



COUNTY OF PLACER

AUDITOR-CONTROLLER
& COUNTY EXECUTIVE

KATHERINE J. MARTINIS, CPA
Auditor-Controller

THOMAS M. MILLER
County Executive Officer

MEMORANDUM

To: Honorable Board of Supervisors
From: Katherine J. Martinis, Auditor-Controller and
Thomas Miller, County Executive Officer
Submitted by: Linda Oakman, Administrative Services Manager
Date: August 5, 2008
Subject: Board Approval of FY 2007-08 Year End Budget Revisions and Apportionment of Funds Consistent with County Financial Policies

Recommendations:

1. Board approval of budget revisions necessary to complete the accounting transactions for the fiscal year ended June 30, 2008 (Attachment 1).
2. Board approval to apportion the interest of \$617,805 earned on the Capital Projects Securitization Fund to the designation for fixed asset acquisition in FY 2007-08 in accordance with board policy regarding capital securitization funding.
3. Board approval to apportion \$5,664,511 in depreciation expense for structures and equipment to the designation for fixed asset acquisition in FY 2007-08 in accordance with adopted financial policies. This amount funds the estimated costs of depreciation on County facilities but only partially provides for needs and total contributions as called for in the Capital Facilities Financing Plan (CFFP).
4. Board approval of the budget revision providing funding to the County trust in response to GASB Statement No. 45 related to other post-employment benefits (OPEB) in the amount of \$4 million dollars to offset increases in the required contribution to OPEB expected in the next actuarial. The expected increases are due to increased retiree benefit costs and increased numbers of retirees not factored in to the current actuarial.

Background / Discussion:

Budget Revisions

Each year, it is necessary to make estimated revenue and budgeted appropriations adjustments at year-end to comply with the requirements of the county budget act and appropriations limits set by Proposition No. 4. To complete the accounting transactions for the fiscal year ending June 30 the final budget revisions for the Criminal Justice Other appropriation, the TART fund and the Auto Theft Task Force fund are fully funded from increased revenue (Attachment 1).

Capital Projects Securitization Interest

The Capital Project Securitization Fund earned interest revenue of \$617,805 during FY 2007-08. The terms and conditions of the bond issuance, for which this fund was established, do not allow this fund to accumulate interest. As a result, these interest earnings revert to the General Fund. Consistent with the purpose of the Securitization Fund, and Board direction regarding funding generated from capital projects securitization, staff recommends these revenues be allocated for building projects in lieu of being treated as general-purpose revenue. Staff recommends that your Board apportion the interest of \$617,805, the full amount of interest earned in the Capital Projects Securitization Fund in FY 2007-08, to the designation for fixed asset acquisition.

Placer County Budget and Financial Policies

The Placer County Budget and Financial Policies adopted by your Board incorporate recommendations from the Government Finance Officers Association and National Advisory Council on State and Local Budgeting, and promote financial stability and long term planning.¹ While the FY 2008-09 Proposed Budget provided funding for current operations, it did not include additions to the equipment and building reserves. To that end, as part of the year-end closing process, staff recommends an augmentation to capital reserves to maintain compliance with our adopted policies.

In FY 2007-08 budget no additions were made to the equipment and building reserves. In prior years an augmentation in an amount equal to the annual depreciation expense has been made in accordance with the adopted financial policy. To adhere to that policy staff recommends your Board augment the capital reserves with \$5,664,511 in FY 2007-08. The amount is equal to the annual depreciation expense for structures and equipment. The capital reserves are a critical part of the funding for the CFFP and due to current economic conditions the contribution to capital facilities is reduced in the proposed budget for FY 2008-09 and revenue from capital mitigation fees is less than estimated and expected to continue to drop. This addition to reserves does not cover the total depreciation expense for the year. An additional \$7 million would have been required to set aside funding for infrastructure depreciation.

Infrastructure

County staff has identified a number of bridge and road projects that need to be undertaken over the next decade. Given the significant cost related to these projects, staff will pursue outside funding sources such as State, Federal and other grant / funding sources. Typically these grants require an in-house "match" of funds be made by the requesting agency to apply against the total project cost. With current budget constraints is not making a request for funding this year.

Other Post-employment Benefits (OPEB)

In FY 2007-08 GASB 45, a new public sector accounting standard that relates to benefits provided for retirees other than pensions² was implemented. GASB 45 attempts to more fully represent the full liability of OPEB by requiring governmental agencies to include the amount of these long-term liabilities in their financial statements. In FY 2007-08 your board approved an agreement and election for Placer County to prefund the OPEB obligation through CalPERS reducing the unfunded liability and allowing the County to help fund the OPEB liability through investment earnings generated through CalPERS.

¹ The Government Finance Officers Association recommends the development and implementation of financial policies to guide the creation, maintenance, and use of government resources. Adopted policies enhance an organizations financial control by providing direction to decision makers, streamlines the decision-making process, and assists governments to avoid the hazards of a short-term horizon for decision-making. The National Advisory Council on State and Local Budgeting further recommends that these policies address stabilization funds, the use of one-time revenues, and contingency planning.

² OPEB mainly relates to retiree health care benefits, but can also include life insurance and other benefits.

Over the past three years your Board minimized the future impact of GASB 45 by proactively setting aside \$25 million in anticipation of the future contributions required to fund OPEB. In addition, in FY 2006-07 the County began to charge appropriations a percentage for every dollar of payroll paid to set aside for OPEB. To date, \$48 million has been collected and the first Annual Required Contribution (ARC) payment of \$25.9 million was made during the fiscal year in accordance with an actuarial evaluation. The balance remains in a County "trust fund" which earns interest. The ARC is currently estimated at \$25.9 million per year based upon a 30 year amortization and 7.75% discount rate.

CalPERS requires a new actuarial report every two years. The next report will be prepared during FY 2008-09 and the new ARC for FY 2009-10 is expected to be higher due to increases in health care and other retiree benefit costs and an increase in the number of retirees receiving the benefit. In order to continue to prefund the OPEB liability in keeping with Plan requirements and due to the expected increase in ARC payment for FY 2009-10, staff is recommending that your Board set aside \$4 million to fund liabilities associated with the required GASB 45 implementation.

To fully fund the ARC, the percentage charge to each appropriation to collect sufficient funding for OPEB will need to increase over the next several years. Setting aside additional funding at this time will serve to reduce the impact on departmental budgets.

Fiscal Impact:

In accordance with Government Code sections 29000 through 29144, all budget revisions between appropriations, of over-expended appropriations, of additional revenues, and for fixed assets or capital projects require your Board's approval. The attached year-end budget revisions were covered by increased revenue to offset the expenditure and do not require additional County resources. Approval of the recommended actions would promote Placer County's financial stability and contribute to funding levels identified in adopted County financial policies. The set aside for OPEB funding will help alleviate the impacts of increased OPEB costs on department budgets. This action will have no impact on the FY 2008-09 Proposed Budget adopted by the Board of Supervisor's in June 2008 as prior year budget savings will fund the request.

Attachments

Attachment #1

**Fiscal Year 2007-08
Final Budget Revisions**

<u>Appropriation Title</u>	<u>Increase Appropriation</u>	<u>Revenue Increases</u>
TART fund	\$124,000	\$124,000
Auto Theft Task Force Fund	95,191	95,191
Criminal Justice Other	30,000	30,000

PLACER COUNTY
BUDGET REVISION

PAS DOCUMENT NO.

259

Post Date: 13-01-2008

Dept No.	Doc Type	Total \$ Amount	Total Lines
19	BR	248,000.00	2

- Cash Transfer Required
- Reserve Cancellation Required
- Establish Reserve Required

-  Auditor-Controller
- County Executive
- Board of Supervisors

ESTIMATED REVENUE ADJUSTMENT								APPROPRIATION ADJUSTMENT									
Dept No.	T Code	Rev	OCA	PCA	OBJ L-3	Proj. No.	G/L Sub GL	AMOUNT	Dept No.	T Code	Rev	OCA	PCA	OBJ L-3	G/L	Sub GL	AMOUNT
19	014		990602	90602	8782			124,000.00	19	014		990602	90602	2556			124,000.00
TOTAL								124,000.00	TOTAL								124,000.00

REASON FOR REVISION: Unanticipated need to use more drivers from Placer County Transit and the contractor than anticipated. This was due to shortages in TART driver staff during peak periods of the season. When the PCT drivers are used they charge their time to TART which includes travel time to and from Auburn in addition to lodging and meal costs. This also led to the need to use county vehicles far more than budgeted for. Also, utility costs exceeded the budgeted amount by approximately \$20,000 due to both higher than anticipated costs and budgeting too low for this line item.

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Department Head Ken Grehm 

Board of Directors _____

Auditor-Controller _____

Date: 07/30/08

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Budget Revision # _____

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AUDITOR-CONTROLLER

PLACER COUNTY
BUDGET REVISION

PAS DOCUMENT NO.

260

Attachment A
[Signature]
Auditor-Controller

- Cash Transfer Required
- Reserve Cancellation Required
- Establish Reserve Required

- County Executive
- Board of Supervisors

Dept No.	Doc Type	Total \$ Amount	Total Lines
20	BR	190,382.00	2

ESTIMATED REVENUE ADJUSTMENT								APPROPRIATION ADJUSTMENT									
Dept No.	T Code	Rev	OCA	PCA	OBJ L-3	Proj. No.	G/L Sub GL	AMOUNT	Dept No.	T Code	Rev	OCA	PCA	OBJ L-3	Proj. No.	G/L Sub GL	AMOUNT
20	006		PRATTF	02412	7232			93,517.00	20	014		PRATTF	02412	2555			95,191.00
20	006		PRATTF	02412	6950			1,674.00									
TOTAL								95,191.00	TOTAL								95,191.00

REASON FOR REVISION: TO RECORD ADDITIONAL REVENUE RECEIVED FROM DMV FOR THE AUTO THEFT TASK FORCE

Fy-2007/08

Department Head *[Signature]*
 Board of Supervisors _____
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Date: 7/29/08
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PLACER COUNTY

BUDGET REVISION

PAS DOCUMENT NO. 261

POST DATE:

DEPT NO.	DOC TYPE	Total \$ Amount	TOTAL LINES
10	BR	60,000.00	2

Cash Transfer Required

Reserve Cancellation Required

Establish Reserve Required

 Auditor-Controller

 County Executive

Board of Supervisors

ESTIMATED REVENUE ADJUSTMENT

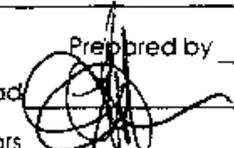
APPROPRIATION ADJUSTMENT

DEPT NO.	T/C	Rev	Fund	Sub Fund	OCA	PCA	OBJ 3	PROJ.	PROJ. DTL	AMOUNT
10	006				214800	21480	6856			30,000.00
TOTAL										30,000.00

DEPT NO.	T/C	Rev	Fund	Sub Fund	OCA	PCA	OBJ 3	PROJ.	PROJ. DTL	AMOUNT
10	014				214800	21480	3972			30,000.00
TOTAL										30,000.00

REASON FOR REVISION: To increase revenues and expenditures for Court Operating MOE due to MOE payment in excess of budget.
Excess revenues were higher than predicted.

Prepared by Linda Oakman Ext 4681

Department Head 

Board of Supervisors _____

Date: 7/31/08

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Budget Revision # _____ FOR INDIVIDUAL DEPT USE

