



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 2012-13. Departments have done an excellent job of maintaining their FY 2011-12 Net County Cost, the assigned target for FY 2012-13. This budget is balanced with a slight surplus of \$677,642. The Chief Administrative Office is recommending that this surplus be added to the designation for Capital Projects and re-evaluated after the books close in August. This budget was our first budget 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:

El Dorado County Economic Snapshot

	2008	2009	2010	2011	2012
Median Housing Price (March)	\$359,000	\$335,000	\$294,950	\$268,000	\$255,000
Unemployment Rate	6.9%	11.3%	13.6%	11.9%	10.9%
Single Family Dwelling Permits Issued	205	72	95	106	

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

The County continues to have a structural deficit (see Attachment A) resulting in a projected shortfall of \$8.2 million in FY 2013-14. Many of the projects in the Board

adopted Strategic Investment Plan are already underway and as efficiencies are recognized this projected shortfall will decrease.

This budget is submitted during the ongoing negotiation of the State's FY 2012-13 budget and does not make any assumption about the impact of the State's Budget. The State is facing a \$15.7 billion deficit for FY 2012-13. In their overview of the Governor's May Revision the LAO agrees that the Administration's estimates are based on reasonable assumptions. It is important to note that the Governor's proposed budget relies on voters approving his November statewide ballot initiative. If the ballot initiative fails, additional cuts will go into effect that could impact the County.

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. Also included with the Budget Basics is the presentation given to the Board in September, 2011 outlining the Strategic Investment Plan. 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 begin on June 5, 2012 and continue on June 6, 2012 if necessary. CAO staff will provide an overview of the Recommended Budget as well as present a new Personnel Resolution for adoption. We would like to return to the Board during the month of August with updates from the Investment teams and recommendations for changes to the Recommended Budget. Budget Hearings are scheduled to begin on September 17th with approval of the Adopted FY 2012-13 Budget on September 25th.

OVERALL BUDGET OUTLOOK

The total Recommended Budget for FY 2012-13 is \$382M, which is \$20M (5%) less than the Adopted FY 2011-12 budget of \$402M. The County's proposed General Fund budget, which includes discretionary funds for County services, is \$194M, which is \$15M (7%) less than the Adopted FY 2011-12 budget of \$209M. The chart below provides a five-year trend of County budget changes:

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

	2008-09	2009-10	2010-11	2011-12	2012-13
General Fund	\$220	\$195	\$201	\$209	\$194
% Growth from prior year	(5%)	(11%)	3%	4%	(7%)
Non-General Fund	\$310	\$264	\$213	\$193	\$188
% Growth from prior year	(20%)	(15%)	(19%)	(9%)	(3%)
Total	\$530	\$459	\$414	\$402	\$382
% Growth from prior year	(14%)	(13%)	(10%)	(3%)	(5%)

The Recommended Budget includes no growth in the General Fund discretionary revenue sources. The \$15M decrease is primarily related to a decrease in fund balance of approximately \$12M. Departmental revenues have also decreased slightly by \$1.6M or 2%. 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 \$5M within Non-General Fund revenues are primarily related to changes within Public Health (decrease of \$5M), Mental Health (decrease of \$5M), and Community Services (decrease of \$2.2), offset with increases in the Road Fund of \$4M and Road District Tax Fund \$3M.

The Recommended FY 2012-13 Budget includes funding for 1747.73 full-time equivalent positions (FTEs). This represents a 9.1 FTE increase from the current FY 2011-12 allocation. This chart includes only departments with personnel allocation changes.

Department	Position Additions	Position Reductions	Total
Agriculture	0.00	-1.50	-1.50
Air Quality Management	0.00	-1.00	-1.00
Assessor	1.60	-1.00	0.60
Chief Administrative Office	31.00	0.00	31.00
Development Services	2.00	-1.00	1.00
District Attorney	1.00	0.00	1.00
Health & Human Services	20.50	-12.30	8.20
Human Resources	2.00	0.00	2.00
Information Technologies	4.00	-5.00	-1.00
Library	1.00	-1.00	0.00
Probation	5.50	-7.00	-1.50
Public Defender	1.00	-1.00	0.00
Sheriff	3.00	-2.50	0.50
Surveyor	1.00	-1.00	0.00
Transportation	0.80	-33.00	-32.20
Treasurer/Tax Collector	1.00	0.00	1.00
Veterans	1.00	0.00	1.00
Totals	76.40	-67.30	9.10

GENERAL FUND SUMMARY

The chart below reflects the increases and decreases in General Fund appropriations by expenditure class for the Recommended Budget. Salaries have remained relatively flat. Expenses have decreased due to reductions in workers compensation and general liability. Fixed assets and Operating Transfers have also decreased. In FY 2011-12 the Board set aside one time funds (\$6M) into a Designation for Capital Projects to increase this fund based on the investment strategy as well as a designation for the Meyers Landfill (\$4M). The FY 2012-13 budget includes an additional \$677,642 increase to the Reserve for Capital Projects bringing the total Designation for Capital Projects to \$8,793,456.

Appropriations by Expenditure Class

Expenditure Class	FY 2011-12 Budget	FY 2012-13 CAO Recm'd	\$ Increase/ (Decrease)	%Increase/ (Decrease)
Salaries	\$123,158,000	\$124,696,210	\$1,538,210	1%
Expenses	54,434,095	50,763,390	(3,670,705)	(7%)
Fixed Assets	1,663,519	653,108	(1,010,411)	(61%)
Other	31,000	75,000	44,000	142%
Transfers	13,095,922	12,080,649	(1,015,273)	(8%)
Contingency	5,400,000	5,305,106	(94,894)	(2%)
Reserve/Designation	10,910,040	677,642	(10,232,398)	(94%)
Appropriations	\$208,692,576	\$194,251,105	(\$14,441,471)	(7%)

The chart below reflects the distribution of increases and decreases in General Fund appropriations by functional group. The largest change is between General Government and Land Use/ Development Services due to the transfer of the Facilities unit out of Land Use and into General. Law and Justice and Health and Human Services include minor decreases of approximately \$1M or 2% each.

Appropriations by Functional Group

Functional Group	FY 2011-12 Budget	FY 2012-13 CAO Recm'd	\$ Increase/ (Decrease)	%Increase/ (Decrease)
General Gov't	\$25,610,289	\$30,673,492	\$5,063,203	20%
Law & Justice	80,271,990	78,977,644	(1,294,346)	(2%)
Land/Dev Svc	18,798,878	12,752,549	(6,046,329)	(32%)
Hlth/Human Svc	54,320,794	52,999,587	(1,321,207)	(2%)
Non Dept	18,780,584	18,170,191	(610,393)	(3%)
Appropriations	\$197,782,535	\$193,573,463	(\$4,209,072)	(2%)

The chart below reflects the distribution of increases and decreases in the amount of discretionary Net County Cost (NCC)/General Fund support by functional group. The increase in General Government is due to the transfer of the Facilities function from Land Use/Development Services and is offset with a corresponding decrease in Land Use. Law and Justice and Health and Human Services also decreased.

Net County Cost/GF Contribution by Functional Group

Functional Group	FY 2011-12 Budget	FY 2012-13 CAO Recm'd	\$ Increase/ (Decrease)	% Increase/ (Decrease)
General Gov't	\$16,969,082	\$21,355,881	\$4,386,799	26%
Law & Justice	59,380,749	58,478,420	(902,329)	(2%)
Land/Dev Svc	10,707,406	5,492,634	(5,214,772)	(49%)
Hlth/Human Svc	5,288,131	5,071,577	(216,554)	(4%)
Total	\$92,345,368	\$90,398,512	(\$1,946,856)	(2%)

Appropriated fund balance: The current fund balance estimate of \$11M includes \$3.2M in roll-over contingency and approximately \$5.4 in departmental savings and \$1.6M in additional non-departmental revenues. This estimate is subject to change with the close of the FY 2011-12 financial records in August.

Contingency / Reserves Budgeted at 8%: The Recommended FY 2012-13 Budget sets aside 8% for “rainy-day” reserves. The contingency fund is proposed to be \$5.3M or 3% of adjusted General Fund appropriations. It should be noted that beginning in FY 2012-13 the Sheriff has requested a contingency budget specifically for unanticipated costs within the Sheriff’s Department. The Sheriff anticipates returning over \$1M in savings to the General Fund. A contingency budget of \$300,000 has been established in the Sheriff’s budget. This amount combined with a \$5M contingency in Department 15 makes up the 3% contingency based on adjusted General Fund appropriations. The reserve fund is proposed to be \$8.8M or 5% of adjusted General Fund appropriations. The reserve has decreased \$139,296 from FY 2011-12 due to a decrease 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 2012-13 Budget includes an additional \$677,642 set aside as a Designation for Capital Projects. Currently the County has \$8.1 set aside. The addition of the \$677,642 brings the total Designation for Capital Projects to \$8.8M.

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. Discretionary revenues continue to remain flat;

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. 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.

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.

BUDGET AND BEYOND

The closure of the Recommended Budget special meeting will not conclude the FY 2012-13 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 in August with updates on the Investment Teams and will incorporate State actions and final fund balance figures into the Adopted Budget to be discussed during the September budget hearings.

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 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 25, 2012

COUNTY OF EL DORADO General Fund Revenue and Appropriation Projection

	FY 2012-13	FY 2013-14	Projected FY 2014-15	FY 2015-16	FY 2016-17
REVENUES					
Property Tax	\$ 52,748,388	\$ 52,749,672	\$ 52,750,969	\$ 52,752,278	\$ 52,753,601
Other Local Taxes	30,644,593	30,646,406	30,648,236	30,650,085	30,651,953
Licenses/Permits/Franchises	5,414,122	5,474,849	5,536,450	5,598,938	5,662,330
Fines/Forfeitures/Penalties	1,006,200	1,012,262	1,018,385	1,024,568	1,030,814
Use of Funds/Property	131,650	147,367	148,090	148,821	149,559
Intergovernmental Revenue	62,130,964	57,421,672	58,912,238	60,450,737	62,038,785
Charges for Service	12,323,100	12,430,287	12,538,698	12,648,347	12,759,249
Other Revenue	2,521,828	2,532,592	2,543,464	2,554,445	2,565,536
Transfers from Other Funds	16,190,964	21,374,316	21,748,925	22,136,266	22,533,929
Total Current Revenues	\$ 183,111,809	\$ 183,789,423	\$ 185,845,454	\$ 187,964,486	\$ 190,145,756
Appropriation from Fund Balance	11,000,000	7,305,106	7,509,000	7,668,270	7,927,818
Total Revenues	\$ 194,111,809	\$ 191,094,529	\$ 193,354,454	\$ 195,632,756	\$ 198,073,574
Discretionary Revenues	\$ 109,107,049	\$ 105,501,528	\$ 105,705,422	\$ 105,864,692	\$ 106,124,240
Departmental Revenues	85,004,760	85,593,001	87,649,032	89,768,064	91,949,334
Total Revenues	\$ 194,111,809	\$ 191,094,529	\$ 193,354,454	\$ 195,632,756	\$ 198,073,574
APPROPRIATIONS (Category)					
General Government	\$ 30,673,492	\$ 30,198,938	\$ 31,326,564	\$ 32,497,750	\$ 33,714,192
Law and Justice	78,977,644	81,989,571	85,117,559	88,366,119	91,739,937
Land Use & Development	12,752,549	13,230,174	13,725,929	14,240,511	14,774,643
Health/Human Services	52,999,587	54,864,775	56,796,926	58,798,490	60,872,008
Nondepartmental	18,170,191	18,819,177	19,173,216	19,633,377	19,999,843
Total Appropriations	\$ 193,573,463	\$ 199,102,633	\$ 206,140,194	\$ 213,536,247	\$ 221,100,622
APPROPRIATIONS (Object)					
Salaries/Benefits	\$ 124,696,210	\$ 129,683,258	\$ 134,869,789	\$ 140,263,780	\$ 145,873,531
Operating Expenses	50,763,390	50,657,361	52,155,212	53,697,998	55,287,068
Fixed Assets	653,108	672,701	692,882	713,669	735,079
Other Financing Uses	75,000	77,250	79,568	81,955	84,413
Transfer to Other Funds	12,080,649	12,503,063	12,674,474	12,851,027	13,032,878
Appropriation for Contingency	5,305,106	5,509,000	5,668,270	5,927,818	6,087,653
Total Appropriations	\$ 193,573,463	\$ 199,102,633	\$ 206,140,194	\$ 213,536,247	\$ 221,100,622
Revenue Surplus/(Shortfall)	\$ 538,346	\$ (8,008,105)	\$ (12,785,740)	\$ (17,903,491)	\$ (23,027,048)
Designated for Capital Projects	\$ 8,115,814	\$ 8,793,456	\$ 8,793,456	\$ 8,793,456	\$ 8,793,456
Designated for Contingencies	\$ -	\$ -	\$ -	\$ -	\$ -
General Reserve	\$ 8,981,140	\$ 8,841,844	\$ 9,084,437	\$ 9,417,065	\$ 9,762,170
\$ Needed for 5% General Reserve	\$ 8,841,844	\$ 9,084,437	\$ 9,417,065	\$ 9,762,170	\$ 10,120,229
Additional Funds to Reach 5%	\$ 139,296	\$ (242,593)	\$ (332,627)	\$ (345,106)	\$ (358,058)
Total Revenue Surplus/Shortfall	\$ 677,642	\$ (8,250,698)	\$ (13,118,367)	\$ (18,248,597)	\$ (23,385,106)
Cumulative Surplus/Shortfall	\$ -	\$ (8,250,698)	\$ (21,369,065)	\$ (39,617,662)	\$ (63,002,769)

FY 2012-13 Assumptions

Property Tax remains flat
All other Discretionary Rev remains flat
Funding of \$500K for roads
No NCC growth for departments

FY 2013-14 through FY 2016-17

4% growth on salaries and benefits
3% growth on all other expenses
1% growth on departmental revenues
Fund balance = Contingency plus \$2M departmental savings / increased revenues
All other assumptions remain the same as FY 2012-13