilized in FY 2009-10 to backfill the loss of Property Tax revenue through the Prop 1A State borrowing. The County was able to securitize the loss of these revenues, however the FY 2010-11 budget utilizes \$1.6M of the initial \$3.4M to fund ongoing operations, leaving only \$1.8M available to set aside.

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. All indications are that the fiscal situation will continue to worsen over the next year or more. 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.

OTHER SCHEDULES

Provided in a separate section of the budget document, “Other Schedules,” for the inclusion of supplemental information, is a list of proposed fixed assets included in the Recommended Budget.

BUDGET AND BEYOND

The closure of the Recommended Budget workshops will not conclude the FY 2010-11 Budget process. There are still many issues at play including the State budget, the final closing of the County books, 504 costs, a contingent liability as a result of a preliminary audit of court fines of approximately \$500K and collective bargaining issues. There is no question that the bargaining process will need to yield structural changes in the collective bargaining process in how we pay our employees if we are to close a \$15M gap in FY 2011-12. The Chief Administrative Office will be watching all of these factors closely and returning to the Board in September for Budget Hearings. We are recommending that the District Attorney and Sheriff return in July with plans to achieve their FY 2010-11 budget.

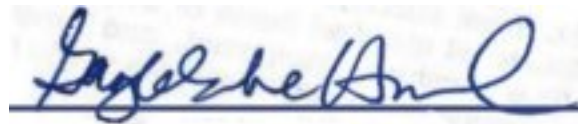
CONCLUSION / ACKNOWLEDGEMENTS

This year's budget document is the culmination of continuous budget review and dialogue with department heads and their staffs over the past ten months. This year, departments were diligent in keeping with the Budget Instructions that essentially limited expenditures and developed a "hold-the-line" spending plan. This budget could not have been balanced without their assistance.

I wish to acknowledge my staff, especially Laura Schwartz in her role as chief budget analyst, 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, appearing to read "Gayle Erbe-Hamlin", is written over a horizontal line.

Gayle Erbe-Hamlin
Chief Administrative Officer

Attachment A - 5 year forecast

COUNTY OF EL DORADO General Fund Revenue and Appropriation Projection

	FY 2010-11	FY 2011-12	Projected FY 2012-13	FY 2013-14	FY 2014-15
REVENUES					
Property Tax	\$ 54,562,524	\$ 53,480,538	\$ 53,199,275	\$ 52,919,743	\$ 52,641,925
Other Local Taxes	28,900,215	28,500,118	28,353,003	28,207,048	28,062,245
Licenses/Permits/Franchises	4,395,994	4,461,777	4,553,876	4,622,816	4,693,136
Fines/Forfeitures/Penalties	890,100	897,002	904,004	911,108	918,315
Use of Funds/Property	122,002	137,616	138,236	138,863	139,495
Intergovernmental Revenue	57,092,179	56,650,633	57,977,766	59,592,427	61,312,890
Charges for Service	13,696,965	13,828,008	13,961,648	14,117,494	14,275,989
Other Revenue	3,489,158	3,490,170	3,490,283	3,490,397	3,490,513
Transfers from Other Funds	18,098,915	18,208,649	18,495,412	18,733,718	18,976,345
Total Current Revenues	\$ 181,248,053	\$ 179,654,510	\$ 181,073,502	\$ 182,733,614	\$ 184,510,853
Appropriation from Fund Balance	14,000,000	5,240,000	5,450,000	5,650,000	5,860,000
Total Revenues	\$ 195,248,053	\$ 184,894,510	\$ 186,523,502	\$ 188,383,614	\$ 190,370,853
Discretionary Revenues	\$ 114,243,189	\$ 104,119,749	\$ 104,042,320	\$ 103,960,124	\$ 103,893,178
Departmental Revenues	81,004,864	80,774,761	82,481,182	84,423,489	86,477,675
Total Revenues	\$ 195,248,053	\$ 184,894,510	\$ 186,523,502	\$ 188,383,614	\$ 190,370,853
APPROPRIATIONS (Category)					
General Government	\$ 23,642,553	\$ 24,534,413	\$ 25,465,052	\$ 26,432,260	\$ 27,437,478
Law and Justice	79,350,364	82,343,898	85,453,201	88,682,784	92,037,335
Development Services	18,211,865	18,879,861	19,572,763	20,291,511	21,037,085
Health/Human Services	52,175,559	53,967,521	55,849,089	57,797,606	59,815,500
Nondepartmental	19,988,898	20,012,041	20,475,426	20,955,141	21,441,348
Total Appropriations	\$ 193,369,239	\$ 199,737,734	\$ 206,815,530	\$ 214,159,302	\$ 221,768,747
APPROPRIATIONS (Object)					
Salaries/Benefits	\$ 123,120,280	\$ 128,044,491	\$ 133,165,671	\$ 138,491,698	\$ 144,030,766
Operating Expenses	49,958,149	51,515,801	53,003,621	54,536,077	56,114,505
Fixed Assets	673,181	693,376	714,178	735,603	757,671
Other Financing Uses	28,600	-	-	-	-
Transfer to Other Funds	14,349,029	14,034,065	14,282,060	14,535,924	14,795,805
Appropriation for Contingency	5,240,000	5,450,000	5,650,000	5,860,000	6,070,000
Total Appropriations	\$ 193,369,239	\$ 199,737,734	\$ 206,815,530	\$ 214,159,302	\$ 221,768,747
Revenue Surplus/(Shortfall)	\$ 1,878,814	\$ (14,843,223)	\$ (20,292,028)	\$ (25,775,688)	\$ (31,397,895)
Designated for Capital Projects	\$ 1,782,596	\$ 1,782,596	\$ 1,782,596	\$ 1,782,596	\$ 1,782,596
General Reserve	\$ 8,625,183	\$ 8,721,401	\$ 9,036,707	\$ 9,365,053	\$ 9,705,711
\$ Needed for 5% General Reserve	\$ 8,721,401	\$ 9,036,707	\$ 9,365,053	\$ 9,705,711	\$ 10,059,147
Additional Funds to Reach 5%	\$ (96,218)	\$ (315,306)	\$ (328,346)	\$ (340,657)	\$ (353,436)
Total Revenue Surplus/Shortfall	\$ (0)	\$ (15,158,529)	\$ (20,620,374)	\$ (26,116,345)	\$ (31,751,330)

FY 2010-11

Property Tax reduced by 4%
Sales Tax reduced 1% from FY 2009-10 projections
All other discretionary GF revenues flat
Funding of \$1.9M for roads

FY 2011-12

Property Tax reduced by 2%
Funding of \$1.5M for roads

FY 2012-13 through FY 2014-15

Property Tax reduced by 0.5%
Funding of \$1.5M for roads