



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

TO: Honorable Board of Supervisors
FROM: *JM* Thomas M. Miller, County Executive Officer
Submitted by: Jeff Bell, County Budget Administrator
DATE: May 26, 2009
SUBJECT: Adopt Placer County's FY 2009-10 Proposed Budget

REQUEST

It is requested that the Board of Supervisors:

1. Adopt the FY 2009-10 Proposed Budget.
2. Adopt the FY 2009-10 Proposed Budgets for Lighting Districts, County Service Area Zones (CSA), and Sewer Maintenance Districts governed by your Board.
3. Authorize the Auditor-Controller to make technical, non-substantive budget adjustments to the Final Budget.
4. Approve early purchase of equipment on the Master Fixed Asset Lists.

BACKGROUND

Throughout the past several fiscal years, the Board has prepared for and been ahead of the curve in addressing fiscal challenges in both our state and national economy in regards to impacts on local government. This year is no different. In 2009-10, the county addressed an \$18.6 million shortfall through the use of a variety of one-time and ongoing solutions that were developed during a process that began virtually right after the current year budget was passed; a budget that already constrained ongoing expenses. These solutions include the prudent use of reserves, one-time reductions in charges, ongoing budget reductions, and reductions in labor costs. Through careful planning and retooling for the future, this \$769 million balanced budget continues to provide services to our constituents and meet important obligations to our citizenry.

As has been the case since 2007, revenue projections and the volatility of economic indicators have made it apparent that Placer County must continuously plan to take aggressive budgetary action to live within its means. Given this environment, beginning in early fall of 2008, the County took a number of steps to accelerate the budgetary planning process for 2009-10:

- In October, CEO staff met with department heads and their staff to review administrative cost drivers such as fleet and personal vehicle usage, extra-help costs, communications costs, productivity issues, and other expenses. The subsequent efforts of those meetings resulted in annual, ongoing savings of \$827,000.

- In November and December CEO staff held the first of two additional rounds of meetings with department heads and their budget staff, to discuss their budgets and the budget constraints for the coming fiscal year, in anticipation of both an accelerated budget timeline, and the concise budget book intended for production this year.
- Final meetings were held in January and February to refine the proposals contained in the document proposed for your approval today. These meetings were thorough, productive, and helped ensure that all departments had a common understanding of the serious fiscal circumstances under which we are operating.

Earlier actions put into place in late 2007 that were designed to slow and reduce expenditures, such as our more restrictive countywide hiring practices and careful evaluation of large capital expenditures, also still remain in effect. These steps, combined with other cost saving measures, are designed to provide more fund balance and reduce future costs in light of the anticipated funding constraints Placer County will face in 2009-10 and beyond. While some of the early budget reductions have been one-time in nature, as the county moves forward through the next couple fiscal years, it is anticipated that budget reductions of a more structural, ongoing nature will be recommended to offset anticipated ongoing reductions in revenue.

Upon adoption by the Board of Supervisors the Proposed Budget will become the County's interim spending plan effective July 1st. During this interim period, the Governor's May Revision of the 2009-10 Budget Act is being evaluated to determine its impacts on Placer County. The Final Budget must be adopted by October 2nd under County Budget Act requirements.

FY 2009-10 PROPOSED BUDGET

Placer County's Proposed Budget is recommended at \$769,002,759, representing a decrease of \$96.3 million or 11.1% when compared to the adopted FY 2008-09 Final Budget.

- The Operating Budget is proposed to decrease by 2.5% (\$13.4 million)
- Capital and Road Infrastructure funding is proposed to decrease by 24.7% \$80.4 million
- The 2009-10 Operating Budget includes;
 - \$333.9 million in General Fund revenues, which is \$16.5 million less than in the current year. It also contains;
 - \$390.1 million in other revenues;
 - \$40.7 million in fund balance carryover;
 - \$4.3 million in General Fund and other fund reserves.

The Proposed Budget contains \$245.4 million in Capital and Road Infrastructure Funds, which is a decrease of 25% when compared to the current year. Capital and Road Infrastructure Funds are supported by \$231.4 million in revenues and \$14 million in fund balances.

The Proposed Budget includes 2,766 recommended employee position allocations, which is 78 less than were approved in the FY 2008-09 Final Budget. (Includes both Operating and Capital Projects Budgets.) Additionally, as part of our continuing effort to reign in expenditures, there are at this time 137 funded positions being held open countywide.

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. Excluding contributions to public safety departments, overall General Fund Operating Expenditures are \$285.2 million. The total General Fund is recommended at \$361.9 million, reflecting a decrease of \$13.3 million or 3.6% when compared to the prior year's Final Budget. Despite this overall decrease, the General Fund contribution to the Public Safety Fund is recommended to increase from \$75.2 million to \$76.7 million.

Contributions to other funds include \$3.8 million General Fund required matching contribution for the Public Ways & Facilities (Road) Fund for supplemental road maintenance and overlay projects. The General Fund also makes contributions to other funds to help support activities including the public safety departments of Sheriff, Probation, District Attorney and Criminal Justice CEO (\$76.7 million), Placer County Fire (\$1,098,000) and debt service (\$2,713,713).

General Fund Contingency Funding. The recommended General Fund contingency funding set-aside for unanticipated expenditures or revenue shortfalls is 1.3% of General Fund operating costs, or \$4.6 million for FY 2009-10. These funds may be used for operating costs and / or unanticipated revenue decreases, and for items that need to be carried forward and re-budgeted from the prior fiscal year.

Use of Reserves. Maintenance of prudent reserves has been part of the County's fiscal planning process for many years. This policy has allowed Placer County to set aside resources for difficult budget years, and has provided a solid foundation for county revenues. However, given the persistence of the current economic downturn and the significant impact it has had on our county revenues, consistent with Board direction earlier this year the Proposed Budget recommends the use of \$4 million in General Fund reserves in 2009-10 to balance the budget. This proposed action will bring our General Fund General Reserve and Designation for Economic Uncertainties level to 3.5%.

Revenue Estimates. The economy has provided additional General Fund revenues, budgeted at \$333.9 million, down \$13.9 million or 4.0% from the prior year Proposed Budget. The decline in General Fund revenue is rooted in a variety of declining revenue sources, the largest of which is an anticipated 2% reduction in revenue from secured roll property taxes. Property Tax in lieu of motor vehicle license fee (VLF) budgeted revenues are estimated to be down by a commensurate amount. These revenues are tied to the level of growth associated with a jurisdiction's assessed valuation, and given the reduction in growth in Placer County over the past year, this allocation is down when compared to the current year. The continuing economic downturn has also considerably reduced county sales tax revenues, resulting in an estimated 16% reduction in sales tax revenue in the Proposed Budget (\$8.8 million). Overall, property and other tax categories are budgeted \$10.8 million less than last year's budget. Other general revenues are estimated based upon current year or prior year's receipts including, transient occupancy taxes (\$4.9 million, down \$579,000), and interest earnings (\$2 million, down \$3 million).

Anticipated General Fund revenues 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 resulting largely from savings in salary and benefits, as well as savings in the services and supplies category. It is also the result of revenue received in excess of the amount budgeted, and is recommended at \$24.0 million or 6.6% of the total resources in this balanced budget.

General Fund allocated positions in the Proposed Budget have declined significantly when compared to 2008-09, dropping from 1,711 to 1,632, or -4.6% as part of the December 2008 Mid-Year Budget Revision. Additionally, at least 82 of the remaining General Fund positions are being held vacant (137 positions held vacant when including all funding sources) in an effort to reduce county staffing costs.

Other Operating Funds

In addition to the General Fund, the County manages twelve other governmental operating funds and two capital road/infrastructure funds. Most large operating funds have seen significant dollar or percentage decreases from the prior year, while some of the smaller grant-based operating funds have seen some increases due to grant timing (Community Services Fund).

The *Public Safety Fund* is made up of four departments: Sheriff, District Attorney, Probation and the County Executive Office. The FY 2009-10 Public Safety Fund budget is recommended at \$128.5 million, a decrease of \$3.9 million or 3.0% from the prior year final budget. The recommended budget is \$6.8 million less than departmental budget requests, but this level of funding nonetheless provides the departments with important resources and helps to defray reductions in state and sales tax revenue noted below. Revenue estimates for public safety are \$126.5 million, which is \$855,882 or 0.7% less than in the current year. Included in this amount is an estimated \$30.5 million in public safety sales tax (Proposition 172 funding), which is down sharply from the \$34.9 million budgeted in the current year. Public safety sales tax revenue depends upon both statewide and local sales tax generation for receipt, and the reduction in this revenue source is yet another example of the impact the downturn in the economy is having on the county budget. The General Fund contribution to the Public Safety Fund has increased from \$75.2 million to \$76.7 million. Included within this contribution is \$5.5 million to offset State Controller's Cost Allocation Plan costs. The Public Safety Fund is balanced with \$2 million in public safety estimated fund balance carryover.

Capital and Road Infrastructure Budgets

The *Public Ways and Facilities Fund*, also commonly referred to as the Road Fund, provides engineering services in the area of design, construction and contract administration for both the County and private land development projects. The fund also maintains, protects and improves approximately 1,000 miles of roads, and accounts for road and road-related storm maintenance, including snow removal and road engineering and construction. The net budget of \$108.0 million represents a decrease of \$45.3 million (-29.5%) as compared to the \$153.3 million budgeted in the current year. This difference is due in large part to the significant number of large road construction projects that had large amounts of funding encumbered in 2008-09, including the Auburn Folsom Road 4-Lane project, the Sunset / HWY 65 Interchange, the Kings Beach

Sidewalk project, as well as a number of Proposition 1B funded road overlay projects. The Public Ways and Facilities Fund balances with \$3.4 million in estimated fund balance carryover. Two separate funds make up the Capital Project Budget: the *Capital Project Fund and the Capital Project Securitization Fund*. In many years both of these funds are used for the construction and remodeling of county buildings; however in FY 2009-10 only the Capital Project Fund is proposed, as no projects are intended for the Capital Project Securitization Fund. Project priority is determined by whether a project is identified in the Capital Improvements Master Plan, mitigates health and safety needs, improves departmental operations, or preserves and extends the life of an existing county facility. The FY 2009-10 *Capital Projects Fund* budget is recommended at \$137 million, a decrease of \$35.3 million from the prior year budget. Recommended project costs for FY 2009-10 are \$136.3 million, compared to the \$171.6 million in the prior fiscal year. The primary reason for the decrease in project construction costs is the completion of some large capital projects in 2008-09, including the South Placer Courthouse and the Santucci Justice Center.

Specific projects that have been identified in the recommended budget for current year project funding include, but are not limited to: the South Placer Adult Detention Facility, the West Placer Animal Shelter, Burton Creek Justice Center, Rocklin Branch Library, Auburn Animal Shelter, Cabin Creek Facility, Colfax Library, and other projects. The Capital Projects Fund will receive \$126.3 million in revenue and project reimbursement, and is balanced with \$10.7 million in estimated fund balance carryover.

FY 2009-10 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 187 Districts and CSA zones. The Proposed Budgets for Special Districts governed by your Board are in a separate volume from the Placer County Proposed 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 2009-10 revenue projections 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 adopted by October 2nd under County Budget Act requirements.

Attachments: Placer County FY 2009-10 Proposed Budget
Placer County FY 2009-10 Proposed Budget for Special Districts

