



County of El Dorado

Chief Administrative Office

330 Fair Lane
Placerville, CA 95667-4197

Terri Daly
Chief Administrative Officer

Phone (530) 621-5530
Fax (530) 295-2537

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Honorable Board Members:

Submitted for your review and consideration is the Chief Administrator's Recommended Budget for FY 2013-14. This budget is balanced. This budget continues to be 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:

	2009	2010	2011	2012	2013
Median Housing Price (March)	\$335,000	\$294,950	\$268,000	\$255,000	\$309,000
Unemployment Rate	11.3%	13.6%	11.9%	10.9%	9%

The County continues to have a structural deficit (see Attachment A) resulting in a projected shortfall of \$10.2 million in FY 2014-15. Many of the projects in the Board adopted Strategic Investment Plan are already underway and as efficiencies are recognized this projected shortfall will decrease.

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. 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 3, 2013 and continue on June 5, 2013 if necessary. CAO staff will provide an overview of the Recommended Budget as well as present a new Personnel Resolution for adoption. Budget Hearings are scheduled to begin on September 16th with approval of the Adopted FY 2013-14 Budget on October 1st.

OVERALL BUDGET OUTLOOK

The total Recommended Budget for FY 2013-14 is \$451M, which is \$26M (6%) less than the Adopted FY 2012-13 budget of \$478M. The County's proposed General Fund budget, which includes discretionary funds for County services, is \$223M, which is \$7M (3%) more than the Adopted FY 2012-13 budget of \$216M. The chart below provides a five-year trend of County budget changes:

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

	2009-10	2010-11	2011-12	2012-13	2013-14
General Fund	\$195	\$201	\$209	\$216	\$223
% Growth from prior year	(11%)	3%	4%	3%	3%
Non-General Fund	\$264	\$213	\$193	\$262	\$228
% Growth from prior year	(15%)	(19%)	(9%)	36%	(13%)
Total	\$459	\$414	\$402	\$478	\$451
% Growth from prior year	(13%)	(10%)	(3%)	19%	(6%)

The Recommended Budget includes no growth in the General Fund discretionary revenue sources. The \$7M increase is primarily related to the use of designated fund balance for capital expenditures. The Recommended Budget includes the use of \$5.6M to fund the facility investment plan. 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 \$34M within Non-General Fund revenues and appropriations are primarily related to a decreases in the Road Fund (\$13M), Road District Tax Fund due to use of fund balance (\$5M), Public Health (\$1M), Mental Health (\$1M), Community Services (\$2M) and the Countywide Special Revenue funds (\$21M), offset with an increase in the Accumulative Capital Outlay Fund of \$9M due the facilities investment plan.

The Recommended FY 2013-14 Budget includes funding for 1813.21 full-time equivalent positions (FTEs). This represents a 23.33 FTE increase from the current FY 2012-13 allocation. The chart below details these changes and includes only departments with personnel allocation changes.

Department	Position Additions	Position Reductions	Total
Assessor	1.00	-1.00	0.00
Auditor-Controller	4.00	-4.00	0.00
Chief Administrative Office	11.50	-6.00	5.50
Child Support Services	3.00	-1.00	2.00
Community Development Agency	13.00	-15.00	-2.00
District Attorney	3.00	-4.00	-1.00
Health & Human Services Agency	19.38	-6.00	13.38
Information Technologies	4.00	0.00	4.00
Library	1.15	-1.70	-0.55
Public Defender	1.00	0.00	1.00
Sheriff	3.00	-2.00	1.00
Surveyor	1.00	-1.00	0.00
Totals	65.03	-41.70	23.33

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 almost \$9M or 6%. Some of these increased costs are covered with increased revenue. This is the first budget with the full annualized costs of AB 109 staff. In addition, retirement and health insurance costs have increased. The increase is spread fairly evenly between salaries and benefits across all departments. Expenses have increased slightly at 2% primarily related to costs for the facilities investment plan. Fixed assets and other expenses have decreased overall by approximately \$250K. Operating Transfers have increased significantly at \$7.3M or 56%. The majority of this increase is related to the transfer of \$5.6M (Fund balance in the Designation for Capital Projects) to the Accumulative Capital Outlay fund for the facilities investment plan as well as an increase of \$1.8M in General Fund to the Road Fund for maintenance costs. In FY 2012-13 the Board added one time funds (\$10.3M) to the Designation for Capital Projects to increase this fund balance based on the investment strategy. The balance in this fund in FY 2012-13 was \$18.5M. The FY 2013-14 budget does propose to use \$5.6M of these funds for the facilities investment plan. In addition the Board allocated approximately \$6M of these funds to purchase and implement the Enterprise Resource Planning System (ERP). The budget for the ERP will be presented separately during the budget workshop. The FY 2013-14 Recommended Budget does not include any one-time funds to be added to the Designation for Capital Projects at this time. If there is additional fund balance after the books close in August, the Chief Administrative Office may recommend adding those funds to the Capital Projects fund balance. The FY 2013-14 Recommended Budget does include an increase of \$490,064 to the General Reserve bringing that total to \$9,871,286 or 5% of adjusted General Fund appropriations. General Fund Contingency has increased from \$5.6M to \$6.2M (approximately 3% of adjusted General Fund appropriations).

Appropriations by Expenditure Class

Expenditure Class	FY 2012-13 Budget	FY 2013-14 CAO Recm'd	\$ Increase/ (Decrease)	%Increase/ (Decrease)
Salaries & Benefits	127,729,192	136,501,437	8,772,245	6%
Expenses	57,407,898	58,692,675	1,284,777	2%
Fixed Assets	1,286,054	1,089,289	(196,765)	(15%)
Other	75,000	28,600	(46,400)	(61%)
Transfers	12,879,970	20,193,322	7,313,352	56%
Contingency	5,630,000	6,181,576	551,576	(9%)
Reserve/Designation	10,734,875	490,064	(10,244,811)	(95%)
Appropriations	\$215,742,990	\$223,176,963	\$7,433,973	3%

The charts below reflect the distribution of increases and decreases in General Fund appropriations, revenues and Net County Cost by functional group. The largest change in appropriations is in Non Departmental, comprised of the \$5.6M to the Accumulative Outlay Fund and the additional \$1.8M to the Road Fund as well as \$500K to the Meyers Landfill Special Revenue Fund. Land Use/ Development Services appropriations have also increased significantly, however the majority of the increase is offset with increased revenues (\$4.9M). The major change in the land use group has to do with moving all Administrative and Fiscal services into Development Services for the entire Community Development Agency. A large portion of these costs are being offset with revenue from the Transportation division, resulting in a total Net County Cost increase of \$798K. The increase in Net County Cost is primarily related to long range planning services. Law and Justice has the largest increase in Net County Cost at \$2.7M. This increase is due to a combination of decreasing revenues and increased costs. Health and Human Services has remained relatively flat with increased appropriations offset with increased revenues.

Appropriations by Functional Group

Functional Group	FY 2012-13 Budget	FY 2013-14 CAO Recm'd	\$ Increase/ (Decrease)	%Increase/ (Decrease)
General Gov't	34,040,871	33,642,836	(398,035)	(1%)
Law & Justice	82,057,386	83,557,048	1,499,662	1%
Land/Dev Svc	13,210,410	18,983,566	5,773,156	43%
Hlth/Human Svc	53,449,685	56,227,235	2,777,550	5%
Non Dept	22,249,762	30,276,214	8,026,451	36%
Appropriations	\$205,008,114	\$222,686,899	\$17,678,785	8%

Revenues by Functional Group

Functional Group	FY 2012-13 Budget	FY 2013-14 CAO Recm'd	\$ Increase/ (Decrease)	%Increase/ (Decrease)
General Gov't	10,554,266	9,700,368	(853,898)	(8%)
Law & Justice	23,648,607	22,415,054	(1,233,553)	(5%)
Land/Dev Svc	7,697,776	12,672,791	4,975,015	39%
Hlth/Human Svc	48,556,864	51,170,024	2,613,160	5%
Non Dept	98,754,572	102,931,386	4,176,814	4%
Revenues	\$189,212,085	\$198,889,623	\$9,677,538	5%

Net County Cost by Functional Group

Functional Group	FY 2012-13 Budget	FY 2013-14 CAO Recm'd	\$ Increase/ (Decrease)	% Increase/ (Decrease)
General Gov't	23,486,605	23,942,468	455,863	1%
Law & Justice	58,408,779	61,141,994	2,733,215	4%
Land/Dev Svc	5,512,634	6,310,775	798,141	14%
Hlth/Human Svc	4,892,821	5,057,211	164,390	3%
Total	\$92,300,839	\$96,452,448	\$4,151,609	4%

In addition to the Net County Cost noted above, the FY 2013-14 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)):

- \$2.3M to the Road fund for Road Maintenance
- \$252K to Airports
- \$3.6M to Public Health programs
- \$1.8M to Community Services programs

Appropriated fund balance: The current fund balance estimate of \$18.7M includes \$5.7M in roll-over contingency, approximately \$6.7 in departmental savings, \$2.7M in additional non-departmental revenues, \$2.6M in non-departmental savings and \$1M in one-time savings related to a rate holiday for General Liability and Worker’s Comp expenses. This estimate is subject to change with the close of the FY 2012-13 financial records in August.

Contingency / Reserves Budgeted at 8%: The Recommended FY 2013-14 Budget sets aside 8% for “rainy-day” reserves. The contingency fund is proposed to be \$6.2M or 3% of adjusted General Fund appropriations. The reserve fund is proposed to be \$9.9M or 5% of adjusted General Fund appropriations. The reserve has increased \$490K from FY 2012-13 due to the increase 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 2013-14 Budget includes \$12.9M in the Designation for Capital Projects fund balance. This fund balance started at \$18.5M. The FY 2013-14 Recommended Budget currently includes the use of \$5.6M for the facilities investment plan which brings the total to \$12.9M. Of this remaining balance, approximately \$6M has been allocated to the new Enterprise Resource Planning System, now known as FENIX (Fiscal Enterprise and Information Exchange). The FY 2013-14 budget for FENIX will be presented to the Board during the budget workshop on June 3, 2013.

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 4-7% 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 2013-14 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 relevant updates 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, and especially Chief Budget Officer Laura Schwartz, 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 24, 2013

COUNTY OF EL DORADO
General Fund Revenue and Appropriation Projection

	FY 2013-14	FY 2014-15	Projected FY 2015-16	FY 2016-17	FY 2017-18
REVENUES					
Property Tax	\$ 53,437,578	\$ 53,438,804	\$ 53,440,042	\$ 53,441,292	\$ 53,442,555
Other Local Taxes	31,917,673	31,919,606	31,921,558	31,923,529	31,925,520
Licenses/Permits/Franchises	6,221,988	6,296,081	6,371,307	6,447,687	6,525,238
Fines/Forfeitures/Penalties	878,750	884,788	890,885	897,044	\$ 903,265
Use of Funds/Property	121,040	136,250	136,463	136,678	\$ 136,894
Intergovernmental Revenue	57,406,605	51,273,808	52,861,310	54,499,285	\$ 54,597,647
Charges for Service	16,374,972	16,518,374	16,663,255	16,809,629	\$ 16,957,514
Other Revenue	2,395,687	2,401,584	2,407,540	2,413,556	\$ 2,419,632
Transfers from Other Funds	30,135,330	33,989,674	33,580,423	33,138,592	\$ 34,254,448
Total Current Revenues	\$ 198,889,623	\$ 196,858,969	\$ 198,272,783	\$ 199,707,292	\$ 201,162,714
Appropriation from Fund Balance*	24,287,340	11,181,576	13,000,000	15,100,000	18,210,000
Total Revenues	\$ 223,176,963	\$ 208,040,545	\$ 211,272,783	\$ 214,807,292	\$ 219,372,714
Discretionary Revenues	\$ 127,218,726	\$ 111,647,653	\$ 113,466,077	\$ 115,566,077	\$ 118,676,077
Departmental Revenues	95,958,237	96,392,892	97,806,706	99,241,215	100,696,637
Total Revenues	\$ 223,176,963	\$ 208,040,545	\$ 211,272,783	\$ 214,807,292	\$ 219,372,714
APPROPRIATIONS (Category)					
General Government	\$ 33,642,836	\$ 32,985,478	\$ 33,614,438	\$ 34,255,976	\$ 34,910,346
Law and Justice	83,557,048	85,228,189	86,932,753	88,671,408	90,444,836
Land Use & Development	18,983,566	19,363,237	19,750,502	20,145,512	20,548,422
Health/Human Services	56,227,235	57,351,780	58,498,815	59,668,792	60,862,167
Nondepartmental	30,276,214	23,243,144	23,523,632	23,819,534	24,151,013
Total Appropriations	\$ 222,686,899	\$ 218,171,828	\$ 222,320,139	\$ 226,561,222	\$ 230,916,785
APPROPRIATIONS (Object)					
Salaries/Benefits	\$ 136,501,437	\$ 138,820,675	\$ 141,592,975	\$ 144,420,722	\$ 147,305,024
Operating Expenses	58,692,675	58,040,332	59,112,756	60,206,650	61,322,445
Fixed Assets	1,089,289	1,115,195	1,137,416	1,160,082	1,183,201
Other Financing Uses	28,600	29,172	29,755	30,351	30,958
Transfer to Other Funds	20,193,322	14,166,454	14,347,236	14,533,417	14,725,157
Appropriation for Contingency	6,181,576	6,000,000	6,100,000	6,210,000	6,350,000
Total Appropriations	\$ 222,686,899	\$ 218,171,828	\$ 222,320,139	\$ 226,561,222	\$ 230,916,785
Revenue Surplus/(Shortfall)	\$ 490,064	\$ (10,131,283)	\$ (11,047,357)	\$ (11,753,930)	\$ (11,544,071)
Designated for Capital Projects	\$ 12,863,268	\$ 12,863,268	\$ 12,863,268	\$ 12,863,268	\$ 12,863,268
Designated for Contingencies	\$ -	\$ -	\$ -	\$ -	\$ -
General Reserve	\$ 9,381,221	\$ 9,871,286	\$ 9,951,725	\$ 10,148,256	\$ 10,348,808
\$ Needed for 5% General Reserve	\$ 9,871,286	\$ 9,951,725	\$ 10,148,256	\$ 10,348,808	\$ 10,553,465
Additional Funds to Reach 5%	\$ (490,064)	\$ (80,439)	\$ (196,532)	\$ (200,552)	\$ (204,656)
Total Revenue Surplus/Shortfall	\$ (0)	\$ (10,211,722)	\$ (11,243,888)	\$ (11,954,482)	\$ (11,748,728)

FY 2013-14 Assumptions

Property Tax remains flat
 All other Discretionary Rev remains flat
 1% growth on departmental revenues
 Funding of \$2.3M for roads
 2% growth in operating costs
 Assumes 25% (Approx \$500K) TOT for GF Operating Costs

FY 2014-15 through FY 2017-18

Fund balance = Contingency plus \$2M departmental savings / increased revenues
 All other assumptions remain the same as FY 2013-14

*** Investment Strategy Savings**

Included in Fund Balance
 Assumes \$3M in FY 14-15
 Assumes \$5M in FY 15-16
 Assumes \$7M in FY 16-17
 Assumes \$10M in FY 17-18