



# County of El Dorado

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## Chief Administrative Office

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Placerville, CA 95667-4197

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Chief Administrative Officer

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June 2, 2017

The Honorable Board of Supervisors  
300 Fair Lane  
Placerville, CA 95667

Members of the Board of Supervisors:

With this letter, I submit for your consideration the Fiscal Year 2017-18 Recommended Budget for El Dorado County. A public meeting is scheduled for June 20, 2017, to consider the recommended spending plan, at which time the Board may make any additions, deletions or modifications to the recommended budget.

The total Recommended Budget for FY 2017-18 is \$536 million, which is \$13 million (2%) less than the FY 2016-17 Adopted Budget of \$549 million. The General Fund Budget is recommended at \$280 million, which is \$4 million (3%) less than the Adopted FY 2016-17 Budget of \$284 million.

As a result of the efforts of your staff, the budget before you is balanced, meets State requirements and fully funds contingency, general reserves and capital deferred maintenance in accordance with the Board's budget policies, \$3 million from local revenues for road repairs, more than \$2 million in additional funding to improve our Information Technology Infrastructure, as well as many of the priorities identified by the Board during the April 19, 2017, budget discussion. While at this time, I am not recommending setting aside funding for OPEB or future CalPERS costs, if the County ends the current fiscal year with a higher than anticipated fund balance, the priority should be to set aside those funds to offset the CalPERS increases and/or OPEB liability in accordance with Board policy.

### Budget Approach

The budget before you was developed using the following criteria as we reviewed each program, with the primary understanding there is insufficient revenue to meet all of the demands of the community:

- 1) Compliance with State mandated programs and services
- 2) Compliance with Board policies
- 3) Consistency with the Strategic Plan and Board priorities
- 4) Conservative but realistic revenue and expenditure projections
- 5) Preparing for the impacts of future year commitments and requirements
- 6) Service level and system wide impacts
- 7) Efficiencies

### Budget Challenges

Primary concerns facing El Dorado County in the next few years include: the Governor's proposal to undo the Coordinated Care Initiative and the return of the In-Home Supportive Services costs to the Counties, resulting in a shift of approximately \$1.6 million in increased costs; increasing impacts as a result of AB109/Prison Realignment and Proposition 47, which reduced some felony crimes to misdemeanors; and, most significantly, increased CalPERS costs totaling approximately \$4.5 million beginning in Fiscal Year 2018-19 with similar additional increases in future years. At this time, the State Department of Finance anticipates continued growth over the next three to four years, but cautions that the State is seeing an unprecedented period of continued growth over consecutive years since the 'Great Recession'.

These fiscal challenges come on top of local spending priorities, such as addressing needed facility improvements and insufficient State revenues to adequately maintain our roads. Annual payments for the Public Safety Facility, approved by the Board in 2016, will need to be built into the budget within this same timeframe. Assuming there are no significant changes to the anticipated expenditure increases, without any unanticipated growth in revenue there will likely be a significant change to the level of services provided to El Dorado County residents over the next three to five years.

Moving forward, it is essential the Board sufficiently fund our contingency and reserves, provide funding to maintain our infrastructure, including our roads, buildings and information technology, and if possible, begin setting aside money to establish a pensionable trust and unfunded OPEB liabilities so that we establish a strong foundation in future years. In addition, it is our recommendation that the Board refrain from adding any new discretionary programs, services and related appropriations to the FY 2017-18 budget unless additional funding has been identified. If the Board desires to make changes to the Recommended Budget, we request that these changes are done understanding that the budget is balanced as presented, and that if any services and cost increases are added to the budget, a corresponding sustainable reduction should also be identified.

We anticipate there will be some additional fund balance available once the FY 2016-17 books are closed; however, we are expecting that amount to be less than what has been experienced in prior years, due in part to reductions in departmental budgets and a slower increase in general revenues. It is recommended that, should additional carry-over fund balance be available once the books are closed in September, that these additional one-time funds be used to (1) place additional funding in the Designation for Capital Projects to help fund deferred maintenance and capital facility needs, and (2) to set aside funds to help offset future years' increases in CalPERS retirement costs.

Conclusion/Next Steps

A meeting has been scheduled on June 20, 2017, for the Board to discuss, make any changes and approve the recommended budget for Fiscal Year 2017-18. Formal budget hearings are scheduled to take place in September 2017, at which time the Board will have the opportunity to make further adjustments to the budget based on final year end savings and any other changes that may result as a result of the Governor's final budget.

In conclusion, if you compare the recommended budget to prior year budget documents, you will notice differences in how the information is presented. While certain information must be included to comply with State law, it is our hope the format allows for an easier understanding of the budget and greater transparency relative to changes to the budget.

Lastly, I would like to thank the Department Heads and their staff for their support and participation through this process, understanding the difficulty in identifying how limited resources are distributed among mandated programs and essential but discretionary programs.

Sincerely,



Don Ashton  
Chief Administrative Officer