



# County of El Dorado

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## Chief Administrative Office

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Chief Administrative Officer

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June 3, 2019

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 2019-20 Recommended Budget for El Dorado County. A public Budget Hearing is scheduled for June 17, 2019, 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 2019-20 is \$688.7 million, which is \$56.5 million (8%) more than the FY 2018-19 Adopted Budget of \$632.2 million. It should be noted that the totals presented here reflect all Governmental Funds, including Special Revenue Funds, and includes approximately \$30 million in loan proceeds relative to the final expenses to complete the Public Safety Facility.

Total General Fund appropriations are recommended at \$313.2 million, which is \$18.4 million (6.2%) more than the FY 2018-19 Adopted Budget of \$294.8 million approved by the Board in September of 2018. While this increase in General Fund totals may be greater than anticipated, it should be noted that the majority of the growth in the General Fund is in non-discretionary spending. This includes the impact of completed labor negotiations which reflect cost increases consistent with the Board compensation philosophy, growth related to Charter Section 504 pay rate increases for certain public safety classifications, and growth in CalPERS retirement costs, or reflects cost increases tied to outside funding sources. As a result, the net increase in the General Fund net county cost is just over \$3 million.

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

### Budget Challenges

As the Board considers the Recommended Budget, please keep in mind that California is now in its ninth consecutive year of economic growth, likely 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. Unlike the significant layoffs and service level reductions that occurred during the last recession that were caused by a reduction in revenues, local jurisdictions are now facing difficult decisions relative to staffing and service levels as a result of increasing costs, primarily CalPERS and infrastructure cost increases.

In June 2017, I informed the Board *“These fiscal challenges come on top of local spending priorities, such as 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 time frame. 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.”*

In June 2018, I informed the Board, *“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 FY 2019-20 Budget was much more difficult to balance than the last two years and many requests from departments are not being recommended. It will only become more difficult in FY 2020-21 and future years. The following are some of the more significant future year costs:

- CalPERS costs increases averaging \$4 million/year (estimated \$2.5 million General Fund)
- Public Safety Facility ongoing General Fund cost of \$2.3 million beginning in FY 2021-22
- Jail Expansion ongoing General Fund cost of \$1 million beginning in FY 2021-22
- Placerville Jail Deferred Maintenance, FY 2019-20: \$830,000 one-time cost
- Placerville Jail Deferred Maintenance, FY 2020-21 – 2024-25: \$2 million one-time cost
- South Lake Tahoe Jail Deferred Maintenance, 5 years: \$1.5 million one-time cost
- Shakori Department of Transportation facility, South Lake Tahoe: \$2 million one-time cost

In addition, the budget is balanced by relying on approximately \$3.17 million in additional year-end fund balance than what was projected during the mid-year budget update. We cannot and should not continue relying on higher than anticipated fund balances to bridge service and program funding gaps.

In conclusion, El Dorado County has done a very good job over the past three years increasing designated reserves, providing a more competitive compensation structure and operating more efficiently while completing many of the Board's objectives and priorities. However, based on the information above the County simply cannot afford to pay salaries consistent with the compensation philosophy, maintain our building infrastructure and maintain existing services. Therefore, I am recommending the Board direct staff to begin planning for potential service level reductions beginning in FY 2020-21 so that there can be sufficient opportunity for Board discussions and community engagement prior to the FY 2020-21 Recommended Budget.

Formal budget hearings are scheduled to take place on June 17, 2019. We will return to your Board in September for the formal adoption of the Budget, following the close of the FY 2018-19 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. In addition, special recognition should be given to all staff involved in the process for completing the first Recommended Budget using the new FENIX system.

Sincerely,



Don Ashton  
Chief Administrative Officer