



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

**TO:** Honorable Board of Supervisors  
**FROM:** Thomas M. Miller, County Executive Officer  
Submitted by: Therese D. Leonard, Principal Management Analyst  
**DATE:** June 13, 2006  
**SUBJECT:** Adopt Placer County's FY 2006-07 Proposed Budget

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**REQUEST**

It is requested that the Board of Supervisors:

1. Adopt the FY 2006-07 Proposed Budget and approve early purchase of equipment on the Master Fixed Asset List.
2. Approve technical accounting adjustments by the Auditor-Controllers Office that will subdivide the Sheriff's single appropriation into 6 separate appropriations.
3. Adopt the FY 2006-07 Proposed Budgets for Lighting Districts, County Service Area Zones (CSA), and Sewer Maintenance Districts governed by your Board.

**BACKGROUND**

Placer County's Proposed Budget for FY 2006-07 represents the culmination of an extensive effort by staff from all departments, resulting in a budget that recognizes future personnel obligations and maintains critical services that benefit our citizens. Prior to budget development, County Executive Office staff and I met with departments to discuss their current programs and review proposed service initiatives for the upcoming fiscal year. The resulting department budget requests were reviewed by County Executive Office staff, and approved when in keeping with Board priorities and within next year's funding constraints.

The County's Budget and Finance Policy provided the framework for development of this recommended budget. The budget provides a plan to achieve county goals for service delivery while maintaining our financial integrity, and is based upon sound financial assumptions regarding the allocation of financial resources given the revenues the County can expect to receive over the next fiscal year. The recommended budget supports the continued operations of Placer County's departments, and will provide funding for essential cost increases and one-time expenditures for capital construction, road maintenance, equipment replacement and the Open Space Program.

Upon adopted by the Board of Supervisors the Proposed Budget will become the County's interim spending plan effective July 1<sup>st</sup>. In August, the Board of Supervisors will hold Budget Workshops during which time departments will present their current plan for utilization of the funding provided to them. The workshops also provide a forum for thorough discussion of issues and concerns of the Board. During these workshops and at the public hearing that will be conducted during the first meeting in September, the Board of Supervisors have an opportunity to redirect dollars to specific program needs or services. The Final Budget must be adopted by October 2<sup>nd</sup> under County Budget Act requirements.

## **FY 2006-07 PROPOSED BUDGET**

Placer County's Proposed Budget is recommended at \$638,461,479, representing an increase of \$37 million or 6.1% over the adopted FY 2005-06 Final Budget. The Proposed Budget is supported by \$317 million in General Fund revenues, \$286 million other operating fund revenue, and \$34.6 million in one-time funding from carryover fund balance and cancelled reserves. Included within the Proposed Budget is the recommended Capital Budget of \$86.9 million that has decreased \$9.9 million or 10% over the Final Budget. The Capital Budget is supported by \$85.8 million in revenues and \$1.1 million fund balance and cancelled reserves.

Personnel costs continue to rise and are increased by \$23.9 million from the prior year, and represents 38% of total funding uses. With the exception of management and confidential employees, Placer County's workforce is primarily represented by two labor organizations: Placer Public Employees Organization (PPEO) and Placer County Deputy Sheriff's Association (PCDSA). These organization's labor agreements will expire before or within the new budget year: PPEO / June 30, 2006 and PCDSA / December 31, 2006. In anticipation of new labor agreements beyond the contract dates, the recommended budget includes a 2% COLA on salaries (non PCDSA) and Proposition F increases estimated for PCDSA.

The recommended budget includes a new charge that will collect at least \$4.8 million from the operating budget to offset the unfunded liability under Government Accounting Standard Board (GASB) Statement 45. This statement relates to payments and services provided for retirees other than pensions, primarily health care but can also include life insurance and other benefits. GASB 45 attempts to more fully reveal the costs of employment by requiring governments to include future Other Post Employment Benefits (OPEB) costs in their financial statements. In recognition of this pronouncement, last year the Board of Supervisors prudently set aside \$10 million dollars to partially fund the obligation. The new standard will be implemented in June 2008 at which point it becomes "accepted accounting practice" for governments.

Staff anticipates returning to your Board at final budget with significant adjustments to offset OPEB costs once year-end close adjustments are completed and the financial impacts of the anticipated PPEO contract negotiations are determined.

Recommended County *employee position allocations* have increased with the Proposed Budget. Position allocations are recommended at 2,827, representing a net increase of 28 positions from the final approved position allocation ordinance for FY 2005-06<sup>1</sup>.

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<sup>1</sup> Includes positions for Operating, Capital and Proprietary Funds.

## The General Fund

The *General Fund* is the largest county fund, and it underwrites most countywide operations either directly as the "net county cost" of General Fund budgets, or indirectly through contributions to other funds. General Fund financing requirements have been developed to maintain essential programs and services however funding restrictions are necessary to balance the budget. The General Fund is recommended at \$342 million, reflecting an increase of \$20.6 million or 6.4% over the prior year's Final Budget.

Contributions to other funds include \$6.2 million for the Road Fund for supplemental road maintenance and overlay projects, and direct contributions to other funds to help support activities including the Public Safety Fund (\$50.8 million), the Fire Protection Fund (\$1 million), the Open Space Fund (\$1.3 million), the County Library Fund (\$966,100) and the Debt Service Fund (\$2.4 million). Two large infrastructure projects will be completed next year: the Community Development Resource Center and the Auburn Justice Center. The recommended budget includes the funding necessary to complete these construction projects, as well as new funding for the Burton Creek Justice Center, the South Placer Jail, the South Placer Office Complex, the Colfax Library and several other county projects.

Recommended General Fund contingencies are \$7 million for FY 2006-07. Consistent with prior practice, contingencies include a "base" amount of approximately \$5.5 million (approximately 1.75% of General Fund operating expenditures). Contingencies also provide funding for unanticipated cost increases, revenue decreases and for items that need to be carried forward and re-budgeted from the prior fiscal year (\$1.5 million).

Maintenance of prudent reserves has been part of the County's fiscal planning process for many years. In addition to capital reserves, the County attempts to reserve approximately 5% of its General Fund operating expenditures for possible emergencies or future economic downturns. *Additional provisions to reserves are not recommended with the Proposed Budget.* The County Executive Office requests that at least \$1.16 million be considered for funding with the Final Budget to maintain the 5% thresh-hold noted previously, an additional \$3 million for the designation for fixed asset depreciation, and \$5 million for Other Post Employment Benefits (OPEB). As previously noted, further allocation towards OPEB funding will be considered at final budget.

The General Fund's revenue budget is recommended at \$317 million, up \$30.5 million or 10% from the adopted Final Budget. The past real estate market continues to contribute to increases in secured property tax revenues, and funding will be added back to the General Fund when the Governor's county property tax shift of \$2.2 million to the State is discontinued in FY 2006-07. Overall, property and other tax categories are budgeted \$15.6 million higher than last year's budget. Other general revenues are estimated based upon current year or prior year's receipts including sales tax revenue (\$13.5 million, flat), transient occupancy taxes (\$3.2 million, flat), and interest earnings (\$3.3 million, \$445,000 increase).

Other significant revenue increases in the General Fund are from intergovernmental revenues primarily for the Health and Human Services Department. During FY 2005-06 the department took a mid year budget adjustment due to the addition of approximately \$9.3 million new state and federal funding sources. The recommended budget includes those ongoing funds plus

additional revenues that the department expects to receive in the upcoming fiscal year, or \$15.1 million total revenue increased from the adopted final budget designated for specific program areas.

Consistent with the Board adopted Budget and Finance Policy, one-time funding such as carryover fund balance has been used to support one-time expenditures such as capital construction, equipment replacement, and operating contingencies. The policy is clear that one time sources of funds are not to be used to support ongoing operating costs. While the General Fund's revenues have increased they continue to be less than the County's financing requirements, and carryover fund balance has been used to balance the budget and to fund the items previously stated. Carryover fund balance is anticipated due to current year expenditure savings and revenue received in excess of the amount budgeted, and is recommended at \$24 million or 7% of total resources. The General Fund is balanced with the use of \$1,175,000 designation for future occurrence reserve, which provides half of the funding required for a Health and Human Service capital construction project at DeWitt.

General Fund employee positions have increased from 1,699 to 1,705 for a total of 6 more position allocations. New positions added with the Proposed Budget include the following: 1 - Administrative Services, 2 - County Counsel, 1 - Executive Office, 1 - Facility Services, and 1 - Public Works.

#### **Other Operating Funds**

In addition to the General Fund, the County manages twelve other governmental operating funds and one capital project fund. Operating funds have seen minor dollar increases or decreases from the prior year with the exception of the Road Fund (\$20.4 million increase) and the Public Safety Fund (\$5 million increase).

The *Public Safety Fund* is made up of four departments: Sheriff, District Attorney, Probation and the County Executive Office. The FY 2006-07 Public Safety Fund budget is recommended at \$109 million, representing an increase of \$5 million or 4.8% increase from the prior year final budget. While the budget has increased, it is important to note that the recommended budget is \$6 million less than the department's budget requests. Public safety services have experienced the same impacts of rising personnel costs and flattening state revenues and grant funding. Employee positions have increased from 711 to 720 allocations; with the 9 additional positions recommended for the Sheriff's Department. In addition, the Executive Office has agreed to increase District Attorney position allocations by 5-7 with the Final Budget. Revenue estimates for public safety are \$104 million, \$5 million or 5% higher than the prior year. Included in this amount is an estimated \$37.9 million public safety sales tax (Proposition 172 funding) which depends upon both statewide and local sales tax generation for receipt. The General Fund contribution has increased from \$48.8 million to \$50.8 million (\$4 million new funding and \$4 million to offset State Controller's Cost Allocation Plan costs). The Public Safety Fund is balanced with \$5 million in public safety estimated fund balance carryover.

The second action item requested of the Board today will subdivide the Sheriff Department's single appropriation into 6 separate appropriations when transferred into the *Performance Accounting System*, and has been requested by the Sheriff to support department management of fiscal operations.

The *Public Ways Fund* provides a budget for County and private land development project engineering services such as design, construction and contract administration. The fund also provides for the maintenance and improvement of approximately 1,000 miles of roads, including snow removal and road engineering and construction. The net budget of \$73.6 million represents an increase of \$20 million or 38%, which is primarily due to the addition of state and federally funded road and bridge projects. The Public Ways and Facilities Fund balances with \$2.4 million in estimated fund balance carryover and cancelled reserves of \$250,000 for the Tahoe relocation project. Public Ways Fund recommended employee positions have increased from 126 to 129.

### **Capital Budget**

The FY 2006-07 *Capital Projects Fund* budget is recommended at \$86.9 million, an increase of \$13.4 million or 18% from the prior year budget. Recommended project costs for FY 2006-07 are \$86.6 million, compared to the \$70.8 million the prior fiscal year. The primary reason for the increase in project construction costs is due to the inactivation of the Capital Project Securitization Fund. As required, revenue received from securitization of the Master Settlement Agreement revenue stream were spent in FY 2005-06. As a result, construction projects have been transferred to the Capital Project Fund from the Securitization Fund. Specific projects identified for current year project funding include, but are not limited to, the South Placer Justice Center, Auburn Justice Center, Children's Emergency Shelter, Cabin Creek, Burton Creek Justice Center, Colfax Library, and other projects. Capital Projects will receive \$85.8 million in revenue and project reimbursement, and is balanced with \$1.15 million in estimated fund balance carryover. Large infrastructure projects are funded by a combination of sources: capital facility impact fees (collected from new development); General Fund and Capital Project Fund reserves; prior year contributions from the General Fund; carryover fund balance and securitization dollars.

The *Capital Projects Securitization Fund* budget was inactivated as of June 30, 2006. As noted previously, funds received from securitization of the Master Settlement Agreement revenue stream were spent before June 30, 2006. Staffs are just finalized a second securitization of this revenue stream that generated \$13.5 million additional dollars for capital projects. The fund will be reactivated with the Final Budget.

### **PROPOSED BUDGET FOR SPECIAL DISTRICTS**

The Proposed Budget for Special Districts consists of a summary schedule, detail of provisions for reserves and designations, and revenue and expenditure line-item detail schedules for approximately 140 Districts and CSA zones. The proposed budgets for special districts governed by your Board are in a separate volume from the Placer County Budget due to the size of the book. The Special District's proposed expenditure budgets and additions to reserves have been balanced through a combination of estimated revenues, fund balance carryover, and cancellation of reserves for each fund. In most cases, final budget adjustments will be required to reflect year-end fund balance carryover, revenue estimate adjustments, and occasionally for re-budgeted costs or changes in expenditure categories.

## **FISCAL IMPACT**

The total recommended Proposed Budget for County expenditures is in balance, based on FY 2006-07 revenue projections, cancelled reserves or designations as well as estimated fund balance. The County Charter directs the County Executive Officer to prepare and submit an annual Proposed Budget to your Board for approval, and the County Budget Act (Government Code Sec. 29000) requires that the budget be submitted by June 30th. The Proposed Budget becomes Placer County's interim spending plan until your Board conducts public hearings and adopts the Final Budget. The latter must be done by the end of September.

Attachment: Placer County FY 2006-07 Proposed Budget  
Placer County FY 2006-07 Proposed Budget for Special Districts