



**MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE
COUNTY OF PLACER**

TO: Honorable Board of Supervisors

FROM: Thomas M. Miller, County Executive Officer
By: Jeff Bell, County Budget Administrator

DATE: August 28, 2007

SUBJECT: FY 2007-08 Final Budget Public Hearing

ACTION REQUESTED

It is recommended that the Board:

- A. Convene the required public hearing on the FY 2007-08 Final Budget; take public comment on the budget and receive any requests for additional funding; if necessary, direct staff to make written changes to the budget before close of the public hearing; close the public hearing; and
- B. Direct staff to prepare the resolution for presentation at the next Board meeting to adopt the Proposed Budget including the following revisions:
- (1) Approve \$8,613,315 net allocations in the County Budget (Attachment A); and
 - (2) Approve allocations for proprietary funds (Attachment B); and
 - (3) Approve items listed on the Master Fixed Asset List (Attachment C); and
 - (4) Approve the recommended Position Allocation Listing (Attachment D); and
 - (5) Approve reserve provisions and cancellations for county funds (Attachment E); and
 - (6) Approve allocations in Board of Supervisor governed special districts (Attachment F);
- C. Approve for inclusion in the final budget, and addition to the Fixed Asset List, items as listed in Attachment G for Fleet Services and the Sheriff Department.

BACKGROUND

For three days in August your Board conducted Budget Workshops with all county departments during which the County's Proposed Budget and recommended revisions were discussed. As a follow up to those meetings, and prior to adoption of the Final Budget, the County Budget Act requires your Board to conduct a noticed public hearing. At this hearing members of the public may comment on the budget and department heads may make additional budget appeals. All recommended changes to the budget must be provided as part of the public hearing and approved

by your Board following the close of the hearing¹. The Final Budget will be presented for formal adoption as the County's FY 2007-08 operating plan at your Board's next meeting on September 18th as required by law. On September 18th, your Board may make adjustments to the Final Budget with a four-fifths vote.

The revisions to the Proposed Budget that are being recommended today factor in board direction from the August Budget Workshops. At the close of workshops, your Board approved the inclusion of County Executive Office recommendations as follows:

1. Redirection of \$300,000 in recommended funding for newly identified Sheriff Department priorities, and
2. Set aside \$2.6 million for Health and Human Service (HHS) programs, with \$2.1 million for ongoing operations and \$510,051 for one-time technology upgrades.

The HHS funds will be held by the Executive Office pending State Budget adoption and a HHS department revenue review, after which time staff will return to your Board in the fall to receive further direction on the allocation of those funds.

As discussed during workshops, staff will return to the Board at midyear to review General Fund revenue and expenditure trending and continue the discussion regarding items requested by the Sheriff Department. Per the Executive Office recommendations, additional information will be gathered by the department: 1) identification of the full costs for operations, maintenance, and staff training (split into one-time costs and ongoing), 2) comprehensive studies for the take home car program and jail booking stations and 3) identify new ongoing, sustainable revenues that the Sheriff Department can use to fund these requests.

Overall Placer County continues to maintain the funding necessary for critical services, and funds these costs with growth realized in property tax and other revenues, and additional fund balance carryover. The number of county positions is recommended at 2,844, representing a net increase of 3 positions from the Proposed Budget, specifically:

- Two positions additions are recommended in the Clerk Recorder: a recorder/elections manager, and a recorder elections/supervisor – senior. These positions will be fully funded for at least three years with a combination of trust funds and federal funds.
- An agricultural standards inspection senior position for the Agriculture Commissioner that is fully funded by additional user fees.

FY 2007-08 presents numerous challenges, and departments will need to continue to seek operational economies and efficiencies for service delivery. While comparing Final Budgets 2006-07 to 2007-08, overall county expenditures increased over \$100 million; however the bulk of that increase is the result of road, capital and infrastructure projects and the funds that are being expended were previously dedicated to these projects.

The Final Budget² presented to your Board today represents a net increase of \$8.61 million over the adopted Proposed Budget.

¹ Outstanding encumbrances consisting of issued contracts and purchase orders are added to appropriations in FY 2007-08 but are not included in the totals presented today since the amounts were obligated in the prior year.

² Only includes County operating funds, not internal service, enterprise, and special district funds.

Operating Funds	Proposed Budget	Changes	Final Budget
General Fund	\$ 366,551,104	\$ 6,563,576	\$ 373,114,680
Other Operating Funds	148,885,667	7,031,176	155,916,843
Capital Budget	268,017,095	(4,981,437)	263,035,658
Total Budget:	\$ 783,453,866	\$ 8,613,315	\$ 792,067,181

GENERAL FUND - Summary Changes from the Proposed Budget

Recommended General Fund expenditure changes total \$6.6 million. Staff recommendations include increased revenue and expenditures in the amount of \$2.8 million for restricted or grant funded programs (two Clerk Recorder positions, election equipment, and a warehouse surveillance system; the Kirk easement acquisition; a Homeland Security Grant; and the Park Division grant for the purchase of a masticator and associated equipment). As noted previously, the Board approved a set aside of \$2.6 million for Health and Human Services and an augmentation of \$3.7 million to Public Safety (FY 2007-08 increased General Fund contribution to Public Safety is \$11.1 million). Other items included are funds for increased retiree health benefits, Forest Safety funding, Agricultural Department funding for a senior agricultural inspector, including equipment and vehicle and re-budgeted expenditures for the HR2389 Program. In order to balance the General Fund, it was necessary to redirect \$2.6 million from Proposed Budget appropriations and reduce operating contingencies by \$1.2 million to fund these new program needs.

Additional resources used to fund these recommendations also total \$6.6 million and are derived from several sources including additional year-end fund balance carryover (\$1.7 million), \$2 million in increased property and related taxes, and \$2.8 million in restricted / grant program revenues.

Staffs have a number of concerns regarding Final Budget recommendations. Primarily this County Budget uses about \$4 million in one-time funding to pay for ongoing operating costs. This practice creates a structural budget concern that, unless altered, will continue to grown with future fiscal cycles. In addition, during the course of the fiscal year additional revenue reductions could occur with State Budget actions, or a continued, further decline in economic conditions which adversely impact the County's revenues. Finally, slowing revenue growth projected for the next 2-3 fiscal cycles will make it difficult to fund growing labor and operating costs in FY 2008-09 and beyond.

Due to limited amount of available funding, for the first time in several years the capital reserve levels included with the Final Budget were not augmented pursuant to Board policy direction by the \$3.5 million seen in years past. In addition, this budget does not include the \$1.5 million in bridge / infrastructure match funding that was provided by the Board last year for state and federal grants.

OTHER FUNDS – Summary Changes from the Proposed Budget

Similar increases are recommended for the other County operating funds, proprietary funds (Attachment B) and special districts under your Board's jurisdiction (Attachment F). As with the

General Fund, the budget resources are increased from additional final fund balances, revenue increases, and/or reserve cancellations. Budget uses are increased for budget items if funding is available, rebudgeted costs from FY 2006-07, supplemental expenditures, and/or to fund reserve increases. Additional information can be located in the attached supplemental information memorandum and schedules.

FISCAL IMPACT

Approval of the recommended appropriations and additional fund balance and revenues will result in a balanced budget for the County for FY 2007-08 as shown in the following table.

County Operating Funds	Fund Balance Available	Revenue & Cancelled Reserves	Total Budget Resources	Total Uses of Funds & Reserve Additions
General Fund	\$ 29,772,480	343,342,200	373,114,680	373,114,680
Community Services	281,616	1,683,379	1,964,995	1,964,995
Community Grants	138,759	3,635,986	3,774,745	3,774,745
Special Aviation	5,417	10,000	15,417	15,417
Public Safety	3,843,253	119,178,953	123,022,206	123,022,206
Gold Country Adv & Promotion	233,875	250,000	483,875	483,875
Fish & Game	4,374	1,200	5,574	5,574
Tahoe TOT	941,213	4,630,254	5,571,467	5,571,467
Open Space	1,571,718	1,803,160	3,374,878	3,374,878
Library Fund	644,379	5,584,440	6,228,819	6,228,819
Fire Control	628,340	7,349,286	7,977,626	7,977,626
Debt Service Fund		3,497,241	3,497,241	3,497,241
Subtotal Operating:	38,085,424	490,966,099	529,031,523	529,031,523
Building Projects	16,904,553	98,011,321	114,915,874	114,915,874
Road Projects	2,484,400	132,067,686	134,552,086	134,552,086
Securitization Projects	13,567,698	-	13,567,698	13,567,698
Subtotal Capital:	32,956,651	230,079,007	263,035,658	263,035,658
TOTAL	\$ 71,022,075	\$ 721,045,106	\$ 792,067,181	\$ 792,067,181

SUPPLEMENTAL INFORMATION

Final Budget Hearing – Summary of Recommended Operating Fund revisions from the FY 2007-08 Proposed Budget

General Fund / 100

Increases in the General Fund are the result of carryover fund balance and increased revenues as summarized in Attachment A.

Community Services Fund / 103

Excess carryover fund balance in the Community Services Fund is recommended for the reserve account, Designations for Contingencies (\$120,603).

Community Revitalization Fund / 104

Excess carryover fund balance in the Community Revitalization Fund is recommended for the reserve account, Designations for Contingencies (\$138,759).

Special Aviation / 107

Excess carryover fund balance in the Special Aviation Fund is recommended for the reserve account, Designation for Contingencies (\$2,917).

Public Safety Fund / 110

Recommended increases in revenue (\$2.5 million) and an increased contribution from the General Fund (\$3.7 million) will fund the recommended net changes to the Sheriff, Probation, District Attorney, and Criminal Justice CEO Appropriations.

Final Budget recommendations for the Sheriff's Department include increased revenues of \$8.4 million and increased expenditures of \$1.9 million. Final Budget recommendations for the District Attorney's budget include increased revenues of \$1.6 million and increased expenditures of \$105,415. Final Budget recommendations for the Probation Department include a revenue increase of \$570,426 and expenditure increases of \$891,243.

With Final Budget, the Criminal Justice CEO recommended revenue has decreased \$8.1 million as these funds were reallocated to the Sheriff and District Attorney budgets to offset their carryover fund balance shortfall.

Gold Country Tourism and Promotion / 115

The Gold Country Tourism & Promotions Fund includes additional funding for other west slope activities (\$115,267). This fund is balanced and includes a provision of \$4,091 to the reserve account, Designation for Contingencies.

Road Fund / 120

Total funding recommendations for the Road Fund are down slightly from Proposed Budget at \$134.5 million (vs. \$136.4 million). The figures in the Final Budget for the Road Fund include carryover fund balance (\$2,484,400), cancellation of reserves (\$1,374,436), and a decrease in revenue (\$2,249,240). Road Fund includes funding for construction and road surface projects and road maintenance including activities such as patch paving, lime treatment, tree trimming and related expenses. The Road Fund will place excess fund balance into the following reserves:

SUPPLEMENTAL INFORMATION (Continued)

\$144,935 Designation for Hulbert Highway 49; \$120,000 Designation for Douglas Blvd Pathways and Landscape; and \$327,971 for Right of Way Reserves (total provision of \$592,906).

Fish and Game / 130

The Fish and Game Fund will place excess carryover fund balance into a reserve account, Designation for Future Occurrences (\$2,147).

Building Fund / Capital Improvements / 140

The Capital Improvement Fund Final Budget reduces revenues by a total of \$8.8 million partially offset by additional carryover fund balance (\$5.6 million). Final Budget recommendations include additions and reductions to specific capital project due to the timing of construction costs (\$3.2 million). Finally, the Building Fund has placed excess carryover fund balance of \$91,126 into the reserve account, Designated for Fixed Asset Acquisition.

Capital Projects Securitization Fund / 141

This fund contains the balance of the proceeds that resulted from securitization of Master Settlement Agreement revenues in 2006. The fund appropriations have been reduced by \$1,056 to balance.

Lake Tahoe Tourism and Promotion / 145

The Lake Tahoe Tourism and Promotions Fund excess carryover fund balance will provide additional funding with final budget for the North Lake Tahoe Resort Association Contract (\$1.1 million) and management and TOT audits (\$30,000). The Lake Tahoe Tourism Fund will cancel reserves to partially fund these costs (\$230,254).

Open Space / 150

The Open Space Fund provides funding for Hidden Falls and Waddle Ranch improvements. With Final Budget, the Open Space Fund will add \$758,670 to a reserve account, Designation for Open Space Acquisition.

Library Fund / 160

Final budget recommendations include funding for computer and communications equipment, as well as other library related expenses (\$218,715). The Library will place excess carryover fund balance of \$50,000 into a reserve account, Designated for Fixed Assets.

Fire Control Fund / 170

Final Budget recommendations for the Fire Protection Fund included re-budgeted grant expenditures and revenues (\$418,873), and a reduction in Public Safety Sales Tax revenue (\$15,341). The fund will place excess carryover fund balance in a reserve account, Designated for Fixed Assets (\$612,999).

Debt Service Fund / 190

There are no changes recommended with the final budget.