



**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 26, 2008

SUBJECT: FY 2008-09 Final Budget Public Hearing

ACTION REQUESTED

It is recommended that the Board:

- A. Convene the required public hearing on the FY 2008-09 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 Final Budget, which is comprised of the Proposed Budget with the following revisions:
- (1) Approve \$52,699,672 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) subject to staff returning at a later date with a net reduction in the overall allocation; 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);
 - (7) Authorize the Auditor-Controller to make technical, non-substantive budget adjustments to the Final Budget.

BACKGROUND

For two days in August your Board conducted Budget Workshops highlighting operations in all county departments, during which the County's Proposed Budget and recommended revisions were discussed. These workshops were the culmination of a process that began with direction your Board provided staff last fall, when it was apparent that county resources would be measurably impacted by the downturn of the economy, and your Board directed staff to enact hiring restrictions and other measures to reduce costs. The recommendations provided to your Board at the Budget Workshops also incorporated the guidance your Board provided at the

Strategic Planning Session in March, the Health and Human Services workshop your Board conducted in May, and the Proposed Budget that was adopted by your Board as the Placer County interim spending plan in June. This continuum of engagement and direction has enabled the County to address constrained revenues and our current and projected economic circumstances in a measured and strategic manner.

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 2008-09 operating plan at your Board's next meeting on September 9th as required by law. On September 9th, 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 \$3,260,102 in recommended funding from departmental proposed budgets for critical Board of Supervisor funding priorities, and
2. Provided \$2,500,000 to Health and Human Services for critical services that were reduced in the Proposed Budget due to State budget reductions. These funds will restore services in Child Protective Services, Children's Emergency Center staffing, Adult Protective Services, Community Health, and will fund the Business Advantage Network, which provides work experience and on the job training to CalWORKS recipients.

As discussed during the budget workshop, staff will return to the Board following adoption of the state budget to address related impacts to the county. An updated, multi-year budget projection will also be presented to the Board at that time.

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 2,845, representing a net increase of 1 position from the Proposed Budget. Specific adjustments include:

- Three additional probation officer positions (two deputy probation officers, and one senior deputy probation officer) for the Probation Department as part of the Alternative Sentencing Program approved by the Board on August 5th, 2008.
- Decrease of one senior probation officer position in the Sheriff Department in conjunction with the Alternative Sentencing Program actions mentioned above.
- Decrease of one supervising building inspector position in the Community Development Resource Agency.

¹ Outstanding encumbrances consisting of issued contracts and purchase orders are added to appropriations in FY 2008-09 but are not included in the totals presented today since the amounts were obligated in the prior year.

- Updated the risk management administrator classification specification and salary grade.

As discussed below, a number of allocated positions will continue to be unfunded this fiscal year. It is recommended that staff return to the Board at a later date with a "rebalanced" allocation ordinance which reflects the long-term anticipated staffing needs of the county.

Year-to-year funded positions however, have declined by 137 positions, from 2,751 funded positions in 2007-08, to 2,614 funded positions in 2008-09. It is anticipated that the net reduction in funded positions will continue for the foreseeable future, and it is further likely that departments will hold a significant number of funded positions vacant where possible.

The next several years will present numerous, and sometimes difficult budgetary challenges for the county and departments will need to continue to seek operational economies and efficiencies for service delivery. While comparing Final Budgets 2007-08 to 2008-09, overall county expenditures have increased over \$73 million (from \$792.2 million to \$865.3 million); however the bulk of the increase (over \$62 million) is funding road, capital and infrastructure projects and the funds that are being expended were dedicated to these projects in prior years.

As highlighted in the table below, the 2008-09 Final Budget² presented to your Board today represents a net increase of \$52.7 million over the adopted 2008-09 Proposed Budget.

Operating Funds	Proposed Budget	Changes	Final Budget
General Fund	\$ 371,051,401	\$ 5,771,818	\$ 376,823,219
Other Operating Funds	155,899,266	7,074,825	162,974,091
Capital Budget	285,672,484	39,853,028	325,525,512
Total Budget:	\$ 812,623,151	\$ 52,699,671	\$ 865,322,822

GENERAL FUND - Summary Changes from the Proposed Budget

Recommended General Fund expenditure changes total \$5.8 million. Staff recommendations include

- Increased revenue and expenditures in the amount of \$1.5 million for restricted or grant funded programs (a Homeland Security Grant, increases to the Stormwater Inspection Program and the Above Ground Storage Tank Inspection Program, costs for one filled Environmental Health position, one weight truck for the Agricultural Commissioner with partially offsetting revenue, and increases in Traffic School revenues and expenditures). Overall increased General Fund revenues are partially offset by a reduction in estimated property tax revenues of \$1.3 million.
- As noted previously, an increase of \$2.5 million for Health and Human Services, partially restoring funding for Child Protective Services, Children's Emergency Center staffing, Adult Protective Services, Community Health, and funding for the Business Advantage

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

Network, which provides work experience and on the job training to CalWORKS recipients.

- A net increase of \$643,378 for Public Safety, including one-time Other Post Employment Benefits (OPEB) funding for two bailiff positions, as well as one-time and ongoing funding for the Alternative Sentencing Program mentioned earlier in this document (FY 2008-09 increased General Fund contribution to Public Safety is \$6 million).
- Other items include: partial restoration of funding for capital contributions, rebudgeted funding for the federal HR 2389 Program, rebudgeted funding for the Hazardous Vegetation Removal Ordinance, funding for the Placer County Conservation Plan, and funding for affordable housing.

Additional resources used to fund these recommendations also total \$5.8 million and are derived from several sources including additional year-end fund balance carryover (\$3.3 million), plus additional Transient Occupancy Tax and other revenues totaling \$1 million, and \$1.5 million in restricted / grant program revenues.

General Fund expenditures in the Final Budget also reflect the redirection of \$2.8 million in existing contributions from departmental budgets that were used to fund critical Board priorities, and to provide resources in anticipation of budgetary challenges.

It should be noted that, as of this writing, the state is still without an adopted budget, and given the magnitude of the potential reductions that could come with the state budget, including the potential suspension of Proposition 1A and other programmatic reductions, it is not unrealistic to suggest the county could see state cuts in the range of \$8-10 million. Through the Budget Policies adopted by your Board, and the guidance your board has provided at hearings throughout the year, Placer County is better positioned to weather the difficult choices that could be required in the coming months. However, 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, and in some cases even negative 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. Given these concerns and as is county practice, staff will be closely tracking both the county and state budget throughout the coming fiscal year.

Due to lack of available funding, 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 adjustments 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 or balanced using additional final fund

balances, revenue increases, and/or reserve cancellations. Budget uses are increased or maintained for budget items if funding is available, including rebudgeted costs from FY 2007-08, 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 2008-09 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	\$ 26,483,118	\$ 350,340,101	\$ 376,823,219	\$ 376,823,219
Community Services	258,210	1,832,520	2,090,730	2,090,730
Community Grants	(70,860)	532,501	461,641	461,641
Special Aviation	18,726	100,000	118,726	118,726
Public Safety	5,061,023	127,335,595	132,396,618	132,396,618
DMV Special Collections	219,062	528,000	747,062	747,062
Gold Country Adv & Promotion	75,275	240,000	315,275	315,275
Fish and Game	3,831	1,200	5,031	5,031
Lake Tahoe	1,246,631	4,411,481	5,658,112	5,658,112
Open Space	114,343	1,218,716	1,333,059	1,333,059
County Library	532,723	5,824,698	6,357,421	6,357,421
Fire Fund	431,327	8,441,321	8,872,648	8,872,648
Debt Service Fund	64,802	4,552,966	4,617,768	4,617,768
Subtotal Operating:	\$ 34,438,211	\$ 505,359,099	\$ 539,797,310	\$ 539,797,310
Building Projects	47,747,329	\$ 124,489,268	\$ 172,236,597	\$ 172,236,597
Road Projects	3,088,258	150,200,657	\$ 153,288,915	153,288,915
Subtotal Capital:	\$ 50,835,587	\$ 274,689,925	\$ 325,525,512	\$ 325,525,512
TOTAL	\$ 85,273,798	\$ 780,049,024	\$ 865,322,822	\$ 865,322,822

SUPPLEMENTAL INFORMATION

Final Budget Hearing – Summary of Recommended Operating Fund revisions from the FY 2008-09 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 (\$61,657).

Community Revitalization Fund / 104

A cancellation of reserve account, Designations for Contingencies (\$70,860) in the Community Revitalization Fund is recommended due to the timing of receipt for anticipated grant and loan funds.

Special Aviation / 107

Excess carryover fund balance in the Special Aviation Fund is recommended for the reserve account, Designation for Contingencies (\$6,226).

Public Safety Fund / 110

Recommended increases in revenue (\$2.0 million) and an increased contribution from the General Fund (\$570,550) 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 \$2.4 million and increased expenditures of \$1.4 million. Final Budget recommendations for the District Attorney's budget include decreased revenues of \$592,123 and decreased expenditures of \$52,287. Final Budget recommendations for the Probation Department include a revenue increase of \$801,143 and expenditure increases of \$943,173.

With Final Budget, the Criminal Justice CEO recommended revenue has remained as in proposed budget with increased expenditures of \$1.1 million to cover a re-budgeted helicopter loan, OPEB funding for two new bailiff positions, funding for a dispatch study, and contingency funding to cover possible State revenue reductions and increases in labor costs.

DMV Special Collections / 111

The DMV Special Collections includes funds for the Automated Mobile and Fixed Fingerprint Program as well as the Auto Theft Task Force. Excess carryover fund balance of \$219,062 will be used to provide additional funds for these programs in the Final Budget.

Gold Country Tourism and Promotion / 115

The Gold County Tourism & Promotions Fund contained less than anticipated amount of carryover fund balance for 2008-09, and will be balanced by lowering expenditures by \$39,342 to reflect this reduced level of available funding.

Road Fund / 120

Total funding recommendations for the Road Fund have increased from Proposed Budget at \$153.2 million (vs. \$135.7 million). The figures in the Final Budget for the Road Fund include carryover fund balance (\$3,088,258), cancellation of reserves (\$963,081), and a decrease in revenue (\$1,903,137). Road Fund includes funding for construction and road surface projects and road maintenance including the South Phase of Auburn-Folsom Widening Project, Foresthill Bridge Seismic Retrofit and Painting Projects, and groundbreakings for the second phase of the Interstate 80 Bottleneck and the Highway 65 Bypass projects. The Road Fund will cancel the following reserves: \$144,935 Designation for Hulbert Highway 49, \$10,342 Designation for Douglas Blvd Pathways and Landscape; \$808,000 Designation for the Painting of the Foresthill Bridge and add \$196 to Right of Way Reserves.

Fish and Game / 130

The Fish and Game Fund will place excess carryover fund balance into a reserve account, Designation for Future Occurrences (\$3,918).

Building Fund / Capital Improvements / 140

The Capital Improvement Fund Final Budget reduces revenues by a total of \$12.8 million, which is fully offset by additional carryover fund balance (\$33.6 million). Final Budget recommendations include additions and reductions to specific capital project due to the timing of construction costs, resulting in a net increase in expenditures of \$20.6 million. Finally, the Building Fund has placed excess carryover fund balance of \$138,563 into the reserve account, Designated for Fixed Asset Acquisition.

Lake Tahoe Tourism and Promotion / 145

The Lake Tahoe Tourism and Promotions Fund excess carryover fund balance will provide the General Fund with much needed additional revenue that will provide services to the North Lake Tahoe region (\$1.2 million). The Lake Tahoe Tourism Fund will place remaining excess carryover fund balance into the reserve account, Designation for Other Restricted.

Open Space / 150

The Open Space Fund provides funding for acquisitions of open space property and easements, and capital improvements. With Final Budget, the Open Space Fund will add \$114,343 to a reserve account, Designation for Open Space Acquisition.

Library Fund / 160

Final budget recommendations include a reduction in General Fund contribution of \$99,960 to redirect toward critical Board of Supervisor budget priorities. The Library will place excess carryover fund balance of \$250,961 into a reserve account, Designated for Contingencies.

Fire Control Fund / 170

Final Budget recommendations for the Fire Protection Fund include increased funding from the Sunset West Community Service Area (\$915,721) and a reduction in funding from secured property taxes (\$24,645). The fund will place excess carryover fund balance in a reserve account, Designated for Fixed Assets (\$263,960).

Debt Service Fund / 190

Excess carryover fund balance in the Debt Service Fund is recommended for the reserve account, Designations for Future Occurrences (\$56,302).