



County of El Dorado

Chief Administrative Office

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June 4, 2018

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

Honorable Members of the Board of Supervisors,

With this letter, I submit for your consideration the Fiscal Year 2018-19 Recommended Budget for El Dorado County. A public Budget Hearing is scheduled for June 18, 2018, 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 all Governmental Funds for FY 2018-19 is \$605.4 million, which is \$36.5 million (6.4%) more than the FY 2017-18 Adopted Budget of \$568.9 million.

Total General Fund appropriations are recommended at \$290 million, which is \$10 million (3.6%) more than the FY 2017-18 Recommended Budget of \$280 million (submitted at this same time last year); and \$4.4 million (1.5%) less than the FY 2017-18 Adopted Budget of \$294.4 million approved by the Board in September of 2017.

As a result of the efforts of your staff, the budget before you is balanced, meets State requirements and fully funds the General Fund Contingency, General Reserves and the Designation for Capital Projects in accordance with the Board's adopted budget policies. 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 the Board's budgeting practice.

Budget Approach

The budget before you has been developed using the following criteria, 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

Strategic Plan

As indicated above, the County's budget was prepared in a manner that is consistent with the Strategic Plan and Board priorities. The following is a summary of the primary budget requests within each goal:

- 1) Public Safety
 - a. Four additional Sheriff Deputy Positions. While funding is not being increased at this time, my office feels it is important to provide the Sheriff with the flexibility to fill these positions if needed. The County will likely need to fund some or all of these positions in FY 2019-20.
 - b. \$250,000 increase in General Fund to backfill the loss of grant revenues in the District Attorney's Office, related to vertical prosecution of domestic violence cases and victim advocacy.
- 2) Infrastructure
 - a. \$7 million toward deferred building maintenance and improvements, roughly \$3 million of which is being applied to the two jail facilities.
 - b. \$5 million toward the Designation for Capital Projects/Deferred Maintenance reserve.
 - c. \$486,700 to implement year two of the three-year Information Technology infrastructure upgrade plan.
- 3) Healthy Communities
 - a. \$716,000 to participate in the ODS Drug Medical program. The Organized Delivery System (ODS) Drug Medical program provides a more comprehensive approach for treating substance abuse. It is a pilot program that will allow participating counties to offer an expanded range of substance abuse disorder treatment modalities for Medi-Cal beneficiaries and allow counties to bill Medi-Cal for services instead of using local funding.

- b. \$82,000 to fund a homeless coordinator. It should be noted that the Governor's May Revise budget includes \$358.8 million in one-time funding and \$64.1 million in ongoing funding to assist local governments in addressing California's homeless crisis. While details of how the state will distribute these funds are not yet clear, I believe it is essential to fund a contract that will assist the County in accessing and managing these funds.
- 4) Economic Development
- a. \$800,000 remains set aside to help fund Broadband Grant or Project match or to cover business development/retention incentives.
 - b. \$250,000 towards Community Planning (shared with Planning Department)
 - c. \$760,000 in Promotions funding.
- 5) Good Governance
- a. \$315,000 set aside to improve code enforcement efforts.
 - b. Excluding the four Deputy positions and the nine positions funded by the ODS Drug Medical Program, the total number of positions in the County is decreasing by 4.7 FTEs from the 2017-18 Recommended Budget.

Budget Challenges

Beginning in FY 2018-19, and continuing for approximately five years, the County will be required to pay cost increases beyond our control, due to a number of plan changes adopted by the CalPERS Board of Directors. The details of the plan changes and related increases are discussed further in the following Budget Summary. In addition, beginning in FY 2020-21 the County will see significant cost increases as a result of prior decisions, such as the \$2.3 million loan payment for the Public Safety Facility and approximately \$1 million in operating costs of the jail expansion project. At this time, the County has not identified funding to cover these cost increases.

As a result of the CalPERS cost increases, the Board will also be required to make a policy decision whether to begin providing General Fund money to programs that have historically been funded primarily by state and federal funding, or to reduce services in these programs. HHSA requested additional General Fund support in their FY 2018-19 budget, some of which is being recommended in order to ensure compliance with State mandates. In addition, while Child Support Services did not request any General Fund support in FY 2018-19, future year projections indicate General Fund money will be needed in FY 2019-20 or services will have to be reduced. The Board must also take into consideration the impacts that fulfilling the County's compensation philosophy to pay all employees at no less than 10% below the median of our comparator agencies will also increase costs.

As the Board considers the Recommended Budget, please keep in mind that California is now in its eighth consecutive year of economic growth, perhaps the longest number of consecutive years of growth ever seen in the State. While economists are not predicting an economic downturn at this time, we need to be prepared for an economic downturn in the future in order to avoid the

significant layoffs that took place during the last recession. Another uncertainty the Board must keep in mind is the potential repeal of the Senate Bill 1 (Beall) which appears will qualify for the November 2018 ballot. If repealed, this will reduce the County's revenues by approximately \$5 million, and the County will be required to reduce services in other areas if the decision is to direct County funds towards maintaining our roads.

As a result of these known cost increases, as well as the fiscal uncertainties associated with the economy and potential repeal of SB1, it is essential that the Board refrain from expanding programs and services except where absolutely necessary. In the event programs or services are expanded, it is strongly recommended the Board identify corresponding reductions to other programs or services.

Based on the information above, and without taking into consideration the impact if SB1 is repealed, the County needs to be prepared for ongoing cost increases beyond the normal growth seen each year, keeping in mind that typical sales tax and property tax growth is not sufficient to cover these costs increases in addition to normal cost increases associated with salaries, benefits, and other required employee costs.

Finally, the County continues to operate under a federal consent decree that was imposed approximately nine years ago relative to achieving compliance with the American with Disabilities Act in our buildings and roadway/sidewalk infrastructure. While the County has made significant progress in each of these areas over the past three years, it is essential that we continue providing the funding and resources necessary to achieve compliance with the consent decree.

Formal budget hearings are scheduled to take place on June 18, 2018. We will return to your Board in September for the formal adoption of the Budget, following the close of the FY 2017-18 financial records.

I would like to thank the Department Heads and their staff, as well as the Board's ad-hoc budget committee, for their support and participation through this process, understanding the difficulty in identifying how limited resources are distributed among mandated programs and essential budget discretionary programs.

Sincerely,



Don Ashton
Chief Administrative Officer